



Public Service Broadcasting Review

Phase 1

Summary of consultation responses

Statement

Publication date:

17 July 2008

Contents

Section		Page
1	Introduction	1
2	Overview of our Phase 1 report	2
3	Summary of responses	4
4	Next steps	21
Annex		Page
1	Consultation questions	22
2	List of respondents	24

Section 1

Introduction

- 1.1 Under the Communications Act 2003, Ofcom is required to conduct a review of public service broadcasting ('PSB') at least once every five years. In September 2007 we commenced our second review of PSB, and published the first phase of our analysis on 10 April 2008.
- 1.2 Our research, analysis and proposals drew significant and extensive comment from stakeholders ranging from public service broadcasters (PSBs) and platform providers, to trade organisations, consumer and advisory groups, public bodies, Members of Parliament and individuals.
- 1.3 In total, we received around 270 formal responses to the consultation. Additionally we received around 13,000 individually signed postcards supporting the campaign for Border TV's 'Lookaround' news programme, and around 2,500 postcards and 700 emails objecting to sharing the licence fee with other broadcasters. We have also welcomed the numerous online debates and comments made by individuals via the interactive executive summary of the consultation, and on our blog. We are grateful to all those who took the time and effort to convey their views to us and also to those respondents – including the public service broadcasters and the Satellite and Cable Broadcasting Group (SCBG) – who provided us with evidence from research they had conducted.
- 1.4 Those responses, campaigns and comments have given us a large amount of information and alternative options to consider. The purpose of this document is to provide stakeholders with a summary of responses. It does not address in detail all the comments that we received, nor does it set out our responses to all the issues that they raised. We will do this in the next phase of our analysis, which will be published in the autumn. Non-confidential versions of all responses can be viewed at www.ofcom.org.uk/consult/condocs/psb2_1/responses/

The structure of this document

- Section 2 provides an overview of what we said in the Phase 1 consultation document.
- Section 3 summarises the responses that we received to the specific questions that we asked in our consultation.
- Section 4 briefly describes what our next steps will be
- Annex 1 sets out the list of questions that we asked in our consultation document.
- Annex 2 lists those organisations (excluding individuals) who responded to the consultation.

Section 2

Overview of our Phase 1 report

- 2.1 Our first phase of consultation on public service broadcasting has generated significant debate about a number of issues that affect the fundamental structure of the UK's broadcasting sector. Therefore before turning to the summary of consultation responses, it is worth recapping what we said in Phase 1.
- 2.2 We identified that access to public service content has expanded dramatically in the past few years, largely as a result of the internet and digital television. Consumers and citizens today have a huge digital opportunity: greater access than any previous generation to information from around the world and about the topics that interest them. Yet our research showed that audiences attach high value to programming that reflects the UK, and the public service broadcasters play a dominant role in delivering this, accounting for over 90% of investment in new networked UK-originated television content.
- 2.3 Our research and analysis also showed that the public service broadcasters are meeting the public purposes on the whole, although gaps in delivery are appearing in some areas. Given the pace of change in the broadcasting sector and the declining value of the analogue spectrum which underpins much commercial public service programming, gaps in areas such as programmes from the UK's nations and regions and UK's children's content are likely to grow.
- 2.4 We conducted economic modelling to understand how the market may develop in the future, which identified a range of possible scenarios. We concluded that the BBC is likely to continue to make a strong contribution to the purposes of PSB. However we identified that the commercial PSBs will need clarity about their long-term roles by 2011 at the latest, when for some the costs of their PSB commitments may outweigh the benefits.
- 2.5 Audience research also showed that viewers value competition for the BBC in provision of public service content. Such plurality of provision delivers numerous benefits and, although the market will provide some competition, our analysis suggests that this contribution is unlikely to be significant. In particular, we said that the market is unlikely to fill gaps in genres that are unsustainable on commercially funded public service channels.
- 2.6 Given that, and in light of our statutory duty to recommend ways to maintain and strength the quality of public service broadcasting, we said that new funds should be found to supplement the declining implicit subsidy for commercial public service broadcasting and to maintain plurality. Consequently we identified a range of potential funding sources, ranging from direct public funding and the licence fee, to regulatory assets and industry funding.
- 2.7 We also said that the existing model for public service broadcasting was not sufficiently flexible to respond to audiences' evolving requirements, being unable to exploit the new opportunities that are emerging on interactive platforms or addressing the risks to linear public service broadcasting in the future. As a result, we developed four possible illustrative models for future PSB delivery:
 - a) Evolution of the existing model

- b) BBC only
- c) BBC and Channel 4 plus competitive funding
- d) Broad competitive funding

2.8 Delivering a new model will require new legislation and is a decision for government and Parliament. But we did recommend that any new legislation should ideally be in place by 2011, which represents the point at which some current licences may fall into deficit and Channel 4 will face increasing pressure on delivery of its remit.

2.9 Finally, we identified that any new approach will need to meet the needs of the UK's nations, regions and localities. ITV's proposals to restructure its provision of regional news in England and the Scottish Borders form part of this consideration. Additionally, we suggested that the BBC, Channel 4 and S4C could play a role in enhancing PSB provision for children.

Section 3

Summary of responses

Key themes

- 3.1 A number of key themes emerged from the responses to our consultation. For ease of reference we have summarised these here in the same order as the respective sections appeared in our consultation document.
- 3.2 In total, we asked 20 questions in our consultation (see annex 1 for a full list). We have grouped responses into the following themes and summarised the key issues raised within each:
- Delivery of the purposes of public service broadcasting
 - The role of UK-originated output
 - The contribution of digital channels and interactive media towards the public purposes
 - The future prospects for delivery of public service content and the role of different platforms and services
 - Plurality and competition
 - Funding sources for public service content in the future
 - Long term models for delivery of public service content
 - Options for Channel 4, ITV1, five and Teletext
 - The provision of public service content in the Nations and
 - Prospects for children's programming

Delivery of the purposes of public service broadcasting

- 3.3 Nearly all respondents agreed that television continues to have an essential role in delivering the purposes of public service broadcasting. The general feeling coming out of the responses was that public purposes are still overwhelmingly delivered by the main PSBs, but other digital channels, radio, interactive media and the internet also play a significant role.
- 3.4 Overall respondents supported Ofcom's vision and its purposes and characteristics. However, the BBC proposed that the public service broadcasting purposes should be extended to cover digital media and should be modified to include trust as a key objective. Similarly, other public and consumer bodies argued that 'public service content' should cover the following:
- online public service content
 - content that caters for ethnic minorities including community radio

- community based media projects, whether broadcasting or online
- commercial local television programming
- international programming
- films produced in the UK that represent UK culture.

