

Ofcom's Second Public Service Broadcasting Review:

Phase One: The Digital Opportunity

Response from Manchester City Council

Introduction

1. This response is submitted on behalf of Manchester City Council and has been prepared in conjunction with Salford City Council, the Creative Industries Development Services (CIDS) and Manchester Digital Development Agency (MDDA). This response should be read alongside the submission prepared by North West Vision and Media.
2. We welcome the opportunity to input into this review process. Our response sets out our key points before addressing the individual consultation questions.
3. The Manchester City Region is the North of England's hub for the creative and digital sector and is home to many of the nation's key higher education, cultural and media production assets that will drive the future development of the sector. The relocation of parts of the BBC to Salford Quays, once realised, will establish the largest BBC production centre outside London, thus confirming the City Region's role as a national media centre.
4. The creative industries are now recognised as critical to local, regional and national economic performance, as recognised by the Government in the Foreword to the 'Creative Britain: New Talent for the New Economy': "so now is the time to recognise the growing success story that is Britain's creative economy and build on it. The creative industries must move from the margins to the mainstream of economic policy and thinking, as we look to create the jobs of the future". The right regulatory and policy context will make a major contribution to achieving these aspirations.
5. Research commissioned by CIDS in 2007 concluded that Greater Manchester has the largest cluster of creative, digital and new media enterprises outside London and represents 55% of the businesses and 60% of employees in the sector within the North West. Whilst the sector has grown significantly and further growth is forecast, there is concern that it has not yet achieved the critical mass needed to be both sustainable and competitive in the global marketplace. The opportunities provided by the commissioning of public service broadcasting (PSB) need to be captured in order to support the continued development of a sustainable production sector in the Manchester City Region.
6. This Ofcom consultation raises a number of fundamental issues of significance to Greater Manchester and the wider North West region which

we would urge Ofcom to consider as the review progresses into the second phase:

7. **A voice for the regions:** The changes in the broadcasting environment and the way in which consumers access content present a series of challenges but also potentially a number of opportunities for production in the regions and nations. It will be critical that as this review progresses sufficient attention is paid by Ofcom to the wider economic, social and cultural benefits of regional production. Ofcom need to give recognition to the role played by the regions, and key production hubs such as the Manchester City Region, in delivering their vision for PSB. In assessing how to best respond to these changes in the broadcasting environment, Ofcom need to work with partners in the regions as well as the nations to develop a flexible commissioning framework which will help to ensure that production is captured by the regions. We would welcome the opportunity to explore these issues in more detail as Ofcom move to Phase 2 of the review.

8. **Declining regional output:** it is clear from the evidence presented by Ofcom that audiences in the North West attach a great deal of importance to regional productions that reflect their areas, whilst at the same time demonstrating that there is a satisfaction gap with programming based in the regions and nations. More critically, Ofcom's evidence also shows that output from the nations and regions has fallen over recent years, with a substantial reduction in the contribution that ITV1 makes to the total hours of regional output and the recently well publicised failure of ITV to meet it's licence requirements for network productions made outside of the M25. This is of major concern to Greater Manchester as in the past the city region's production sector has relied heavily on ITV's level of network production, as well as its regional production base which delivers local news and local interest programmes, to provide commercial and job opportunities for North West talent. Given that Manchester and Leeds together make up the largest out of London network production bases for ITV, the North of England is potentially the most vulnerable of all the English regions to any regulatory change regarding out of London production quotas, and specifically to the consequences of production and commissioning decisions made by ITV. The maintenance of a strong ITV presence in Manchester is essential in the short to medium term, at least until the impacts of the BBC move are realised and while a more pluralistic and diverse commissioning framework is evolved. Clearly these are issues that need to be addressed in a positive and proactive manner, and we urge Ofcom to take the need to factor in the potential impact of these issues on economic competitiveness into the review process as it moves forward.

Responses to individual questions

Section 3: How well are the public service broadcasters delivering public purposes?

- i) *Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?*

We agree that television clearly continues and is likely to retain a major role in delivering the purposes of PSB, but we also welcome the recognition of the potential opportunities afforded by new technologies and other media platforms. However, in the short- to medium-term the main platform for the voice of the region to be heard; to engage in debate; and to canvass the views of our citizens will be through television.

- ii) *Do you agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes?*

UK- originated content remains critical to our ability to deliver purposeful PSB, and in particular our ability to secure a diversity of content and reflect the talents and voices of communities from across the country. We are concerned over the clear decline in programme output from the nations and regions over recent years. This has a potentially damaging impact on the development of a globally competitive, sustainable production sector in the Manchester City Region.

Section 4: The changing market environment

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

There are clear changes underway in the way in which consumers access content, both in terms of the range of platforms they utilise and their viewing habits. However, it is also important that mainstream and widely recognised broadcasters continue to make major contributions towards achieving the purposes of PSB. This means that the tools available to Ofcom will need to be applied flexibly and intelligently to ensure that they can respond appropriately to rapid changes in the technological and social environment. We recognise that this is a huge challenge, and we understand that the rules, which governed an analogue world, are no longer applicable. However, we would like to be part of the process that helps Ofcom find solutions that benefit broadcasters, the wider industry and our citizens.

