



Ofcom's Second Public Service Broadcasting Review Phase One: The Digital Opportunity

Response from the Wales Executive Council of the National Union of Journalists

June 2008

SUMMARY

- The Wales Executive Council of the National Union of Journalists remains opposed to any form of 'top-slicing' the BBC licence fee. We believe the research done by Ofcom highlights how much the public values the BBC as the cornerstone of the media industry and does not want to see any diminution of BBC services. In line with the research done we believe many other organisations and individuals will hold a similar view that “top-slicing” should not be considered and the debate in Wales has moved on. Any proposals for the future of the broadcast industry must focus on how to maintain, strengthen and develop what already exists.
- S4C is a vibrant provider of Welsh-language public service broadcasting and as such is a vital element of the Welsh media. It's unique position must be protected.
- A new structure is needed that makes it commercially logical for ITV, GMTV, Channel 4 and five to remain public service broadcasters.
- Special measures are needed to maintain plurality of broadcast news and non-news programming in the devolved nations. Incentives could include: reduced or zero rated spectrum tax, access to intellectual property and creative funds (these could be financed by the spectrum tax or a levy on all broadcasters); evaluation of how programme sponsorship and closer working between broadcasters and devolved

governments might support programming that brings social benefit. Direct funding of a channel – even with suitable editorial safeguards -- should only be considered as a last resort.

- In return for special support for commercial broadcasters in the devolved nations, additional benefits should flow to the communities they serve. The audio content of news bulletins could be shared with community radio stations; the fifty-year old archive of news and programming footage could be made available via the web for use by schools and colleges to support school curricula. The web sites established by commercial broadcasters in the devolved nations could act as high profile platforms for the work of independent programme makers, colleges and the video content already being produced by devolved governments and their agencies.
- We prefer evolution to revolution. There are so many potential threats to the future of the broadcasting industry, and so few certainties, that we need to protect and develop what we have while encouraging innovation where we can.
- We need to develop a sustainable alternative model, which is capable of rapid implementation if the current or future owner of ITV plc withdraws from its commitments to the devolved nations, or retreats from public service broadcasting completely. The establishment of a Channel 3 licence for Wales – rather than the current Wales and West licence would be an important part of this work.

INTRODUCTION

1. The NUJ Wales Executive Council represents around one thousand professionals working in journalism, public relations and allied industries across Wales.
2. The WEC has authority to speak on behalf of members in Wales, and to decide policy on Welsh issues in consultation with the union's National Executive Committee and full time officers.
3. This report should be read in conjunction with the document submitted by the NUJ in London. We have not sought to repeat the points made there. Rather, we expressly support their arguments made at length on the future of the BBC and other UK-wide issues. Our own report concentrates on issues within Wales. For this reason, much of this report is focused on the importance of plurality and the future of ITV Wales, and any successor to the services it offers.

OFCOM'S SECOND PSB REVIEW

4. We welcome the approach of Ofcom in this consultation document as it highlights not only the threat to public service broadcasting in Wales and the other UK nations and regions – as did the first PSB review, but it also seeks to find solutions.
5. The NUJ Wales Executive Council believes that high quality, professional journalism – and broadcasting in particular – within the UK nations is approaching crisis point. Clear leadership and policy initiatives are needed if we are to maintain and strengthen what remains of once proud, independent journalism beyond the BBC. We urge Ofcom to find new directions that do not further undermine the resources of the BBC. Rather, we must explore innovative ways of maintaining choice and diversity from traditional commercial broadcasters while encouraging new entrants to our pluralistic system.
6. The Council would like to highlight the following issues, many of which are addressed in the report.
 - We welcome the words in the foreword of the report on the importance of maintaining commercial PSB in the nations and that the purposes of PSB are rooted in the ‘interests of the citizen, not the producer’ (page 1);
 - We concur with Ofcom’s view that the market alone will not deliver substantial amounts of public service programming and that the current funding model for ITV in the devolved nations is unsustainable in its present form;
 - There remains strong support for PSB and this is especially notable in the nations;
 - The devolved nature of Welsh political life, combined with a structurally weak indigenous media, means that we need to identify specifically Welsh solutions;
 - There must be ongoing competition in public service broadcasting; plurality is of ‘critical’ importance in news and current affairs
 - Investment in UK content by digital channels remains very limited and this is unlikely to change significantly (1.28)
 - There is little evidence that the internet has developed strong, new providers of news, current affairs or other programming that meets basic standards of broadcast journalism at an all Wales level
 - Online public service content does not currently constitute a substitute for public service broadcasting (1.29)
 - New funds should be found (1.30)
7. Much of our response is based on the premise that it is better to evolve what we already have and to make it more sustainable, rather than to risk what remains on a gamble that new providers will emerge to supply the public service content needs of Wales. This does, in part, represent the vested interests of our membership in the current broadcasting industry across Wales. But our concerns are also based

