

## **Ofcom Advisory Committee for Scotland**

### **Submission to Ofcom's review of Public Service Broadcasting: "*Public Service Content in a Connected Society*" - February 2015.**

The Advisory Committee for Scotland (ACS) has strong views on this matter. Our formal submission is a series of ten key principles and actions that we feel Ofcom should address in this very important area of work. We also append for your consideration a more developed paper from a member of the ACS, which has our support, and offers more in-depth analysis of the specific questions posed by the Consultation.

We would wish to stress what we believe is a fundamental tenet underlying this submission. Scotland is different. Recent constitutional events have clarified, in some ways, the parameters of that difference but those events, and the social/political situation in Scotland both since the establishment of the Scottish Parliament and before serve to underline that difference. The difference is manifest in governance but also in the policies of government at different levels and in civic society too.

Scotland has a separate education, health, legal, transport, housing, local government, environmental and planning structure from the rest of the UK. In some UK wide bodies, such as the NHS, the policies and procedures followed are fundamentally different from those in place south of the border, particularly in the role of private provision within the service. This difference extends also to other areas of civic society such as free social care, comprehensive schooling, and access to higher education.

Our view as the ACS is that these differences are not a matter of passing political policy but represent a much more deep-seated difference in the way that the Scottish people view ourselves as a nation, as well as the ongoing evolution of the kind of country we want to live in. Public service broadcasting (PSB) is a key element in both supporting that evolution and expressing that difference in our public bodies, our public policy, and civic society generally.

We believe that recognising that difference will be the subject of much discussion over the coming period for Ofcom itself, as the recommendations of the Smith Commission become actual proposals for change. As importantly for this paper, we believe that this difference is fundamental to the understanding of how PSB is viewed in Scotland, and the key role PSB plays in Scotland.

Our specific points for consideration in relation to the PSB review are as follows:

- a) The impact of devolution, subsequent increased powers for the Scottish Parliament, and further changes because of the Smith Commission, should be given greater weight. This is of particular importance to Scotland but linked to actual and potential constitutional changes elsewhere across the UK.
- b) The BBC is the cornerstone to PSB. Whilst the ACS recognizes that Ofcom has no responsibility with regard to Charter Renewal, the ACS believes the consultation must factor in risks that might be associated with the possible outcomes of BBC Charter Renewal.
- c) The ACS questions the assumption of the Consultation that a "steady evolution" approach towards PSB is appropriate. In our connected society, with an increasing multiplicity of content sources and fast-moving current political environment, we believe that Ofcom may need to allow for the possibility of more decisive intervention in the face of further significant changes in consumption and delivery that will manifest themselves over the next five-year period.

- d) A key role of PSB is in the development of talent, new innovative formats, and sustainability. Commissioning and production of PSB content continues to be dominated by companies in London & the South East. PSB has to support the creation of content from **across** the UK, including Scotland, so that any one perspective does not dominate commissioning of PSB content.
- e) The ACS believes the role of PSB is critical in both supporting a vibrant, plural broadcast economy in Scotland, and encouraging a thriving Scottish independent production sector.
- f) The ACS notes the differential between spend and reach of S4C & BBC Alba and the difference in spend by the BBC in Scotland as against licence fee income. We understand the different legislative context, particularly as regards languages, however we believe that a different allocation of resources could dramatically change the broadcast landscape within Scotland and promote significant new content production alongside the BBC and STV.
- g) The ACS believes the way PSB spend and reach is calculated in the nations should be re-examined, particularly as the impact of so-called "Lift & Shift" masks the figures relating to quota. This is linked to the poor figures in relation to portrayal of Scotland to other UK nations/regions and to the desire for more Scottish content for Scottish audiences.
- h) The ACS recognises the importance of non-PSB channels in delivering PSB content and agrees that content from other channels within one institution (e.g. C4C) should be included in the delivery of PSB quotas. In particular, we note the success of local channels such as STV Glasgow, both in delivering PSB content to new audiences and as an alternative business model.
- i) The ACS would highlight MG ALBA's development strategy as it seeks to maximize different ways of funding content in a global world, at the same time as ensuring that content development is based on evidence-led market development.
- j) The ACS suggests there might be value in exploring the development of a UK-wide EPG/PSB "aggregator" which would serve as the first port of call for viewers when seeking PSB content, from both linear and non-linear sources. This could be particularly beneficial for niche genres, such as children and young people, who increasingly rely on non-linear sources.