Section 5: Prospects for the future delivery of public service content

- i) *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?*

We broadly agree with Ofcom's analysis, but would state that the competitive pressures referred to are moving more rapidly than is set out in Ofcom's analysis. Areas of critical importance to this consultation are being dismantled before external views are taken into account and key licence requirements, such as out of London production quotas, are apparently being ignored by major broadcasters.

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

The cost-benefit analysis presented by Ofcom is helpful.

Section 6: Meeting the audience needs in a digital age

- i) *Do you agree with Ofcom's vision for public service content?*

The vision presented by Ofcom in Para 1.21 of the report is fundamental and should provide the basis against which the options for the future are evaluated. We also welcome the recognition that delivering this will continue to require intervention to ensure provision of content that the market would otherwise not provide. The wider policy and regulatory environment will have a critical role to play here and we welcome the opportunity to input into how this is shaped.

- ii) *How important are plurality and competition for quality in delivering the purposes of public service broadcasting, and in what areas?*

In terms of promoting quality and ensuring that a diversity of views are represented and publicised, plurality and competition should remain central to the development of PSB.

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

Ofcom's analysis of the relative availability of different content types online and the difficulty with which it can be accessed is a helpful starting point from which a new framework could be developed. The development of online and on-demand broadcasting has the ability to reach those sections of the community who are less engaged in the 'mainstream', either because of practicalities like language and working hours or because of the view that mainstream broadcasting does not represent their views or lifestyle. We welcome a chance to take part in this discussion and urge Ofcom to look to

the examples of Channel M, ITV Local and the BBC's proposed plans for further expansion in this area.

- iv) *Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?*

We agree that given the pace of change in the way consumers access content, the current model provides little apparent flexibility and no opportunity to channel funding to other platforms or providers for provision of PSB which could lead to potential missed opportunities. The current model has clearly led to reductions in delivery of programmes meeting public purposes – e.g. children's programming and there is a real risk that other areas of production could follow if the situation is not addressed.

Section 7: Future models for funding and providing public service content

- i) *What are your views of the high-level options for funding public service broadcasting in the future?*

We believe that outlining such a limited range of options at this point is not helpful. It assumes an acceptance of inevitable decline, with PSB content increasingly moved to the margins and only sustainable with government subsidies. Before accepting this as the future, we would wish to examine what other options are available.

- ii) *Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?*

Any proposed test of future models for PSB need to refer back to Ofcom's overarching vision and as such will need to incorporate some measure that refers to the diversity of content and representation of different communities, regions and nations. We would urge Ofcom to engage with us in a debate concerning regional difference within England. We agree that the ability to understand our world is critical to a democratic and harmonious society. Our region is changing its demographic make up at an accelerated pace, and there are differences between English regions, which do not share a homogenous culture or economic make up. Ofcom need to take more account of these differences as the review progresses.

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

Model 1 – Evolution: the existing Public Service Broadcasters retain their public service role, and given the current situation this would require additional resource to avoid a further decline in output.

Comment: The key issue with this proposed model is that this may result in further erosion in network production commissioned from outside of London, even if local news and current affairs are protected. This model also perpetuates the current lack of flexibility to deal with the challenges and opportunities provided by new technologies and the fragmentation of audiences. It takes no account of new platforms and technologies as possible drivers of the solution, but merely props up the status quo for the short term.

Model 2 – only the BBC retains PSB role and no additional funding is provided.

Comment: The BBC clearly fulfils a vital role in delivering the vision for public service broadcasting and the relocation of key BBC departments to Mediacity:uk provides a critical opportunity for the Manchester City Region, as well as the wider North West. We note, though, that this decentralisation does not include the relocation of a channel to Greater Manchester. However, we have concerns that this model would result in a severe lack of plurality of provision, particularly in the provision of news and current affairs programmes, which is an area where audiences place great value on plurality.

Model 3 – the BBC and Channel 4 retain their public service broadcaster status and limited competitive funding is made available for other broadcasters.

Comment: We would need to understand more about how the competitive funding would work, and in absence of quota obligations on ITV1 we would urge Ofcom to examine further, in context of this proposed model, the scale of the network out of London production quotas for the BBC and Channel 4.

Model 4 – broad competitive funding. Additional funding is made available beyond BBC and providers have to compete, as no other broadcasters will retain public service broadcaster status.

This option does open up the possibility of a more flexible system, allowing opportunities for a range of providers, but we would need much greater clarity on how the competitive element would be regulated and how Ofcom would propose securing sufficient output from outside of London. We would also like to discuss where this commissioning entity would be geographically located and the scale of the investment fund that would be made available. When this option was first proposed a figure of some £300m was suggested. Given ITV's regional news budget alone is c£140m we would have concerns that a figure of £300m would be insufficient to prevent PSB content being pushed further to the margins of production.