3.5 In contrast, some stakeholders including the National Union of Journalists (NUJ) argued that redefining 'public service broadcasting' as 'public service content' is problematic. The NUJ expressed concerns that 'universal availability' of public service broadcasting may shift away to 'widely available' content, arguing there is little evidence at this stage to suggest that business models based on the internet will be sustainable. Similarly, the Producers Alliance for Cinema and Television (PACT) suggested that new platforms must have reasonable access to public service content commissioned by broadcasters if they are to play a role in delivering public service purposes, but such access is constrained by public service broadcasters' control of intellectual property (IP) rights.

3.6 A number of stakeholders expressed concerns that demand for local TV is not being satisfied and that Ofcom's Review does not appear to distinguish between local and regional news. It has been argued that local television – whether based on community, small commercial or municipal models – is vital to ensure that people feel connected with their localities. The main proposal put forward to address this was the allocation of gifted geographic interleaved spectrum in certain areas so to support local TV.

The role of UK-originated output

- 3.7 The majority of respondents strongly agreed that UK-originated content is fundamental to the delivery of public service broadcasting purposes, highlighting the following:
- UK-originated programming should reflect the diverse nature of the population, various age groups and differing cultural sensitivities at a national and regional level. It has been suggested that these types of programmes should be produced by those people that live and work within the region portrayed in any particular programme.
 - Local organisations and consumers (particularly in England) appear to favour local over regional news and current affairs. Concerns have been expressed that programme output from the nations and regions has declined in the last few years.
 - Some trade groups argued that in addition to news and current affairs, the delivery of UK-originated entertainment programming remains best placed in the hands of the current public service broadcasters. This was supported by reference to Ofcom's findings that the contribution of non-PSBs to network UK originated programmes has remained relatively static at 10%.
 - Other respondents argued that the independent production sector has an important role to play in securing a good level of UK originated programmes that are both diverse and of high quality. Sustainable growth of the creative industries was considered central to securing continuing UK originations.

- Some stakeholders suggested that UK originations increase international awareness of British cultures and places, and provide the basis for collaboration with international broadcasters. It was therefore argued that a diminution of UK produced public service content would jeopardise the UK's positioning as a global leader in the creative economy.

The contribution of digital channels and interactive media towards the public purposes

3.8 Opinions were varied in relation to the contribution of digital channels and interactive media towards the public purposes. Some industry bodies and individuals argued that a wide range of content providers exists from the private, public and voluntary sector that are producing an unprecedented diversity of content which, to some extent, meets aspects of public purposes and characteristics. Other respondents however considered that digital channels and online services only complement and are not a substitute for the main PSB channels, asserting that despite changes to consumers' viewing habits mainstream public service broadcasting will remain the primary route for delivering PSB purposes to the public.

3.9 Some more specific viewpoints are elaborated below.

3.10 *The role of digital channels*

- The SCBG argued that Ofcom downplayed the role of multi-channels in addressing key consumer groups that public service broadcasters find it difficult to reach. BSkyB submitted a list of market-produced material that meets public purposes and asserted that multi-channels and the internet play a far greater role in public service delivery and plurality than Ofcom's analysis suggests.
- BSkyB further argued that – what it saw as – Ofcom's premise that subscription funded content should not be considered public service is flawed, as people are used to paying for entertaining, informative and educational content in other areas (e.g. film, books) and services such as the iPlayer are subscription based because consumers have to pay an ISP for broadband access.
- Several respondents welcomed the contribution of public service content by non-PSBs such as Sky News, Sky Arts, The History Channel, Discovery, Teachers TV and many others. However, other respondents claimed that such public service content does not fulfil the public service purposes as defined in the Communications Act because these broadcasters are not universally available at no extra cost.
- The public service broadcasters also recognised that commercial digital channels now offer a broad range and diversity of services. Five noted however that digital channels do not have the reach and impact of the terrestrial PSB channels. Channel 4 suggested that its own digital channels and other services allow it to maximise the reach and impact of its programming and play a special role in reaching ethnic minority groups and younger audiences.
- It was also argued that niche digital channels offer public service content but lack the investment and innovation of PSB channels.

3.11 *The role of online media*

- Online media have also been praised by the overwhelming majority of respondents for their potential to reach subject-specific audiences and to interactively educate younger children.
- However, stakeholders from the nations and regions raised concerns that the impact of online media is still limited due to relatively low broadband availability and speeds in some areas, compared to other parts of the UK. Furthermore, they emphasised that online public service content must not only be easily discoverable but also capable of attracting and engaging audiences.
- Ofcom's Advisory Committee for Older and Disabled people (ACOD) raised concerns about availability and accessibility of services to older and disabled people and suggested that new services should be considered in light of the Disability Discrimination Act.
- It was suggested that the success of the BBC website – due to its branding, cross promotion and scale - facilitated by the licence fee, cannot be matched by commercial providers.
- Some respondents raised concerns in relation to the practical difficulties surrounding the regulation of online public service content. The Guardian Media Group (GMG) argued that online public service content does not need to be regulated under the same mechanisms as broadcast or be provided by the same agencies. GMG argued that other public service content media providers are regulated differently as exemplified by the self-regulated newspaper industry.
- BSkyB felt that increasing the scope of intervention risks damaging market provision of public service content by crowding out private investment and undermining new business models, particularly in digital media. Consequently, BSkyB argued that regulation should seek to strengthen the incentives for private investment in public service content.

