

December 2008

**SUBMISSION TO OFCOM'S
SECOND PUBLIC SERVICE BROADCASTING REVIEW:
PHASE TWO**

INTRODUCTION

1. It is IBT's view that this is a moment of significant opportunity to rethink the delivery methods, approach and priorities of public service content for a world which is now multi-platform, digital and globalised. We believe that in this globalised and interconnected world Public Service Broadcasting has a more important role to play than ever in informing UK citizens about the wider world.
2. It is clear from recent events – whether they be the terrorist attacks in Mumbai or the events which lead up to the current economic crisis - that UK citizens need to be better informed about what is going on internationally in order for them to play a full role as global citizens. Yet there is evidence that the UK public's awareness of the wider world is very low:

When asked to name countries currently experiencing conflict, while 69% and 65% of those questioned identified Iraq and Afghanistan respectively, less than 1% of respondents were able to identify other countries including Sudan, Somalia, and Central African Republic. Almost one in five (18%) were unable to name five countries in the world in conflict¹

3. IBT believes it is a right of UK citizens to be provided with the means to inform themselves fully about events in the wider world. It is the Government and Ofcom's responsibility to ensure provision of these means and that high quality, trustworthy content continues to be available. Thus public service media content is viewed as a public good, like healthcare or education, and therefore an essential pillar of a modern, democratic society. It is also a prerequisite for active citizenship – something which has been at the heart of Government policy for almost a decade.

¹ Poll of 2072 people across the UK, conducted by ICM on behalf of the British Red Cross, 2008

4. Yet, research in IBT's recent report, *Screening the World (2008)*, shows that if current trends continue on mainstream television, instead of broadening understanding, television is likely to limit people's horizons. It is doing this by increasingly reinforcing stereotypes about other countries and moving programmes about international affairs onto niche channels which attract far fewer viewers and smaller budgets.

*'The longitudinal element of this research reveals some striking trends. International factual programming on the four main terrestrial channels has now reached its lowest overall level since 1989-90. The increasing levels of output on BBC3, BBC4 and More4 point to the migration of international factual content to digital channels. And the collapse in recorded programme hours of international and developing country factual programming on ITV1 is striking.'*²

5. Additionally, the *Screening the World (2008)* research provides evidence that the information we receive on television about the world outside the UK is oversimplified and reinforces stereotypes, rather than increasing our understanding:

*'Africa receives relatively little coverage and is dominated by wildlife programming whereas the Middle East is dominated by conflict and disaster programming. Europe and North America together make up 47% of all international factual output and are characterised by high levels of travel and crime programming respectively.'*³

6. We agree fully with Richard Sambrook of the BBC when he states:

*'There was an argument...that local and national identities had the upper hand and therefore local and national media would kill off the international broadcaster. Then came the major forces which underpin globalisation: international security, migration, the concerns over climate change and the worries about the interconnectedness of the global economy. These issues, and many more, have made people realise that the forces that impact on their lives are not just about their village, their city, their country. They are international forces, ones that are not constrained by the nation state, not soluble by them. Now audiences need both their national and international media to understand their world.'*⁴

7. We also strongly support the Secretary of State when he highlighted the need for high quality content

² Screening the World, IBT, 2008

³ Screening the World, IBT, 2008

⁴ Richard Sambrook, Director BBC Global News, International Radio Forum May 2008

*“Lower standards and you lose the trust and the public support that goes with it. Lose trust and you lower the quality, you lose innovation, you lose the ability of programme makers to take risks, you lose new possibilities, new talent goes undiscovered, and high quality programming is compromised.”*⁵

8. and when he said in November this year

*‘Documentary is an essential element of democracy...it changes lives, laws and history. I am proud that we have a great tradition of documentary in this country’*⁶

9. IBT agrees with Lord Carter and Ofcom that we need to take all measures we can to ensure the future of the BBC and that its current programming budgets should not be reduced.
10. IBT also believes, however, that we need to do all we can to secure the future of Channel 4 in order to provide plurality of voice and vision alongside the BBC.
11. In response to the analysis conducted by Ofcom, IBT urges the government to take immediate action to put in place the necessary means and framework to support Channel 4 with direct funding until longer term methods of support may be available. This will require explicit clarification of the channel’s remit which in IBT’s opinion should include internationalism at its heart, and rigorous and transparent methods of accountability.
12. Additionally, IBT agrees that children’s programming will need support in the short as well as the longer term. The data collected both by IBT for *Screening the World (2008)* and that collected by Ofcom indicates that children are poorly served with programming which tells them about the world outside the UK and US. Yet, according to recent research conducted by DFID, children are reliant on television as their main source of information about the world outside the UK: 72% of children questioned said TV news was their main source of information about what is happening in poor countries.⁷