These models, and the other funding options set out elsewhere in the report, are presented as discrete alternatives. We are not convinced that any one of the models discussed above provides the most appropriate solution. Instead, we feel that Ofcom should explore how the tools available to them via funding and regulatory powers, or by exploring new models of self funded regional network production, set within the context of new revenue raising

opportunities for broadcasters, could best be applied in combination to achieve the vision for PSB.

Section 8: Options for the commercial PSBs

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

Channel 4's vision clearly provides potential opportunities for the Manchester City Region on a number of fronts and we welcome their commitment to working in partnership with the wider industry and their ongoing commitment to supporting independent producers. However, there has been less of a focus by Channel 4 on supporting the development of the independent sector in Greater Manchester than in other areas of the UK, and our omission from the regions identified in *Next on 4* as regional hubs is of concern.

- ii) *Which of the options for the commercial PSBs do you favour?*

Please see our response to 7 (iii) above.

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

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

We are extremely concerned over the continuing and serious reduction in network output commissioned from the regions. This will have serious long-term consequences on the viability of the broadcast media sector in Greater Manchester and the wider region if left un-addressed. If the efforts of the BBC to decentralise their operation through relocation of key departments to Salford Quays is to be successful, it must take place within a framework that recognises, values and invests in key regions of the UK. This erosion has been the result of a relaxation in the regulatory framework that has enabled ITV in particular to centralise its operation and scale down its regional presence. The impacts of this on the wider creative industries in cities like Manchester should not be overlooked. Broadcasters and producers commission a wide range of creative services and the concentration of buying power in London will act to accelerate a potential leakage of talent and skill from the regions to the capital.

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

Please see our response to Section 7 (iii) above. Whichever of the models is developed, it is critical that news and other production is retained in the regions, both to meet viewer demand and also to help underpin the development of a sustainable production economy in cities and regions.

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

Greater Manchester is a regional hub for media production and we have demonstrated that the media and wider creative industries are critical for sustaining economic growth in the City Region. As a minimum, we feel quotas should be retained. They are a critical part of a flexible and responsive commissioning framework, and as such are a vital mechanism to help support sustained growth in the sector. However, their application needs to be examined as they remain a somewhat blunt tool, failing to differentiate between regional hubs such as Greater Manchester and other locations, and as the recent failure by ITV to meet its regional production quota demonstrates, they do not automatically achieve their aim. Going forward, quotas need to be seen as one in a range of tools available to help ensure that the vision for public service broadcasting is achieved and support the continued development of a sustainable production economy in Greater Manchester. The relationship between regional quotas and quotas for independent production needs to be explored and understood.

Phase 2 of review will be critical here as Ofcom explore in more detail quota system and options for voluntary initiatives from the broadcasters and other potential partners, including the screen agencies.

- iv) *What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal? (Please note that Ofcom will put forward firm options on these issues, and consult on ITV plc's regional news proposal, in Phase 2 of this review.)*

We reiterate our points in paragraph 8 of our introduction concerning the critical importance of ITV to regional production in Greater Manchester and the continued importance placed by audiences in the region on regional news production.

The Granada region appears so far to be unaffected by ITV plc's regional news proposal and it would therefore be inappropriate for us to comment in any great depth. However we do note that over the years ITV Granada has closed regional news offices in Blackburn and Chester. We recognise that having a talented and committed news team who are able to input into national news programmes enables this region to have a strong voice at regional level. We also urge Ofcom to consider the fact that content developed for television is reversioned and run at length on the successful ITV Local broadband channel. We would like to understand how each would be affected if local news coverage was subject to further cuts or mergers.

In principle therefore, for ITV regional news programming to remain relevant and value for money, it is important that when phase 2 of this review considers the proposals in more detail, there is time and space to consider how ITV's proposal fits with the regions, sub-regions and communities which people in those areas identify with. If the only argument for merging

programming is efficiency and if the content will no longer be relevant to viewers, the public value is lost.

Section 10: Prospects for children's programming

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

As part of the development of Mediacity:uk, the BBC's children's department will relocate the majority of its production to the North West. The proposals include plans to develop the BBC's role in delivering content for children and extending that content to ensure that it is relevant for teenagers and older children. However, the principles of competition and plurality should also apply to children's programming, which would suggest that an additional provider, such as Channel 4, would help to offer children and young adults alternative view points, ensure representation of different cultures and communities, and keep standards high. Ofcom should consider what potential there is to take advantage of the critical mass of skills that this move will bring to Greater Manchester by encouraging or obligating Channel 4 to commission more children's output from this region, in order to help develop a regional centre of excellence in children's programmes, building on the existing talent here.

Section 11: Timetable for implementing new model

- i) *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?*

As stated in our response to 5 (i) above, we feel that changes to the PSB market are happening even more rapidly than is set out in Ofcom's analysis, and as such legislation enacted in 2011 may be too late to address the issues highlighted by Ofcom.