Future prospects for delivery of public service content and the role of different platforms and services

3.12 The majority of respondents agreed that the future of public service broadcasting, if left to market developments alone, is problematic. Public service broadcasters and other stakeholders recognised the need for a revised legislative framework for future delivery of public service broadcasting. However there were differing views on what this should comprise and the relative urgency with which it should be introduced. A number of contrasting views have also been expressed by stakeholders as to the residual value of regulatory assets and the pace at which this is declining:

- A few industry and consumer bodies argued that the residual value of implicit subsidies (such as EPG prominence and universal multiplex coverage) is higher than Ofcom estimates. Some also believed that Ofcom has overestimated the threat that public service broadcasters – ITV in particular – will hand back their PSB licences. Indeed, such respondents expressed optimism that multi-channel and digital saturation is almost complete, hence ITV's financial pressures should not significantly worsen.
- BSkyB's response suggests the remaining value of ITV and Five's scarce DTT spectrum and EPG prominence should allow them to continue to provide significant public value. BSkyB also thought that Channel 4 should re-prioritise its

resources to respond to the market pressures, particularly in further reducing expenditure on acquired programmes.

- Conversely, some of the commercial PSBs argued that the value of their regulatory assets was less than Ofcom projected and that their public service broadcasting obligations needed immediate review if they were to remain sustainable.
- The NUJ did not accept Ofcom's view that UK news and current affairs is likely to feature in the schedules of any mass broadcaster under all the scenarios outlined in Phase 1 except 'radical transformation', arguing that a change in the management of a broadcaster such as ITV may have different views. PACT also stressed that the dominance of public service broadcasters will continue long into the digital era, giving them bargaining power to negotiate rights and licensing deals which may stifle secondary markets.
- The Advisory Committee for Scotland (ACS) believed that the prospects for viability of the Scottish Channel 3 licensees in the medium term are more optimistic than Ofcom has assumed. The Advisory Committee for Wales (ACW) and PACT were concerned that Ofcom's analysis of PSB status did not reflect non-financial PSB benefits such as the brand-value of ITV1 licensees.
- Local and community TV advocates argued in favour of enabling public funds to be used for nurturing local television while the Radio Centre strongly opposed such proposals adding that such public intervention would create a huge potential threat to the viability of local commercial stations and their cross media expansion initiatives.

3.13 Respondents agreed that different platforms and services are considered essential in maximising reach and impact of public service content in the future. Online platforms in particular were highly regarded for their increasing ability to offer access to archived material, delivery of more local content and viewer engagement. It was also argued that branded portals, community sites and social networking services are progressively valued by internet users as a means of connecting with like-minded individuals and navigating the web through recommendations from peer groups. A number of other key issues have been raised:

- On the whole, the BBC agreed with Ofcom's assessment. However, it argued that Ofcom underplayed the future importance of a cross media approach by organisations with the scale and scope to reach all audiences. The BBC's response argues that Ofcom's future scenarios for broadcasting do not give sufficient weight to new commercial opportunities that may arise as a result of the development of alternative platforms.
- The BBC also noted that broadcasters, regulators and the communications sector should work together to ensure that all users have a reasonable quality of access to public service content over the internet. It added that IP and rights policy should be revisited to ensure effective exploitation of content across media and platforms, while ensuring a fair return to producers and creators.
- ITN stated that, while commercial operators in the UK recognise the BBC's desire to provide new services that are relevant in the digital age, there is a risk of distortion or crowding out if the BBC is always first to market.

- Channel 4 cautioned that the economic models for digital channels and new platforms are very different to linear channels and returns on its digital services are much lower. Channel 4 also noted that the scale of growth in its online audiences is below the scale of decline in TV audiences.
- Yahoo! pointed out that search is most useful as a way to achieve reach and impact of online public service content only if the user knows what he/she is looking for. Yahoo! argued that search cannot be considered a substitute for the role content programming plays in traditional broadcasting by introducing viewers to content they would not otherwise look for. Yahoo! also urged Ofcom to examine the role alternative channels or means of aggregating audiences could play in improving the reach and impact of public service content online.
- Other respondents thought IPTV and local and regional newspapers' online video and audio content offer scope for improving the reach and impact of such content in the future, especially in the Nations and Regions.
- S4C suggested there was an inevitable dichotomy between the delivery of new services promoting public purposes and having to work within a finite budget. As a publicly funded public service broadcaster it acknowledged that providing its services on any new platform must deliver value for money. To this end it noted that in the future S4C may not be available on all emerging platforms.
- Quite a few respondents expressed concern that digital and online platforms do not currently provide clear signposting to public service content. They argued that if such media are to be considered seriously for providing public service content then this 'discoverability' aspect must be remedied to meet users' needs.
- Several public and consumer bodies were concerned that online availability of public service content in the medium term will exclude older and/or disadvantaged consumers without broadband access, or whose broadband speeds are low and unsuitable for downloading media files or for streaming content. It has been suggested that any future policy intervention must deliver the benefits of new technologies but should avoid creating a permanent two-tier communications society in the UK.
- GMG argued that the online market for public service content should be left outside public intervention unless (a) Ofcom is legislatively asked to regulate this market and (b) a demonstrable case of market failure can be demonstrated, within a certain content genre, which cannot be satisfied by properly incentivised commercial players.

Plurality and competition

3.14 The overwhelming majority of respondents agreed that plurality and competition for quality in delivering the purposes of public service broadcasting are essential. Nonetheless, some stakeholders had different views as to the ideal level and areas that plurality should extend to:

- The BBC argued that Ofcom's focus on plurality as the only means to achieving high quality public service broadcasting is overstressed, adding that plurality does not guarantee efficiency, competition for quality, diversity of voice or improved reach. Furthermore, the BBC concluded from its research commissioned for the review that while audiences value plurality, they are unwilling to pay for it. A few

respondents thought that intervention to secure plurality can only really be justified in news for the nations and regions and programming for older children.