*Advisory Committee for Scotland - February 2015.*

Appendix to ACS Submission

Detailed Response to the Questions in the PSB Consultation Document - see pages 3-13

# Appendix to ACS Submission – Detailed Response to the Questions in the PSB Consultation Document

## Section 2: Context

### **Question 1: Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?**

This assessment does not include the political context for Scotland, which has changed in a way thought unimaginable two years ago. Whilst the ACS recognises that Ofcom's statutory obligation is to the citizen and the consumer, this has to be placed in a political context. Both the General Election and the devolving of powers to the Scottish Government, as per the Smith Commission, will influence the delivery of PSB in Scotland going forward.

As Scotland's 2014 Independence Referendum showed, there was a clear demand for discussion and debate from a wide variety of viewpoints. Scottish audiences were frustrated that the nuances of Scottish cultural identity were not adequately captured over the course of the campaign, as witnessed by some complaints over the BBC's perceived bias towards Westminster in its reporting. On the positive side, the Referendum illustrated very clearly the role that PSBs can have in galvanising and energising democratic debate, although some would argue that the real debate took place on social media.

With the rise in popularity of the SNP and the shift in political parties across the UK as a whole, the role of PSB to accurately report local, national and, in today's world, international news, is critical in what could well be an increasingly "federalised" United Kingdom.

The ACS believes that "one size no longer fits all", not just in relation to Scotland, but also to the other potential constitutional changes in the other nations and English regions. Each of these is its own separate market and it is the responsibility of Ofcom to "maintain & strengthen" PSB across the piece. The ACS thinks there are risks in assuming that Ofcom's proposed "steady evolution" approach will be sufficient to protect the interests of Scottish citizens and consumers moving forward. A thriving broadcasting landscape in Scotland is essential for strong plurality across the Scottish media spectrum.

The following paragraphs are further contextual evidence the ACS deems relevant:

1. The creative sector is one of seven economic sectors that the Scottish Government has identified as offering particular growth potential to enhance employment opportunities and increase revenue to Scotland, both directly and indirectly. In June 2012, a report *"An Approach to the Economic Assessment of the Arts & Creative Industries in Scotland"*, commissioned by Creative Scotland and Scottish Enterprise, found that the arts and creative industry in Scotland (including TV and Radio) employed almost 130,000 people and had a turnover of £12.48 billion.

2. The innovation charity, Nesta, published its latest report into the *"Geography of the UK's Creative and High Tech Economies"* on 26<sup>th</sup> January 2015. Nesta's definition of "Creative" comes from DCMS's 2001 Creative Industries Mapping Document: "Those industries which have their origin in individual creativity, skill and talent and which have the potential for wealth & job creation through the generation and exploitation of intellectual property."

Whilst this definition includes other sectors apart from broadcast, the picture it paints for Scotland (in italics) is rather bleak:

- UK's creative economy had 2.6 million jobs in 2013. The report found a significant creative divide between North and South.

- The UK's creative economy is concentrated in London and the South East, which now represent 43% of all employment in the sector. Some 15.5% of London's entire workforce is employed in the creative economy, almost double the national average.
- *Aside from Scotland, every region in the UK experienced employment growth in its local creative economy.*
- *Scotland showed a contraction in its creative economy, with employment in the sector falling 1% between 2011 and 2013.*

3. The Economy, Energy and Tourism Committee (EET) of the Scottish Government is currently conducting an inquiry into how "*Scotland can grow sustainable TV and film, and video games industries*" which is due to report in March 2015, unfortunately too late for the purposes of this consultation. Written submissions to the EET have been published and some are referred to later in this document.

4. There have been various attempts over the years to formulate a National Strategy for Scottish Broadcasting, so far without success. Scotland is now fourth, behind Salford and Bristol/Cardiff, as the second centre of media outside London, and may slip to fifth as Northern Ireland Screen ramps up its activities. This has led to increasing calls from a wide variety of stakeholders, including Scottish Independent Production companies, to develop a focused strategy as a matter of priority for reasons of economic growth, culture, citizenship and democracy. The BBC's Charter Review, despite being outside Ofcom's jurisdiction, also factors in the equation. As the BBC is the biggest commissioner of programming in Scotland, the outcome of that review has far-reaching implications for the Scottish broadcasting sector.

