



**The BBC's response to Ofcom's 'Small Screen:  
Big Debate' consultation on the Future of  
Public Service Broadcasting**

**16 March 2021**

## Executive Summary

1. This is the BBC's response to Ofcom's consultation on the future of public service broadcasting. The BBC welcomes many of Ofcom's findings in the first part of their review. We know:
  - **Engagement with PSBs and the BBC in particular remain strong.** Over 90% of UK adults and 80% of younger people use the BBC on average per week. The BBC also has the largest share – close to 25% – of all time UK adults spend across video, audio and online combined, including YouTube and social media.<sup>1</sup> By contrast time spent with Netflix is only 4% of that time.
  - **Audiences value the role that the PSBs play** in connecting communities, providing trusted, independent news, and entertaining. The pandemic demonstrated the importance of institutions like the BBC in a time of crisis. The BBC is the most trusted news provider.<sup>2</sup> In the first week of Lockdown Learning in 2021, there were nearly 6 million unique browsers to Bitesize.<sup>3</sup> And we raised over £70 million on our 'Big Night In' charity evening.
  - **The UK's public service broadcasters are engine rooms of great British content across all genres.** PSBs spend nearly £3bn each year on original UK content, support a highly skilled workforce and develop new talent.<sup>4</sup> The public service broadcasters collectively make around 32,000 hours of new UK content, compared to just over 210 hours of UK-produced content available on SVOD services Netflix and Amazon Prime Video.<sup>5</sup> And crucially PSBs create the conditions for others to invest, and the sector to grow.
  - **The UK media ecology is thriving** – it is a unique mix of the public and private sectors working together. The creative industries are growing faster than the economy overall – at a rate of 5.6% compared to 1.4% for the whole UK economy.<sup>6</sup> The BBC has acted as an anchor for the market and shaped audience preferences. Global companies are increasing their spend in the UK *because* of the investment of the PSBs.<sup>7</sup>
  - **The BBC is an organisation that delivers across all forms of media at scale.** BBC iPlayer had over 4 billion views last year; BBC Sounds had over 1 billion plays last year; and BBC News Online reached more than 19 million UK adults on average

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<sup>1</sup> Compass by Ipsos MORI, 16+ April-December 2020

<sup>2</sup> Ipsos MORI, 1,013 UK adults 18+ who follow the news, Mar 2020

<sup>3</sup> AT Internet, 11<sup>th</sup>-17<sup>th</sup> Jan 2021

<sup>4</sup> Ofcom '[Small Screen: Big Debate Consultation](#)' December 2020

<sup>5</sup> Ofcom '[Small Screen: Big Debate – a five year review of public service broadcasting](#)' February 2020

<sup>6</sup> DCMS [Economic Estimates](#), 2019

<sup>7</sup> As Netflix told the DCMS select committee last year, the BBC "is one of the key reasons we have chosen to make our home here and why we are such strong supporters of what they do and want to see them continue doing that."

per week.<sup>8</sup> However linear channels, and a portfolio approach to provide universality and choice for our audiences continues to be very important.

2. **We must continue to collaborate with PSBs and the commercial sector** to maximise audience value. For example, we are collaborating with the other PSBs to evolve the Freeview platform in order to offer UK audiences the benefits of internet-delivered services (linear and on-demand) all in one place, freely available to all. We have developed a great global partnership with ITV taking British content across the world. And we are also continuing to evolve Radioplayer to power hybrid radio – particularly in vehicles. Co-productions in drama and sharing sports rights is another important way for the media industry to work together where the impact of super-inflation is so high.
3. **We agree with Ofcom that changes are needed to sustain the benefits of PSB into the future.** We also agree with the key qualities Ofcom identified that will still be needed to sustain the systems' future success: diversity of high-quality content, wide availability and universality, financial stability and companies with scale to reach audiences and negotiate with global platforms.
4. In this response we set out why we believe that to 'strengthen and maintain' PSB for the future and to transition to a Public Service Media (PSM) system, Ofcom should make the following recommendations to Government:
  - Support a universal, licence-fee funded BBC as essential to a thriving UK media ecology
  - Urgent legislation to update the 2003 Communications Act to modernise the regulatory framework to ensure PSBs are prominent and available on all major TV platforms
  - A simpler, faster regulatory structure that recognises the global digital marketplace. We should seek to avoid complexity and red tape, and avoid duplicative regulation of the BBC
  - Enhanced powers for Ofcom to support the institutions of PSBs as the primary providers of universal public value content to citizens and consumers in the UK
  - Given the thriving UK media ecology and uniquely successful PSB model there is not sufficient evidence to support the need for contestable funding, and in any event we do not think the licence fee should be used to support such schemes.

Taking these recommendations in turn:

5. **Support a universal, licence-fee funded BBC as essential to a thriving UK media ecology**

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<sup>8</sup> BBC iPlayer and BBC Sounds data from AT Internet, 2020. News Online from Compass by Ipsos MORI, 16+, 16 Mar 2020-28 Feb 2021.

- Universality is an essential part of public service broadcasting. Content made for all and accessible to all cannot be substituted for by paywalls and subscriptions. And universality will be even more important in a PSM future to provide trusted impartial news, promote British culture and prevent societal exclusions and to retain social cohesion in a system that is likely to be dominated by global tech companies.
- The licence fee also ensures universality for audiences. The BBC must provide great value to all and be available to all. The public know their licence fee funds the BBC and we are accountable to them for how it is spent.<sup>9</sup> This is key to retaining long-term support for public funding via the licence fee. The licence fee is the means of funding the BBC with the single most support. 42% of UK adults back the licence fee now compared with 25% for advertising and 23% for subscription (10% don't know).<sup>10</sup>
- The licence fee is a critical foundation investor in the UK's creative economy and independent production sector.<sup>11</sup> The BBC invests over £1.4 billion in TV content production in the UK. The BBC invested with over 350 independent production companies more than anyone else in the UK market

**6. Support a simpler, faster regulatory structure that recognises the global digital marketplace going beyond linear channels and old services. We should seek to avoid complexity and red tape, and avoid duplicative regulation of the BBC**

- We agree with Ofcom that regulation needs to move into the digital age and we agree that PSBs (in future PSMs) should be regulated to deliver beyond TV and linear broadcasting. Indeed, the BBC is already regulated beyond television. However, that regulation also requires modernisation because it is siloed and inflexible. A portfolio-level and online-first framework - which reflects the different ways that audiences find and consume content, and the ways in which PSBs operate and commission in the market - would deliver better outcomes for audiences.
- We will now work closely with Ofcom to look at how the BBC's Operating Licence can be modernised to deliver value for audiences. As part of this we will work on a new performance framework for our Annual Plan for Ofcom to review and assess. Our aim is to simplify and stream-line the framework to enable the BBC to deliver greater value for audiences subject, of course, to Ofcom approval.

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<sup>9</sup> Over 90% of licence fee payers know that the licence fee funds the BBC, and 80% think that the BBC is accountable to licence fee payers because of that licence fee funding. Source: Yonder, March 2021, 851 UK adults 18+ in TV licence households.

<sup>10</sup> Sources: 1989: BBC Corporate Image survey; 2004: ICM, 1,037 UK adults 18+; 2020: Ipsos MORI, 1,037 UK adults 18+

<sup>11</sup> For example, the BBC works with more producers, in more locations than any other UK broadcaster. In 2019, 57% of our suppliers were out-of-London. Source: BBC, [TV Commissioning Supply Report](#), 2019

- There is a strong case for further reform of the way that Ofcom assesses materiality and conducts public service and commercial regulation of products and services to speed up the process to enable the BBC to keep pace with changes in the market and consumer expectations more effectively.

**7. Urgent legislation to update the 2003 Communications Act to modernise the regulatory framework to ensure PSBs are prominent and available on all major TV platforms**

- UK audiences must have access to PSB services – and we support Ofcom’s suggestions to recommend updates to the Communications Act so that PSB channels and players are included (or ‘carried’) on all major content distribution platforms. By 2023 as many as 60% to 80% of new TVs sold may have an operating system controlled by global tech companies with little interest in distributing the UK’s PSB services.<sup>12</sup>
- Rules must also ensure public service providers are able to retain and access our audience data. Access to data will be critical in the future to the preservation of the PSB (or PSM) ecosystem.
- Amendments to the Communications Act are also required to update PSB prominence rules for online TV viewing. The need for these rules is urgent and action should not be delayed. Updated prominence legislation for TV must be future-proof, principles based and benefit PSB services (e.g. BBC iPlayer, ITV Hub). Prominence for PSBs need not look the same on every platform, but a key principle is ensuring PSB services are more prominent than non-PSB alternatives on key routes to content discovery (like the home screen today). Ofcom should also give additional consideration to broader findability requirements for PSM going beyond TV services.
- Legislation should prevent providers of TV user interfaces<sup>13</sup> (e.g. smartTV manufactures or global tech providers) from releasing products in the UK without complying with these rules. This might be enforced via a notification regime.

**8. Enhanced powers for Ofcom to support the institutions of PSMs as the primary providers of universal public value content to citizens and consumers in the UK.**

- We believe Ofcom should have a stronger duty to consider the sustainability of the institutions that deliver universal public value to the citizens and consumers of the UK. The strength, adaptability and flexibility of PSB institutions has been powerfully demonstrated in the response to Covid-19, where a disaggregated or contestable system would have struggled to respond as the BBC has done.

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<sup>12</sup> BBC and Digital UK analysis of TV manufacturer OS choice trends, based on Digital UK estimates of market share

<sup>13</sup> Subject to passing a threshold for being a major provider

- This could be similar to the postal services regime where Ofcom has a duty to secure the provision of a universal service, and would fit with Ofcom’s view that universality is essential to deliver the benefits of public service broadcasting, and could serve to safeguard PSBs of scale, universal availability and universal relevance.
- Given this importance of universal public value at scale we think the way that public service media is defined is critical so that there is not a dilution to the value chain to audiences and the UK economy that the PSBs support.

