



Introductory Comments:

The Advisory Committee for Scotland (ACS) is one of a number of committees and advisory bodies, established under the Communications Act (2003) to inform the work of the Ofcom Board and Executive.

The ACS is one of four committees representing each of the UK's nations, specifically to '*advise Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland.*'

Therefore, in the responses below, comments highlight specific considerations particular to Scotland wherever possible.

This submission draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.

We welcome the findings from Ofcom's extensive investigation into public service broadcasting *Small Screen: Big Debate (SS:BD)* which has highlighted that a freely available public service, delivering relevant UK and local content, matters to consumers and is important to the sector as a whole. Committee members attended SS:BD focus groups in Stornoway, Stirling and Aberdeen and saw for themselves the overall support for its continuation and the positive contribution it makes to life in Scotland.

The last year has reinforced the important place that it has in our society - informing, educating and entertaining - with engagement figures at a record high for all public service broadcasters. Ofcom's *Media Nations: Scotland 2020* report found that when lockdown was announced towards the end of March 2020, average daily viewing of broadcast television reached an average of 3 hours and 59 minutes in April 2020 (+18% compared with 2019). This was the highest level of viewing of all the UK Nations.

By reflecting the key public service objectives, which are set out in statute, the public service broadcasters combine to deliver news, current affairs, live sport and events, factual, entertainment, drama, children's and local/regional content. Through 'appointment to view' events on their live linear channels they can bring communities and society together, sharing broadcast experiences, and enhanced by social media engagement.

The newer streaming companies offering is different, but are in many ways complementary, focusing on big budget stories that have a global appeal aimed at attracting global audiences.

We recognise that, combining public service broadcasting with the increase in content delivered through multi channels and large new streaming companies, consumers now have a wide variety of quality content and choice.

However, much of the content delivered by the public service broadcasters would not be commercially sustainable (e.g. news, current affairs) and we therefore believe it would be unattractive to many of the more commercially driven companies. We note the evidence given by Georgia Brown, Director of European Originals at Amazon Studios, to the DCMS Committee on the Future of PSB, stating that Amazon would only move into underserved areas of programming if it was profitable.

This is of particular interest within Scotland. Public service broadcasting has played a vital role in providing news and information to Scottish consumers, particularly in relation to the current pandemic, devolution and the work of the Scottish Parliament and Government. A plurality of supply in news remains a key issue for all consumers and it is vital, in our view, that the public service broadcasters serving Scotland continue to provide comprehensive news and current affairs for all.

However, local Scottish content, particularly news and current affairs, whilst attracting high local audiences will not deliver commercial profit. It is therefore unlikely to be provided in the future by any of the new global market entrants.

The Communications Act provided market intervention which delivered public service content to all. We agree with Ofcom's analysis in this consultation that the need for intervention therefore remains as public service broadcasting would be unlikely to survive without it.

The technology behind delivery is also disrupting this mixed economy. Consumers are seeking out content rather than channels and are watching them on a variety of time shifting devices. This is breaking the relationship that the traditional public service broadcasters have had with their audiences and is damaging their channel brands.

As consumers move online for their content, we believe that the public service broadcasters have to follow suit in order to survive and to continue to be relevant to their audiences.

The intervention set out in the Communications Act now also needs to adapt and reflect a new online world as broadcasters accelerate their digital offering whilst continuing to offer the traditional linear services.

We therefore welcome this timely review by Ofcom to consider how public service broadcasting can be maintained and strengthened in future.

Question

Question 1: Do you agree that a new regulatory framework for Public Service Media (PSM) delivery should support a more flexible 'service neutral' delivery approach that is more outcomes focused?

Your response

We agree with the suggestion, and the urgent need, for a new regulatory framework with flexibility at its core. As the PSBs move online they must continue to offer the traditional linear services. They need the flexibility to do both whilst responding to changing consumer behaviour.

