

Responding to the Ofcom's Second Public Service Broadcasting Review - Phase One: The Digital Opportunity consultation

3i) Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?

Yes. Average daily television viewing in the UK was 3 hours and 36 minutes in 2006 (1). In 2006-7 the vast majority of British households purchased television licences (25.1 million) with an evasion rate estimated at 5.1% . The BBC estimated an audience reach of 92.5% of the population (2). By contrast during the same period around 53% of households had broadband internet connections and one report estimated an average daily use of just over one hour.

(1) Ofcom (2007) the UK Communications Market 2007, p. 161; 259; 308. Hereinafter referred to as UKCMR07.

(2) BBC Annual Report and Accounts 2006-7, p.106; 83; 65.

3ii) Do you agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes?

Yes. It is also clear that there is an inverse relationship between revenue streams and investment in original production. In 2006 public funding, including the licence fee, amounted to 23% of total TV revenues; advertising income amounted to 32%; and subscription income to 37% of total revenue. By contrast Ofcom estimates that the BBC contributed 45% of the total UK expenditure on original, first-run programmes (including investment in its digital channels); ITV1 contributed 29%; Channel 4 contributed 14% and the digital only channels - predominantly subscription-funded - contributed around 4% of the total (3).

(3) UKCMR07, p. 101; 121.

4i) Do you agree with Ofcom's conclusions about the way that other digital channels and interactive media contribute towards the public purposes?

In our view Ofcom overstates, somewhat, the contribution currently made to public purposes by other digital channels and interactive media. This line of argument has led one commentator to claim that there has been a 'huge increase in market provision of public service content, as well as new provision by public institutions other than the traditional PSBs' (4). Whilst it is quite correct to point out that a wide variety of local authorities, public and voluntary bodies now provide what might broadly be seen as civic content, it is not proportionate to cite the new media services provided by - for example - the Tate Gallery or Teachers TV as a reason for reducing current levels of public intervention and support for public service broadcasting. Access to on-line images from the Tate cannot be equated with the civic benefits, reach and impact provided by a TV programme like 'Newsnight' or BBC Radio 4's 'To-Day' programme or Channel 4's documentary 'Undercover Mosque'. Just as it is

incommensurate to equate the benefits of Teachers TV with the provision of popular drama such as 'East-Enders' or of television fiction for children, or of high quality, well-resourced original drama reflecting past or present life in the UK.

(4) John Whittingdale 'Plurality Preserved: Rethinking Public Intervention in the New Media Market' in T. Gardam and D. Levy (eds.) 'The Price of Plurality. Choice, Diversity & Broadcasting Institutions in the Digital Age'. Reuters Institute and Ofcom, Oxford, 2008.

5i) Do you agree with Ofcom's assessment of the implications of different economic scenarios for the UK TV market for the future prospects for delivery of the public purposes?

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5ii) Do you agree with Ofcom's analysis of the costs and benefits of PSB status?

This is too complex an issue for a short response.

6i) Do you agree with Ofcom's vision for public service content?

It is welcome and timely that Ofcom is developing a vision for public service content. Though we are concerned that Ofcom's 'four purposes of public service broadcasting' remain relatively silent on the importance of original UK drama and comedy as a key strand of public service content ('The Digital Opportunity', p. 3). The danger here, as is well-known, is that a public service broadcaster (PSB) like the BBC requires a well-thought out policy in the area of innovative entertainment. Otherwise it puts at risk the legitimacy of its call on a public licence fee and embarks on the dangers and even oblivion of the 'Himalayan option'.

6ii) How important are plurality and competition for quality in delivering the purposes of public service broadcasting, and in what areas?

Pluralism is an essential ingredient of public service broadcasting. The problem with the application of competition theory is two-fold. Firstly there is now some evidence that intense competition for ratings can bring about a sameness (and not a marked differentiation) in programming; and secondly that channel proliferation and competition for audiences has driven down the historic levels of investment in UK programming. Ofcom's figures indicate that spending on original production by the five terrestrial channels and S4C peaked at £3.1 billion in 2002 and has been in slow decline since then, with a reduced investment figure of £2.7 billion by 2007 (5). In this last respect the danger is that - at worst - the British television industry could follow the path of the British film industry in the direction of almost complete dependence on the sort of cheaper foreign imports that can sustain levels of profitability in a competitive market.

Finally, we do not think that competition for quality can work in practice if the 'robbing Peter to pay Paul' policy is adopted of reducing licence fee payments to the BBC in order to pass some of this money on to the BBC's competitors. In this scenario 'contestability' becomes simply an instrument for reducing the range and quality offered by a world class broadcaster.

(5) 'Ofcom's Second Public Service Broadcasting Review. Phase One: The Digital Opportunity', April 2008, p. 39; figures are given at 2007 prices.

6iii) In maximising reach and impact of public service content in the future, what roles can different platforms and services play?

The new downloading policies and technologies for TV and radio programmes (the I-player and its equivalents) provide a welcome new service for users of PSB. Though it is also becoming apparent that the very popularity of this initiative is placing some strain on current levels of broadband provision in the UK.

6iv) Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?

This is too complex an issue for a short answer.

7i) What are your views of the high-level options for funding public service broadcasting in future?

We welcome Ofcom's emphasis on the 'reach and impact' aspects of possible future PSB provision. This should serve as a robust safeguard against a 'spreading too thin' approach to support for PSB. There is a danger that a new Arts Council of the Airwaves or other post-Peacock equivalent would spread limited amounts of competitively available subsidy so widely that the audience(s) would find it difficult to locate material without deliberate searching. The value of a trusted broadcaster/media provider is, among many other things, that search time is minimised.