**9. Given the thriving UK media ecology and uniquely successful PSB model there is not sufficient evidence to support the need for contestable funding.**

- We do not think there is sufficient evidence to demonstrate that contestable funding would solve the problems that Ofcom has identified. The evidence from other countries is mixed and the negative implications can be that they offer poor value for money, risk poorer creative outcomes and dilutes the scale of intervention made by the current PSB in a range of genres. And where contestable public funding goes to commercial providers or platforms, it has the potential to displace commercial spend.
- Additionally, a contestable fund top sliced from the licence fee would diminish the BBC’s scale and scope at a time when Ofcom recognises the need for companies with sufficient scale to compete with global players<sup>14</sup> and to support the UK’s creative economy.
- Top-slicing fundamentally undermines the BBC’s direct accountability to the licence fee payer. The vast majority of the UK public think the licence fee funds BBC services.<sup>15</sup> The public make a direct link between the payment they make and the benefits they receive from the BBC. Instinctively, licence fee payers are concerned about licence fee money being used for public service content on commercial companies’ channels/platforms. Sixty percent think it is unacceptable in principle.<sup>16</sup>

10. We do however believe that if there are certain areas of the market that are proven to need additional incentives there are other ways of providing those – for example through partnerships such as the BBC’s local democracy partnership or production tax credits which could be expanded further to support smaller independent producers outside London which would benefit the whole ecology.

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<sup>14</sup> Cf Section 5. Ofcom ‘[Small Screen: Big Debate Consultation](#)’ December 2020.

<sup>15</sup> Over 90% of licence fee payers know that the licence fee funds the BBC, and 80% think that the BBC is accountable to licence fee payers because of that licence fee funding. Source: Yonder, March 2021, 851 UK licence fee payers, 18

<sup>16</sup> Only a minority of licence fee payers (21%) think it would be acceptable in principle. Source: Yonder, March 2021, 856 licence fee payers, 18+

- 11. In looking to the future Ofcom is considering how PSM should be defined and who should provide it.** Our view is that the PSB definition limited to broadcasting is out of date and should be re-interpreted to change the “Broadcaster” to “Media”. However that should not change the make-up of the UK media sector. Indeed Ofcom’s EY report shows how uniquely valuable the UK mixture of public and commercial is. This is a significant part of the success story behind the UK’s world leading creative economy. The scale of the PSB’s investment and support for British creativity and talent including the independent production sector has in turn encouraged more inward investment – a virtuous circle of growth.
12. The existing system also works well for audiences which is regularly shown in Ofcom research over the last decade, and in its latest reports. And whilst we welcome content delivering public value that commercial providers do provide on a small scale, it should not be substitutional for what the BBC and other PSBs do. It is great that there is more consumer choice across a range of genres but many of the global players understandably focus on global value content first, individual region or nation second.
13. However we do not see that sufficient evidence has been provided to suggest a change to enable commercial players to become part of the PSM ecology would benefit audiences or the wider market. By the nature of their business models, commercial organisations will always have to make their decisions based on commercial grounds first rather than prioritise public value.
14. We find it difficult to see how a fair system can be created whereby new providers could strengthen public service media with piecemeal provisions and discrete obligations. The PSB system is based on both obligations and benefits – and this balance is rightly much broader than for individual pieces of content.
15. Indeed, the strength in today’s system comes from PSB and fully commercial market players complementing and competing with each other to deliver more consumer choice and innovation. Creativity and innovation is not achieved by diluting what a PSB is – nor by hampering the private sector with more regulation. As we move beyond a system of public service broadcasting to a system of public service media, we should seek to strengthen, not weaken the existing system.

## Introduction

16. We welcome the opportunity to respond to Ofcom's Small Screen: Big Debate consultation on 'The Future of Public Service Media'.
17. We agree with Ofcom's assessment that the UK has a unique broadcasting and media landscape highly valued by audiences. PSBs sit at the heart of the UK's creative industries. No other country has the same blend and breadth of public and commercial companies.
18. There are key features that the public service broadcasting / media system will need in order to thrive in the future; and that a new modern framework for a digital age is essential to maintain and strengthen the system.
19. However, given the importance of scale in the market, we think the focus should be on establishing an effective regulatory framework rather than increase the number of providers. We elaborate on these points below before turning to Ofcom's specific consultation questions.

### ***We agree that PSB still matters and the benefits are worth preserving in a PSM system***

20. The key benefits delivered by the PSB system and identified in the consultation included: ensuring investment in a wide range of genres; bringing people together; reflecting the UK's diversity; serving vulnerable groups who are not connected; and ensuring sustainable investment for the UK's production sector and the creative industries. We agree.
21. We also recognise the challenges for PSBs that Ofcom sets out in its document. In particular, the importance of evolving the system as some audience consumption habits change and global competition changes the nature of the market.
22. However, the risk of audiences turning away from PSB – and the BBC in particular - should not be overstated. 94% of UK adults and 86% of younger people use PSB/PSM<sup>17</sup> on average per week, rising to 98% and 96% per month respectively.<sup>18</sup> In spite of a rapid increase in competition and choice, the BBC remains the biggest media brand in the UK and at the heart of UK life:
  - Over 90% of UK adults and 80% of younger people use the BBC on average per week, rising to 97% and 93% per month respectively.<sup>19</sup> UK adults overall spend close to 18 hours a week with the BBC on average, making the BBC the public service that adults spend most time with on average per week.<sup>20</sup>

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<sup>17</sup> Includes all BBC media, ITV main channel, Channel 4 main channel, Channel 5 main channel, ITV Hub, All4, My5, S4C and STV Player.

<sup>18</sup> Compass by Ipsos MORI, 16+ and 16-34, 2020

<sup>19</sup> Compass by Ipsos MORI, 16+ and 16-34, 2020

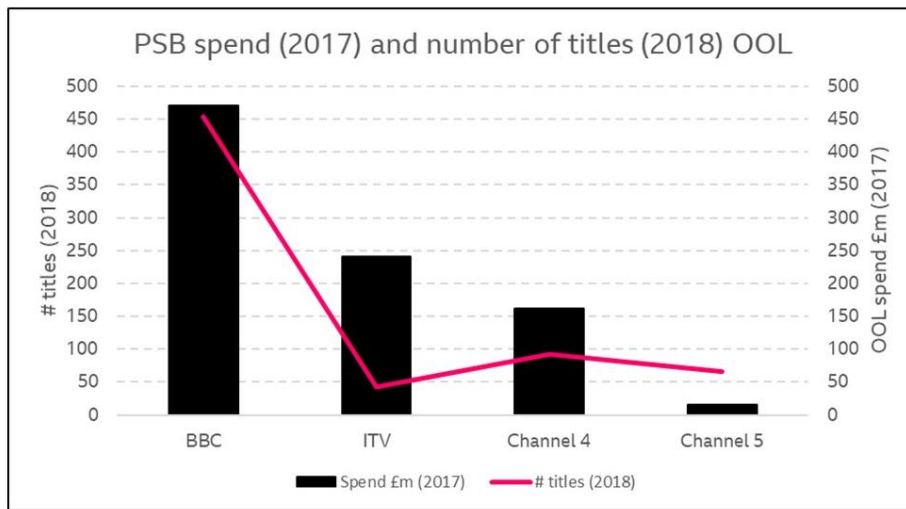
<sup>20</sup> BARB, BARB Establishment Survey, RAJAR, AT Internet, ONS, 2019/20



- On average, the BBC has the largest share – close to 25% - of all the time UK adults spend across video, audio and online combined, including YouTube and social media. By contrast time spent with Netflix is only 4% of media time.<sup>21</sup>

23. The BBC in particular delivers across the full breadth of TV, radio and online as we are regulated to do. And as more people are watching and listening online and on demand, the BBC is reforming.

24. The BBC already ensures 50% of its network spend is invested out of London – more than any other broadcaster.<sup>22</sup> The BBC spent more out of London and commissioned more titles out of London than all the other PSBs combined.<sup>23</sup>



**Table 1: Comparison of PSB spend and titles made out of London**

Sources: *Regionality Trends within the UK Production Section, 2018, O&O; Made Outside London Register, 2018, Ofcom*

25. Indeed, over half of the BBC’s contribution to the UK economy is outside of London and the South East, compared to just 20% for the industry as a whole, growing substantially since 2012.<sup>24</sup>

26. In 2019, we spent more than £1.4 billion on original UK TV content, working with more producers than ever before, more new producers, more producers based in the Nations and Regions and more qualifying independent producers.<sup>25</sup>

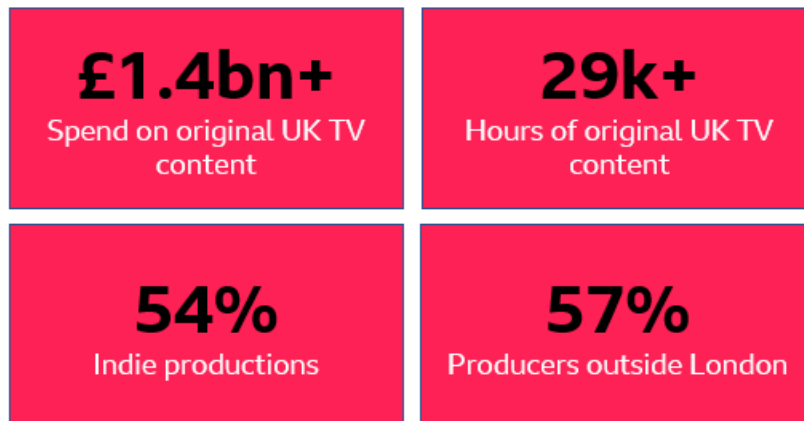
<sup>21</sup> Compass by Ipsos MORI, 16+ and 16-34, 2020

<sup>22</sup> BBC, [The Economic Value of the BBC: 2011/12](#), January 2013

<sup>23</sup> *Regionality Trends within the UK Production Section, 2018, O&O; Made Outside London Register, 2018, Ofcom.*

<sup>24</sup> KPMG, *Assessment of the Economic Impact of the BBC. A report for the BBC for financial year 2019/20, March 2021.*

<sup>25</sup> BBC Commissioning Supply Report 2019



Source: BBC Commissioning Supply Report 2019

27. It's also important to remember that whilst there are undeniable shifts in viewer behaviour, which are accelerating, not everyone is online – or wants to watch online.<sup>26</sup> In 2020, four in 10 UK adults do not watch any long-form video on demand in the average week.<sup>27</sup> And broadcast viewing is of continued importance to the UK public – almost 9 in ten watch broadcast TV every week, including a significant majority of young people (around three quarters).<sup>28</sup>

***We agree with Ofcom that there are key features needed for a successful PSM system***

28. The consultation sets out four key features: (i) Broad range of high-quality content that meets the needs and interests of diverse audiences; (ii) Content that is widely available, which audiences can easily find; (iii); Some companies with scale to reach audiences; and (iv) Financial stability to allow for innovation.