As consumers increasingly consume content online, we believe that it is fair that PSBs are able to count this engagement in terms of their delivery of obligations.

We also agree that an outcome focussed approach would be more desirable, moving away from the linear channel quotas that are now outdated.

It is also important to note that whilst we are today considering linear and online services, any

	<p>new framework must also be designed with evolution in mind; the ability to react and grow in the changing market place is crucial to future proof PSBs and ensure ongoing benefit for Scottish, UK and world wide audiences.</p> <p>PSBs have to deliver across all demographics of society and so some serious consideration on how to engage flexibly with the younger audience is required. A service neutral framework based on outcomes might help with this target audience with PSBs able to premier more content online, where it is more likely to be found by a younger audience. This could be followed up with further transmissions shown on linear channels.</p> <p>A more flexible service neutral delivery approach depends on the ability to properly monitor and measure to ensure its effective delivery and success.</p>
<p>Question 2: Do you agree with our proposals for a clear accountability framework?</p>	<p>We agree that an outcome focussed approach would require a clear accountability framework.</p> <p>We would recommend that an outcome focussed framework is made up of a matrix of measures, across a balanced scorecard, including:</p> <ul style="list-style-type: none"> • Audience engagement – a freely available universal service is not achieved unless there are consumers engaging with it. Acceptable and robust parameters for on air and online engagement would need to be set. On air BARB continues to be a gold standard measurement tool for the industry. Currently there is no agreed similar method for online. If this flexible approach is adopted, a recognised and acceptable method would need to be identified and agreed to allow for clear accounting of the agreed outcomes online. Importantly, we do not feel this has to be primary engagement - BBC content accessed through Sky for example should still be considered as BBC audience engagement; reaching and engaging with the audience is the key metric, not how this was done. Consideration should also be given to audience appreciation and therefore the outcomes should not just be numerical. The more niche content is unlikely to deliver large numbers but will

have a high appreciation level within its audience.

- Budget – Historically local and regional content has attracted lower production budgets. Scottish content will play very well with the country but can often have no secondary sales potential and therefore does not always attract appropriate investment. We feel it is important that local content is not seen to be second tier. Max Romney, Deputy CEO PACT makes an important point in this regard: *'the BBC sometimes pays up to 55% less for a BBC Wales/BBC Scotland/BBC Northern Ireland drama compared to its network tariffs, with this figure rising to 60% for some factual shows and 70% for some entertainment'*. Audiences are sophisticated consumers and can recognise low budget content and whilst this does not automatically mean low quality it is more difficult to make successful programming without appropriate investment. An appropriate level of investment in local content should be agreed to continue the focus on diverse and local programming without the commercial focus compromising this.
- Hours/genre – We believe it is appropriate to continue to designate required hours and genres of content across PSBs collectively. Without a definitive number of programme hours we believe that the increasing commercial and market pressure would make it inevitable that new content, quality programming and genres would be impacted negatively. PSB has played a vital role in providing news and information to Scottish consumers particularly in relation to devolution and the work of the Scottish Parliament and Government. Plurality of supply in news is a key requirement and it is vital that the PSBs, serving Scotland, continue to provide comprehensive news and current affairs services for all of Scotland. It is also important that local/regional content for Scotland is not just seen as news and current affairs. It is important that local audiences see content that reflects their lives

and does so in a positive way through documentary, features and entertainment. There should therefore be a holistic approach to designated genres, ensuring that local/regional content celebrates Scottish life in all its facets. Focus on authentic representation and portrayal is essential to this as there is a fine line between accurate portrayal and stereotypical representation which needs to be carefully managed.

We would like to see the outcomes measured through a balanced scorecard of metrics and whilst we think the risk of moving away from targeted hours and genre content is high, we feel this could be mitigated through an effective scorecard based on principles rather than hard coded targets.

