

Ofcom Review of Public Service Broadcasting: response to consultation
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1. The public view

It is clear from Ofcom's comprehensive public attitude research that, even in the face of channel fragmentation, and new electronic forms of sending and receiving content, there is enduring popular support for the values and principles of public service broadcasting. This was also the finding of the equally thorough attitudinal research undertaken by DCMS to inform the BBC Charter Review. The fact that this support remains undiminished – indeed, may even be more enthusiastic than before – should underscore policy and regulatory approaches to the media environment.

This support extends not just to the principles of plurality, but to a willingness to fund it even if such funding involved a modest increase in costs. Findings that “a small minority ...were not prepared to pay more” (p37) and that the majority “opted for an increase in costs to maintain current levels of public service provision, rather than see a reduction” (ibid) confirm previous research on attitudes to the licence fee and again underline a public understanding of and continuing appetite for the democratic and cultural contributions which a well-resourced broadcasting ecology can make to British life.

In this respect it is significant that, in demand terms, notions of “public service broadcasting” are still relevant despite the huge technological changes in the media industries. While major advances continue in online, mobile and non-linear reception of television content, the relatively constant overall levels of TV viewing and the continuing dominance of the five public service channels suggest that audience habits are evolving rather more slowly than the “revolution” narrative suggests. Once peak-time viewing habits are taken into account – where the data show that most TV viewing and most original content is concentrated – it becomes even more evident that audience behaviour is changing rather less dramatically than the profound changes in technology might have suggested.

It is appropriate, therefore, that any policy and regulatory change should be – and can afford to be – similarly evolutionary in approach. While market and technological conditions may demand new solutions, there is no need for a radical departure from the broad public service framework which to date has served British audiences – and citizens – well and which still commands enormous admiration (and significant commercial success) outside the UK.

2. The BBC

Within that framework, Ofcom's further endorsement of previous findings that the BBC “remains particularly highly valued” and is seen as the cornerstone of our PSB system again underlines its continuing importance at the heart of British cultural life. The value of the BBC has, if anything, been magnified by the proliferation of channels and new media, the uncertainty over funding elsewhere, and increasing reliance amongst commercial broadcasters on acquired material, repeats and tried-and-tested formats to survive in the marketplace.

It is therefore imperative that any funding solutions to the shortfall in public service provision are not pursued at the expense of the BBC. It is the BBC's scale and mass audience appeal as well as its public funding and public purposes which ensure its continuing place at the heart of British cultural life. The most recent licence fee settlement, below that which the BBC needed to maintain its services at current levels of quality and investment, demonstrated the dangers of reducing its revenues. To make further inroads would damage it still further and render it less able to fulfil its public purposes.

This should therefore exclude any kind of top-slicing of the licence fee as an approach to public policy. As well as inflicting damage on the BBC, top-slicing would automatically create three further problems. First, it would interfere with the clear connection between licence fee payers and the BBC; the notion that the BBC "belongs" to its users through the direct link of a dedicated tax has been a foundation stone of public service broadcasting almost from its inception. To divert some of that revenue to other beneficiaries – with different aims and no formal connection to the licence payer – would severely muddy the waters of accountability.

Second, it would lay the BBC open to regulatory interference from Ofcom or another public body which would – presumably – have some responsibility for determining what is done with the money as well as how much precisely is to be top-sliced. The clear lines of demarcation which currently exist – as a result of deliberate government policy to maintain plurality within regulatory functions – will also become muddled and confused.

Third, any new institutional structures along the lines of an "Arts Council of the Air" designed to receive and distribute money will create a new layer of institutional bureaucracy and therefore take money *out* of content. This particular concept has raised its head in a number of incarnations, from the Peacock Committee's Public Service Broadcasting Council in 1986 to the Centre for Policy Studies' Public Service Broadcasting Authority in 1991 to a government Green Paper's Arts Council of the Airwaves in 1993 and a Conservative Party policy group's Public Broadcasting Authority in 2004. They have all been canvassed by BBC detractors as a means of weakening the Corporation. It is 15 years since I wrote in some detail about the fundamental flaws of such an approach, but the arguments are as pertinent now as they were then.¹

3. Plurality

It is not immediately clear that, if public funds are limited, plurality is necessary across the board. Ofcom rightly identifies a plural *institutional* model at the heart of the British system, and this still offers the best guarantor – in terms of efficiency as well as public benefit – of quality and diversity. In this respect, Channel 4 has played a unique and vital role in Britain's media ecology and this needs to be sustained albeit without recourse to explicit public funding (i.e. through a raid on the licence fee or some other direct subvention).