5. The Scottish Independent Sector is not growing, despite Scottish talent and creativity being internationally recognised. The key question is how to generate sustainability alongside profitability in a highly competitive global market. The broadcast world has specific challenges, including being large enough to nurture and retain new talent, stimulate co-production and attract international funding, but also small and niche enough to encourage competition and stimulate creativity. The global market will ultimately dictate outcomes (cf. recent acquisitions and the dominance of huge global players) but PSB has a significant role to play in the development of talent and sustainability.

The Scottish sector is skewed by a small number of larger companies, who have greater financial flexibility & better networks. In the EKOS 2013 report "*Market Assessment of the Broadcast and Television Production Sector in Scotland 2011/12*", produced for Scottish Enterprise, 10 of the 19 companies (52%) surveyed permanently employed five or less employees and 16 (84%) employed 20 or less.

PACT publish an Out-Of-London report but they currently do not have a big enough sample from their annual census to publish separate Scottish data. Accurate statistics are difficult to ascertain. PACT claims that the independent production sector in Scotland is strong "with estimates suggesting that 1,577 people (both permanent and freelance) employed in the production sector" (*Submission to EET inquiry*). However, the EKOS 2013 Market Assessment report found there had been a fall of 28% in total FTEs in the 19 comparator companies since 2008/2009, from 151 to 108. Of the 19 companies interviewed, 17 provided data on commissions. They secured 58 TV/Film commissions in 2011/12 (in comparison to 81 in 2010/11).

The report concluded that the sector had changed little since the original study in 2007: "*It remains over reliant on one major buyer (the BBC) and is still characterised by a few larger companies and a long tail of very small businesses.*" It identified key risks which still apply today. These are:

- Lack of Scottish political strategy & coordinated economic development in the sector
- A London-orientated market
- Lack of access to commissioners (almost all London based), coupled with perceived risk aversion of said commissioners

- Short-term contracts resulting in difficulty attracting & retaining high-end talent
- The sector not being strong enough in areas offering real growth potential ie. returning network series; factual entertainment and entertainment formats for national and international markets; high end drama and comedy.

6. The state of the independent sector outlined in (5) appears to contradict the fact that Scotland is the only nation to see an increase in spend on networked programming by the PSB channels, with output increasing, from 1.8% to 8.4% of volume and from 2.5% to 5.9% of spend in 2013. This was almost entirely driven by Scottish-made commissions from the BBC. The ACS also notes that around 4/5ths of the BBC network TV spend in Scotland in 2013 was on independents, spread across 28 separate companies (Source: BBC Scotland).

This contradiction is, at least in part, attributable to the criteria used to record which nation (or English region) a programme production is allocated to. It masks the effect of the so-called "Lift and Shift" model, where productions originally located in the South-East have been moved to Scotland, sometimes with staff being relocated as well. This is evidenced most recently by Waterloo Road being discontinued by the BBC and Shed Scotland being closed as a result. It also raises the question how much does "Scottish-made" equate to "Scottish content" (and therefore portrayal of Scotland to the other nations)?

### **Question 2: Have we identified the key differences in Northern Ireland, Scotland and Wales?**

See also Question 1

The BBC's recent Future of News report concluded the Corporation must increase its local and global news coverage and improve digital services to remain relevant. The ACS welcomes this. The report also suggested local (BBC) journalism was "failing" consumers, adding: "Parts of the country are not properly reported; in others, public services and people in power are not effectively held to account". This is certainly a widely held view in Scotland, as well as in other nations/regions of the UK.

With Scotland placing a higher value on higher quality regional news, combined with the issue of cultural identity, it is no surprise that ITV Border's new regional news programmes for southern Scotland are proving a success. The broadcaster was required by Ofcom, as of 2014, to provide 90 minutes a week of programming specifically for viewers in Scotland. Their 6pm regional news programme, Lookaround, increased its 38.45% share in 2013 to a 41.46% share in 2014, equating to a reach, in broad terms, of 80,070 in 2013 and 89,000 in 2014 (Source: ITV Border). Border Scotland, on Freeview, broadcasts a nightly half hour programme after News at Ten, every night that Holyrood is in session about Scottish political affairs relevant to the south of Scotland. It routinely exceeds the network average for the slot. (Source: ITV Border).