29. We also think that a balance between regulatory benefits and obligations is important – the four factors above won't deliver without this. In addition, a mix of public and private institutions with different and distinct business models in the wider media sector is important and is one of the unique factors of the successful UK market place. We reflect on the importance of these key features along with the four key features identified by Ofcom.

*Creating a broad range of high-quality content and ensuring it is widely available.*

30. Today's PSBs, free at the point of use, and available to everyone, remain a critical part of the system. Guaranteeing access to trusted impartial news, high quality British content that reflects UK society, and creating a shared accessible space for public debate must remain at the heart of the UK media ecology.

31. Indeed, the universality of BBC services will be more important as online media consumption increases:

<sup>26</sup> Nearly 7% of the UK population is almost completely offline – not connected to the internet. Source: Savanta for Broadband Stakeholder Group, [Digital Exclusion Research](#), October 2020.

<sup>27</sup> Compass by Ipsos MORI, Apr-Dec 2020, 16+

<sup>28</sup> BARB, 2020.

- In a digital world awash with misinformation and disinformation, citizens need trusted, impartial news about the UK and the world. The Covid-19 pandemic has exacerbated online trends that were already well known - creating what the World Health Organization has called an ‘infodemic’ of misleading and false information. Recent Ofcom research showed high proportions (as much as 50%) of online adults in the UK seeing false or misleading information about the coronavirus (Covid-19) pandemic in the previous week.<sup>29</sup> The BBC is already a critical means of counteracting this. As Ofcom reflected, seven in ten regular viewers of BBC TV news agreed it was accurate and trustworthy.<sup>30</sup> According to tracking by Ofcom across March 2020 to February 2021, the BBC has consistently been considered to be the most important source of information/news about the coronavirus outbreak for people, far ahead of the next nearest sources.<sup>31</sup> And when news consumers are asked directly by Ipsos MORI to name which one source they trust the most for news, 62% say the BBC (the next nearest is Sky News on 8%).<sup>32</sup>
- In an increasingly global marketplace, UK adults (around 7 in ten) want to see UK life and culture represented and portrayed on screen.<sup>33</sup> This is what PSBs are absolutely committed to doing, and whilst some British shows will be on the global players in reality only around 10% of their offering is UK produced content with a much smaller percent of UK originals which includes PSB content – just 0.1% on Amazon Prime Video or 1% on Netflix.<sup>34</sup> Furthermore, even the UK-made content for global SVODs is less ‘British’ than that commissioned by local broadcasters.<sup>35</sup> This is perfectly understandable given that global SVODs need content to appeal to as wide an audience as possible. But over time, without PSB investment, this is likely to lead to globalisation of content and a dilution of Britishness on our screens. The impact of this comes through in how audiences perceive TV channels and streaming services in the UK. Research has shown that 73% of UK adults (and 69% of 18 to 34s) think that BBC One “shows programmes that reflect the lives of people in the UK” whereas only 19% of adults (and 30% of 18 to 34 year olds) say the same about Netflix.<sup>36</sup>

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<sup>29</sup> <https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/half-of-uk-adults-exposed-to-false-claims-about-coronavirus>

<sup>30</sup> 2020 Ofcom News Consumption Survey

<sup>31</sup> Populus, c.2,100 UK adults per wave, 20 waves of fieldwork from Mar 2020 to Feb 2021, published by Ofcom. Across the 20 waves of fieldwork, when respondents accessing news/information about the Coronavirus outbreak were asked to name their most important source, 46% cited the BBC, well ahead of the next nearest (officials at 13%).

<sup>32</sup> Ipsos MORI, 1,013 UK adults 18+ who follow the news, Mar 2020.

<sup>33</sup> Ofcom PSB Tracker (Wave 1: 24<sup>th</sup> May – 26<sup>th</sup> June 2019; Wave 2: 1<sup>st</sup> October – 4<sup>th</sup> November 2019)

<sup>34</sup> Ampere Analysis. The BBC analysed data from July, August and September in 2020. Amazon Prime Video: 11% total hours were UK produced (this included second window PSB-made content); 0.1% was UK original hours. Netflix: 9% was UK produced and 1% was UK original hours.

<sup>35</sup> Enders Analysis, Outsourcing culture: When British shows aren’t ‘British’, March 2020

<sup>36</sup> Populus, 501 UK adults 18+, 139 18-34s Jun-Jul 2020.

- Finally, and perhaps most critically, fragmentation in society means bringing people together through shared moments and experiences has never been more important.

### *Companies with scale*

32. We also strongly agree with Ofcom that companies with scale will be essential in the future. This will achieve:

- Universality – in respect of the ability to offer a broad range of content, to have the capacity to reach all audiences, and to be able to bring people together at a time when online consumption is causing greater fragmentation;
- sufficient scale to compete with global players;
- broad appeal for all audiences, with the ability to reach and serve every person in the UK;
- the power to set industry standards and convene across the industry;
- the resilience, breadth and flexibility to rapidly respond to changing conditions and future shocks; and
- Global reach and ability to distribute renowned UK services internationally e.g. the BBC World Service or the BBC/ITV Britbox global partnership.

33. The BBC is one of Britain's best-known<sup>37</sup> and most used brands<sup>38</sup> - strong across TV, radio/audio and online - which benefits the UK's system as a whole. Given its funding model the BBC is able to take risks and innovate which can then benefit the wider sector. In addition, the BBC's content covers the largest range of genres providing something of value to all audiences and providing content that commercial players would not invest in.

### *Financial stability to deliver universal services*

34. We agree with Ofcom that stable funding is essential – as is public funding. Ofcom figures show around 32,000 hours of first-run UK-originated network hours on the UK's PSBs versus 210 on SVoD services Netflix and Amazon Prime Video in 2018.<sup>39</sup> And while global companies are increasing their spend in the UK, it's *because* of the investment of the BBC (via the licence fee) and others – rather than in spite of it.<sup>40</sup> For example, Netflix told the DCMS select committee last year, the BBC "is one of

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<sup>37</sup> 99% of the UK population (18+) are aware of the BBC. Source: YouGov Brand Ratings, Oct-Dec 2020, 1428 respondents.

<sup>38</sup> Compass by Ipsos MORI, 2020.

<sup>39</sup> Ofcom '[Small Screen: Big Debate – a five year review of public service broadcasting](#)' February 2020. Of the 32,000 hours c.22,000 were made by the BBC. In addition, the BBC made around 7,500 hours of new content in the Nations and Regions.

<sup>40</sup> For example, Netflix told the DCMS select committee last year, the BBC "is one of the key reasons we have chosen to make our home here and why we are such strong supporters of what they do and want to see them continue doing that."

the key reasons we have chosen to make our home here and why we are such strong supporters of what they do and want to see them continue doing that."

35. Public funding through the licence fee has enabled sustained investment across the whole of the UK in TV and radio production, stimulating employment, and providing investment in production companies large and small.

36. The licence fee model also:

- enables the BBC to do things at pace that commercial providers would / could not. For example, as the UK's nations tackled coronavirus, the BBC delivered the biggest education offer in our history.
- allows us to plan for the future, as shown through our investments in digital services which set a precedent across the industry.
- ensures people know where their licence fee is spent. That licence fee payers can see personal and social value for their money is key to retaining long-term support.

*Regulation brings the key factors together so they deliver benefits*

37. In a linear broadcasting world, these features were upheld by a balance of regulatory requirements (like programming quotas) and regulatory benefits for PSBs (like EPG prominence). This resulted in a 'virtuous circle' of investment in high-quality UK original content; attributed consumption and high reach; and sustainable funding – all underpinned by universality. As Ofcom considers the future model, we believe the balance between regulatory benefits and regulatory requirements is an important one to retain. We struggle to see how those requirements and benefits can be applied on a show by show basis, rather than across a wider system approach as is the case now.

*A mix of public and private companies is another key feature*

38. We think another crucial contributor to the successful UK media ecology to date is the combination of public service media and commercial providers working in partnership and in competition. Recent work by UCL economists found the BBC to play a "truly innovative and catalytic role... in the global media industry."<sup>41</sup> For example, the BBC has shaped local and international markets through pushing boundaries - creating new commercially successful formats (e.g. Strictly Come Dancing), championing diversity (with content such as "I May Destroy You") and showcasing women's football, — by doing so the BBC has influenced and shaped markets around the world.

39. Ensuring the PSBs are able to continue to deliver public value to audiences and shape the media markets in which they are active is vital to the success of the UK

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<sup>41</sup> UCL IIPP, Creating and Measuring Public Value at the BBC, December 2020.

media market going forward. In a series of Reith Lectures Mark Carney recently spoke about the importance of safeguarding resilient markets which can continue to survive, and indeed thrive, through times of change. He argued this requires strong institutions, infrastructure, regulations, and values, maintained by the right balance between the market and the state.<sup>42</sup> Strong and stable PSBs of scale govern behaviour in the market and contribute to the maintenance of this delicate balance in the media market.