- In general, the main genres where plurality was considered important were: national news, current affairs, nations and regions news, specialist factual, children's and nations and regions non-news.
- Pointing out the plethora of online news providers, ITN emphasised that the majority of digital media news content available does not comply with the same PSB standards that broadcast news does, particularly in terms of independence and impartiality.
- Some consumers argued that plurality of channels can lead to fragmentation of audience and therefore of revenue base in the commercial sector. In contrast, the multi-channel sector argued that its contribution to public service value and purposes should not be underestimated.
- BECTU was concerned that due to the high degree of uncertainty about the future delivery of specialist programming such as factual and children's, it should not be assumed that plurality in these types of programmes will be more effectively achieved via online services or digital channels.
- PACT thought that plurality of outlets, commissioning and production is vital to a healthy public service broadcasting system. PACT added that the key to ensuring that UK content is made available to the public via as wide a choice of platforms as possible is to open up the intellectual property regime so that rights to content are available as quickly as possible to the wider market and, by extension, the public.
- Some of the stakeholders from the nations and regions pointed out that there appears to be a large discrepancy between the contribution of a region towards the licence fee fund and the disproportionately low level of commissioned productions within (and portrayal of) the same regional or national area. SMG thought that the share and impact of the national broadcasters in Scotland, Wales and Northern Ireland has the potential to help maintain and strengthen public service broadcasting in the future.
- Local television was characterised by some stakeholders as the 'missing element' in the UK's public service broadcasting and that it should be classed as a tier 3 category of broadcasting. It was further argued that local TV 'enables democratic engagement' and helps localities to share their cultural identity.
- Representatives of ethnic minority groups pointed out that the BBC's Asian Network – which seeks to meet the specialist needs of the whole Asian diaspora in a single radio network – is the only example of a dedicated public service for minority ethnic audiences.
- The Arts Council for England suggested that new commissioning models and new partnerships between broadcasters, interactive media companies, independent producers, public agencies such as the UK Film Council and the Arts Council, and arts organisations rooted in diverse communities across England, should be encouraged within a new public service broadcasting system.

Funding sources for public service content in the future

- 3.15 Public service broadcasters and other stakeholders recognised the importance of additional funding sources to support the delivery of public service content in the future. BSkyB, SCBG and a few other respondents however believed that no additional funding should be provided and that any funding shortfalls should be addressed by re-prioritisation by the existing public service broadcasters.
- 3.16 The BBC suggested a number of partnerships to strengthen public service broadcasting, including sharing its expertise about digital production with producers and other broadcasters, work with creative and cultural partners to enhance discoverability of public service content online, and exploring ways of making the BBC's regional and local news available to other outlets. The BBC will provide the Trust with more details in the autumn.
- 3.17 Responses were generally quite diverse as to the specific funding sources proposed in the consultation document:
- *Direct public funding / taxation:* A few respondents supported direct funding models already in existence such as the Teachers TV model or Community Channel models. Others proposed the creation of a 'Lottery Broadcasting Fund' which would award grants to commercial broadcasters and independent companies that come up with the best programme ideas. Most respondents were against using direct taxation to support public service broadcasting. It was thought that such a move would not be politically sustainable with the public especially if this was in addition to the licence fee. It would also lead to inevitable questions about the impartiality and independence of programme makers if they were directly accountable to HM Treasury. Respondents also noted the potential of public funding raising state aid concerns.
 - *Licence fee core funding:* The use of licence fee monies currently reserved for BBC services to fund non-BBC services was opposed by a wide range of stakeholders, including the BBC and five because it would:
 - End what they saw as the unique link between the licence fee payer and the BBC and erode public support for the core licence fee;
 - Require new accountability mechanisms to be put in place for any new recipients;
 - Risk, if given to commercial broadcasters, the subsidisation of programmes that might have been made anyway and wasting money on new mechanisms;
 - Mix advertising revenue and public funding at a UK level, potentially weakening commercial incentives and advantaging some commercially funded broadcasters over others.
 - *Excess licence fee:* This refers to the proportion of the licence fee fund ring-fenced for Digital UK and the switchover help scheme for the elderly and vulnerable. Some stakeholders were therefore happy to see the excess licence fee post 2012 being used to fund non-BBC public services. It was suggested that this surplus could help bridge Channel 4's funding gap or to fund the provision of non-BBC public service content. The BBC however does not recognise this amount as an excess and argues that 'whilst it is ring-fenced...it is fully allocated to the BBC's sixth purpose' (of building digital Britain).

- *Regulatory assets:* Maximising the value of regulatory assets including access to gifted spectrum, and EPG prominence was advocated by respondents as the most appropriate funding source in return for public service content obligations. However, increasing advertising minutage was not widely supported, with the Institute of Practitioners in Advertising (IPA) noting that such a move could potentially damage the effectiveness of advertisements and viewer enjoyment - and could tie public service broadcasting dangerously to the volatilities of the advertising market.
 - *Introduction of AIP / AIP waivers for public service broadcasters:* Quite a few respondents (including Channel 4, five and the NUJ) supported the introduction of administered incentive pricing (AIP) for spectrum from 2014 but believed such pricing should be waived or reduced for public service broadcasters. Some respondents also suggested that hypothecated proceeds from auctioning digital dividend spectrum, could make up a more indirect contribution to public service broadcasting, while utilising assets that were previously used to support the public service broadcasting system.
 - *Industry levies:* Support for industry levies was mixed; opponents of industry levies warned of the possible negative impact of such levies on market development. Other respondents however (including NUJ, ACW, ACE) thought commercial broadcasters licensed in the UK should contribute a small percentage of their turnover to subsidising public service content. The Federation of Entertainment Unions (FEU) advocated the imposition of investment quotas on commercial broadcasters as a means of ensuring that they will not simply screen low-cost / low risk imported content. The UK National Commission for UNESCO thought that non-PSBs and Video On-Demand services should be required to invest in UK/EU content in proportion to their turnover and ad-revenue or through an independent national production fund. The Canadian and French models of industry levies were mentioned by some respondents as interesting case studies to be looked at.
 - *Channel 4 stake in BBC Worldwide.* Reference to this proposal was very sparse and views were mixed. Some respondents thought that the merits of such a model should be examined in greater detail before any firm decisions can be made.
 - *Co-location and sharing of production facilities:* A few respondents suggested that the production bases of regional ITV and BBC facilities could be marshalled to train and provide the infrastructure for the production of public service content or argued for having local authorities involved in providing the setting up of national and regional production hubs.
- 3.18 A few respondents supported the creation of a public fund or a new PSB Trust covenanted to deliver public service purposes through – for example – commissioning content which is independent of particular delivery channels. It was suggested that this would permit a more flexible delivery model which could secure greater reach and impact through the use of non-exclusive, innovative rights models and distribution via multiple channels.
- 3.19 Yahoo! felt that Ofcom had overlooked the potential of distribution partnerships with commercial online service providers and aggregators as a means of generating revenue for content creation. They believed that Ofcom should explore advertising supported models (including revenue share) in phase two of the PSB Review.