### **Section 3: PSB performance**

#### **Question 3: Do you agree with our assessment that the PSB system remains strong overall?**

Yes but, as stated in the answer to Question 1, the ACS believes there are risks in assuming that Ofcom's proposed "steady evolution" approach will be sufficient to protect the interests of Scottish citizens and consumers moving forward.

#### **Question 4: Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable?**

The ACS supports Ofcom's findings in the desire for more original and experimental programming, up from 42% in 2007 to 60% in 2014. There is a strong belief amongst the creative community that the predominantly London based Commissioners "play safe", duplicating programme ideas and formats across PSB channels, rather than coming up with truly original ideas. Ratings are important but the funding of PSBs is designed so that programme makers are allowed to take risks. Producing innovative formats also has potential for substantial revenue income, thereby supporting further innovation in an increasingly competitive global market.

Leaving PSB strategy solely to BBC Scotland and STV is not desirable. The opt- out model fitted a pre- digital, spectrum- scarce age; it does not suit the current "connected" landscape. A third force is needed in broadcast in Scotland to drive plurality across the media spectrum. The ACS recognizes this is not Ofcom's responsibility but for UK and Scottish governments to drive forward. This might be a new standalone English language channel which could provide a wider platform for current popular social media content, the latter being arguably more socially extensive and inclusive than traditional PSB channels, or it could be a new Fund, or a body tasked with discharging public media policy to produce, commission or reversion Scottish content for Scottish audiences, both mainstream and underserved communities. This could be part-funded by either reducing or stopping BBC Two opt-outs and, if the new formats/productions proved successful, revenues from selling rights in the UK and abroad.

**Question 5: Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?**

(See also answer to Question 2 in relation to increased ITV News coverage and answers to Questions 6 & 11)

Ofcom's own research indicates that Scottish audiences acknowledge that it is difficult to make programmes which appeal to all groups. The research also shows the greatest dissatisfaction amongst all UK audiences is about portrayal and reflecting of different cultures. As the referendum debate showed, both of these PSB purposes make a significant contribution to social cohesion in a multi-cultural world.

For Scotland, the purpose: 'it portrays my nation fairly to the rest of the UK' had a notable difference between perceived importance (68%) and poor delivery (44%). The ACS welcomes BBC Radio 5 Live's dedication to reflecting the whole of the UK, including Scotland, in both content and representation, as well as the vibrant community radio sector in Scotland, broadcasting to specific interest groups. However, as budgets are squeezed, programming which costs more (eg. Outside Broadcasts, commissioning features from the nations) is being reduced.

Stereotypes are also still too prominent eg. Glaswegian Jazzer in Radio 4's The Archers or the archetypal criminal in drama productions being cast as Scottish.

The ACS notes that audience ratings of the importance of nations news has *increased* across the piece, most notably in Scotland, but *spend has fallen* by over 20%. STV's non-network performance is significantly better than its BBC Scotland equivalent. The ACS welcomes STV's increasing success over the last few years, acknowledging that STV provides the majority of non-network i.e. nations specific originated programming in Scotland, in contrast to Wales & NI, where the BBC produced the most.

**Question 6: Is declining investment affecting the quality of PSB and is it a cause for concern?**

Ofcom's Glasgow research indicated that: "...some felt that that these (local) programmes were clearly lower budget than those shown across the UK". Although margins are increasingly tight, resulting in lapses in standards, the ACS believes that there is still scope for more efficient ways of producing local content through partnerships, without reducing quality. This has been proven by the STV Local model (see answer to Question 8).

Scotland is the only radio market in the UK where commercial radio reach is greater than BBC Radio as a whole. Radio Scotland's reach fell from 22.6% in 2012 to 21% in 2013 and Radio nan Gaidheal's reach fell from 69.5% to 65.4%, the latter presumably at least in part due to the increased reach of BBC Alba. There are also 23 community radio stations in Scotland with 8 more about to launch, all of which contribute to PSB objectives. It is impossible, without further research, to say that the fall in reach by Radio Scotland is due to declining quality but it does indicate that listeners are turning elsewhere. Scotland's mixed radio economy is to be welcomed but in an era of declining investment, it is even more important that BBC Radio Scotland offers a structure and programme schedule which complements existing PSB output, from whatever source, rather than replicates it.