⁵ Andy Burnham, Secretary of State for Culture Media and Sport: Speech to the Convergence Think Tank, June 11th 2008

⁶ Andy Burnham, Sheffield Doc Festival November 2008)

⁷ UK-wide youth omnibus survey run by GfKNOP, April-July 2008.

13. IBT's preferred funding options are direct Government funding pre-2012 and post-2012 use of the digital switchover surplus, regulatory assets, tax credits for vulnerable genres of programming and income from the auctioning of digital spectrum.
14. While we do not disagree with the consolidation of the ITV regions, IBT does not condone the level of regional job cuts whereby in our opinion some regional newsrooms will not be adequately resourced to deliver on the commitments set out in the 2003 Communications Act.
15. IBT urges Ofcom to review its methods of measurement of the delivery of the PSB Purposes in order to better establish whether there is adequate provision of varied, high quality programming which tells us about the world outside the UK. IBT's recent research (*Screening the World 2008*) presents evidence which contradicts that in Ofcom's PSB Annual Report 2008.
16. Currently Ofcom only measures Purpose 1 in news and current affairs programming. IBT urges that it should be measured across all genres. It is IBT's view that while news and current affairs provide an essential window on international events, most of the content in these two genres is of extraordinary, often cataclysmic, events which are considered newsworthy. IBT strongly urges that Ofcom takes a more comprehensive approach to content about the wider world including analysis of other genres, including children's, drama, factual, specialist factual and entertainment.
17. And Purpose 4 is measured only through a tracking statement which relates to cultures and opinions 'within the UK' which excludes programmes about the wider world. This method of measurement is in IBT's opinion completely inadequate when this purpose is to '*make us aware of different cultures and alternative viewpoints, through programmes that reflect the lives of other people and other communities, both **within the UK and elsewhere***'

RESPONSES TO QUESTIONS POSED IN CONSULTATION

Section 4: Models

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

18. IBT agrees that the provision of public service content beyond the BBC is essential for a plural public service content system in the UK. In order to support public service content beyond the BBC, however, additional funding and/or support for PSC will need to be found.
19. We congratulate Ofcom for conducting further research for Phase 2 which is relevant to this review and provides further depth to our understanding of what the public want from the public service content system.
20. We welcome the key finding in this research that 9 out of 10 people do not want the BBC to be the only provider of public service content in the future⁸
21. We agree that audiences should have a choice of providers in most areas of public service content, which the market alone will not provide. ⁹
22. IBT agrees that growing pressure on commercial public service content demands urgent action. ¹⁰
23. IBT also welcomes the finding that television is still the primary means by which people access public service content.¹¹ This research aligns with other recent research about television still being the public's primary source of information about the world outside the UK. 68% of people say that television news is still their main source of information for finding out about the world¹² which contrasts strongly with only 6% who say the internet is their main source of information on the wider world.

⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.5

⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.56

¹⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.7

¹¹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.2

¹² OfcomPSB Review survey: Q12: 2,260 interviews 16+, October-December 2007, results for TV on main channels and TV on digital channels combined under TV

24. Ofcom's statement 'that there is less impact and reach in online models for content'¹³ supports the argument that it is crucial that public service content continues to be supported and well-funded on mainstream television.

