

Ofcom's Second Public Service Broadcasting Review

Phase One: The Digital Opportunity

Seirbheis nam Meadhanan Gàidhlig (Gaelic Media Service, or GMS) welcomes the opportunity to respond to this consultation. Our comments are focused upon the four broad themes which we believe form the core of the debate: (1) the continuing relevance of public service broadcasting; (2) the importance of plurality; (3) the interdependency of the Public Service Broadcasting and the Digital Dividend Reviews; and (4) the role of new media and new platforms.

Continuing Relevance of Public Service Broadcasting

GMS strongly believes in the continuing relevance of public service broadcasting to the social, cultural and democratic richness of the UK. We are pleased that Ofcom continues to recognise the proposed Gaelic Digital Service as being a public service broadcaster (PSB), although it has not yet been designated as such in statute.

Ofcom concluded in its earlier analysis that public service broadcasting goes beyond the relatively narrow economic concept of addressing market failure. Rather, it is about serving broader public purposes, about enriching the lives of citizens with programmes which inform, educate and entertain. GMS believes that it is essential that this broader vision of public service broadcasting is maintained. We are of the view that adopting a narrow market failure definition (under which public service broadcasting would retreat to cover only those areas of content provision which are not commercially viable) results in cost benefit analyses such as those currently being advanced in support of the reduction of the public service broadcasting obligations of certain PSBs.

At GMS, we strive to meet the broader PSB purposes of *Informing our understanding of the world* and *Representing diversity and alternative viewpoints* through the funding and championing of programmes such as *Èorpa*, the European topical affairs series which has drawn so much praise recently as an example of the kind of programme that viewers in Scotland appreciate and would wish to see in the English language.

GMS has always seen as highly important *Stimulating knowledge and learning* and we have done so through the allocation of a high percentage of our programmes budgets to a wide variety of educational and children's content and to the arts (for example the recurring series *Ealtainn* which draws critical acclaim).

GMS believes that we reflect and strengthen cultural identity through original programming at national and regional level, often seamlessly bringing together Gaelic and English-only audiences through the broad appeal of programmes in certain genres and the availability of on-screen subtitles (for example, the sports series in 2007 on shinty and mountain biking) in this way *Reflecting UK cultural identity*.

Our funded content demonstrates the characteristics of public service broadcasting - **High quality, Original, Innovative, Challenging** and **Engaging**. In addition it is of crucial importance to us that our funded content is **Widely available** and it for this reason that, in partnership with the BBC, we will be launching a dedicated Gaelic channel on digital platforms (available initially on satellite platforms throughout the UK and then progressively on cable and digital terrestrial television(DTT)).

We welcome recent reports from the Scottish Broadcasting Commission¹ and the King Report² for the BBC Trust which provide further food for thought on the issue of whether public service broadcasting is serving the people of Scotland as they would wish. We are of the view that the new Gaelic Digital Service will form part of the solution to the challenges facing public service broadcasting provision in Scotland and we look forward to playing our full part.

Plurality

GMS agrees with Ofcom that plurality of PSB provision is essential, not only for its democratic benefits, but also for providing competition for quality. It is also important to note that plurality is needed not only at the UK level, but also within Scotland. How should PSB plurality be provided in future?

While it may appear inevitable in the medium to longer term that ITV/stv will lose their PSB status – either voluntarily or otherwise – GMS believes that, with respect to ITV/stv, the current PSB system has more shelf-life than Ofcom’s review suggests. In addition, we believe that the benefits of PSB status may be understated or undervalued. Examples include:

- the “appropriate prominence” which the EPG code bestows to PSBs in the channel line up is highly valuable;
- the continuation of subsidised spectrum pricing for PSBs post Digital Switchover and the fact that the PSBs are also DTT multiplex operators and as such are able to control allocation of spectrum to their own secondary services;
- the brand-building and audience loyalty that comes from regional news and current affairs;
- the greater opportunities for cross-promotion;
- the continuing USP characteristics of rapid mass market advertising reach; and
- the access to listed (sporting) events.

We consider that the cost/benefit evaluation of public service broadcasting currently in the public domain is not sufficiently transparent to enable definitive assessments to be made at this time. By way of example the recent opinion of the EU in the matter of the proposed digital switchover help for Channel 4 out of the BBC licence fee makes it clear that economically robust analysis of the true costs of public service obligations should examine carefully the impact of commercial outcomes within the organisation undertaking the expenditure.

¹ <http://www.scottishbroadcastingcommission.gov.uk/>

² <http://www.bbc.co.uk/bbctrust/research/impartiality/nations.html>

Plurality should not be regarded as being dependent upon the existing PSBs. Past changes to the structure of PSB provision, such as the launches of BBC2 and Channel 4, have illustrated the innovative benefits of developing the existing broadcasting ecology. It is important that, while the BBC will undoubtedly continue to be a public service broadcasting cornerstone, future plans should look beyond the current institutional structure. This is a particular problem for the DTT platform, where there is a danger that the priority and both explicit and implicit public subsidy which DTT enjoys, could have the counterproductive effect of squeezing out competition.

Interdependency with Digital Dividend Review

The significance of the DTT platform to future PSB provision emphasises the interdependency of the Public Service Broadcasting and Digital Dividend Reviews. We are concerned that the significance of this interdependency is not given sufficient prominence or clarity in Ofcom's Public Service Broadcasting consultation document.

For example, by concluding on the reorganisation of digital terrestrial spectrum before embarking on this review, Ofcom has made long term recommendations – in discussion with the major PSBs – governing the access of PSBs and others to spectrum for High Definition and indigenous language services.