Whilst consumer appreciation of public service content was high there was unease around duplication between broadcasters. Consideration should therefore be given to the possibility of cleverly creating a complementary matrix of content across all the PSBs allowing flexibility for each provider to develop a specialised mix of content and adhere to defined principles; UK society has to have access to a full range of programming and content from PSBs collectively rather than every PSB having to deliver the same outcomes. In reality, we expect this would also take a level of collaboration across the PSBs in setting their own targets in specific areas.

Moreover, there is an important UK wide dimension to public service content, reiterating the requirement for the broadcasters to create content that educates, informs and entertains whilst *reflecting and representing* all parts of the UK. It is important for Scottish consumers to see themselves on a UK screen, reinforcing their position within the country as a whole and allowing an understanding of the different nations and regions that make it up. We would recommend therefore that all UK wide PSBs have a nations and regions representation obligation in their network output. Again, care has to be taken here not to fall into the stereotypical trap of representing the nations as slightly foreign lands rather than modern, creative parts of the UK.

Maintaining quotas for independent production is critical. The independent sector is of great importance to the UK and Scottish creative economy, providing jobs and building businesses.

The development of creative hubs within Scotland can be the catalyst for the creation of ideas which are relevant to and reflect Scottish society.

The presence of the PSBs across Scotland also have wider benefits to the communities, giving them a voice and helping to sustain local services.

We would encourage all current PSB to assess their local/regional presence, particularly in relation to commissioning power and budgets, and consider aligning their presence with their audiences. Currently most broadcasting jobs are based in London, yet 80% of the population live elsewhere (Ofcom Diversity in Broadcasting). We note in the recent response from NI Advisory Committee to Ofcom's Plan of Work, fears from the Independent sector that investment and power has begun to revert to London. This is a worrying trend. Only by avoiding centralisation of presence and investment will true diversity and equality be delivered.

Whilst we recognise that the work on *Made Outside London* has significantly improved the situation, we feel it is still prudent to highlight that it is difficult to understand and reflect communities if you are not based at their heart. This should therefore be closely considered in the future framework.

As part of this area of interest, we also look forward to responding to Ofcom's call for evidence on the *relationship between PSBs and the production sector*.

As all of the PSBs serving Scotland vary in size, we believe that a balanced scorecard of metrics can be developed and agreed on an individual basis with PSBs; this would give the best outcome for Scottish consumers by protecting all of the current benefits of PSBs for Scottish audiences but also supporting a framework flexible for PSBs focussed on outcomes.

Question 3: What do you think should be included in the PSM 'offer'?

Ofcom needs to ensure that the PSB offer has at its core best value for consumers. Consumers therefore need to be offered a universal public service with linear and digital flexibility, allowing consumers to watch what, when and where they want. This needs to be secured from current commercial negotiations and we would urge Ofcom to work with the broadcasters and platforms to ensure this offering for all consumers in the UK.

This core offering needs to ensure access to programming and reach to audiences, whilst also providing PSBs with some commercial flexibility.

There is an opportunity to allow PSBs more flexibility in their income streams through a new framework and greater commercial focus out with their PSB obligations.

This also maintains an appropriate level of competition in the market place for good quality content with universal appeal.

Question 4: What options do you think we should consider on the terms of PSM availability?

We welcomed Ofcom's previous recommendation that all PSB players should have guaranteed prominence on smart TVs, set-top boxes and streaming sticks.

We understand the difficulties of individual broadcasters having to negotiate with global technology giants but if the services cannot be found online then the idea of universality is lost.

We welcome the differing technological and contractual discussions underway which we hope will help the PSBs bypass the complexity around online prominence. We would urge the PSBs to work closely and collaboratively to achieve an outcome acceptable to their consumers and their delivery partners and believe that Ofcom has an important role in facilitating these discussions.

It is important that by moving online, PSBs are not disadvantaged by losing their relationship with their audiences. As they follow their consumers, they should not have to sacrifice their relationship and should have access to their customer data, ensuring that they will be able to build up that consumer relationship.