Long term models for delivery of public service content

3.20 In Phase 1, we proposed four long term models for the delivery of public service content intended to provide a framework to stimulate debate around the potential options. We also listed several effectiveness tests against which we believed long term models should be assessed. Respondents broadly supported our proposed tests while the BBC suggested adding 'value for money' and 'audience acceptability' to the proposed list. A summary of respondents' views in relation to the four models follows:

3.21 *Model 1: Evolution.* Many stakeholders, including most public service broadcasters, favoured this (or a hybrid of this) model for its ability to offer plurality of public service broadcasting institutions. However, most proponents of the evolution model had assumed that additional funds will be found to ensure the long term sustainability of commercial public service broadcasters and, more specifically, that ITV would continue to provide regional news and non-news programming. As previously noted, some respondents believed the remaining value of the public service broadcasting licences has been underestimated by Ofcom.

- The BBC suggested a future landscape based on maintaining a rich mix of institutions with reduced public service broadcasting obligations for commercial broadcasters, different funding sources, ownership structures and editorial approaches while placing a greater emphasis on the transformative implications on digital media for future delivery of public service broadcasting.
- Opponents of model 1 argued that this model is likely to be financially unsustainable without additional funding being found, fails to respond to the challenges and opportunities of the digital world, and does not allow allocation of spectrum to non-traditional public service broadcasters.

3.22 *Model 2: BBC only.* The BBC has been widely accepted as the cornerstone of public service broadcasting. However, only two individuals considered model 2 favourable. In fact, the majority of respondents recognised that intervention will continue to be required to secure plurality, competition and diversity of voice and content in at least some areas such as: nations and regions news, UK children's programmes, current affairs and specialist factual programming,

3.23 *Model 3: BBC / Channel 4 plus limited competitive funding.* This model has been supported by a wide range of respondents and industry bodies, many of these noting that model 3 appears to be the "next best" option if model 1 is not viable in the long term.

- It was supported by Channel 4, noting that such a model would build on the benefits of institutional, editorial and supplier plurality with competitive market supply. The Arts Council England also supported this model and wished to see the BBC's current cultural and creative purpose strengthened and new partnerships established with the cultural sector to promote greater access to the arts.
- The UK Film Council believed that long term but transferable funding agreements might be used to enable organisations with a public remit, to facilitate the delivery of public service content which has historically been delivered by public service broadcasters.

- Supporters of model 3 generally acknowledged that in the absence of ITV1 regional news and non-news provision, Channel 4 is currently not well placed to take on a greater role in delivering these genres. S4C noted that a tailored variant of model 3 may be more appropriate to address the specific needs of Wales. Similarly, the Gaelic Media Service (GMS) viewed model 3 as feasible as long as the needs of socio-economic groups beyond the audience of BBC and Channel 4 were considered and a specific commitment to the nations (either through Channel 4 or a contestable fund) was made. SMG favoured direct funding of stv regional news with a ring-fenced amount for Scottish programmes within a PSB contestable fund. A few local industry and community bodies suggested that alongside model 3, funds should be ring-fenced for funding community radio and local television.

3.24 *Model 4: Competitive funding.* Many respondents said they would have liked to see more details on how model 4 could work in practice before expressing their preference for it. The relatively few proponents of Model 4 thought it would encourage a mix of quality public service content through a range of providers, and that narrowly-defined genres are most amenable to the contract model. However, some respondents pointed out that delivery of output would require close monitoring and measurement against key performance indicators. Concerns have been raised that a costly and bureaucratic administration of a Public Service Authority would limit the funds available for content creation.

- Local TV supporters and bodies representing the Nations and Regions, thought that a competitive fund would fill the gaps likely to arise in the provision of local news.
- SCBG and Discovery also supported Model 4 and felt that existing subsidies should be allocated on a contestable basis, and that, subject to the tender details and restrictions on funding, non-PSBs would be interested in bidding.
- Opponents argued that renewable contracts will not work and expressed concerns around whether model 4 can deliver large-scale mass audience public service content or whether it would inevitably lead to the servicing of separate niches.
- The BBC thought that 'direct interventions like contestability should only be used where institutional delivery is not feasible'.
- The Advisory Committee for Scotland (ACS) considered that it would be unwise to move directly to a model of broad competitive funding without a period in which the industry can adapt and restructure and in which the further implications of digital switchover become clearer.
- GMG argued that unless the funding body's allocation rules are highly prescriptive, it will be continually legally challenged. However, GMG noted that the imposition of any prescriptive rules will kill the creative process.
- Yahoo! thought that Ofcom was right to consider alternative funding but believed that Ofcom's analysis seemed to define 'providers' as both creators *and* distributors of content. With respect to online content, Yahoo! suggested that models 3 and 4 could explore further options: content producers could bid for funding to develop public service content that is not met by the market. The producer could then partner with one or more online service providers who have an audience in the target group to deliver the content. Alternatively, the funding

body could commission the content from a producer to meet a particular public service purpose and negotiate distribution agreements itself. The content could be made widely available via a range of online channels. Yahoo! argued that both of their proposals allow commercial arrangements to share advertising revenue, with a share returning to the funding body to invest in more public service content.

