

Department of Culture Arts and Leisure response: Ofcom Phase 2 of the Second Public Service Broadcasting Review

Section 4: Models

1) Do you agree that public service provision and funding beyond the BBC is an important part of any future system?

Yes. While it is apparent that the BBC will remain the cornerstone of PSB in the UK, it is vital that there are other credible providers of public service content (across the range of genres) to ensure plurality of provision.

Ofcom's analysis indicates that if audiences are to enjoy the same mix of public and private content they have today an estimated £330 – £420 million is likely to be required by 2012 in addition to the core licence fee. With existing regulatory assets contributing around £185 million there is a significant shortfall in funding of between £145-235 million.

Whilst this presents challenges there are a range of options which could be used to meet this funding gap and hence ensure that high quality public service content is produced and brought to air.

Northern Ireland has not always been particularly well served by PSBs whether from the perspective of programming provision or of production. Commitments are required from the PSBs setting out the how the needs of Northern Ireland will be addressed in a new PSB landscape. The BBC's commitment to increase production in Northern Ireland is welcomed though the target date of 2016 should be shortened.

2) Which of the three refined models do you think is most appropriate?

Ofcom's research for Phase 1 of the Review has indicated that there is particular support for the evolution model. The Northern Ireland debate on the PSB review has identified a range of views as to which of the three refined models is most appropriate. There appears to be some support for the refined competitive funding model from the independent production sector in Northern Ireland. It has also been suggested that a range of funds for the different genres could be established along the lines of the current Irish Language Broadcast Fund (ILBF).

Viewers in Northern Ireland place a high value on ensuring that plurality is maintained (or increased). Whilst DCAL would favour the adoption of a model which includes a range of public service content providers, such as the evolution model, commercial pressures cannot be ignored. It is recognised that ITV could choose to surrender its licence as the value of its licence will fall below the cost of its current obligations before 2012. However, there has been significant concern in Northern Ireland, at a political, sectoral and

individual level, at the potential impact of such developments on UTV. This serves to illustrate the high value placed on public service content by the community here, particularly in relation to news and current affairs, where healthy competition for audience has driven UTV and BBC NI to consistently provide appropriate coverage of local issues.

The refined evolution model would appear to be best placed to meet Northern Ireland's needs but it is clear that additional funding will be required for this model to be implemented.

3) Do you agree that in any future model Channel 4 should have an extended remit to innovate and provide distinctive UK content across platforms? If so, should it receive additional funding directly, or should it have to compete for funding?

Under two of the proposed models Channel 4 has an extended remit and may also have under the third model. Given the difficulties which both ITV and Channel 4 currently face and the strong public support for a future model which includes plurality of provision, it would appear that this will require an extended remit from Channel 4.

If Channel 4's remit is extended conditions must be attached which require Channel 4 to produce content in and about Northern Ireland to ensure that Northern Ireland does not continue to be disadvantaged by low levels of production and limited regional programming.

A combination of direct additional funding and an ability to compete for funding is likely to lead to the most effective solution.

4) Do you think ITV1, Five and Teletext should continue to have public service obligations after 2014? Where ITV1 has an ongoing role, do you agree that the Channel 3 licensing structure should be simplified, if so what form of licensing would be most appropriate?

It is difficult to comment at this stage on how the broadcasting environment may look after 2014 following digital switch over and following the experience of the implementation of whichever of the three models emerges as the preferred option. It may be that viewers conclude that there has been insufficient provision of PSB and, as Ofcom's research has indicated, viewers have a strong preference for a range of broadcasters having public service obligations.

If the Channel 3 licensing structure is to be changed, it must be flexible enough to provide for the different needs of Northern Ireland. Any licensing structure to replace the current system must have a strong and clear obligation to reflect and represent Northern Ireland's interests. Therefore, there would appear to be advantages to a structure based on five licenses, that is one for Northern Ireland and for each of the other UK regions as proposed under the refined evolution model.

5) What role should competition for funding play in future? In which areas of content? What comments do you have on our description of how this might work in practice?

Ofcom's research has indicated that there are certain areas of programming such as children's, arts, religion and documentaries programming which range from marginally unprofitable to unprofitable. However, there is clearly a high value placed on this genre of programming and there is a need to ensure its provision. Competitive funding for the production of such public service content, therefore, could prove beneficial in ensuring and maintaining the volume and standard of programming.

However, Ofcom has noted that it is unlikely that this would be an appropriate approach for nations and regions news given the cost involved in achieving anything like the reach and impact currently achieved by the ITV nations/regions network. We would strongly agree with this assessment.