It is important to us however that whatever the size of the PSBs, they all get the same prominence and terms. Only through equality between all players will Scottish consumers not be compromised. For example, the STV player is the online service for all channel 3 content within its two licence areas in Scotland and as such needs to retain that position, even though it is one of the smaller companies.

There is a further question of regional prominence within the BBC iplayer. As two designated PSBs, BBC Alba and BBC Scotland should have equal prominence with other BBC channels on the iplayer within Scotland. As two key channels serving Scotland they need parity and the BBC urgently need to consider this regionalisation.

Within this move to a more flexible service neutral delivery model, we would recommend caution in the transition from on air to online.

The linear channel system is the framework which brings society together, allowing enjoyment and engagement with content at the same time as the rest of the country. These 'appointments to view' can be entertainment, news or drama but their impact is enhanced by the knowledge that others are watching at the same time, allowing further engagement through social media channels. This is a key advantage to current linear offerings and should complement a digital service. We note the recent move by BBC3 back to a linear service which seems to reinforce this aspect of linear viewing.

Whilst we support a service neutral framework, the balance has to be struck to ensure all audiences can engage in their preferred way. There are learning from other industries here who are moving away from face to face and telephone customer services as example and forcing customers online; this consumer pressure is not appropriate when considering PSB and is detrimental particularly to vulnerable groups.

In Scotland, available broadband coverage is at 94% however only 57% have taken it up. The situation continues to improve, as there is ongoing

	<p>commercial investment and public schemes supported by the Scottish, UK and local government, but it remains the case that a number of people will still find it challenging to access TV service, particularly in the more rural isolated communities across Scotland.</p> <p>We would therefore recommend that this transition and service neutral delivery does not disadvantage those that will still rely on traditional broadcasting methods.</p> <p>It is also recognised that the traditional channels have an older audience, less likely to be online and it is imperative that this elderly group, and addition vulnerable groups, are not left behind. Again, this is more likely to adversely affect Scotland. Rural Scotland has a higher percentage of 'older smaller' households who are the biggest consumers of TV and radio content.</p> <p>We would recommend careful consideration of the commercial revenue open to the commercial PSBs in an online world. Online advertising has not yet reached the levels of that for on air, partly due to the difficulty in accurate reporting. We believe that Ofcom should therefore consider, in collaboration with the other regulatory bodies (e.g ASA), current advertising regulation for online to ensure that the PSBs are not disadvantaged as they move further into a digital world. Fair and equal regulation needs to be in place to ensure parity amongst online providers. Different regulators and regulations for different broadcaster platforms should be avoided.</p>
<p>Question 5: What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches</p>	<p>We agree with Ofcom's analysis of the benefits derived from the mixed economy surrounding PSBs and the pressures that it is under and would add our support to a funding model with the principles outlined by the European Broadcasting Union:</p> <ul style="list-style-type: none"> a) Stable and adequate; b) Independent from political interference; c) Fair and justifiable; d) Transparent and accountable. <p>Our expertise in this area however is insignificant compared to the EY and Mediatique reports and so we only offer some thoughts for consideration here.</p>

We note the unusual approach in the UK PSB funding models currently compared to other countries and therefore feel strong consideration should be given to blended funding for PSBs. This does not mean all have to be the same, but it does give flexibility for PSBs to diversify income streams, and the ability for all to generate commercial income.

We believe that funding should be secured from consumers for PSBs, specifically that the BBC should continue to be funded independently from a license or tax; however, we believe the current TV licence model to be outdated and often misunderstood. As an example, a tax could be included in council tax payments which would create an additional layer of efficiency and reduce costs also through economies of scale of collection. We look forward to further review and investigation by the Westminster Government on possible options. However, whatever method is devised it should be future proof and flexible.

Branding and transparency also remain crucial as consumers (particularly young audiences) are currently confused as to what they are paying for. This understanding will be key to the success of any new funding approach.