This contribution can be seen most clearly in C4's news and current affairs output, an area which illustrates with great clarity why public service plurality must be promoted beyond the dual institutions of the BBC and C4. Channel 4's news service, which is qualitatively

¹ "Gift Horse or Trojan Horse? Some thoughts on an Arts Council of the Airwaves" in *Funding the BBC's Future*, ed Steven Barnett, British Film Institute, 1993.

different from any other channel, relies on the continuing vitality and profitability of ITN, which in turn relies on a continuing contract from ITV to provide regular, high quality news bulletins. Ofcom suggests that ITV would continue with a national and international service even if its obligations were removed, a position endorsed by ITV's Chairman in his evidence to the House of Lords select committee enquiry on News. Even if that were true – and it is significant that American networks are by no means certain about continuing their own news output – it has become increasingly clear that commercial pressures on newsgathering operations make it virtually certain that investment would decrease with a commensurate impact on both quality and volume.

Only a clear and properly enforced regulatory regime is likely to sustain news and current affairs in commercial television and radio, and any diminution of that commitment will impact negatively on plurality. It will therefore become particularly urgent to ensure that in this particular area, public service obligations continue to be imposed on those commercial, mass audience institutions with scale and reach.

In this respect, it is important to emphasise that the provision of what might be defined as public service content on cable and satellite channels – such as arts, news or community programming – should not be confused with fulfilling the purposes of public service broadcasting as defined in the Communications Act because they are not universally available at no extra cost. Universality must remain a core public service provision, and this should include the provision of programming at no extra cost beyond the annual licence fee. It was therefore particularly gratifying to read in the final sentence of the final annex of Ofcom's review that "Finally, we stress that market failure is far from the only rationale for intervention in broadcast markets. Wider questions of public and social policy have historically driven the decision to intervene, and will continue to do so". This needs to be emphasised in Ofcom's next stage, as the argument for a "market failure" approach is likely to gather momentum.

4. Funding solutions

Ofcom rightly identifies in paragraph 7.3 the stark choice that lies ahead between accepting a reduced level of public service provision and plurality; providing new funds to replace the implicit subsidy; and reducing the scope of the BBC's activities to redistribute some of its income.

The last solution, for the reasons given above, is contrary to the public interest and should be rejected. The first solution is contrary to the public interest and also, as revealed by Ofcom's own research, contrary to the public will. Given the unequivocal support for sustaining the public service principles of British broadcasting among the majority of people, creative ways need to be found to maintain funding levels.

This should be the focus of Ofcom's second stage review. In particular, the use of regulatory assets such as spectrum fees should be seriously investigated, as should the possibility of a small, hypothecated tax on major broadband or telecom providers (as currently being proposed in France). The BBC's scale and infrastructure may be useful, in particular, in assisting Channel 4 but the notion that C4 might have some stake in BBC World is unattractive, given that all profits are reinvested in BBC programming. Any diversion of these revenues will, as with top-slicing, impact on the BBC's output.

Of the four models canvassed in paragraph 7.37, it therefore follows that **Model 1 – Evolution** allows the most flexibility, is the most attuned to audience attitudes and behaviour, and is most likely to fulfil the public interest in broadcasting. As well as ensuring that some public service obligations are retained by the commercial broadcasters, such an approach also acknowledges the real-life empirical evidence of gradual change amongst audiences. As is clear from Ofcom’s own survey of the communications market, while the technological *supply* is indeed going through a process of astonishing upheaval and change, the change in *demand* and consumption patterns is much more conservative. We should therefore beware of radical changes that presuppose a “revolution” in audience behaviour which so far shows little sign of materialising.

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