Broadcasters

25. We agree that the BBC should remain the cornerstone of public service content, and its core programme and services budget should be secure.¹⁴
26. IBT welcomes the explicit statement that C4 needs short-term support and has an "important ongoing role to play in public service content provision."¹⁵ We agree that "Channel 4 should have a significant public service role in the digital age, building on its current contribution. It needs an economic model and funding mechanism to support this".¹⁶ IBT believes this funding mechanism will need to provide guaranteed funding on a licence basis. We agree that in return for public investment Channel 4's accountability arrangements will need to be altered and we would like to see a more explicit commitment to programming about the wider world in the channel's remit.¹⁷
27. We agree that between now and 2014 ITV1 and Five should retain important PSB roles focused on UK origination and news, and (for ITV1) the nations and regions and (for Five) children's content.¹⁸

Models

28. IBT agrees that in any model where public funding is available that this model should be transparent, proportionate and should be subject to independent scrutiny.¹⁹
29. We, however, also believe that public funding should not be awarded to private, working for profit companies. We agree with Ofcom's conclusion to the contestable funding issue that not for profit 'institutions... may have fewer or less significant conflicts of interest than purely commercial organisations, and their culture and values may be better aligned with delivering public service purposes, although this is clearly contingent upon the institution in question.'²⁰

¹³ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.12

¹⁴ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.56

¹⁵ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.42

¹⁶ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.56

¹⁷ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.45

¹⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.56

¹⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.31

²⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 22

Funding

30. We agree that a plural funding mix of the choices proposed by Ofcom will provide the best solution to funding future provision of public service content.²¹ We also agree that “institutional and competitive funding could both play important complementary roles in the future model for public service content”²²

Impact of Online Provision

31. IBT welcomes the conclusion by Ofcom that the increase in choice of content available because of digital proliferation does not eradicate the need for intervention in providing plurality because there are areas of content which are less commercially viable, such as children’s programming, current affairs, nations and regions programming and challenging UK drama.²³
32. We welcome the finding that it is in these areas of programming which audiences deem plurality most important because these are genres which IBT values as potentially popular and accessible sources of information about the world outside the UK. Therefore we agree with Ofcom’s conclusion that “public service remits should be delivered across digital platforms in future, although linear TV remains essential.”²⁴
33. We agree with those respondents to the Phase 1 consultation who ‘argued that online provision could not contribute to the purposes of public service broadcasting as defined in the Communications Act because online services are not universally available at no additional cost.’²⁵ Ofcom goes on to argue that ‘broadband at entry level speeds is now nearly universally available’²⁶ but IBT would argue that this service is not available at no additional cost therefore it cannot be argued to be universally available. The historical argument that ‘a number of public services have launched that were not..universally available’²⁷ seems misleading in that the regulator should aim to design a system which is universally available, even if there are examples from the past which have failed to achieve this goal. We do agree with the point that ‘Provision of public service content over new platforms can help to extend the reach of that content amongst certain groups’ and fully support the development of new technologies, but we believe these cannot be allowed to influence the debate until such a

²¹ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.43

²² Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.56

²³ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.66

²⁴ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.56

²⁵ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.91

²⁶ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.91.1

²⁷ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.91.2

time as they are more widely available and the cost implications to the user addressed.

34. We strongly agree with the point made by Yahoo that ‘search cannot be considered a substitute for the role linear schedules play in traditional broadcasting in introducing viewers to content they would not otherwise look for’.²⁸
35. IBT strongly agrees that “serendipity” is an important “feature of television” and welcome the point made by respondents that people ‘felt that when using the internet the likelihood of having their views challenged or their knowledge expanded by chance was minimal’.²⁹ With reference to programmes about the wider world, it is IBT’s view that serendipity is an essential indirect motivator: where viewers may not proactively choose to watch a programme about the wider world, once watching there is the potential that they may become engaged and really enjoy it.

Ofcom’s Measurement of the delivery of Public Purposes

36. IBT welcomes the findings in Phase 1 which suggest ‘that the content made in the UK is essential to the full delivery of public service purposes’.³⁰ We note that 3 of the 4 purposes of public service broadcasting as defined by Ofcom are fully aligned with IBT’s goal for there to be a greater volume of high quality, varied and accessible programming about the world outside the UK on our screens in peak time. These aid in “informing our understanding of the world”, “stimulating knowledge and learning” and “representing diversity and alternative viewpoints, to make us aware of different cultures and alternative viewpoints”.
37. We strongly disagree, however, with Ofcom’s limited definition of the genres which should deliver Purpose 1, ‘informing our understanding of the world’.³¹ Ofcom states ‘we tend to focus on genres in analysing the delivery of public service content, and in assessing whether the public service broadcasters are fulfilling the purposes. In doing so, we recognise that different genres are relevant to different purposes, and that some genres can relate to a number of different purposes’. IBT argues that Purpose 1 should be delivered across all genres, attracting a wider audience than that which is engaged by news and current affairs. The very nature of news and current affairs reporting tends to focus on disasters and extraordinary events rather than the everyday life of people in other countries. This content about daily life may appear more mundane than ‘disaster’ news but in order to have a balanced understanding of the world,

²⁸ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.100

²⁹ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 3.101

³⁰ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 2.15

³¹ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 2.17

the public needs to be presented with engaging content which tells the other side of the story – across all genres of programming which should include children’s, drama, specialist factual, and even entertainment.