on the wider interests of our fellow citizens. Nothing in the report, other than an evolutionary approach offers a clear pathway from where we are at present, to where we would like to be, as members of an informed democracy.

8. The report (at par 1.30) highlights Ofcom's statutory duty to maintain and strengthen public service broadcasting. The NUJ Wales Council believes that this duty has, since the passing of the Communications Act, not been fulfilled. It is time for a change – before the remaining commercial public service broadcasting in the devolved nations disappears all together.

Section 3 How well are the PSBs delivering public purposes

Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of PSB?

9. Yes. It is particularly notable that non-news regional programming was felt to be more important by social groups D and E than by social groups A and B (par 3.14). The poorer groups are most vulnerable to the impact of 'digital exclusion'. They are less likely to navigate their way online to authoritative sources of advice and information. They are most likely to lose out if universally available media no longer carry public service content in an approachable and easy to understand manner. Wales has a larger proportion of these poorer groups than many wealthier parts of the United Kingdom.
10. Figure 7 (page 30) emphasises the importance of television as the main provider of news about a citizen's nation or region (63% in 2007). In contrast, the role of the press appears to be much smaller (17%) and the Internet, despite massive advances in usage for other purposes remains marginal (2%)
11. Ofcom notes that there is a high level of support for the work of S4C. Three-quarters of those surveyed said it was important that it reflects life in Wales well and that it provides good coverage of Welsh events. We concur.

Do you agree that UK originated output is fundamental to the delivery of PSB purposes?

12. Yes, as do the audience, according to Ofcom's research. Yet despite this, there have been substantial reductions in key areas of provision for the UK nations and regions in the four years to 2007. This is explained at paragraphs 3.87-3.89:
 - Overall regional hours: 8% down
 - ITV regional news hours: 9% down

- ITV regional non-news hours: 10% down
- BBC spend: 12% down
- ITV spend: 28% down
- ITV 1 region non-news/ non-current affairs hours: 44% down.

13. The report notes that these changes were agreed by Ofcom. This is despite the strong support for such programming, especially in the nations. We believe such drastic reductions underline the need for regulatory change and new funding models

Section 4 The changing market environment

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

14. We accept that other digital channels and interactive media do play a limited but growing role in certain fields. But this is sadly not the case in terms of providing news and other public service content about the devolved sphere of public life to citizens in Wales. The report (par 1.48) identifies the particular challenges that already face audiences, media operators and those interested in public service content provision in Wales. The 'relative absence of competition at national press level' has long been of concern, as has the reduction in hours and budgets for programming from ITV Wales. Existing players have developed a welcome online presence. But this should not be mistaken for new provision. It is substantially the same material from the same small group of providers. This does offer a useful online presence for as long as those contributing groups remain committed. But the ongoing uncertainty about the long-term future of ITV in the nations and English regions – and the budget cuts made by Trinity Mirror (owner of Media Wales and the Daily Post) highlight the dangers. There is little evidence to believe that digital and interactive systems will offer professional journalistic solutions to the public service information needs of Wales.