### ***The need for reform***

40. As well as identifying the key features need for the system to thrive in the future, Ofcom also identified some potential areas for reform.
41. Ofcom is right that a new regulatory framework is urgently needed. The current PSBs, as we have argued, are already delivering beyond television sets and linear broadcasting. Modern regulation should enable PSBs to better fulfil their remit with the full range of tools and distribution mechanisms at their disposal. Reform is also urgent in respect of the regulation which upholds the system and from which PSBs benefit. We are not convinced, however, that new players will add to delivery of public services, and struggle to see how a regulatory regime could suitably balance obligations and benefits if based around ad hoc content delivery. We reflect further below.
42. We think the following changes are necessary:
  - Reforming how existing PSBs are regulated. The principles of the PSB regulatory regime – responsibilities matched with benefits – are sound. But the regime is focused on a broadcast, linear era. It needs updating to reflect how services are delivered today. A portfolio-level and online-first framework - which reflects the different ways that audiences find and consume content, and the ways in which PSBs operate and commission in the market - would deliver better outcomes in a more effective way. The BBC is already regulated beyond linear TV delivery and we welcome that Ofcom is planning a separate process to consider changes to the BBC Operating Licence. This should aim to produce a simpler, faster regulatory structure and seek to avoid duplicative regulation of the BBC under the Charter and Agreement.
  - Updating the framework that supports PSB service availability ('must carry' or inclusion rules). As the way audiences access content changes, we need a new framework that ensures PSB services remain available on all major TV platforms including smart TVs and global platforms. Today many global tech companies who control these platforms also offer their own streaming services, giving them

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<sup>42</sup> [https://downloads.bbc.co.uk/radio4/reith2020/Reith\\_2020\\_Lecture\\_1\\_transcript.pdf](https://downloads.bbc.co.uk/radio4/reith2020/Reith_2020_Lecture_1_transcript.pdf)

the means and motive to prioritise these services over UK providers. By 2023 as many as 60% to 80% of new TVs sold may have an operating system controlled by global tech companies with an active interest in self-preferencing at the expense of making sure content reflecting and representing the UK's tastes is easily found.<sup>43</sup>

- It is also important that when considering new availability rules, PSMs are able to retain and access our audience data at a sufficiently granular level. We cannot improve our performance and understand our audiences, and share best practice and insights among PSBs, without this. Rules must also ensure public service providers are able to retain and access our audience data. Access to data will be critical in the future to the preservation of the PSB (or PSM) ecosystem.
- Urgently proceeding with prominence legislation. Prominence is a vital PSB benefit. The Lords Communications Committee concluded “it is more important that PSBs are easy to find in a fragmented media environment, not less.”<sup>44</sup> However, despite clear political recognition for many years that the current rules are outdated, changes have yet to be made. We welcomed Ofcom’s recommendation for updated prominence legislation and would reinforce the importance of this legislation being future facing for online, on demand TV so Ofcom could have a key role in ensuring prominence as technology continues to change at pace. We call for this to be enacted without delay so that PSB players benefit from prominence rules, as PSB channels do today.<sup>45</sup>
- Discovery beyond TV – we note the debate about discovery, findability and prominence beyond TV channels and players. We think Ofcom should urgently give consideration to additional findability rules (e.g. for audio) so that when the Government is in a position to legislate, the framework is futureproof. As technology and audience behaviours change, additional rules will be needed. Waiting to do this may prove too slow given the pace of market change.
- Enhanced powers for Ofcom to support the institutions that deliver public service broadcasting today as the primary providers of public service content to citizens and consumers in UK. The guaranteed fulfilment of the public service objectives is contingent on the health and longevity of the PSBs. We believe Ofcom should have a stronger duty to support the institutions of PSBs as the primary providers of public service content to citizens and consumers in UK. For example, a duty to

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<sup>43</sup> BBC and Digital UK analysis of TV manufacturer OS choice trends, based on Digital UK estimates of market share. Mediatique also note that for major global players ‘the balance of power is shifting in [their] favour ..with observable declines in the bargaining power of domestic content providers. Source: Mediatique for Ofcom.

<sup>44</sup> Lords Select Committee on Communications and Digital, [Public Service Broadcasting: as vital as ever](#), 5 November 2019.

<sup>45</sup> It is critical that PSB players benefit from prominence rules, rather than PSB programmes. Recent research has shown that it is PSB players that provide attribution for PSBs. Tapestry Research for the BBC, UK adults 16+, 2020.

secure provision of universal public service broadcasting could safeguard PSBs of scale, universal availability and universal relevance.

***However, we have some concerns about the extent to which new PSM providers could strengthen public service media in the future***

43. We agree with Ofcom that the wealth of high-quality programming coming from all corners of the market is of huge benefit for audiences – and for the media system as a whole. However, the impetus for creating some of this content is audience demand rather than a much wider public service ethos or remit. It only covers what is commercially viable and in the future if audiences' tastes changes commercial companies would stop delivering this programming.
44. The PSBs are unique and distinctive services. From CBeebies to the News at Ten audiences have expectations about the services they will receive. Those destinations are important. Parents know on CBeebies, for example, that their children will get ad free, safe, high quality, UK content. That cannot be said of YouTube or other platforms not subject to the same level of regulation as the PSBs. Occasional pieces of PSB like content in a mixed schedule is not the same as an overall PSB destination. Adding new providers to the public broadcasting system on the basis that they produce some discrete pieces of content which provides public value is not evidenced by a market imperative or audience requirement.
45. We find it difficult to see how a system operating at scale can be created from piecemeal provisions and discrete obligations which could dilute the impact of the whole system. The PSB system is based on both obligations and benefits – and this balance is rightly much broader than for individual pieces of content or discrete services.
46. The strength in today's system comes from PSB and fully commercial market players complementing each other. You don't get that resilience by watering down what a PSB is – nor by hampering the private sector with more regulation. Ofcom should seek to strengthen, not weaken existing providers. The existing system with PSB complementing wider market provision has worked well. We do not see that sufficient evidence has been provided to suggest changes would benefit audiences or the wider market.
47. We set out more detailed comments below in response to Ofcom's specific consultation questions.



**Q1. Do you agree that a new regulatory framework for PSM delivery should support a more flexible 'service neutral' delivery approach that is more outcomes focused?**

**Q2. Do you agree with our proposals for a clear accountability framework?**

48. We broadly agree that a new regulatory framework should support a more flexible 'service neutral' delivery approach and be more outcome focused. In response to question 1 and 2 we set out why we believe:

- Regulation placed on providers should be balanced with regulatory benefits they receive – naturally, the more obligations placed on a PSM the more benefits bestowed to ensure its wide accessibility and reach.
- The system needs to recognise that PSBs already deliver across a portfolio of digital and linear services – the BBC delivers, and is regulated for, public service content across BBC iPlayer, BBC Sounds, BBC Online, BBC News, BBC Sport, BBC Bitesize, eight pan-UK TV channels, seven local television services, 10 UK-wide radio stations, seven radio stations for the nations, 39 local radio stations, and additional services for children.
- Ofcom should modernise the regulatory framework and the BBC's Operating Licence – a portfolio-level and online-first framework, which reflects the different ways that audiences find and consume content and the ways in which PSM operate and commission in the market, would deliver similar outcomes in a more effective way.

49. Ofcom's consultation recognises the benefits that public service broadcasting delivers for citizens, consumers and the UK's creative industries. This has been enabled by regulation that gives UK PSBs responsibilities, in return for privileges that facilitate their wide accessibility and reach. These privileges have broadly been proportionate to the delivery of the regulatory requirements. These broad principles seem right to us, and should endure. However, Ofcom has rightly recognised that the specific regulations and obligations placed on PSBs, as well as the regulatory benefits like prominence in the EPG, are rooted in a linear framework.

50. PSBs are already PSM providers, delivering value to audiences beyond television – online, on demand, on social media platforms, smart speakers and on a multitude of devices. The BBC delivers public service content across BBC iPlayer, BBC Sounds, BBC Online, BBC News, BBC Sport, and BBC Bitesize and on social media. Indeed, the BBC is already required to deliver our remit and public purposes beyond our linear TV output and this is reflected in Ofcom's Operating Licence. Nevertheless, the BBC's current regulatory framework is also outdated and in need of urgent reform.

51. We welcomed recognition of this in Ofcom's proposed Plan of Work 2021/22, wherein Ofcom proposed to review how the BBC's Operating Licence should evolve to reflect changing audience habits and expectations in a digital world.

52. We will now work closely with Ofcom to look at how the BBC's Operating Licence can be modernised to deliver value for audiences. As part of this we will work on a new performance framework for our Annual Plan for Ofcom to review and assess. Our aim is to simplify and stream-line the framework to enable the BBC to deliver greater value for audiences subject, of course, to Ofcom approval.
53. We agree with Ofcom that a new regulatory framework for PSM delivery from today's PSBs should support a flexible, service-neutral approach. Obligations tied to specific television broadcasting services restricts the ability of public service providers to modernise our content offers. Out of London and QI quotas only apply to broadcast transmissions, and not to BBC iPlayer transmission. A portfolio-level and online-first framework - which reflects the different ways that audiences find and consume content and the ways in which PSM operate and commission in the market - would deliver good audience outcomes in a more effective way. For example, quotas specifying hours of particular genres on specific linear channels or stations and/or specified by time of day, do not reflect the realities of viewing habits in the digital age: online, on-demand, and channel-agnostic. This means PSB commissioners have to address regulatory quotas for broadcast channels before prioritising ideas for audiences which could be delivered across a digital and linear portfolio.
54. We agree with Ofcom that a new regulatory framework should be outcomes focused. To this effect, we do not consider that hours quotas constitute an effective tool for ensuring PSBs deliver on such outcomes. Such quotas do not incentivise innovation, risk taking, distinctiveness, quality or creativity. Instead, a combination of quantitative and other performance measures could more usefully demonstrate PSBs commitment to fulfilling a broad range of public service outcomes.
55. We agree that there should be a clear accountability framework for public service providers. In the case of the BBC, this should be part of our existing regulatory framework to avoid duplicative regulation on the same issues. Typically Ofcom has placed these types of conditions in our Operating Licence or has assessed this as part of our Performance Management / Annual Report on the BBC. This accountability framework is already very clearly set out in the BBC's Charter and Agreement and as we have set out we want to work with Ofcom to focus on outcomes for audiences rather than rely on input measures.

**Q3. What do you think should be included in the PSM 'offer'?**

**Q4. What options do you think we should consider on the terms of PSM availability?**

56. We agree with Ofcom that "prominence should be supported by availability rules, to ensure that people can access PSM." In response to questions 3 & 4 we explain:

- Availability rules are urgent – By 2023 as many as 60% to 80% of new TVs sold may have an operating system controlled by global tech companies with little interest in supporting national players.<sup>46</sup> Platforms and smartTVs are already coming to market without PSB players (e.g. LG’s 2020 TV models). Legislation is needed to ensure that this does not become a regular occurrence in the UK market.
- Why availability rules imposed on platforms (must carry) should be balanced with supply rules on PSBs (must offer)
- Our proposal for a proportionate solution which balances the need to ensure PSB players are available for audiences with concerns raised by platforms.