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

38. IBT welcomes the fact that the BBC-only model has been disregarded because this option would have resulted in a system which was not pluralistic and would not have allowed for diversity.³²
39. IBT welcomes the response of the participants in the Ofcom commissioned deliberative research in that ‘doing nothing’ was not something they supported³³ because it is our view that urgent intervention is required in order to support Channel 4, international current affairs and children’s production for 6-14 year olds in the short term.
40. As its favoured model IBT supports a hybrid of Options 1 & 3 with additional competitive funding. Thus IBT agrees with those participants at the workshops who believed ‘that this hybrid combined the benefits of PSB provision by known and trusted providers with an element of flexibility.’³⁴
41. This model will result in ‘a licence-fee funded BBC, with competition provided by a strong, financially secure Channel 4 as well as by public service provision from ITV and Five in defined areas (such as UK originations and regional and international news) in return for their prominent positions on the EPG and access to reduced cost spectrum.’³⁵
42. It is IBT’s view that in return for public funding Channel 4 is best placed to provide an alternative voice to the BBC and is well-placed to address the shortfall in current affairs, challenging drama, and programming for 10-16 year olds.
43. Additional limited competitive funding should be available for public service programme areas which are not appropriate for Channel 4 to pursue - these might include factual and drama programming for 0-10 year olds; news from the nations; and regional factual.
44. This competitive funding could be managed by Channel 4, avoiding the establishment of an alternative institution which would increase bureaucracy. It would thus be Channel 4’s responsibility to ensure that all

³² Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.18

³³ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 4.18

³⁴ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 4.20

³⁵ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 4.16

areas of public service content, as specified by Ofcom, are provided. This responsibility could be enshrined in a renewable 5 year licence. Thus the reservations of those who did not support a competitive funding model would be addressed – there would be a clarity of objective; bureaucracy would be minimised by housing the funding body within an existing institution, Channel 4; and concerns about reach and impact of funded content would be minimised because Channel 4 could provide platforms for the content adapting its current portfolio of platforms or negotiating access to other platforms, such as children’s channels.

45. Channel 4 should only receive public funding as long as these new extra commitments and its remit are explicitly laid out in a licence and it establishes rigorous methods to measure the public value of this extra public service content.
46. IBT applauds what is described as ‘Five’s commitment to enhanced delivery of Children’s programmes’³⁶ but question what this means in detail and believes that if Five is to retain benefits beyond 2014, such as beneficially priced spectrum and prominence on the EPG, then this commitment needs to be more explicitly articulated and the detail needs to be included within its licence.

The Short Term

47. IBT agrees with Ofcom that ITV and Five should retain PSB roles for at least as long as the current licence terms which continue until 2014.
48. IBT agrees that in order to retain these roles significant adjustments will need to be made in order for ITV1 to balance the costs of holding its licences with the benefits inherent in those licences. We agree that the PSB responsibilities of ITV1 should be news, regional news, and programmes made in the UK.
49. Additionally, beyond provision from Five for 0-6 year olds, IBT believes that more needs to be done in the short-term to support the production of UK relevant factual and drama for children, especially those aged 6-14. We would welcome clarification on the point made by Ofcom when it says that it ‘supports’ Channel 4’s aim to play a role in serving 10-16 year olds.³⁷ The current pilot scheme being run by Channel 4 will have little impact on programming for this age group. And, in any event, IBT urges that short term measures are adopted to support programming for 6-10 year olds because this is not being covered by the pilot scheme at all. From IBT’s *Screening the World (2008)* research it is evident that the 6-14 year old age group is severely underserved by age-appropriate programming which

³⁶ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.54

³⁷ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 1.55

tells them about the world outside the UK and USA. Yet this age group is reliant on television to provide them with information about the wider world: 72% of children questioned said TV news was their main source of information about what is happening in poor countries. ³⁸