We would wish to see more detailed and informed consideration given to the feasibility of alternative 'greenfield' PSB structures, particularly for Scotland. The challenges which the current PSBs face in adapting to the realities of a devolved UK, as highlighted in the King Report and the interim report of the Scottish Broadcasting Commission, add considerable weight to this proposal. For example, how feasible is a dedicated Scottish multiplex? Could this access be in cleared as well as geographical interleaved spectrum? Would the spectrum required be "ring-fenced" for PSB in Scotland? What are the implications of a federal structure for the BBC? How can the current legal issues around buying content only for Scotland be addressed? These are not easy questions to answer, but it would be hugely regrettable to miss the once-in-a-generation opportunity to give adequate consideration to the full range of Scottish PSB opportunities.

New media and new platforms

The rapid pace of change and how quickly broadband connectivity can be made universally available at prices affordable to everyone so as to overtake other delivery platforms in terms of importance will be key determinants of the way forward.

A significant challenge is that infrastructure providers need an environment which will allow new business models to emerge to support the provision of universal superfast broadband access. Policy interventions are likely to be required to stimulate investment, to overcome geographic capacity constraints and address economic barriers to take-up particularly among the socially excluded. In-depth analysis is urgently needed to bring about a strategy for universal access to broadband in Scotland.

Increasing competition and major technology developments mean that audiences are increasingly able to find the same content by different means and at times not dictated by the broadcaster. With convergence gathering pace the regulatory regimes of, and the use of regulatory assets in, the telecommunications and broadcasting sectors should be increasingly harmonised. For this reason we would recommend that Ofcom also opens up for debate the question of the extent to which universal access to public service

content in the future will require four separate major platforms – satellite, cable, digital terrestrial and online - as well as mobile platforms.

Views on Ofcom's proposed models for funding and providing public service content

We accept that the current situation will not do for the future. The competing demands of the requirement for commercial PSBs to make profits for their shareholders while also delivering services with the hallmarks of public service broadcasting may indeed be impossible to service in 21st century Britain. For that reason we agree that Model 1 is unlikely to provide a long term framework for public service broadcasting.

GMS is of the view that the arguments made by commercial PSBs for a lessening of their public service broadcasting obligations in line with the diminishing value of analogue spectrum may have merit but are as yet unproven. Although the value of analogue spectrum is diminishing, it should not be overlooked that the commercial PSBs have access to prominent EPG placement, have legacy audience loyalty and brand from their PSB investments and, at the very least, have the potential to derive significant benefits from their roles as operators or part-operators of DTT multiplexes which extend beyond their strict PSB requirements.

We believe that specific Scotland-wide interventions to improve the status quo should not be ruled out. However if this were to extend to the creation of a new Scottish channel there will be state aid issues to consider (as seen with RTE and TG4) and transparency of process will require consideration of the question of whether the current Channel 3 licensee ought to surrender its licence and EPG prominence in order to compete with others for the establishment of that channel.

Model 1 – evolution - should therefore not be discounted too readily.

As regards Model 2 – BBC only – we are of the view that public service broadcasting requires plurality of provision and competition for audiences. We believe that partnerships with the BBC may be capable of addressing certain situations where plurality is desirable. The new Gaelic channel - to be launched by GMS and the BBC in partnership later on this summer – will draw on a creative collaboration to give a breadth of view and offering that one party alone may not have been able to deliver. That partnership is a specific response to a specific set of needs and while it may not bear easy replication it does signify a bold new spirit of co-operation where the resources of both parties are put to best use. Therefore for public service broadcasting in general we would only favour a BBC-only solution if accompanied by a radical partnership framework.

Model 3 – the BBC and C4 plus limited competitive funding – is feasible. We are convinced that C4 is an essential part of the UK PSB landscape, and that often it adds value in excess of its cost base. For example we believe that its focus on creativity and developing talent is a beacon of good practice. Both C4 and the BBC, however, appeal to broadly similar socio-economic groups and we would wish to see proposals that would secure that all sections of the audience were equally well served by public service broadcasting. We would also wish to see a specific commitment to the nations, either through C4 committing to a specific nations remit or through the establishment of contestable funding specifically for the purposes of providing programming for Scotland by a broadcaster other than the BBC.

Model 4 – broad competitive funding – is an innovative and bold prospect which could take into account technological advances and changing patterns of consumption. We recognise however that there are many possible scenarios under Model 4. In the case of Gaelic broadcasting we prefer a model which brings the promise of coherence and sustainability for the future, and this seems to be best found in the partnership of GMS with the BBC. Therefore Model 4 is, for the present, not required for Gaelic provision although in due course there may be merit in the idea.

Conclusion

A full and transparent economic analysis is essential for a satisfactory conclusion to the Public Service Broadcasting review. It is also essential that this assessment should provide a level playing field by addressing relevant opportunity costs in comparing options, for example pricing of digital spectrum below open market levels for PSBs on existing MUXs.

We believe that the new Gaelic channel has all the hallmarks of PSB and should be designated a PSB and allocated capacity on all platforms, including DTT.

Ofcom should recommend the creation of a public policy for a consistent approach to strategy and funding for UK autochthonous language broadcast provision. This should include reservation of capacity on broadcast platforms in each of the nations, or the setting of a framework for audience, language and cultural development that bestows transparency of process.

Finally, we look forward to being fully involved in the next stage in the consultation and we commend Ofcom's initiative in leading this timely debate.

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