



# **Ofcom's Second Public Service Broadcasting Review**

*An IPA viewpoint*

**May 2008**

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The IPA welcomes this opportunity to submit views on above review.

## **1 About the IPA**

- 1.1 The Institute of Practitioners in Advertising is the trade body and professional institute for UK advertising, media and marketing communications agencies. Our 273 corporate members, who are based throughout the country, handle over 80% of the UK's advertising worth £18 billion in 2006 (Ad. Assoc. Statistics Year Book 2007), on behalf of many tens of thousands of their client companies and organisations worldwide.
- 1.2 Since its inception, one of the IPA's core aims has been to encourage and ensure the existence of high-quality media through which our members can deliver their clients' commercial messages.
- 1.3 It is in this context that our observations on the future of public service broadcasting in the UK are based.

## **2 Scope of this response**

- 2.1 As the trade body for UK advertising and marketing communications agencies, we have restricted our comments to three areas: the importance of public service broadcasting to the advertising industry, its future funding - and which of the envisaged PSB operating scenarios appears most practicable and desirable from the advertising industry's point of view.

## **3 The importance of public service broadcasting to the ad industry**

- 3.1 Perhaps surprisingly for a commercially orientated body, the IPA is firm believer in PSB.

- 3.2 The stance derives from two sources:

*Social responsibility* – in that we believe that public service broadcasting has played, and continues to play, a key role in the very fabric of UK society (i.e. it is important in itself), and

*Commercial* – in that PSB helps set benchmarks for the quality of broadcasting as a whole, while drawing into the media, a

wider cross-section of the community, to whom our members can then deliver their commercial messages.

- 3.3 Thus, although the BBC's public service output will not offer our members direct commercial opportunity, it will nevertheless be valuable in setting standards and ensuring that lighter and more upmarket listeners and viewers maintain their relationship with the media – while the PSB programming broadcast by the terrestrial commercial stations will draw in sections of the population for whom their more general programming might be less attractive.
- 3.4 This ability to deliver commercial messages to more difficult to reach audiences on TV is most valuable to advertisers in relation to Channel 4.
- 3.5 While IPA members would generally be content to allow the remaining PSB commercial stations to be freed of their current public service obligations to pursue more mass-market audiences, Channel 4's founding principle "to encourage, innovate and experiment in the form and content of programmes to cater for interests that ITV does not" has enabled it to attract a steady 10% share of overall viewing, with a particularly strong following among much sought-after young, light and upmarket viewers.
- 3.6 The maintenance of a healthy Channel 4 capable of delivering these audiences is thus of major concern - and an area where we believe specific action will be required if our members are to continue to be able to tap into these normally difficult to reach, extremely valuable sections of the population.

#### **4 The need for action**

- 4.1 The analysis put forward in Ofcom's consultation paper highlights the dilemma facing public service broadcasting in the UK and, we believe, underlines the need for positive action.
- 4.2 While leaving PSB to become the sole preserve of the BBC may be undesirable to Ofcom on plurality grounds – we believe that from an advertiser's point of view, it holds additional, equally important concerns.
- 4.3 We have already mentioned the significant loss in targeted audience terms, which would occur if Channel 4 were forced to adopt a mass-market approach to its programming - alongside this, we should also be concerned about the potential future attitude of the BBC in a situation in which it, alone, represented public-service output to the nation.

- 4.4 Put simply, if this were the case, we should worry that the Corporation would feel it incumbent on itself to embark on an expansionist programme under a public-service banner to the detriment of existing commercial competitors.
- 4.5 Ofcom has already highlighted the likelihood that BBC funding will continue to grow in line with the rise in the number of households paying the licence fee and increased profits from BBC Worldwide.
- 4.6 In these circumstances, we would have real concerns that a cash-rich Corporation, with a crusading cause, would be inevitably tempted to spread its activities to areas unnecessary and harmful to its commercial rivals, whom it would then crush through a combination of cross-promotion and financial might.
- 4.7 While the BBC Trust may have been set up, among other things, to prevent such an occurrence, we are unsure that it would be able to block this when confronted with a justification based on PSB diversification. We do not believe that this would be to the good of the market.
- 4.8 Thus, while we would endorse the BBC remaining “the cornerstone of public service broadcasting the UK”, we believe it vital that other exponents remain in the field.