**Question 7: Do you agree with Ofcom's provisional findings in the Review of C4C's delivery of its media content duties?**

The ACS believes that C4C plays a very important role in the PSB landscape, which in itself presents the channel with significant challenges of funding and scale. Ofcom should consider means of providing greater flexibility for the channel to survive and prosper.

The ACS broadly agrees with Ofcom's findings and supports C4C's multi-platform approach, including its use of other internet aggregators, such as YouTube, particularly in attracting young people to its content. The ACS welcomes C4C's investment in first-run original programming, in contrast to falls elsewhere in the PSB sector. The ACS welcomes the new minimum quota of 9% from 2020 and commends C4C for its policy of supporting sustainability and scale in the Scottish independent sector by commissioning directly from Scottish companies.

C4C's use of its portfolio channels allows greater flexibility in meeting the needs of specific interest groups. Film4 plays an important role in the UK film industry as a whole, having commercial success with the likes of *For Those in Peril*, *Starred Up* and *Under the Skin*. C4C could do more to promote the value and visibility of Film4, which in turn, could benefit Scotland's nascent film industry further.

The ACS notes the success of the National Theatre (and to a lesser extent the National Library of Scotland) in embracing new technologies and the converging world. It believes there is room for improvement here in creating successful partnerships between cultural institutions for all of the Scottish PSB channels (BBC Scotland, BBC Alba, STV and C4C). C4C could, for example, broker and foster an ongoing relationship between a major Scottish cultural institution and one of the Scottish Independent Production Companies.

The ACS believes that Channel 4 News provides a much needed plurality to the news agenda. Channel 4 News stands apart from the other news channels by setting its own agenda. It commissions special reports highlighting different social issues, raising awareness in some cases to such an extent that government policy has changed as a result. This is to be welcomed and supported, particularly as C4C addresses the problems of falling viewing figures.

C4C is to be commended for its commitment to diversity both on and off screen and we welcome the launch of its 360deg Diversity Charter. C4C stands out from the other mainstream PSB broadcasters in taking more risks and producing innovative programming about minority interest groups.

Particularly given that spend on children's programming is down across the board, C4C's obligation towards both older children and young adults should be maintained, building on C4C's innovative approach by exploiting convergence to engage more directly with "Tech Natives" through mobile, blogging, and social media. Since these are the consumers of the future, concentrating resources in this area to explore new ways of delivering PSB content is vital moving forward. Other PSBs could learn from this.

#### **Section 4: The delivery of the public service objectives by the wider market**

**Question 8: To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.**

The ACS agrees that non-PSB services are helping to deliver PSB objectives and that, in the case of PSB portfolio channels, this should be counted towards reaching their quota. In a world where viewing and listening is increasingly of a niche nature, this allows more focused targeting to specific interest and cultural groups, as well as to younger audiences, who are looking beyond television for video content. The ACS also notes that these portfolio services deliver important additional advertising revenues. However this needs to be proportional, perhaps in percentage terms, so that the main channels still carry a wide-range of PSB programming.

The ACS agrees that the delineation between what is perceived by the public as PSB funded content is becoming increasingly blurred but it does not see this as a problem, as long as that PSB content can be proven to be delivering PSB objectives.

An example would be STV Glasgow which is being held up as a model example of Local TV across the UK. As the second biggest player in the Scottish broadcast market, there are obvious economies of scale which STV has been able to utilise across its 2 local channels (STV Edinburgh launched on 12/1/15), now grouped together as STV City for BARB purposes. STV see local TV as a key component of their development strategy in reaching new audiences and new advertisers. At a presentation in December, STV said related social media content is proving hugely popular: producers have local bands approaching them to appear on STV Glasgow's Riverside show because they know the HD video will be uploaded to the STVG Facebook page and can go viral instantly. They cited 2 local bands who have been signed as a result. In December 2014 STV Glasgow had an average daily audience of 51k, with 550k tuning in weekly. Across the first two weeks of STV City the channels had an average daily reach of 140,000 and an average weekly reach of 574,000. STV state they have seen no impact on their mainstream audiences.