Funding & Support

50. IBT agrees with the finding that competitive funding could enable an enhanced contribution from a range of alternative organisations. ³⁹
51. Post-2012, IBT supports the use of the surplus in the current licence fee which is ring-fenced to pay for costs of digital switchover. ⁴⁰ An obvious advantage of this source of funding is that it is already being raised via the licence fee, although we would welcome a full democratic debate to ensure that the public are content for this funding to be dispersed outside the BBC.
52. IBT notes, however, that this surplus in the licence fee doesn't solve the immediate short-term problems faced by Channel 4 which are acute and we believe are already having an impact on commissioning of programmes about the wider world. ⁴¹
53. IBT welcomes the concept of the BBC developing partnerships, especially with Channel 4. ⁴² But these arrangements will need to offer real benefits and opportunities for Channel 4 and up until now there have not been any proposals offered which fulfil this need.
54. We cautiously welcome the concept of levies as long as the cost to broadcasters is not passed onto viewers which seems an inevitability. ⁴³ We more keenly support the concept of tax breaks for certain types of programming which may be considered less commercially viable.

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

³⁸ UK-wide youth omnibus survey run by GfKNOP, April-July 2008.

³⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.17

⁴⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.38

⁴¹ Statements made by Mehdi Hasan, News and Current Affairs Commissioning Editor, regarding commissioning of international *Dispatches* at PACT Channel 4 Producers' Open Day, September 2008

⁴² Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.39

⁴³ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 1.40

55. IBT believes that in the longer term (beyond 2012) Channel 4 should have an extended remit to innovate and provide distinctive UK content across different platforms, including DTT in return for additional funding.

Short Term considerations

56. In the short term, it is IBT's view that Channel 4 should have guaranteed underwriting/direct funding to cover the shortfall predicted in its finances up til 2012 with a ceiling to the figure of £100m/annum. This funding should be designated to maintain the current levels of public service content the channel offers. As stated by Ofcom, analysis 'suggests that Channel 4 will need certainty about its long-term funding no later than 2010 and ideally significantly earlier. Otherwise, pressures on its existing funding model are likely to result in significant impact on its ability to invest in innovative public service content, potentially including news, international and investigative current affairs, documentaries, arts, religion, challenging UK drama and UK scripted comedy.'⁴⁴ Many of these areas are of direct concern to IBT members and we would urge the Government to take action to support Channel 4 before current provision is reduced.

Long Term Considerations

57. There is also need for a long term solution which will provide security for Channel 4 and its programme makers in the future, allowing them the confidence to experiment, be innovative and creative without fear of imminent financial crisis. As a result, IBT believes that direct funding to cover the shortfall in Channel 4's finances should be provided beyond 2012 but that the scale of the channel's operations and its business model need to be analysed with a view to its business model being redesigned to ensure its future viability.

Extending Channel 4's Remit

58. With regard to extending Channel 4's remit beyond its current provision, IBT believes that post-2012 the hybrid model suggested above (paragraph 40) with limited contestable funding should be adopted to provide plurality of public service content which is identified to be lacking. In this way Channel 4 will ensure plurality of provision alongside the BBC and ITV and Five will have reduced PSB obligations. If Channel 4 does not believe it is best placed to provide value for money or reach in all these programming areas, it will be able to assign funding to external bodies/producers on a not-for-profit basis under strict criteria to maintain reach and impact and value for money.

⁴⁴ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.89

59. IBT agrees with Ofcom that ‘a key premise for the design of new accountability arrangements [of Channel 4] is a clearer public service remit against which to measure Channel 4’s PSB delivery and to ensure that funding is used solely for that purpose and does not subsidise commercial activity’.⁴⁵
60. We also agree with the point that ‘achieving these objectives requires real clarity about which of Channel 4’s activities are intended to meet its public service remit and which are purely commercial services intended to generate profits to fund its public service content. Any services benefiting from public funding are likely to need independent approval and performance assessment. Therefore new accountability arrangements would need to be established.’⁴⁶
61. It is IBT’s belief that any new agreement or licence would be able to address three of the ‘five key risks’ expressed by Ofcom⁴⁷:
- compromising Channel 4’s independence;
 - failing to ensure provision of content geared to audiences’ needs;
 - overcompensation or lack of efficiency in use of funding;
62. The other ‘risks’ (‘complex bureaucracy and increased regulatory cost; and conflict with Channel 4’s organisational purpose and culture’) would need to be addressed prior to the drafting of the licence.