We are not convinced that seeking replacement, through the public purse, of the 'value of implicit funding' is the best way forward though it might be wise to hold this option in reserve, perhaps in particular to secure the future of local, regional and national services. However, it is too soon to tell how various profit-distributing institutions/broadcasters will themselves change in order to retain their subscribers, advertisers or audiences.

In the future, as in the past, the single factor still most likely to affect the distribution of the wider PSB-oriented market is the level of resourcing and quality of output of the BBC and Channel 4.

7ii) Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?

The tests seem premature when the value of the proposed future models is difficult to determine.

7iii) Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why? Are there any alternative models, or combination of models that could be more appropriate, and why?

We do not favour Model 4 ('Broad competitive funding') on the grounds that it is not likely to produce innovative and attractive forms of cultural expression and because it

is likely to dissipate or scatter public resources in an unhelpful way. On balance we would favour a combination of Model 1 and Model 3 but with some differences of emphasis from the proposals outlined by Ofcom. We might favour some public support for ITV1 and Channel 5, depending upon the editorial and commissioning policies adopted by these organisations in respect of local/regional/national programming, innovative and public service comedy and serious factual output. They might also wish to avoid the constraints that accompany public funding.

Regarding an amended version of Model 3 we would envisage an enhanced, single licence fee payment designed to support the BBC at a more generous level than that provided by the 2007 settlement and with a modest additional amount earmarked in advance for Channel 4. It might be best to think of this as a separate licence fee for Channel 4 (with appropriate public interest safeguards), joined to the existing licence fee payment only as a convenience for licence fee payers. An independent negotiating mechanism would need to be put in place - preferably not under the direct control of the DCMS - designed to safeguard BBC output and to facilitate more ambitious and innovative plans from Channel 4.

In respect of Ofcom's Model 3 we think that any new public monies provided would be insufficient to do any more than provide a modest addition to Channel 4's advertising income. Consequently we think it would be unrealistic to support the proposal to open up funding to a 'range of new providers'.

8i) What do you think is the appropriate public service role for Channel 4 in the short, medium and long term? What do you think of Channel 4's proposed vision?

Too complex for a short answer.

8ii) Which of the options set out for the commercial PSBs do you favour?

We agree with Peter Ibbotson when he wrote that 'it makes better sense to proceed on a pragmatic basis, allowing existing institutions, businesses and technologies to evolve' (6). The most important continuing principles for commercially provided public service broadcasting are that (i) these services are universally available and free at the point of reception and (ii) they include significant amounts of originated UK material across the range of genres including expensive and high quality news, drama, comedy and serious factual. We endorse Ibbotson's observation that: 'The problem with direct subsidies to free-to-air commercial broadcasters is that funding particular genres is not enough in itself. They would also need to meet the opportunity cost of the revenue lost by low-ratings, and by their effect on an entire schedule'. Such extensive forms of public subsidy could not be justified.

However, as long as ITV1 demonstrates that it is, in practice, committed to maintaining 'the highest possible level of investment in UK originated programming' and continues to provide high quality national and international news and high quality drama – thereby providing some effective competition for the BBC – then there is a case for the removal of 'regulatory prescription of quotas and genres'. This is especially so in a commercial environment where the pressure to maintain a share of advertising income has reduced the scope for cross-subsidy of genres.

We therefore advocate a pragmatic and measured approach than begins by tracking the output – and therefore the policies – of commercial PSBs. Where there continues to be ‘high level investment in quality UK content for UK audiences’ a light touch form of regulation would be preferable to direct subsidy. But, it also follows from this general line of argument that where the monitoring of performance reveals a lack of investment in high quality UK-originated content, then this should **not** result in the provision of compensatory subsidy as a reward for poor performance.

There is a separate, and possibly conflicting, line of argument to be developed in respect of the provision of local, national and regional services in Wales, Scotland, Northern Ireland and the English regions. But any arguments about the special, and essentially cultural or political case for such services needs to be based on a detailed study of actual and prospective sources of income.

(6) Peter Ibbotson ‘The Remaining Incentives for Commercial Public Service Broadcasting’ in T. Gardam and D. Levy (eds.) ‘The Price of Plurality. Choice, Diversity and Broadcasting Institutions in the Digital Age’. Reuters Institute and Ofcom, Oxford, 2008)
(Section 8.ii; added 19.6.08).

9i) To what extent do you agree with Ofcom's assessment of the likely future long term issues as they apply to the nations, regions and localities of the UK?

Reserve comment until Phase 2 of the PSB review.

9ii) Which model(s) do you think will be most appropriate in each of the nations and in the English regions in the long term, and why?

Reserve comment until Phase 2 of the PSB review.

9iii) What are your views on short/medium-term issues referred to, including the out-of-London network production quotas?

The out-of-London production quotas should be used to develop production bases in Wales, Scotland, Northern Ireland and the English regions. The devolved governments and English regional development agencies should be encouraged to take a closer interest in these matters. But all editorial and creative issues should be dealt with by broadcasters and producers.

9iv) What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal? (Please note that Ofcom will put forward firm options on these issues, and consult also on ITV plc's regional news proposal, in phase 2 of this Review.)

Reserve comment until Phase 2 of the PSB Review.

10i) Do you agree with our assessment of the possible short term options available relating to children's programming?

We believe that children's interests should be served by more than one broadcaster and that a wide range of options should be explored to secure the range and high quality of children's programming.

11i) Do you agree that new legislation will need to be in place by 2011 in order to ensure continued delivery of the public purposes in the medium and long term?

Future planning would be facilitated - and the range and quality of services arguably better protected - if new legislation could be in place by 2011.

Comments:

We welcome Ofcom's new emphasis on the 'reach and impact' of PSB content. But we also think that fuller consideration should be given to the significance of both institutional ethos and professional formation in meeting the objective of maintaining and strengthening public service broadcasting in the UK.

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