*Availability rules are urgent*

57. The environment for TV and TV-like services (e.g. BVODs and SVODs) is quickly evolving, as all-IP becomes the standard for TV and video distribution. With the launch of new global streaming services there is increasing pressure on space within the front page of TV user interfaces. Control of operating systems (OS) generates a range of lucrative benefits and as Mediatique found, some ‘global players may accept low, no, or negative margins in supplying the OS to unlock/maintain value in another segment/adjacent market.’<sup>47</sup> By 2023 as many as 60-80% of new TVs sold may have a big tech Operating System.<sup>48</sup>
58. PSBs are already seeing the impact of this changing market. Some platforms already strongly self-preference their own content and services and the global and commercial approach of many platforms means there is little room for UK PSBs to achieve a fair value exchange in commercial negotiations. As Ofcom notes, LG’s 2020 TV models launched in the UK without any of the PSB VOD apps. Our concern is that these trends continue and will result in an increasing numbers of devices that do not host PSB VOD players – or results in a system whereby PSBs have to accept disadvantageous terms that in the BBC’s case do not represent fair value for licence fee payers.
59. We want a framework – put in place via amendments to the Communications Act or new primary legislation - that enables the public to have a choice about what services they access, and which guarantees access to PSB services which they highly value, reflect British culture and pay for. The alternative is that services that appear on TV platforms are decided by commercial operators who may self-preference their own services or those who have paid for greater visibility reducing consumer choice. New rules should ensure that PSB players are available on all major user interfaces that allow audiences to find, select or access TV or TV-like content. For example,

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<sup>46</sup> BBC and Digital UK analysis of TV manufacturer OS choice trends, based on Digital UK estimates of market share.

<sup>47</sup> Mediatique, [Connected TV gateways: review of market dynamics](#), August 2020

<sup>48</sup> BBC and Digital UK analysis of TV manufacturer OS choice trends, based on Digital UK estimates of market share.

instituting a notification regime for user interface providers to ensure compliance with the rules.

*Balanced supply and availability are key*

60. Must carry (availability) rules currently don't apply to PSB VOD players. Likewise, must offer (supply) conditions apply only to linear channels from the commercial PSBs. However, the BBC also has existing extensive, supply requirements through the Charter and Agreement and Ofcom regulation. Our obligations apply to all BBC services. This means the BBC already has a requirement to 'offer' its services (including BBC iPlayer) to all platforms.<sup>49</sup>
61. The "terms" the BBC requires are set out in the Distribution Policy and the BBC is required to consult on, publish and then adhere to this policy with Ofcom regulatory oversight. Beyond the Distribution Policy, negotiations take place on a commercial basis. However, there is no corresponding 'carriage' or availability requirement on platforms to act as a counter-balance to the requirements placed on the BBC in commercial negotiations. This will increasingly be problematic in the future when dealing with powerful global platforms who want to do worldwide deals, and have less interest in carrying national services like BBC iPlayer.

*A balanced regulatory solution*

62. PSBs have proposed a proportionate solution to solving the problem with PSB availability.<sup>50</sup> This solution recognises the BBC's existing regulatory requirements and seeks to address the current imbalance:
- The terms on which inclusion of the PSB channels and qualifying VOD players occurs should be negotiated commercially as far as possible. This minimises the need for regulation and to allow platforms and PSBs to design the best outcome for audiences.
  - There should be an obligation on TV platforms to include BBC services on the terms negotiated from the BBC's Distribution Policy (unless the BBC's offer for supply is in breach of its obligations); and it proposes a requirement on platforms to act on a fair, reasonable and non-discriminatory basis in negotiations.
63. Under this system platforms would, as they can today, be able to make a complaint to Ofcom where the BBC fails (1) to be fair, reasonable and non-discriminatory; or (2) to supply in response to a reasonable request for supply unless there is an objective justification for not doing so and the BBC has failed to address their complaint

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<sup>49</sup> The requirement on the BBC to supply is not absolute. In the Operating Framework and subsequent Ofcom regulatory requirements, the BBC must offer the public services to third parties in response to reasonable requests for supply, except where the BBC has an objective justification for not doing so, and must act on a fair, reasonable and non-discriminatory basis.

<sup>50</sup> A confidential annex is attached which sets out proposals in more detail. We propose rules that cover availability on platforms as well as carriage through a network if that is required to reach audiences.

satisfactorily or in time in the first instance. The system would however also allow the BBC to refer platforms to Ofcom where the platform is not acting on a fair, reasonable and non-discriminatory basis or refusing to carry BBC services where the BBC is compliant with its obligations. This solution would ensure fair value to be recognised by both parties through the negotiation process.

64. A provider of a TV user interface in the UK market would be required to notify Ofcom and meet prominence and availability requirements as set out above, which would be a proportionate requirement and not overly burdensome. The terms on which PSB services are made available should be negotiated commercially (i.e. without further regulatory intervention) as far as possible, with new rules acting as a backstop. These principles could be put into practice by a notification regime and enforced for example by way of fines for non-compliance. Ofcom should give serious consideration to what level of sanction would be effective. For example, a fine of 5% turnover or £250,000 whichever is higher would be in line with rules for today's on-demand programme service providers (as provided for in the Communications Act 2003).

**Q5. What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches?**

65. Ofcom is right that there are very real financial pressures on the UK's PSB system today. We agree that there are a complex set of reasons, including: the diminishing value of traditional broadcast advertising for commercial PSBs, increasing costs of investing in both broadcast and online strategies, and superinflation in the production sector. Not only are financial pressures high, but as Ofcom is right to underline, PSBs are competing against global operators with fundamentally different business models.<sup>51</sup>

66. In response to this question we explain:

- Why the UK's mixed market model works so well – as EY find in their report for Ofcom, the clean split between licence fee funded, commercial not-for-profit and commercial in the UK market “offers good value for money compared to other models”<sup>52</sup>
- How today's system of public funding via the licence fee ensures public money is distributed efficiently and effectively – and benefits the wider creative industries.

<sup>51</sup> For example, Amazon boss Jeff Bezos has said Amazon Prime Video “helps us sell more shoes... we can charge less for the premium content than we would otherwise have to charge, if we didn't have the flywheel spinning to sell more shoes.” Source: <https://www.businessinsider.com/amazon-ceo-jeff-bezos-said-something-about-prime-video-that-should-scare-netflix-2016-6?r=US&IR=T>

<sup>52</sup> Ofcom, Small Screen: Big Debate consultation, December 2020. Paragraph 6.16

### *The mixed market model*

67. Ofcom's consultation shows the benefits of the UK's mixed market model where there is a clean split between licence fee funded, commercial not-for-profit, commercial PSBs and the wider UK market.
68. EY's report for Ofcom highlights, that while the UK ranks in the middle for public funding received, it is recognised globally as having one of the best content offerings.<sup>53</sup> The mixed market model ensures all PSBs offer universality, value for money, and transparency. The diversification of revenue streams also increases the overall resilience of the system and ensures audiences benefit from a diverse PSB offering and competition, whilst also keeping the overall cost to the taxpayer down.

### *The role of the licence fee*

69. Questions about the licence fee are ultimately for Government. However, we strongly believe that the licence fee model continues to be the best way of funding the BBC. It enables the BBC to be an independent public media organisation, investing in British creativity and the UK's wider creative industries. And it is an effective and efficient way to guarantee creative decisions, deliver audience value and investment in a wide range of genres across the whole of the UK.
70. The BBC spends the licence fee effectively and efficiently – we work hard to make sure that we provide maximum value to all of our licence fee payers by spending 95.2% of our income directly on content and distribution related activities – benchmarking in the top quartile against comparators in terms of overheads and indirect costs.<sup>54</sup>
71. For the BBC the surety of licence fee income, combined with our regulatory requirements also ensures the BBC acts as the cornerstone of the industry, able to invest heavily in the creative economy, helping to sustain the industry as a whole.
72. The BBC is the biggest single investor in original British content spending £1.4bn annually.<sup>55</sup> In 2019, 51% of the BBC's network TV production spend was on programmes produced outside of London, with over £1.6bn of TV production spend based outside of London from 2017 to 2020.<sup>56</sup> We work with more independent producers, and small producers, than anyone else: in 2019, 54% of productions were independent productions; 77 with new producers; and 57% of our producers were based outside London.<sup>57</sup>

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<sup>53</sup> EY report for Ofcom, [International perspectives on public service broadcasting](#), October 2020.

<sup>54</sup> BBC Value for Audiences, p.2.

<sup>55</sup> BBC Commissioning supply report 2019

<sup>56</sup> Based on the [Ofcom Regional Production Guidance criteria](#)

<sup>57</sup> BBC Commissioning supply report 2019

73. We compete 100% of new commissions and invest in our small independent producer fund (which we have doubled to £2m in response to Covid), and invest in diversity and portrayal funds.

74. We will shortly be publishing a report on the economic impact of the BBC and will be submitting it to Ofcom as additional evidence in due course. It will show that this investment with our suppliers and in the creative economy results in support for UK GVA across all the nations and regions and the generation of employment across the UK.

75. We note Ofcom's consultation also discuss the experience of countries who have used a contestable funding model. In answer to question 7, we set out why the international evidence suggests contestable funding should not be relied on to deliver positive changes in the UK media ecology and in any event the licence fee should not be top-sliced to fund such schemes.

**Q6. What do you think about the opportunities for collaboration we have referred to? Are there opportunities or barriers we haven't identified?**

76. We agree with Ofcom's position that PSBs/PSMs should consider further ways in which they could collaborate with each other, and with third parties, to form advantageous strategic links. In response to this question we will:

- Share how Freeview - our collaborative platform approach with the other PSBs – might evolve. This would continue to enable audiences to access all public service content in one place; and enable search of all of PSB together so audiences get their favourite British content easily. The aspiration includes collaboration on data capture to improve recommendations for audiences;
- Note the potential for further collaboration with industry, beyond PSB/PSMs, as we move towards greater internet-based consumption;
- Explain why this collaboration is more beneficial for consumers than the service level collaboration<sup>58</sup> suggested in Ofcom's consultation - attribution or 'credit' back to the BBC (and the licence fee) is three to six times higher when people are on a BBC platform/service vs. a non-BBC platform/service.
- Highlight the benefits of Radioplayer, an existing BBC collaborative joint venture with commercial radio players and industry, which includes partnership with European broadcasters.