15. The report makes it clear that the Internet is no substitute for television news among the majority of any age group (par 4.32). Even among 16-24 year olds it is the main source for less than one third of citizens. Across all age groups the figure is just over a fifth. This falls to just five per cent of the over 65s who are most likely to feature among the dispossessed in the digital revolution. We would not tolerate the exclusion of these groups from access to libraries or the vote. Why should we accept that they might be excluded from the information on which they make democratic choices?

Section 5 Prospects for the future delivery of public service content

Do you agree with Ofcom's assessment of the implications of different economic scenarios for the UK TV market for the future prospects for delivery of the public purposes?

16. Yes. The analysis in section five makes it very clear that, without substantial change and evolution of the current funding model, the costs of the ITV Wales licence will exceed the benefits in 2009 (figure 42). It also identifies that a loss of PSB status by ITV plc would remove the economic foundation of the other national licensees' business (5.46). This, combined with the other substantial financial pressures facing ITV make it imperative that Ofcom develops a plan that actively encourages ITV to continue making programming in Wales, for Wales while preparing for the possibility that other provision may become necessary in the short to medium term.
17. Because of this potential threat to services in Wales (and across the UK), we believe it would be sensible to redraw the map of Channel 3 licences. There should be a single licence for Wales, rather than the current Wales and West licence. The new licence should include an obligation to transmit at least four hours a week of non-news as well as the current news requirement. As the incumbent, ITV plc should have the option of agreeing to these terms without going through a competitive process. It may well do so rather than losing part of the network (and risking a new competitor on its doorstep), possibly setting up a subsidiary company. If ITV refused these terms another company would come forward, provided that additional funding mechanisms had been developed. Such a company should have the same "fair dealing" protection as SMG and UTV have in their relations with the network.
18. A strategy to address the loss of film archive, local knowledge and expertise must be considered should ITV pursue a withdrawal strategy from Wales. In the event of a change in licence holder in this context, regulators and other stakeholders should seek to ensure a guarantee of employment for ITV Wales staff within any organisation which takes over the licence so this wealth of experience is not lost to Wales.
19. We note that the economic modelling conducted by Oliver & Ohlbaum for Ofcom categorises nations and regions news and non-news programming as 'very unprofitable.' We would urge other stakeholders to also consider the comparatively small costs that are involved in making this programming for ITV Wales. Ofcom will no doubt have access to the exact figures (either from confidential returns, or from information registered at Companies House). We would urge them to publish this information in the next stage of this review to allow for a fuller debate on the future options – and the costs involved. We comment further on this issue in paragraph 24.

Do you agree with Ofcom's analysis of the costs and benefits of PSB status?

20. Broadly, yes. However, we believe that the cost – benefit analysis should go beyond a consideration of the impact on current service providers and be used as a way of assessing a suitable level of public intervention (direct and/or indirect) to maintain and strengthen these services across the UK nations and regions.
21. The report notes that local, devolved and central government spends £115 million - £145 million on delivering public service content online. This is greater than the entire cost of running ITV's regional network and with its considerable public policy content. This underlines the value-for-money delivered by ITV's regional programme making teams
22. We invite Ofcom, as part of the next phase of its review, to calculate the cost of providing the public service content currently broadcast on ITV Wales programming, to the same reach of audience by other means. Such a calculation should involve the cost of production and also the costs of signposting/advertising and delivering that content on a universally available platform. This would be considerably larger than simply putting the material on a website. Such a calculation must be part of any cost-benefit analysis of PSB in the devolved nations.
23. This can be added to the £300 million that has been lost in implicit funding for commercial PSB between 2003 and 2012 (Review, par 1.24). The total of these calculations might be helpful in considering what level of direct or indirect public support is appropriate to maintain choice and diversity of public service content provision in the future.
24. Ofcom should further consider what constitutes PSB – should news, drama or current affairs be sectioned off as psb when costing output? Arguably an entire channel, such as ITV or BBC, operates as a public service broadcaster with a blend of popular material forming an integral part of the overall package. Separating out the different elements of programming allows certain psb providers to abandon some obligations and retain others – namely those which are perceived as more profitable.