3.25 *Hybrid models:* Various organisations and individuals expressed support for a hybrid of models 1 and 3. In other words, they envisaged a licence fee funded BBC, with competition provided by a strong, sufficiently-supported Channel 4, as well as public service provision from ITV and five in specific areas such as UK production, regional and international news in return for their prominent positions on the Electronic Programme Guide, and reduced-cost spectrum.

- One of the proposals put forward involved removing public service broadcasting status from ITV1 and five and levying a charge on the two broadcasters for their EPG positions to help Channel 4's funding gap.
- There were also arguments for and against having a contestable fund to support digital media services.

Options for Channel 4, ITV1, five, Teletext

3.26 *Channel 4:*

- Channel 4 stated it should remain a publicly-owned statutory corporation, noting that its core values remain relevant, and committed to remaining an organisation whose primary role is the delivery of the public remit. Referring to its Vision document *Next on 4* – which it wished to be considered as part of its submission – Channel 4 highlighted a number of priorities including:
 - developing into a public service cross-media network,
 - providing more new UK programmes in peak and
 - expanding into new areas e.g. innovative digital media projects and content for older children.
- The majority of respondents - including broadcasters and industry bodies - welcomed Channel 4's vision and found its commitments promising. They regarded Channel 4 as delivering a distinctive alternative to the BBC but called for a more stringent governance and accountability regime especially if it were to receive additional public funding.
- The BBC thought that Channel 4 should continue to take risks 'that the BBC might not', work with independent producers and cater for particular groups such as older children. BBC also argued that there is scope for Channel 4 to achieve efficiency savings and that it should not receive public funds because it would compromise its ability to take risks and blunt its commercial incentives.
- PACT noted that funding from BBC Worldwide or other sources must be ring-fenced for content budgets, rather than used for subsidising Channel 4's other activities. They argue that Channel 4 should enhance its public service provision in key areas over and above its current commitment in the *Next on 4* document,

including having a 50% out-of-London quota and a substantially enhanced children's offering.

- There was wide support for Channel 4 continuing to invest in original, innovative and distinctive content although many respondents hoped that in the future Channel 4 would produce more output from the nations and regions.

3.27 *ITV1*

- ITV's response was confidential.
- ITV1 is valued by many respondents for its contribution to national and regional news and there was support for more local programming and children's TV from ITV1.
- The majority of respondents would like to see ITV1 and five retaining their public service broadcasting obligations and a few suggested that ITV1 and five's licences, EPG prominence, archives and actual brands are more valuable than Ofcom's estimations show.
- The BBC believed ITV1 should continue to invest in a wide range of high quality programming that delivers public purposes and characteristics. However, the BBC noted that ITV should have more flexibility than it currently has (for example, to be allowed to deliver some of its N&R news obligations online).

3.28 *Five*

- Five is keen to remain a public service broadcaster within the current system. It seeks to make a major long-term contribution in original production, news, factual and children's programmes, and would be happy to have more explicit obligations than now in the last genre. To maintain its commitments, Five requires only modest regulatory adjustments in the levels and definition of original productions, terms of trade, and reductions in spectrum charges from 2014. Five also welcomes greater collaboration among public service broadcasters, including cross-promotion from the BBC.
- Many respondents believed five should strengthen its contribution to children's programming (and perhaps UK originations and drama) in return for the regulatory assets and EPG prominence it currently enjoys.
- The BBC thought that five's future role should be to add diversity to news and current affairs coverage, to serve younger children and to bring a fresh tone and approach to public service broadcasting in general. BBC added that the public service broadcasting ecology would be poorer without five.

3.29 *Teletext*

- Teletext's response was confidential.
- The NUJ thought that obligations on content for Teletext should be maintained and strengthened while ACOD expressed concern that Teletext may not continue in the future noting that it provides a valuable service for deaf and hard of hearing people and, through accessible design standards, visually impaired people.

- Other respondents however, including GMG, questioned the need for intervention to ensure the existence of Teletext, given the strengths of online platforms in delivering information and search results.

The provision of public service content in the Nations and Regions

3.30 A sustainable production sector and a fair level of commissioning were considered to be crucial to the improvement of public service broadcasting delivery in the nations and regions.

3.31 Responses have showed that both regional and local content matters greatly to audiences. It has been suggested that one of the best ways to deal with consumers' dissatisfaction with the television offering in terms of localness, would be to enable community and local television to develop.

3.32 The Newspaper Society was concerned that funding support for regional news and content services would encourage and subsidise direct competition with the regional newspaper industry's commercial services and future business strategies.

3.33 *The majority of respondents were against ITV's regional news proposals*

- In the interests of plurality many respondents thought it would be regrettable if regional news in any area were to become solely the preserve of the BBC, and advised against Ofcom authorising any immediate change to current ITV licences.
- We received about 13,000 identical postcards in addition to numerous consultation responses from consumers and local bodies, supporting the campaign for Border TV's 'Lookaround' news programme. Conversely we also received a few letters and emails supporting ITV's restructuring plans.
- The Advisory Committee for Scotland (ACS) urged Ofcom to hold firm against pressures from the incumbent licence holders to make rapid changes to the licence conditions or funding regime. ACS proposed that the boundaries of the franchise areas should be re-drawn so that Border is located within an all-Scotland franchise which has 'opt-outs' at a more local level.
- The BBC stated that they see merit in ITV's regional news proposals and believe that over time, it may be appropriate to allow the transfer of some of ITV's nations and regions' news obligations to new delivery platforms such as broadband. The BBC also suggested that action is likely to be required in Scotland ahead of other parts of the UK.
- Channel 4 acknowledged that a retreat in newsgathering in the nations and regions by ITV would potentially have a knock on effect on Channel 4 news. It went on to suggest that any future model of regional news should aim to:
 - provide plurality against the BBC;
 - have a minimal negative impact on viewers;
 - maintain reach and impact;
 - be sustainable and

- maintain the effectiveness of the regional news gathering infrastructure
- ITN pointed out that if material changes are made to ITV's existing regional news services, such changes may increase the costs of the national news operations which use ITV's regional news coverage and, in turn, increase the need of those operations for support. For instance, ITN argued that without ITV's regional newsgathering infrastructure, ITN's ability to illustrate national issues from around the country with non-London voices would be severely impacted. In addition, ITN thought that any replacement of ITV's regional news service with purely local TV models would be unlikely to deliver the comprehensive reach of ITV's existing regional news service.