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<sup>58</sup> 'Services' are aggregations of content presented by content owners for consumption by audiences (e.g. BBC 1; BBC iPlayer; Netflix). Platforms are aggregations of services created by multiple content owners and presented to audiences by a single platform operator (e.g. SkyQ; Android TV; Freeview).

- We respond to Ofcom’s suggestion that PSBs collaborate around Research & Development.
- We also set out the importance of co-production more broadly across the sector and the importance of sharing key sports rights for free to air, universal access.

In answer to this question we also set out why as we look to the future, it is important to consider whether Ofcom’s existing duties are fit for purpose to regulate a PSM system. To truly safeguard the fulfilment of the public service broadcasting objectives in the future, we consider that Ofcom should have a stronger duty to support the institutions of existing PSM as the primary providers of public service content to the citizens and consumers in UK.

### *Freeview evolution*

77. The BBC has been working in partnership with ITV, Channel 4 and Channel 5 on an evolution of Freeview. Given the increasing difficulty for PSBs in securing their public service and commercial goals in distribution deals for their services, and the power of global players which control operating systems and intermediate our services, collaboration is necessary. We will enable all audiences to access for free all PSB/PSM content, as well as discover content from commercial providers – all in one place.
78. This will build on Freeview used in 17 million homes<sup>59</sup> and update the offer from today’s PSBs for free-to-air audiences. It will deploy the benefits of internet technology, be open to all content providers on a fair, reasonable and non-discriminatory basis, and support a range of business models enabling PSBs, ad funded broadcasters, subscription services and purely commercial providers to sit alongside each other.
79. It is likely to have benefits for:
- Audiences – research shows that, while PSB services are popular with young people,<sup>60</sup> navigating between them is currently difficult<sup>61</sup> – the proposed platform will improve the search and navigation functions offering a high quality user experience for PSB/PSM and commercial content alike; audiences will have access to the platform free-to-view, universally without subscription;
  - PSBs/PSMs – it will provide appropriate prominence for services (in line with audience expectations); ensure PSBs/PSM maintain a high level of editorial control (maximising PSB/PSM curation); maintain fair levels of branding and attribution (so

<sup>59</sup> BARB Establishment Survey Q3 2020.

<sup>60</sup>4.1m under 35 accounts used iPlayer in the first week of Jan 2021. Source: AT Internet.

<sup>61</sup>Jigsaw for Ofcom, [An exploration of people’s relationship with PSB, with a particular focus on the views of young people](#), July 2020.



that content providers are credited for their content); and ensure that data is shared fairly by the platform with services

- Commercial content providers - it will also maintain fair levels of branding and attribution; enable a high level of editorial control; and share data.
- Manufacturers – who will have a free, audience-focused and innovative platform to distribute and around which to build their own products.

80. As part of this we will, with the consent of audiences, look to capture data to improve recommendations and make content more relevant for all free-to-air broadcasters on the platform. It would mean a better experience for users and better insights for the broadcasters. But this initiative alone won't secure a transition to PSM that retains the benefits audiences enjoy today. There does also need to be a fair competitive environment and regulatory support to achieve that outcome, as we have had in the broadcast linear environment. Updating prominence and inclusion rules are critical. So will ensuring PSBs/PSMs have access to our audience data at a sufficiently granular level.

81. As media consumption continues to move towards internet technologies, maintaining the UK's Open Internet rules will also be critical to ensure there is no discrimination against content providers by internet service providers (ISPs) on the basis of commercial rivalry. Consumers must be able continue to easily access lawful content online without discrimination by commercial interests.

82. Because content will increasingly be distributed over the internet in the future, the BBC will continue to explore how we might work with the wider industry to develop a content delivery infrastructure to support TV and radio in an IP future. Fixed and mobile internet technologies need to deliver TV affordably and reliably throughout the entire UK, supporting a variety of business models, and ensuring domestic sufficient control of the broadcasting system of the future. A UK initiative to develop such a network could also help Government deliver its connectivity goals, with significant economic, financial, social and reputational benefits for the UK.

#### *Service collaboration*

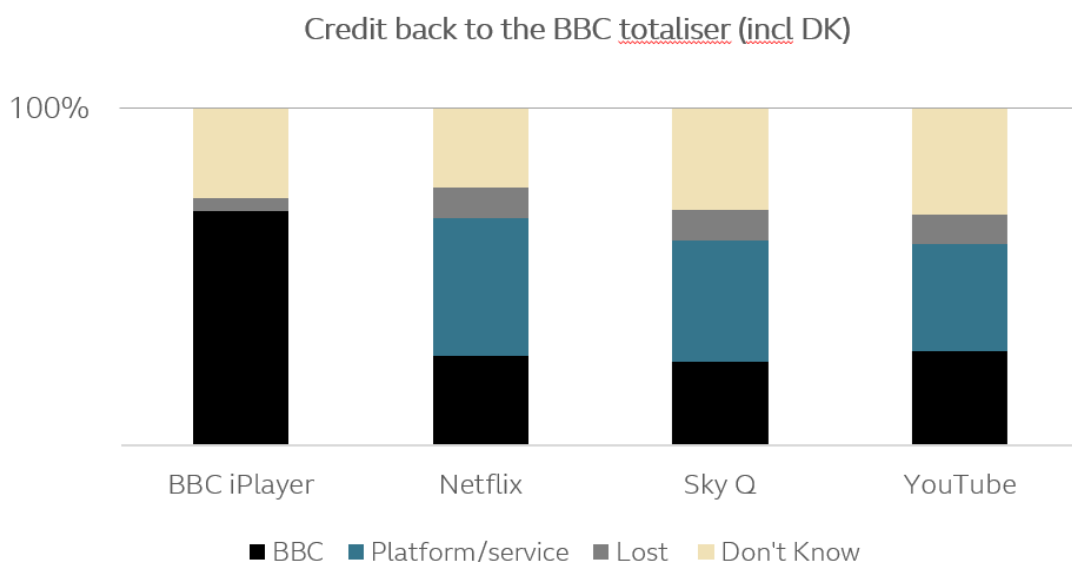
83. The consultation says that it might be beneficial for audiences if PSM content were made available through a “combined service, distributed widely”. We think the platform approach set out above has clear advantages to a combined PSB/PSM service. A combined PSM service would risk devaluing:

- PSB branding – the individual PSM brands which are household names and are something that viewers identify with. Indeed, the BBC and ITV are among the UK's most valuable entertainment brands.<sup>62</sup>

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<sup>62</sup> Kantar [Brand Z ratings report](#), 2020

- Control and curation by individual PSBs – Mediatique’s report for Ofcom,<sup>63</sup> rightly states that control of distribution platforms/services gives companies very significant upsides. If the PSBs collaborated on a service, much more limited value would be retained by the PSM or joint-PSM entity, when compared with the platform idea we have proposed.
- Attribution and credit - Maintaining attribution and credit is particularly important for the BBC as audiences need to recognise the specific value they receive from their licence fee. The latest research indicates that the ‘credit’ audiences give to the BBC for its content is discounted when consumed on third-party distribution platforms/services by between c.50-70%.<sup>64</sup> Audiences are also up to six times more likely to make the link between BBC content and paying the licence fee when content is viewed on a BBC platform/service vs. a non-BBC platform/service. We expect these results would be replicated if BBC content was ‘mixed’ into a combined PSB service such as the one Ofcom propose.



Graph 1: Distribution of credit given for a BBC show when viewed on different platforms / services.<sup>65</sup>

### *Radioplayer*

84. Radioplayer was established in 2010 as a way to offer simple and accessible listening to radio online. It is a joint venture between the BBC and commercial radio broadcasters (its current shareholders are the BBC, Global, Bauer Media and Radiocentre, which together account for the vast majority of radio listening in the UK). Since 2014 it has licensed its technology to consortia of broadcasters in other territories. In the last few years, guided by its shareholders, Radioplayer has been

<sup>63</sup> Connected TV Gateways, Mediatique, 2020

<sup>64</sup> Tapestry Research for the BBC, UK adults 16+, 2020.

<sup>65</sup> Tapestry Research for the BBC, UK adults 16+, 2020.

significantly expanding its activities in a new direction, using its back-end technology to deliver metadata to vehicles to power hybrid radio. This allows drivers to seamlessly switch between FM, DAB and streaming while providing a richer and more visual experience.

85. Radioplayer develops technology and support for open standards for hybrid radio which all broadcast partners can work with. It will guarantee carriage for all partners' services (radio stations and apps), across Europe. This is increasingly important as big tech companies like Google seek to control the in car media experience which we are concerned would extract value from the UK content production ecology and might preference the operators' own services to the detriment of consumer choice.
86. Collaboration is critical to Radioplayer and has been at the heart of its ability to make online listening more accessible in the UK and in other countries. Now, as it pivots towards the challenge of powering high quality, accessible radio services in cars, the fact that Radioplayer is a joint venture with partners in commercial and public service radio is even more important. We are seeking to expand the number of shareholders in Radioplayer to include European broadcasters because we understand that improvement and innovation for radio in connected cars of the future can only be achieved through collaboration between broadcasters, working directly with the automotive industry.

*Other suggestions for collaboration*

87. Ofcom also suggested that pooling resources across R&D may be one way to make cost savings, remove duplication and produce more innovative services for audiences.
88. BBC R&D already collaborates extensively with a wide range of partners in a variety of ways. For example, on the development of open standards (designed to enable interoperability and encourage competition); by participating in approximately 20 standards bodies internationally; and through other ways of knowledge sharing and collaborative product development.
89. There are countless other examples. For example, the PSBs came together to develop Freeview Play and to establish the AS-11 standard for transferring content files during production. This massively simplified the workflows in the UK and resulted in the formation of the Digital Production Partnership (DPP), jointly by the PSBs to work with the industry on this standards adoption.
90. However, we're not persuaded that any more formal pooling of resources would bring additional benefits to the ones already provided through the mechanisms BBC R&D already uses to share its work through our outreach, collaborations and standards work.
91. The BBC invested a total of £70m in R&D, between 2016/17 and 2019/20, generating a range of economic and social benefits such as cost savings, productivity

improvements and knowledge and technological spillovers to the creative and digital sector and wider UK economy.<sup>66</sup> DotEcon also found that every £1 of such R&D investment could, on average, generate a further £5 - £9 of social and economic benefit for the UK economy.<sup>67</sup> Furthermore, through the BBC's emphasis on knowledge sharing and collaboration, rather than attempting to internalise benefits through intellectual property rights protection, the spillovers generated by BBC R&D are likely to be larger than if undertaken by a profit maximising organisation.