STVG have identified the following key targets:

- Developing new talent, skills & formats (both on-air but also behind the scenes as they have established successful partnerships with Scottish universities with media/journalism courses)
- Developing staff in multi-tasking
- Engaging with new local audiences, taking them from local radio competition (the commercial radio sector in Scotland is strong, outperforming BBC Scotland; anecdotally Scottish newspapers have said they do not see STV Local as a threat)

- Pulling in new advertisers (this is proving very successful by offering a much cheaper advertising package with lower production values but still appealing. At December's meeting they stated they had 115 advertisers since STV Glasgow's launch, of which 70 are totally new to TV)
- Producing content more cheaply

This is a good example of an improvement in current levels of PSB delivery integrated into STV's Business Strategy, without the wider system having to be strengthened to support it.

Online media services such as Vice Media and BuzzFeed should be welcomed although there are questions as to how that content is regulated. Both these services appeal to young people but how are editorial standards to be maintained in the unregulated world of the internet? Is there a role here for the PSBs to offer more in the way of aggregation of content from other sources, as well as moderation so that quality and trustworthiness is maintained? (See also answer to Question 12)

The role of small commercial radio and community radio in Scotland should also be noted for its PSB contribution. There are financial challenges in these markets in the delivery of DAB (which Ofcom is already addressing) and also in the potential for Ofcom relaxing rules on advertising revenue which the ACS welcomes.

## **Section 5: Potential future market developments**

### **Question 9: How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system?**

This could be likened to a crystal ball. With such rapid changes in the last 5 years, the ACS believes that the rate of change will be more rapid over the next 5 year period, although acknowledges that the research suggests that PSB is continuing to perform well against other alternatives.

In the UK the BBC remains the cornerstone to PSB and the ACS believes the context of Charter Review must be taken into account in this consultation. Ofcom has assumed that the BBC will continue to be funded in broadly the same way as it is now. Given the political forces, pressures on budgets, possible constitutional changes (including a more federal approach), coupled with audiences expecting content whenever and wherever, on any device, there will be pressures from all sides on BBC funding. Distinct audiences (eg. from ethnic minority groups and those who subscribe to Pay TV) are already questioning the value of the licence fee. When coming to its conclusions in this PSB Review, Ofcom should take account of possible *different* models of BBC Funding beyond 2016, in the same way as they have assessed other risks in this consultation.

Looking beyond the UK, the ACS notes that the profits from BBC Worldwide provide increasing revenues back into the BBC, which is to be welcomed. However, with increasing technical sophistication, there are many ways that non-licence fee payers from abroad are accessing BBC content, whether that's live, from illegal downloading or through file-sharing. Although iPlayer was launched 7 years ago, it has developed (and been imitated by other UK broadcasters) beyond recognition in the last 5 years. The ACS would ask whether enough is being done to ensure that audiences are paying for that content?

The ACS would also draw attention to the role of the World Service, the funding of which is now coming entirely from the licence fee, again putting pressures on budgets. The ACS notes the importance of that service to listeners across the world, particularly in politically unstable countries, where access to impartial journalism is vital. The World Service is also important in ensuring that the BBC brand remains trusted and respected across the world.

### **Question 10: How might incentives to invest change over time?**

Advertising is still an important source of revenue and the ACS notes that the industry continues to forecast rapid growth in online advertising. Certainly STV Local are attracting new advertisers who have not traditionally used broadcasting, meeting their needs by offering a lower cost package. As video is a major driver to increase SEO, coupled with many more suppliers of low-cost video content, this market looks set to expand.

### **Section 6: Maintaining and strengthening the system**

#### **Question 11: Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?**

The ACS agrees with Ofcom that as audiences increasingly demand their services on multiple platforms, on demand, and on mobile devices, there is a danger that increasing distribution costs can be met only through reducing investment in content. It also agrees that in an increasingly global media market place, the predominantly UK-only PSB institutions may increasingly lack the scale required to compete for viewers and revenues.

In a market where there will always be higher-audience and more commercially attractive options, lower-audience niche PSB genres, such as investigative current affairs, religious programmes or childrens are all less likely to be commissioned. The ACS believes there is value in exploring the proposal of one or more providers being given genre-specific roles in the PSB system in exchange for a more limited set of benefits. In relation to Scotland, those providers could also be required to commission from one or more independent companies, thereby building specialist expertise and capacity which that company can then proceed to build on in other markets.