As already mentioned, the ILBF administered by the Northern Ireland Screen Commission (NISC) has been set up to provide finance for the production of quality moving image product in the Irish language in Northern Ireland. The Fund co-finances a wide range of moving image product across a range of genres capable of being delivered by present and developing delivery platforms, including analogue, digital, online and interactive. Decisions to allocate resources from the ILBF are taken by a committee in line with established criteria, but key amongst these is clear evidence that the product will, once produced, reach a substantial audience in Northern Ireland.

This model could be replicated across a range of genres contributing to the public service content across the nations.

Section 5: Long-term: nations and regions

1) Do you agree with our findings that nations and regions news continues to have an important role and that additional funding should be provided to sustain it?

Yes. Ofcom research shows that people in Northern Ireland value local news and current affairs programming more than any other region of the UK. Strong audience demand and competition has led to both BBC and UTV providing news and current affairs coverage that is perceived to be of a high quality.

News programming is generally viewed as the cornerstone of public service content and we would wish to see the important role of local news and current affairs programming sustained.

There has been a strongly negative reaction within Northern Ireland to Ofcom's proposal to reduce the number of hours of news and non-news programming provided by UTV. It is critical that, in seeking to find financially

sustainable future models for PSB in the UK, that the needs of Northern Ireland are not overlooked. It is clear that additional funding is required to sustain regional news programming and DCAL would support this proposal.

2) Which of the three refined models do you think is most appropriate in the devolved nations?

Each of the three models identified brings with it strengths and weaknesses from the perspective of the devolved nations including Northern Ireland. There are concerns that Northern Ireland, in particular, may lose out under any of the three models proposed.

An enhanced Evolution model requiring all the main commercial broadcasters to retain obligations, including ITV1, has advantages for Northern Ireland, where there is strong demand for local news programming and a high value placed on such programming through UTV. However, it is clear that substantial replacement funding will be required.

A refined BBC/Channel 4 model may be less likely to meet the needs of audiences in Northern Ireland. Whilst under this model Channel 3 licensees (which would not have any ongoing public service benefits/obligations) could compete for funding to provide nations and regions news and this could provide an opportunity for UTV to continue to contribute, there is a clear concern that they may choose not to hence audiences in Northern Ireland would lose out.

A refined competitive funding model is most likely to prove to be the most economically efficient of the three models but there is a concern that it is unlikely to engender the range/quality of programming required through public service broadcasting.

Again it is noted that under this model Channel 3 licensees and Five could bid for funding if they wished to continue to contribute – from a Northern Ireland perspective there is a concern that they may choose not to do so given Ofcom's conclusion that certain types of programming (regional news, current affairs and documentaries) range from marginally unprofitable to highly unprofitable under the two scenarios. Already in Northern Ireland UTV has reacted to the conclusions of the Phase 2 Review and the proposals for a reduction in new and non-news programming and has called on staff to nominate for voluntary redundancy.

3) Do you agree with our analysis of the future potential for local content services?

The analysis notes that whilst new opportunities are emerging for the provision of local public service content public funding may be required to exploit them. We would agree that this is likely to be the case.

Section 6: Funding

1) Do you agree with our assessment of each possible funding source, in terms of its scale, advantages and disadvantages?

The assessment has highlighted a significant funding gap and has provided a clear outline of the potential advantages and disadvantages of each source.

2) What source or sources of funding do you think are most appropriate for the future provision of public service content beyond the BBC?

The results of the survey indicate that there is very little public support for an increase in the license fee ie to fund public service content beyond the BBC, the opportunities for increased advertising revenue are likely to decline, the introduction of a levy would prove difficult to implement and there is limited support for increased public subsidy.

However, there has been more support for the reallocation of the surplus in the Licence Fee revenue post DSO to support other PSB – this would meet a significant element of the identified shortfall in funding for PSB to maintain levels in future at the existing level.

3) Which of the potential approaches to funding for Channel 4 do you favour?

Direct funding from switch over surplus in the licence fee, if retained would be the most straightforward approach.

Section 7 and annex 1: Matters for short-term regulatory decision

1) Do you agree that our proposals for 'tier 2' quotas affecting ITV plc, STV, UTV, Channel TV, Channel 4, Five and Teletext are appropriate, in the light of our analysis of the growing pressure on funding and audiences' priorities? If not, how should we amend them, and what evidence can you provide to support your alternative?

It is clear that there is and will continue to be pressure on funding for the PSBs. The Tier 2 proposals relating to UTV have received much criticism in Northern Ireland. Ofcom notes that whilst UTV's financial position is more assured (than stv) and that it believes that UTV will be able to fulfil its commitments to news and other programmes throughout the licence period this position is dependent on continued receipt of the ITV network schedule at current cost. Furthermore, the Phase 2 report notes that if costs were much higher the UTV licence could also go into deficit. It is not clear whether there is a high probability of the cost of receipt of the ITV network schedule

increasing – hence it is not entirely clear that the proposed reductions in the Tier 2 quotas are entirely justified.