#### *Co-productions and sport*

92. The BBC continues to make great use of co-productions and creative content partnerships – for example partnering on many recent high profile dramas, including with Hulu on *Normal People* and HBO on *His Dark Materials*.
93. Creative partnerships and co-productions can strengthen the creative sector as a whole and in the context of the BBC, benefit the licence fee payer. For example, *Seven Worlds, One Planet* was the first BBC landmark natural history programme to receive the full Albert certification of sustainability. For that production 20% of the programme's funding came from the licence fee, with the rest coming from co-producers, BBC Studios Distribution, and UK tax credits.<sup>68</sup>
94. Partnerships are also a key element of our sports rights strategy, enabling the BBC to acquire premium sports rights whilst ensuring value for money for the licence fee payer. For example, we have sports rights partnerships with ITV for the 6 Nations and the men's football World Cup & European Championships, with BT Sport for the men's FA Cup and with Sky for the new ECB tournament, the Hundred.

#### *New duties?*

95. In any event, as Ofcom looks to the future, it should consider whether its existing duties are fit for purpose to regulate a PSM system. In particular, Ofcom's present duty is towards the fulfilment of the purposes of public service broadcasting. This neglects the fact that the guaranteed fulfilment of the public service objectives is contingent on the health and longevity of the PSBs. The prescribed PSBs remits, obligations and privileges make clear that the PSBs are necessary for the fulfilment of the public service broadcasting objectives. Furthermore, PSB institutions provide a route to monitor whether key outcomes policy outcomes are being fulfilled. To truly safeguard such fulfilment in the future, Ofcom should have a stronger duty to support the institutions of existing PSM as the primary providers of public service content to the citizens and consumers in UK.
96. Strengthened duties to support existing PSMs of scale would allow Ofcom to more meaningfully take into account the substantial public value that the PSBs generate

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<sup>66</sup> KPMG, Assessment of the Economic Impact of the BBC. A report for the BBC for financial year 2019/20, March 2021.

<sup>67</sup> DotEcon, [Analysis of Research and Development Investment](#), Jan 2018.

<sup>68</sup> BBC Group Annual Report and Account, 2019-2020, p.g. 55

for UK society. As stated previously, their role has never been more crucial. Their important public service mission is sufficient grounds for distinguishing existing PSMs from other market participants.

97. In practice, strengthened duties should require Ofcom to create the right regulatory and market conditions to ensure the benefits of PSB are being delivered. There is already precedent for this from other sectors, whereby licenced provers are given clear protections under the law to fulfil their remits. For example, a duty whereby “Ofcom must carry out their functions in a way that they consider will secure the provision of universal public service broadcasting”, is equivalent to Ofcom’s duty under the Postal Services Act. Indeed, this squares with Ofcom’s view that universality is essential to deliver the benefits of public service broadcasting, and could serve to safeguard PSBs of scale, universal availability and universal relevance.

#### **Q7. What are your views on the opportunities for new providers of PSM?**

98. We think this chapter of Ofcom’s report is contradictory to some of the key findings made overall. We agree with Ofcom’s views that shared experiences, programming that reflects the UK’s diversity and universal availability and relevance are critical characteristics of the PSB system. Each of these are achieved through the preservation of PSB institutions with scale, trusted brands, universal reach and relevance, free accessibility and significant resources to spread across stories and productions throughout the UK. These cannot be similarly achieved by incentivising additional pieces of PSB-like content from more diverse providers on more platforms.

99. We do of course recognise the challenges facing the system including today’s PSBs needing to do more for some audience groups but we do not think the new approaches set out in this chapter will address these challenges. In fact we think they will weaken the system and undermine its success. In response to this question we first set out some background to the system that works for audiences today before explaining:

- Today PSBs already offer services going well beyond linear channels and are also working to meet the audience challenges Ofcom has identified in other ways. For example, we are increasing the content budget of BBC Three by 70% to reach underserved audiences and producing exciting new content like ‘Angels in the North’ and ‘Rap Game’. And the BBC will do more to reflect and represent the whole of the UK.
- The distribution challenge for today’s PSBs and new providers. There is not sufficient evidence that new providers would be able to get their content to audiences in a more effective and sustainable way than that achieved by existing public service providers today.

- A system with lots of periphery providers will undermine audience benefits such as universality – in particular the importance of a core group of PSB providers delivering shared experiences and understanding.
- Adding new PSM providers on the basis that they produce some public value content without broader regulatory obligations risks diluting what PSB means for audiences as well as the benefits delivered in the longer term.
- We also do not think contestable funding is an approach that should be part of the UK’s media ecology and in particular we oppose any top-slicing of the licence fee to support any such fund.

*A complementary system that works for audiences today*

100. Today’s PSBs do not have a monopoly on great content nor on content that delivers public value. The UK media ecology is a rich one for consumers. However PSB business models are fundamentally different to commercial players in several key ways:

- The BBC’s mission to “inform, educate and entertain” is at the core of everything we do. We must meet the five public purposes and are funded to do so.
- The BBC’s offer must be universal and targeted to serve all audiences; and
- The BBC must serve audiences across the UK with an exciting mix of UK wide, nations and regional programming.

101. Commercial providers make great content too focused on key genres and of course some proportion of that content offers public value depending on the story or documentary being made. But these providers are following audience demand, rather than a wider public service remit. They can – and would – choose to stop delivering this programming if the market moved. These providers are not motivated by the same core PSB/PSM remit, nor required by regulation to provide output in particular genres. Greater regulation restricts commercial choices.

*Today’s PSBs are focused on digital alongside linear and are doing more for underserved audiences*

102. The BBC leads the way on providing high-quality digital services as well as a strong linear portfolio. Great content, distributed through our online services, is a key way to provide greater value to audiences. And the BBC’s iPlayer, which received 4 billion views last year – the most ever,<sup>69</sup> is now a destination service in its own right for younger audiences, not just a catch up service.

103. Ofcom is right that today’s PSBs need to keep reforming to address the behaviour of younger audiences and their changing consumer habits. However, PSBs

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<sup>69</sup> AT Internet, 2020

reach 86% of younger people on average per week, rising to 96% per month.<sup>70</sup> The BBC alone is used by 80% on 16-34s on average per week and 93% in a month - more than any other brand for media. In the past year in peak weeks the BBC has been used by 86% and as high as 92% for 16-34s. More than half - over 8 million - have used the BBC on a daily basis on average.<sup>71</sup>

104. We are also investing more in younger audience content – for example doubling our content investment in BBC Three to £70 million as well as proposing a new linear channel to target underserved younger audiences.
105. Younger audiences also value the BBC more broadly – particularly our news services. BBC One and Two remain the most-used (41%) and most important (17%) news source for 12-15s across all platforms.<sup>72</sup> 72% of 16-34s use the BBC for news on average per week.<sup>73</sup> And BBC News online has rapidly grown with this age group over the past year, with an average of 5.7m 16-34s coming to BBC News online per week over the last year (compared to an average of 4.7m the previous year).<sup>74</sup>
106. Our education output helps our youngest audiences with high quality materials across the entire curriculum, supporting them to achieve the best possible outcomes at school. Responding to recent school closures, we delivered the biggest education offer in our history, with Bitesize reaching around 5m people every week, peaking at around 7m people a week.<sup>75</sup>
107. Jigsaw research for Ofcom suggests that “viewers are more likely to use [PSB players] to catch-up on programmes than to browse and discover new content.” In contrast, our evidence suggests time audiences spend with BBC iPlayer is increasingly shifting towards programming outside the initial 30-day window - especially for under 35 accounts. In the first half of FY 20/21, 60% of all hours viewed on iPlayer were outside the 30-day window (either pre-TV broadcast, or beyond 30 days after first broadcast/release). For under 35 accounts it was c.70%.<sup>76</sup> And over 50% of 16-34 users say they regularly go to iPlayer to browse for something to watch without something specific in mind. In addition, around six in ten iPlayer users say they go to iPlayer often/occasionally to watch a TV programme they have never watched before.<sup>77</sup>
108. In short, our content and services continue to reach the vast majority of young people in the UK, facilitated by our scale and strong, trusted brand.

*Today's PSBs reflect and serve the whole of the UK*

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<sup>70</sup> Compass by Ipsos MORI, 2020

<sup>71</sup> Compass by Ipsos MORI, 16 Mar 2020 to 28 Feb 2021

<sup>72</sup> Ofcom, News Consumption in the UK, 2020

<sup>73</sup> Kantar Media, 2020, 16-34

<sup>74</sup> Compass by Ipsos MORI, Mar 2019-Feb 2020 and Mar 2020-Feb 2021, 16-34

<sup>75</sup> Across online, TV and iPlayer ATI data, 2020-2021

<sup>76</sup> AT Internet. Apr-Sept 2020.

<sup>77</sup> Pulse by GfK, sample of 943 16+ UK iPlayer users, Dec 2020.

109. Nor is there any evidence of gaps in the UK media market which are not being met by the PSBs. The Ofcom analysis specifically mentions local as an area to target but this is an area where the BBC and ITV in particular make a significant contribution:

- The BBC already invests 50% of its content budget across London and we have exciting plans to go further which we will publish soon and share with Ofcom as part of this process.
- The BBC's 6.30pm local news is the most watched news bulletin in the UK.<sup>78</sup>
- We provide a network of 39 local radio stations and specific stations serving the Nations too – connecting communities across the UK. A key example of this are the over 4 million interactions already made with our “Make A Difference Campaign”.
- During the Covid-19 pandemic we also delivered new local radio services to Wolverhampton, Bradford and Sunderland to make sure important public information reached audiences.

*Distribution challenges: we question whether there is a sustainable opportunity for new providers*

110. As shown above, we consider that Ofcom's concerns about diminishing reach of existing PSBs are overstated. In any event, we question whether there is a meaningful opportunity for new PSM providers to reach new audiences e.g. on social media. Even though platforms like YouTube are widely used, the opportunity for a new PSM provider to attract audiences to content at scale would be small given that the content pool is so large. Universal Music Group was the largest single organisation on YouTube during March 2019, but only achieved 1.9% of time spent.<sup>79</sup> This gives an indication of the ceiling of performance for any single organisation – certainly a new PSM provider.