Viewing of children's programming is marginally down across all ages. Children's programming is rarely commercially viable, unless the format becomes a worldwide success, but its importance in the "diet" of what is feeding young minds and perceptions cannot be underestimated. The BBC have already announced that BBC Three is going to be online only (and on iPlayer). Should the delivery of children's content also follow that model, given the consumption of content by children is often on devices other than TV? This would generate significant savings without a diminution of PSB content.

The ACS also notes that the PSB channels are questioning how much pay-TV companies, like Sky and VirginMedia, pay for PSB content and whether that should be increased. This is a valid question since PSB content extends content choice on Pay-TV channels and all profit is currently delivered to the shareholder, rather than back into supporting a vibrant, dynamic broadcast sector. But this needs to be set against the non-PSB channels increasing their investment in non-sport, first-run original UK programmes by 43% since 2008 in real terms. Perhaps this balance could be factored into any negotiations.

MG ALBA is a model which is offering sustainability for the Scottish Independent sector, at the same time as strengthening PSB content. It is jointly funded between the BBC and MG ALBA, the latter being funded jointly by the UK and Scottish governments. The PSB Gaelic language channel is unique in that it is the first to be delivered under a BBC licence by a partnership and is also the first multi-genre channel to come entirely from Scotland with almost all of its programmes made in Scotland. In 2013, 20% of Scottish spend on Scottish content was from BBC Alba. It commissions 78% of its content from independent production companies, spending £12.65 million on first-run originations in 2103. In addition, MG ALBA commits almost 2/3rds of its commissioning budget to 3 year contracts, providing much needed stability to independent production companies.

It has recently outlined a development strategy, working closely with Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE) and Scottish Development International (SDI). Such

partnership working is designed to ensure maximum strategic fit with government sector growth plans, and to *ensure the appropriateness, and effectiveness of any interventions*. The ACS welcomes this coordinated and commercial approach, noting that public policy in the Scottish creative sector can be driven by what will make a good headline rather than by systematic business planning projecting long-term sustainability and profitability.

The channel provides English sub-titles on many of its programmes and has seen its reach rise from 4% in 2009 to 17.6% in 2013. The latter equates to a weekly reach of 720,000 viewers, far greater than the total number of Gaelic speakers (58,000). ACS notes MG ALBA's development strategy which has two principal objectives:

*(i) increasing the capacity of suppliers to co-produce and co-fund Gaelic originations (including other language versions for UK or international markets), thereby extending the impact of the existing public monies going into Gaelic broadcasting and drawing new investment into the sector in Scotland*

*(ii) increasing the capacity of the sector to leverage its assets, including intellectual property rights. In this context, leveraging rights includes any use of the content beyond primary broadcast, such as secondary (and tertiary) broadcast, digital (VOD), physical (DVD) and sales of finished programmes in other markets. This latter objective includes internationalisation.*

*MG ALBA is working with other agencies to ensure market intelligence is available to its supply sector to ensure evidence-led development of non-Scottish markets. This will enable identification of European markets and funds such as MEDIA, which hitherto Scotland has had limited success in accessing. MG ALBA is also exploring the possibility of European funding-aligned commissioning. (Source: MG ALBA submission to EET inquiry)*

The difference in spend between Scotland and Wales in 2013 on indigenous language programming is marked. Despite Wales having just under 2/3rds of the population of Scotland, its indigenous language channel, S4C, is financed from a fixed annual grant from the Department for Culture, Media and Sport (£90m in 2011) and some advertising revenue. BBC Wales also provides some Welsh programming to the channel free of charge. S4C's 3 minute weekly reach in 2013 was down to 14.1% (397,000) (Source: Ofcom), compared to BBC Alba's 15 minute 17.6% (720,000) (Source: MG ALBA). S4C spent over £90 million on indigenous programming in 2013, in comparison to £12.75 million spent by BBC Alba.

The number of Welsh speakers, according to the 2011 census, has dropped to 562,000, a 2% drop from 2001, whereas the number of Scottish Gaelic speakers was 58,000 in 2011, a 1.2% fall from 2001. This means that an increasing number of non-Gaelic speakers are watching PSB via BBC Alba.

The BBC does not keep precise figures about licence fees from different parts of the UK but it does approximate the figures to state: 'This methodology indicates that 2,213,881 licences were in force in Scotland in March 2013'. It goes on to state that in 11/12, £203 million was spent in Scotland (Source: The BBC in Scotland, July 2013, BBC). Scottish licence fee income has been stated by the Scottish government as £320 million pounds, suggesting an excess of Scottish income over spend of in excess of £100 million.