Section 6 Meeting audience needs in a digital age

Do you agree with Ofcom's vision for public service content?

25. Yes – except that the 'vision' should go beyond news to include non-news programming in the nations. Our cultural heritage and increasingly devolved public sphere deserve greater and deeper coverage than what is provided in the daily chronicling of events. Non-news programming, whether hard-hitting current affairs or softer, more reflective feature programming allows audiences to achieve a greater, more contextual understanding of the world around them. Thanks to technological advances, it is being provided at very reasonable cost. It

should be part of the mix that we seek from a PSB provider in the nations.

How important are plurality and competition for quality in delivering the purpose of PSB and in what areas?

26. Vital, especially in news and non-news programming in the UK nations
Viewers in England may get news about their schools or health services from regional news providers or London based, UK wide news organisations whether they be newspapers or broadcasters. Those UK wide news organisations hardly ever cover public policy news from within the devolved nations. Therefore plurality must be maintained at this level.
27. Plurality is important not just for viewers as citizens and consumers but for democratic reporting and upholding editorial independence.
28. The report makes many articulate and thought provoking arguments for plurality. The fact that there are two million households who watch news on commercial PSB channels and never on BBC One or Two is one of many powerful arguments in its favour (6.42). The report also suggests that "interventions in plurality would have high benefits at a relatively low cost" (6.46). We echo these views and urge that they are adopted by politicians when they come to consider a new Communications Act.

In maximising reach and impact of public service content in the future what roles can different platforms and services play?

29. Maximising reach and impact can best be achieved by building on what we already have. We can assist audiences in their migration from traditional to new media by supporting existing suppliers while encouraging new entrants, where possible. Properly supported and regulated, the existing providers will continue to be a highly visible, trusted, impartial and professional gateway to public service content. For example, whilst BBC proposals to deliver more local video news content via the internet are no substitute for the tv news and current affairs programmes, made in and for Wales, they have the potential to bring much-needed investment into Wales, enhance and complement existing BBC services. In an age of convergence, the method of delivery and the platform may well become less important. The provision of high quality public service content however remains vital.

Do you agree that the existing model for delivering PSB will not be sufficient to meet changing needs in future?

30. The current models for funding the BBC and S4C are cost efficient, transparent and widely supported by viewers. They should remain. In addition, they should not be expected to provide extra services without extra financial provisions.
31. Channel 4's model should be strengthened for the reasons outlined in the report with more programming made in the devolved nations for its UK-wide service. It is not sufficient to make this 'nations' coverage available as web content only.
32. We accept that the current model for funding plurality via commercial broadcasters in the nations is no longer sustainable. But we would urge that any new model allows for an orderly transition from the current, struggling system to whatever better system is devised for the future. This is so that we 'maintain and strengthen' what we already have in existing commercial PSB provision across the UK nations and regions. This includes universal provision across those regions, high visibility, tied to their local communities and highly trusted programming.
33. ITV nations and regions employ a network of highly skilled news teams with a fifty-year heritage of making news and non-news programmes in their area. They are working on the most advanced technological platforms and are highly training in all the core values required in a high quality, professional, impartial programme making service. Behind the scenes they operate as an integrated service, exchanging material between regions and the network news centre. Integration has also allowed economies of scale in training and technological provision.
34. If this is allowed to collapse, would anybody else establish as efficient and flexible a system from scratch – offering plurality and competition outside the BBC? Without certainty about what the future will offer, our choice of models must consider the maintenance and evolution of what we already have.

Section 7 Future models for funding and providing public service content

What are your views of the high-level options for funding PSB in future?