111. Furthermore, new providers – if intending to become ‘destinations’ for PSM content - will come up against the same problems today's PSBs face with attribution when distributing through a third-party platform. BBC research found ‘credit’ to the BBC for its content is discounted on third-party distribution platforms/services by between c.50-70%.<sup>80</sup> The research highlights that this problem with attribution would be the case for any provider distributing this way.

112. The consultation also suggests that new providers might address under-served genres. Under-served genres are likely to get the best viewing numbers when they are on established brand channels. This is because PSB brands are established destinations for this type of content, perceived by audiences as unique and distinctive

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<sup>78</sup> BARB overnights data (ongoing)

<sup>79</sup> Ofcom, [Media Nations UK](#), 2019. Page 73.

<sup>80</sup> Tapestry Research for the BBC, UK adults 16+, 2020.



services. We are therefore not clear that new providers would find a way to get their content to audiences in a superior or alternative way to that achieved by existing PSBs today.

*Universality is important for delivering shared experiences to audiences – a system with lots of periphery “PSMs” will undermine this model*

113. Not only are opportunities for new PSM limited, but they also have the potential to be damaging to a core objective of PSB.

114. The consultation rightly argues that universality lies at the heart of effective PSB. It defines universality as “the ability of people of all backgrounds to access content which is valuable to them, **through which they are connected to others across the UK**” (emphasis added). We interpret that this definition of universality is about all people of the UK having the ability to access the same public service media content through shared spaces, which keep us connected across the UK. The important outcomes this achieves include: stimulating debate, promoting British culture, exposing mistruths, sharing national moments, preventing societal exclusion and retaining social cohesion. This has been particularly important during key national moments, from the second world war to the recent Covid-19 pandemic.

115. Ofcom’s suggestion to add new providers of PSM, in order to extend PSM reach overall (a different interpretation of universality), stands to undermine these outcomes. The universality PSB provides is not about fragmented audience groups accessing their own isolated pieces of public service content. It is about all audiences having the ability to access shared public service provision, freely and easily, in a communal destination. Respondents interviewed by Ofcom seem to agree: “it has been really important that there has been some media that everyone has been able to access”...“It’s got to be available for everyone”...“I feel like I am part of a community”...“Public service media can bind people together to create shared experiences and traditions”.<sup>81</sup>

116. Indeed, Ofcom highlights “availability, relevance and public accountability” as central aspects of universality, and universality as central to PSB. This means PSB must be formed of services that are available to all, content that is relevant to all and a system in which everyone has a stake.

*A system with lots of periphery “PSMs” risks diluting the PSB model*

117. We argue above that existing PSBs, underpinned by universality, must remain and constitute the updated PSM ecosystem. Nevertheless, if Ofcom is minded to entice others to make particular content, we believe it is important that additional contributors are not brought under the “PSM compact” with existing providers. This is

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<sup>81</sup> Ofcom’s small screen: big debate consultation, page 22-23

because we are concerned that adding new providers risks materially diluting the impact for audiences. There are two reasons behind this.

118. Firstly, it diminishes the distinctiveness of PSB-brand awareness. Audiences know that the BBC's DNA is different from commercial providers, for example and strongly support the BBC's mission. The BBC has brand awareness and existing relationships with audiences, such that audiences know the BBC as a trusted destination to access PSM content. From CBeebies to the News at Ten audiences have expectations about the services they will receive. A PSB service guarantees quality across the board. Parents know on CBeebies, for example, that their children will get ad free, high quality, safe, UK focussed content. That cannot be said of some providers on social media like YouTube. Some parents found content their children were watching on other platforms had depictions of violent beheadings spliced into the seemingly benign children's content.<sup>82</sup>
119. Ofcom's consultation rightly recognised that companies of scale are key to the ongoing success of the UK's PSB system as it moves to a PSM formation. Any action which serves to diminish existing PSM brands and distinctiveness could diminish PSM scale and the benefits this bestows. Occasional pieces of public value content in a mixed schedule is not the same as an overall PSB destination. Adding new providers – even to the periphery – of the system on the basis that they produce some content with public benefit would muddy audiences relationship and expectations about PSBs, thereby diluting the overall impact of PSB.
120. Secondly, the potential dilution arises from adding new PSM providers because it upsets the fine balance between regulatory obligations and regulatory benefits.
121. The balance between PSM benefits and obligations has meant that the benefits existing PSM providers enjoy are broadly aligned with the requirements they are required to take on. For example, the BBC – receiving public money in the form of the licence fee and enjoying the most prominent slots on the EPG – has rightly been required to deliver more than any other PSB provider.
122. We believe this is an important balance to retain as Ofcom considers the potential to extend providers of public service content. Some of the mechanisms which the consultation identifies - such as contestable funding and an extension of prominence and availability to new providers - would serve to detract from the existing system.
123. Spreading headline regulatory benefits (like prominence) too 'thinly' among many PSM providers dilutes their impact – and is very likely to mean they are no longer effective in supporting the PSM system. There are only a small number of prominent positions on a User Interface. There is only a fixed amount of spectrum. Placing more

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<sup>82</sup> As reported by: [the BBC](#), and other media

providers in these spaces diminishes that available for the existing PSM, with knock on effects on their brand and scale as above.

### *Contestable funding undermines the PSM system*

124. The consultation suggests contestable funding might be a tool to incentivise new providers of PSM. The international evidence shows contestable funding should not be relied on to deliver changes in the UK media ecology. International experience shows contestable funds can:

- **Offer poor value for money** - contestable funds create a layer of bureaucracy between the broadcaster, producer and the viewer. This is naturally more costly than leaving it up to PSBs/PSMs to decide what to commission in line with their regulatory requirements and mission, and leaves less public money to invest directly in content. For example, in 2016 in New Zealand 83% of the hours funded by their contestable fund for minority language programming ended up being aired on a PSB. This money could have been more efficiently directly allocated.<sup>83</sup>
- **Deliver less distinctive programming** - where funding bids to contestable pots are made on a programme-by-programme basis, producers may go after ‘safer bids’ to secure funding, an effect reported in Canada and Ireland.<sup>84</sup> Commercial players may also be incentivised to “dilute” the public service content they create for appeal to international audiences and ex-UK markets.<sup>85</sup>
- **Dilute PSB impact** and makes it harder for audiences to access - Spreading out publicly funded PSB/PSM content by slicing up funding for it and putting it across more platforms is unlikely to create more engagement with PSM. Content is more likely to be discovered on PSB services, where a ‘destination’ is created for particular types of programming for example children’s content or local services. Publicly funded content on pay-TV or SVOD services would be behind paywalls excluding audiences and undermining universality.

125. The impact on the existing system would be particularly detrimental if a contestable fund was top-sliced from the licence fee. This would, in essence, be taking licence fee money and giving it to commercial companies to make similar programmes. Top slicing the licence fee would:

- **Diminish the BBC’s scale and scope** at a time when Ofcom recognises the need for companies with sufficient scale to compete with global players.<sup>86</sup>

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<sup>83</sup> Reported in EBU’s Media Intelligence Service, *Contestable Funding for Public Service Content*, 2017.

<sup>84</sup> Canadian broadcasters have commented on this. Far from investing in more original and cutting edge content, ‘safer programming’ is prioritised since risks cannot be spread across a range of investments. Similarly, in Ireland the contestable scheme has a narrow definition of what constitutes public service content, which may prevent the development of new forms of public service content that responds to the needs of a changing society.

<sup>85</sup> “While this investment [by American streaming services] is welcome, the output is predominantly less ‘British’ than that commissioned directly by local broadcasters.” – Enders Analysis, *Outsourcing culture: When British shows aren’t British*.

<sup>86</sup> Cf Section 5. Ofcom [‘Small Screen: Big Debate Consultation’](#) December 2020.

- **Negatively impact the UK’s production sector and the creative industries.** With reduced funding spent across the UK and aligned with the BBC’s regulation and mission, money would flow to commercial providers who would use this funding to meet their commercial interests.
- **Fundamentally undermine the BBC’s direct accountability with the licence fee payer.** The vast majority of the UK public think the licence fee funds BBC services.<sup>87</sup> The public make a direct link between the payment they make and the benefits they receive from the BBC. With top-slicing, accountability and transparency are lost as licence fee payers’ money is no longer spent on BBC programmes and services for them. And over time, top slicing means people will see less value from the BBC for their licence fee and that erodes willingness to pay.

126. Instinctively, licence fee payers are concerned about their licence fee money being used for public service content on commercial companies' channels/platforms. Sixty percent think it is unacceptable in principle.<sup>88</sup> Eighty six percent of licence fee payers say it is important that, when a company receives licence fee money, they are answerable to the public and not to shareholders.<sup>89</sup> And 87% of licence fee payers say it is important that, when a company receives licence fee money, they guarantee all UK households access to the content that has been funded by the TV licence fee.<sup>90</sup>

127. Given the thriving UK media ecology and uniquely successful PSB model there is not sufficient evidence to support the need for contestable funding in the UK media market, and in any event we do not think the licence fee should be used to support such schemes. Given the evidence we do not think that Ofcom should pursue this proposal further.

128. If there are certain areas of the market that are proven to need additional incentives there are other ways of providing those – for example through partnerships such as the BBC’s local democracy partnership or production tax credits which could be expanded further to support smaller independent producers outside London which would benefit the whole ecology and would not be specific to ‘public service’ providers.

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<sup>87</sup> Over 90% of licence fee payers know that the licence fee funds the BBC, and 80% think that the BBC is accountable to licence fee payers because of that licence fee funding. Source: Yonder, March 2021, 851 UK adults 18+ in TV licence households.

<sup>88</sup> Only a minority of licence fee payers (21%) think it would be acceptable in principle. Source: Yonder, March 2021, 856 licence fee payers, 18+

<sup>89</sup> Only a minority of licence fee payers (3%) think it is unimportant. Source: Yonder, March 2021, 836 UK licence fee payers, 18+

<sup>90</sup> Only a minority of licence fee payers (4%) think it is unimportant. Source: Yonder, March 2021, 836 UK licence fee payers, 18+