3.34 *Public service content in Wales*

- The BBC argued that Ofcom should use regulatory assets to secure a range of public service content output in Wales.
- The Advisory Committee for Wales (ACW) favoured the creation of a dedicated funding agency for Wales which would support non-BBC public service broadcasting provision on TV, radio and online. They were also keen to see creation of a new Channel 3 licence specifically for Wales (excluding West of England).
- The Institute of Welsh Affairs favoured a full affiliate partner to the Channel 3 provider in Wales but recognised that new public funding would be essential.
- NUJ rejected any suggestion involving a stand-alone licence for Channel 3 in Wales and believed that Ofcom should 'complete its review of funding arrangements before approving any further cuts in non-news programming quotas in Wales and elsewhere'.

3.35 *Public service content in Scotland*

- BBC suggested that existing structures should be used to secure public service content output and noted the possibility of a Scottish channel
- ACS welcomed recent moves by the BBC (and Channel 4) with respect to their commitment to commission programmes from Scotland. However, ACS was concerned that this should not only cover Scottish-originated content but also Scottish-relevant content.
- BECTU opposed devolution of responsibility for broadcasting from DCMS to the Scottish Parliament, noting that this could lead to competitive funding pressures from other devolved areas of responsibility.
- NUJ suggested a partnership approach with industry and educational bodies who are involved in Gaelic language and journalism training. They also believed that OFCOM or the government should intervene in a supportive manner to help SMG and ITV reach an agreement on financial terms.
- The Scottish Broadcasting Commission (SCB) referred to the urgent need to increase the currently low levels of network production from Scotland across all the public service broadcasters and to ensure an appropriate degree of portrayal of Scotland on the UK networks.

3.36 *Public service content in Northern Ireland*

- BBC considered the main issues in N.I involved the provision of Ulster Scots and Irish programming. They suggested Ofcom should explore ways of ensuring TG4 is carried in N.I.
- The Advisory Committee for Northern Ireland expressed concern for the lack of long-term planning with regard to both the funding and scheduling of Irish language broadcast content. They believed that government should seek to adopt a consistent UK-wide indigenous language broadcasting strategy and urged Ofcom to implement a mechanism for appropriately identifying both Northern Ireland network production and portrayal.
- Some consumer bodies felt there needs to be more secure provision for Irish language programming provision in the north of Ireland, on a par with Welsh language programming in Wales (S4C), and Scottish Gaelic programming in Scotland. It was noted that TG4 is entirely paid for by the Irish government while RTÉ (unlike the BBC) is funded both by advertising and the licence fee of the ROI.
- RTÉ supported Ofcom's suggestion that some degree of intervention may be required to maintain availability of TG4 and RTÉ (and cross border radio channels) in NI after DSO. RTÉ would also welcome the opportunity to engage with Ofcom and the other relevant UK authorities in order to explore the potential of distribution of its services in NI.
- The Northern Ireland Screen (NIS) noted that the Irish Language Broadcast Fund, which has been administered by NIS for the past 3 years, represented an extremely effective way of ensuring the production of Irish language material.

3.37 *Out of London (OOL) network production quotas*

- BBC is committed to making 50% of its network television output out of London by 2016 and discussed its commitment to delivering quality programming in the N&R (17% of output from the 3 nations by 2016). BBC was also keen to explore ways to make N&R output more sustainable beyond the BBC and adopt a new commissioning strategy to increase levels of cultural representation.
- Channel 4 considered it has a significant role to play in supporting production across all nations in the UK. In *Next on 4* Channel 4 has committed to increasing the proportion of TV expenditure in the nations by more than 50% by 2012. It is also creating a £1m pilot fund for the nations within the 2009 programme budget. However, Channel 4 added that it will not be able to sustain by itself a significant production level in the nations and advocated an aligned strategy between BBC and Channel 4.
- Channel 4 also believed that an out of England quota would hamper their flexibility to commission the best ideas and would force them to rely on a much smaller independent production base than is accessible under the existing OOL quota for network commissions.
- Five indicated that it over-delivers on its OOL quota but that it does not want to see its quota increased.

- The Advisory Committee for England (ACE) noted that while the market will lead, influence on quotas and out-of-London production is of great significance and would allow people (out of London) to see material originating where they live.

Prospects for children's programming

3.38 Most respondents noted that plurality in children's programming is important and agreed that action is needed urgently in this area:

- BBC thought that Ofcom has overstated concerns about the amount, range and quality of existing children's provision and underplayed the important role that digital media and Five could play in the provision of children's programming. Nevertheless, subject to approvals from the Trust, the BBC noted its commitment to extending and improving its own services and supported the commitment that Channel 4 has made.
- Channel 4 agreed with Ofcom's assessment but thought that only two of the options – extending Channel 4's provision and exploring a greater role for S4C - will achieve the object of ensuring plurality. It believed that in future new platforms will be vital to the provision of content for children.
- Five stressed its contribution to younger children's programming and indicated that they would favour tax breaks for producers of original children's programming. Five also welcomed Channel 4's commitment to providing programmes for 10-15 year olds but then noted that "unlike Five's commitment, [Channel 4's commitment] is dependent in the medium to long term on external funding". The introduction of tax breaks to boost UK originated production in children's programming was also favoured by various industry bodies.
- The NUJ however was not convinced that tax exemptions are the best way of producing an increase in children's programming and also thought that Ofcom should not be examining children's programmes provided through the internet as part of its consultation.
- A few respondents believed S4C's investment in children's programming should be leveraged to make it a major provider for the UK.