35. We agree that 'new funds should be found to replace the current declining, implicit subsidy' (7.16). We would urge the development of a system that is proportionate, transparent and accountable. It should be simple to operate and encourage the retention of existing PSB providers with their wealth of experience and their painfully developed economic efficiencies, as well as opening the door to new entrants who could re-invigorate the provision of public service content.
36. The NUJ Wales Executive Council believes that, to minimise the cost to the taxpayer, any future system should involve as many of the non-

financial supports listed in the report as possible. These include; the proceeds from spectrum leasing, levies, discounted or free access to spectrum when the proposed charges are introduced; increased advertising minutage, ring fenced to fund PSB programming and not counted as part of the total minutes allowed by broadcasters (within overall EU rules). Some direct government support may also be necessary. But it must be supplied in a way that does not undermine the editorial impartiality of the programming. It should be supplied via a process that is as simple and as non-bureaucratic as possible while maintaining appropriate standards of accountability and contestability. Spectrum released after digital switchover should be leased, as opposed to sold off, using the proceeds to fund psb and thereby retaining an economic resource in the hands of the public for the future.

Are the proposed tests of effectiveness for future models for PSB the right ones?

37. Yes, the key features identified in figure 48 give a clear list of requirements. We would, however, urge that these tests also consider the information requirements (and/or the information deficit) of citizens in the devolved nations. It is clear from much of the report that Ofcom accepts that there are special needs within those nations. Those needs should be reflected in any measure of effectiveness.

Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why? Are there alternative models or combination of models that could be more appropriate and why?

38. We believe that any plan for the future needs to build on what we already have. Therefore model one – evolution must be the starting point. This means developing a package of financial incentives that makes commercial PSB broadcasting an attractive proposition, not a burden. Such packages can be open to other broadcasters who do not currently benefit from PSB status (such as Sky News) as well as potential new entrants (Telegraph tv?).
39. Model two – BBC only is not remotely acceptable. We understand Ofcom’s desire to outline the entire range of options, but this goes totally against its own powerful arguments in favour of plurality. Much has already been written against this proposal along with options to ‘top slice’ the BBC’s licence fee -- we are totally opposed to any method of reallocating BBC monies.
40. Model three – BBC/Channel 4 plus limited competitive funding. This idea offers little concrete structure for ensuring ongoing support for broadcasting in the nations on a high profile, universally acceptable platform – one of the minimum standards for effectiveness.

41. In the medium to long term, model four – broad competitive funding has some appeal, depending on how it is implemented. However it would not be acceptable if, as the report notes: “This model would likely result in all existing commercially funded PSBs going down a purely commercial route...” (7.55). Such a move should only be contemplated if Ofcom, and other stakeholders can construct a PSB system that gives, as a minimum, the current level of news and non news provision in the UK nations.

Section 8: Options for the commercial PSBs

What do you think is the appropriate public service role for Channel 4 in the short medium and long term? What do you think of Channel 4s proposed vision?

42. We welcome Channel 4's offer to increase its commissioning spend in the devolved nations by 50% by 2012. This is, however, from a very low base. An 'enhanced representation of the nations' would also be welcomed as well overdue (8.21). Overall, there is much to support in the channel's 'future vision'. The report however also includes Channel 4s request for further public support of at least £100 million a year. This is likely to be more than ten times the cost of all public service broadcasting on ITV Wales.

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

43. The report recognises that: 'ITV1s regional history, its unique reach, audience share and regional infrastructure make it an effective carrier for the delivery of regions and nations content'. That infrastructure underpins much of GMTVs newsgathering capability because of contractual agreements and day-to-day co-operation between the breakfast time broadcaster and ITV network and regional newsrooms. It is a key part of the newsgathering capability for ITV's network news programming and a frequently used source of material for Channel 4 News. Nowhere in its report has Ofcom developed any convincing argument that any other provider would seek to establish such a trusted, impartial and cost effective news service. Therefore we favour building on what we already have in a sustainable and transparent manner.