It is imperative however that any nationwide funding model is also distributed fairly, investing in PSM evenly across all of the country. Within Scotland we would urge the BBC to consider the licence fee spend in Scotland and bring it into line with licence fee income. There is significant support across many stakeholders in Scotland for this approach and therefore Ofcom needs to give this serious consideration. Currently, BBC spend in both Wales and NI is greater than each respective income whilst spend in Scotland has dropped. This has a direct impact on consumer choice within Scotland and likely to be contributing to the fact that Scottish audiences are less satisfied with their representation on screen than anywhere else in the country.

C4 has a very particular role to deliver '*innovative content that challenges the status quo*' but which is likely to be less commercial. It is dependent on advertising which is increasingly challenging. Could there be a future model which maintains

	<p>this creative imperative and independence but allows for investment from third parties.</p> <p>Another possible way of assisting in the funding of public service content would be to incentivise at a production level. This could be done through a contestable fund for local/regional content, similar to the contestable fund set up for children's content. Another possibility would be the introduction of tax credits for content made in and/or relevant to nations and regions.</p> <p>We would also be supportive of the suggestion of a levy on the new streamers which would be used to invest in local production training. We acknowledge their growing commitment to the production sector in the UK and Scotland through recent TV and film commissions. It seems appropriate that as they are now part of the broadcasting economy of the UK that they should contribute to its success.</p>
<p>Question 6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven't identified?</p>	<p>We believe that collaboration will be key to the future success of the PSB and we would encourage Ofcom to continue to work with the broadcasters to achieve this.</p> <p>Scotland is actually well served with a number of dedicated channels (BBC1 Scotland, BBC Scotland, BBC Alba, STV). We would suggest some rationalisation of BBC channels, in keeping with the recent suggestion from the new Director General, Tim Davies, that the BBC should do less. Collaboration between BBC Alba and BBC Scotland would allow savings on channel presentation and infrastructure but could still deliver a full schedule of Scottish content.</p> <p>As ITV and BBC collaborate around the 6 Nations Rugby tournament, consideration should be given to other areas of programming that could be shared at a local and national level. This would be particularly relevant for content that is of societal importance (e.g. election coverage, leader debates, campaigns like Children in Need).</p> <p>It would also be useful for the PSBs to consider combining forces under one industry banner (similar to COBA for non-multiplatform channels). This might help with sharing of knowledge and could increase their position and bargaining power internationally.</p>

	<p>These opportunities for collaboration should be considered in line with the new framework and funding models to ensure good value for money for consumers. In addition, this would create efficiencies and reduce costs across the PSBs as a collective entity.</p> <p>Collaboration however will never be achieved through principal based obligations, the market is still in competition after all. The approach to encourage collaboration will not be enough, specific metrics and measurement are required to achieve this goal.</p>
<p>Question 7: What are your views on the opportunities for new providers of PSM?</p>	<p>A public service which is freely and universally available is the best outcome for all consumers and if new providers can contribute and enhance this, then that is to be welcomed.</p> <p>We recognise that given the challenges faced by PSBs currently, even new legislation, new frameworks and new funding models will not close the gap and it is unrealistic to believe that PSBs will be able to reach all audiences online or across TV broadcast services.</p> <p>Therefore, introducing new providers of PSM is necessary to react to the changing consumer behaviour, and in particular the needs of younger audiences.</p> <p>It is clear from the content of this consultation that to transition PSBs to PSMs effectively will take time, resources, funding and perhaps actually damages the PSBs in the process by expecting them to be all things to all audiences if the legislation goes too far.</p> <p>A more diverse range of PSM will meet the needs of consumers and the PSB obligations better with complimentary offerings across different platforms. Ultimately organisations can develop a blended model where part of the organisation delivers specific PSB obligations. An organisation does not need to be a PSB or not, there is room in the market to create hybrid scenarios leveraging the best of both to deliver better and more diverse outcomes for consumers. However, with public service status must come obligations to deliver quality content as part of a universal service.</p>