The ACS is not suggesting a change in funding or expansion of MG ALBA but it is posing questions about how that income could be used in different ways to support the Scottish creative economy, specifically in the area of independent production. Is it a coincidence that Welsh Independents have grown in scale parallel to S4C and are ranked in the top 45 of UK Independent production companies? Might this big difference between spend be reexamined and reallocated to a new 3<sup>rd</sup> channel/Fund/ Body (see answer to Question 4) which would increase plurality, competition and growth potential for the Scottish Independent sector?

**Question 12: Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?**

The ACS agrees that Option 2 (incremental change) appears to balance universality with proportionality.

Audiences are now overwhelmed with choice both of channel and device. Channels which serve the PSB principles (whether they are designated PSB channels or not) and which achieve a certain scale or play a particularly important role in reaching specific audience groups, should be given prominence in the EPG, to encourage audiences to engage with content which contributes to PSB objectives.

The ACS also agrees that the EPG principle should be extended to prominence (and search functions) within non-linear TV, App stores (particularly for Radio) and VoD.

Another option might be to have some sort of PSB “aggregator” as part of the EPG system. For many people, the EPG now serves as the equivalent of Radio/TV Times. Currently each TV channel is able to prioritise what programmes feature most prominently, some of which have less PSB content than others eg. there is a lot of PSB content on BBC Four but generally, as a viewer, you have to search for it, particularly if you do not have a specific programme in mind. This can mean that audiences are missing distinctive, high quality PSB content. This is obviously quite radical and requires further thought but an EPG aggregator could mean that PSB content from other, non-linear, providers could be pointed to eg. the recent ViceMedia mini features on the ISIS religious police.

**Question 13: Should we explore the possibility of giving greater flexibility to PSB institutions in how they deliver public service content, including examining the scope (in some or all cases) for regulating by institution, not by channel?**

See answer to Question 8

**Question 14: Do the current interventions in relation to the independent production sector need to change in light of industry developments?**

See also answers to Questions 1,7 and 11

In the UK the top 6 independent production companies (all now foreign-owned) represent almost 45% of total revenues. Channel 4 has acknowledged that the number of production companies it used last year fell dramatically, from 460 to 367, partly due to consolidation in the sector. This has implications for future growth of the independent production sector.

In a digital world, consumers are taking control of the means of viewing, which means that owning the content (ie. copyright) that viewers want to watch is the key battleground for sustainability. In an on-demand environment, the old channel-driven model starts to disintegrate. The ACS acknowledges that the UK has a strong regulatory framework to protect production companies but wonders whether more needs to be done to protect intellectual property so that a bigger proportion of revenues comes back into the system rather than to the pockets of shareholders?

The ACS notes the discussion document prepared for Ofcom by Oliver & Ohlbaum Associates in September 2014, which reports that following the introduction of Terms of Trade, there was an initial significant boost to TV exports followed by healthy growth in more recent years. This structure has allowed producers to successfully exploit their intellectual property in the UK and overseas. The ACS notes that Pact would also like to see these terms of trade extended to digital producers to allow them an opportunity to own and exploit digital content.

**Question 15: Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?**

The ACS notes the different funding models outlined in the consultation. The French “mixed economy” approach seems particularly flexible in meeting the demands of such a changing and competitive environment. The ACS also notes the success that Ireland has achieved in boosting the creative sector by offering CTR on 28% of qualifying spend on TV drama, animation and creative documentaries.

The European Audiovisual Observatory is due shortly to publish its report into the: *“Impact analysis of fiscal incentive schemes supporting film and audiovisual production in Europe”*. (PDF: end Jan 2015 Print: mid Feb 2015) This is a new analysis of the impact of fiscal incentive schemes (tax shelters, tax rebates and tax credits) which aim at stimulating investment in the production of film and audiovisual works. The analysis identifies, describes and categorises the schemes in place across Europe and evaluates their impact in attracting foreign investment, both from within Europe and from other countries too.

The ACS notes that Pact is calling on the UK Government for continued and increased TAP (Tradeshaw Access Programme) grant funding that allows small and medium sized businesses an opportunity to meet buyers direct overseas and demonstrates a strong return on investment. (Source: Pact submission to EET inquiry)