Section 9 Scenarios for the UK's nations regions and localities

To what extent do you agree with Ofcom's assessment of the likely future long term issues are they apply to the nations, regions and localities of the UK?

44. Ofcom identifies a complicated series of issues, many of which have already been addressed, as far as possible, from a Welsh perspective, throughout this response. The core issue for us is the lack of certainty

for the future in the nations and the need to build structures that offer the strongest possible chance of retaining a core service in the future.

45. It is notable that across the UK the BBC early evening regional news share fell by two per cent between 2003 - 2007 (figure 50). The fall in Wales was even sharper – some five per cent. Yet BBC Wales still has the highest viewing levels in the UK, at 35%.
46. In contrast, ITV has maintained its UK wide early evening regional news share at 20% over the same period, despite year on year falls in many other genre (Fig 51). In Wales the audience share has actually risen – up two per cent in the period. The NUJ believes that if further gains in recent months are taken into account, the total rise is nearer five per cent.
47. Overall, 79% of Welsh viewers felt that news about their nation is of a generally high standard. This compares with 67% across the UK (fig 53)
48. Such figures underline the desire among Welsh audiences for high quality, well-resourced, professional news. It also illustrates the importance of competition and the fight for quality.
49. We echo the findings of the report that the internet is not currently seen by viewers as a substitute for nations and regions provision on broadcast television (9.7). The best way to ensure that the internet becomes an acceptable substitute is to carry over the best of the existing terrestrial provision -- as is already being done by all the PSB providers -- while encouraging new and innovative entrants to the market.

Which model(s) do you think will be the most appropriate in each of the nations and in the English regions in the long term and why?

50. See section seven, above

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

51. We welcome anything that increases the positive representation of Wales, Welsh culture, politics and social life within UK wide programming. Recent work by the BBC Trust and Channel 4 show how poorly served the devolved nations remain. The BBC Trust report in particular demonstrates why a strong and pluralistic service is needed in the devolved nations. In it, researchers from Cardiff University identified 136 stories on the BBC pan-UK network that dealt with education and health – all 136 dealt with England alone. None dealt with education or health in one of the devolved nations.

52. We look forward to reading more about BBC and ITV production quotas for the nations in phase two.
53. Ofcom should urgently complete the review of funding arrangements as we see no scope for any further cuts in quotas for news and non-news programming in the devolved nations. We are disappointed that Ofcom has chosen to go ahead with a one hour cut in non-news programming next year when its own research shows that public want more, not less, programming for Wales.
54. It will be essential to consider indirect and direct funding support (and, in tandem, ways of maintaining editorial impartiality) in Scotland and Wales if regulatory relaxation is not sufficient to maintain services in the short and medium term.
55. The use of spare S4C multiplex capacity for the provision of English language programming in Wales is a complicated issue. We would not wish to see any diminution of the resources available to S4C; nor would we like to see any reduction in the visibility of Welsh-language PSB programming made in Wales for the people of Wales.
56. We note the passing reference to the long-term issues identified in pars 9.103-9.105 and would welcome more information on which to comment. We believe that our responses throughout this document indicate our core desire to support measures that maintain the visibility of Welsh content, culture and news coverage for the nation of Wales on a sustainable basis into the future.

What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal?

57. We believe that the best method of maintaining and evolving the current output of ITV Wales is as part of a strong and successful ITV regional news network. This provides great economies of scale in newsgathering, training and technology and the sharing of material at a regional and an all-UK level. It is beyond the remit of the NUJ Wales Executive Council to comment on the proposals for England. However they will be fully addressed by the submission from NUJ head office.

Section 10 Prospects for children's programming

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

Section 11 Timetable for implementing a new model.

Do you agree that new legislation will need to be in place by 2011 in order to ensure continued delivery of the public purposes in the medium and long term?

58. Yes, with other measures prepared by Ofcom as a matter of urgency to ensure an ongoing plurality of programming in the devolved nations if ITV hands back its PSB licences in the meantime.