## **5 Observations on PSB future funding options**

- 5.1 Ofcom’s review paper has put forward four possible sources for future public-service funding on which we would make the following observations:

*Direct public funding:* leaving aside the Treasury’s probable aversion to increased public spending, we would be concerned at the linkage of PSB to political influence and believe it to be too important to be left to variable/uncertain sources like lottery funds or hypothecated proceeds from spectrum awards.

*The supply of regulatory assets:* each of the various assets suggested holds concerns for our members. We are unsure that access to spectrum at lower than market prices would solve Channel 4’s real funding problems, while increased advertising minutage could potentially damage broadcast quality/viewer enjoyment - and could tie PSB dangerously to the volatilities of the advertising market.

*Industry funding for public-service content:* levies on broadcasters, equipment sales and ISP subscriptions do have a certain appeal, but we are unsure how this approach has worked in Canada and Finland, and are concerned that impositions on ISPs could potentially inhibit the growth of broadband. A

combination of levies and the reallocation of part of the BBC licence fee, however, could offer a potential option.

*The BBC licence fee:* for the reasons given above, we would see considerable merit in redeploying some of the existing BBC licence fee to other providers – and, in particular, the monies currently ring-fenced for the Digital Switchover Help Scheme and Digital UK’s marketing budget, whose reallocation would have no impact on the Corporation’s overall funding and output quality. Although this suggestion would clearly be strongly opposed by the BBC, we believe it could provide a clean and simple solution – not least as the monies it would release would (remarkably) coincide with Channel 4’s forecast shortfall in its income.

## **6 Future PSB scenarios**

- 6.1 For illustrative purposes, Ofcom has suggested four possible models for future public service broadcasting:

*Evolution*

*BBC only*

*BBC/Channel 4, plus limited competitive funding.*

*Broad competitive funding*

- 6.2 Of these, we believe that the “Evolution” and “BBC only” models may be immediately placed on one side – as failing to meet the need to maintain the plurality of PSB in the UK, with all the concerns which arise from this.

- 6.3 This would leave us the “BBC/Channel 4” and “Broad competitive funding” options. While the last of these appears the “fairest” to all parties and the concept of an independent funding agency awarding transferable contracts for public-service to interested parties beyond the BBC has considerable appeal – it does not directly address our specific concerns re the protection of Channel 4.

In these circumstances, therefore, we should favour a scenario where the BBC/Channel 4 retain their public-service roles, but the other commercial PSBs lose their public-service obligations and benefits, and any remaining public-service purposes not served by the BBC and Channel 4 would be delivered through long-term transferable funding agreements with other providers, awarded competitively through a funding agency.

For further comment and information, please contact:

Jim Marshall	Chairman, IPA Media Futures Group	<a href="mailto:jmarsall@uk.starcomww.com">jmarsall@uk.starcomww.com</a>
Andy Jones	IPA Media Futures Group member with special responsibility for TV trading	<a href="mailto:Andy_Jones@universalmccann.com">Andy_Jones@universalmccann.com</a>
Andy Sloan	IPA Media Futures Group member with special responsibility for direct marketing	<a href="mailto:andy.sloan@allresponsemedia.com">andy.sloan@allresponsemedia.com</a>
Tom George	IPA Media Futures Group member with special responsibility for the future of TV	<a href="mailto:Tom.George@zenithoptimedia.co.uk">Tom.George@zenithoptimedia.co.uk</a>
Geoff Russell	Director for Media Affairs	<a href="mailto:geoff@ipa.co.uk">geoff@ipa.co.uk</a>



**Institute of Practitioners in Advertising**  
**44 Belgrave Square, London SW1X 8QS**