Section 4

Next steps

- 4.1 Based on the responses we received to Phase 1, and further analysis that is underway, we intend to publish a further consultation in the autumn. This will include detailed evaluation of the four possible long-term models for public service content, and specific proposals in the numerous short and medium-term issues identified in Phase 1, particularly with regards to services for the nations and regions, funding for Channel 4, the future roles of the commercial public service broadcasters, options for children's programming, promoting innovation in content, and the potential future need for intervention in interactive media.

Annex 1

Consultation questions

Delivery of the purposes of public service broadcasting

- Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?
- Do you agree with Ofcom's vision for public service content?

The role of UK-originated output

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

The contribution of digital channels and interactive media towards the public purposes

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

The future prospects for delivery of public service content and the role of different platforms and services

- 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?
- Do you agree with Ofcom's analysis of the costs and benefits of PSB status?
- In maximising reach and impact of public service content in the future, what roles can different platforms and services play?
- Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?
- 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?

Plurality and competition

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

Funding sources for public service content in the future

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

Long term models for delivery of public service content

- Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?
- 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?

Options for Channel 4, ITV1, five and Teletext

- 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?
- Which of the options set out for the commercial PSBs do you favour?

The provision of public service content in the nations and regions

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

Prospects for children's programming

- Do you agree with our assessment of the possible short term options available relating to children's programming; are there any other options available?

Annex 2

List of respondents

This list excludes individuals who responded to the consultation

ACOD
Advantage West Midlands
Advisory Committee for Scotland
Afro-Community Support Organisation Northern Ireland
Andersonstown Music School
Arts Council England
Arts Council Northern Ireland
ArtsEkta Belfast
Ashton Community Trust
AU Ireland
Ballymacarrett Arts & Cultural Society
BBC
Beat initiative
BECTU
Belfast City Council
Belfast Community Circus School
Belfast exposed
Belfast Interface Project
Belfast Titanic Society
Below the Radar (Confidential)
BlackAntenna
British Film Institute
British Music Rights
Bruiser Theatre Company
BSkyB
Business in the Community
c21 Theatre
Campaign for Press and Broadcasting Freedom
Cancer Research UK
Cathedral Quarter Arts Festival
CBA-DFID
Channel 4
Channel TV (Confidential)
Church of England
Cinemagic
Clarity Productions
Coiste na n-Irchimi
Committee on the Administration of Justice
Commonwealth Broadcasting Association
Community Arts Forum
Community Health Information Initiative
Community Media Association
Community Media Research Group London Metropolitan University
Comunn na Gaidhlig
Conway Mill
Creative Writers Network
Crescent Arts Centre

Cumbria County Council
D Mundell MP
Dimsum.co.uk
Discovery Networks
Donegall Pass Community Forum
Dublin Community TV
Dumfries and Galloway Council
East Anglian Film Archive
Education Digital 2
Educational Shakespeare Company
Eisteddfod
ELSPA
English Democrats and The English Lobby
English Version
Equity
Escape Act
Ex Prisoners Interpretative Centre
Felixstowe Radio
Festivals Company
FEU
Film Agency for Wales (Confidential)
Film and Television Freelance Training
Finestripe Productions
Five
Food for thought Africa
Foras na Gaeilge
Gaelic Media Service
Glenravel Local History Project
GMTV (Confidential)
Golden Thread Gallery
Green Bay
Guardian Media Group
HIV Support Centre Belfast
INNATE
Institute for Conflict Research
Institute of Local Television
Institute of Welsh Affairs
Institute of Welsh Affairs Annex 1
Institute of Welsh Affairs Annex 2
International Broadcasting Trust
International Consumer Policy Bureau
IPA
ITN
ITV (Confidential)
Jazz Services Ltd
Justice for Dockers
Kabosh Theatre
Labour Party (Northern Ireland)
Linen hall Library
Lupis Films Limited
Manchester City Council
Mandarin Speakers Belfast
Media 19
Media Trust

media watch
Mount Vernon Community Development Forum
Mundell MP
Musicians' Union
N Radio
National Centre for Diversity
National Endowment for Science, Technology and the Arts (NESTA)
Nerve Centre
Newspaper Society
Norfolk County Council (Confidential)
North Belfast Interface Network
North West Vision and Media
Northern Film and Media
Northern Ireland Anti Poverty Network
Northern Ireland Council for Voluntary Action
Northern Ireland Screen
Northern Visions
Notasuch films
NUJ
Ofcom Advisory Committee for Northern Ireland
Ofcom Advisory Committee for Wales
Open Arts
PACT
PACT Additional Statement
Peter Williams Television
POBAL
Public Voice
PublicSquare
Radio Centre
Radio Failte
RTE
S4C
Save Border TV's Lookaround
Save Kids TV
Save Lookaround
SCBG
Scottish Borders Council
Scottish Broadcasting Commission
Scottish Enterprise
Scottish Government
Scottish Parliament Cross Party Group on Gaelic
Scottish Screen
Screen England
Screen Yorkshire
Shankill Women's Centre
Simon Community Northern Ireland
Siren FM
Skillset
SMG
South West Screen
Spectrum Centre
Stadium Youth and Community Projects Belfast
Station House Media Unit
Steve Boulton Productions

Stonewall
TAC
Tay Screen
Teletext (Confidential)
Testimony Films Ltd (Confidential)
The Northern Ireland Music Industry Commission
The Open University
The Rory Peck Trust
TM Communications and Media Ltd
TUC
UK Film Council
UK National Commission for UNESCO
UK Screen
Ultach Trust
United for Local Television
University of Lincoln
UTV (Confidential)
Voice of the Listener and Viewer
Voluntary Arts Ireland
Waddell Media
Wales NUJ
Wales TUC
Welsh Assembly Government
Welsh Assembly Government
Welsh Rugby Union
Welsh Version
Western Isles Council
Wild Rover (Confidential)
Windsor Women's Centre
Women Into Politics
Women's Research & Development Agency
Workers Educational Association Northern Ireland
Yahoo!