62.1 Addressing the risk of bureaucracy & increased regulatory cost:

It will be a necessary priority to design a system of commissioning, which could sensibly be based on the current Channel 4 publisher model, which would provide the designated content but minimise overheads and bureaucracy.

We would propose that the regulation should be carried out by Ofcom along with its other regulatory responsibilities, which will again minimise change and therefore costs.

62.2 Potential conflict with Channel 4’s organisational purpose and culture: It is IBT’s view that this new model would not conflict with Channel 4’s organizational purpose and culture – it is by design an organization which has the ‘alternative’ perspective at its heart, thus providing alternative PSC to the BBC.

4) Do you think ITV1, Five and Teletext should continue to have public service obligations after 2014? Where ITV1 has an ongoing role, do you agree that the Channel 3 licensing

⁴⁵ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.94

⁴⁶ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.91

⁴⁷ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.92

structure should be simplified, if so what form of licensing would be most appropriate?

63. It is IBT's view that ITV and Five should continue to have limited public service obligations after 2014.

64. This is our view because:

64.1 It is likely that both channels will continue to transmit some elements of public service content after 2014 which remain valuable to their viewers, such as news.

64.2 Both ITV and Five have significant archives of material which they can use to generate income on secondary platforms. This material was effectively funded partly by subsidized access to spectrum and is therefore a benefit of the current PSB system which will continue beyond 2014.

64.3 It is sensible from a consumer perspective that they should retain their positions on the EPG after 2012, minimizing disruption to viewers. This will in our opinion be a great benefit for both channels in terms of discoverability.

64.4 Their branding, which has been established at a time when their licences have been of value, will continue to be valuable after 2014.

65. The detail of these obligations will need to be negotiated, but IBT would propose the following:

ITV: International and national news; current affairs programming; UK produced programming.

Five: International and national news; UK produced programming; children's programming for 0-6 year olds.

66. IBT supports the argument that Teletext could become redundant after 2012 because of the interactive nature of digital television and the convergence of platforms.

67. With regard to ITV's licence, if ITV1 has an ongoing PSB role after 2014, it would seem appropriate that its licence structure should be simplified, although there are obviously risks that regional identity and commitment will be lost if this occurs. Since this is an area which does not fall under IBT's expertise, we will not make a full response to this aspect of the review.

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

Role Of Competition for Funding

68. Competition will provide content providers with a source of funding or top-up funding for projects which are considered valuable in terms of their public service value but are not considered commercially viable.
69. Extra funding available on a competitive basis will encourage innovation and risk-taking which is likely not to be seen otherwise.
70. IBT notes that funding alone will not guarantee reach and impact and it is our view that this is an issue which still needs addressing.
71. Competitive funding should be available for programme areas for which there is evidence of a lack of programming which is desired by the public. These areas would need to be re-evaluated on an annual basis to determine whether they are still underserved, commercial unviable and whether they are still what the audience want.
72. Competitive funding should allow the flexibility for new entrants to the market place which should be encouraged during a period of great technological change.
73. IBT agrees that 'Introducing some competition for funding of public service content could help secure a greater contribution from a range of new providers, some of whom may be able to achieve some purposes and reach certain audiences better than existing institutions.... And, it could encourage the existing institutions to continue to focus on meeting audiences' needs, by making their funding dependent on their ability to make a case for funding in competition with other providers.'⁴⁸

Areas of Content

74. Foreign Current Affairs falls into the category of programming which is not commercially viable, as do documentaries, drama and factual for children 0 -15 years old, challenging UK drama and regional programming, news from the nations and regions, and regional factual.

How this might work in Practice

⁴⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 4.36

75. We agree with Oliver and Ohlbaum's conclusion 'that in the case of broadcasting there are a number of reasons why competition for resources might not operate effectively in some instances' for the reasons stated which include lack of sufficient scale of providers, a playing field which isn't level, the complexity of different outputs, over-bidding for individual projects, the dominance of certain providers, and the need to make financial returns on bids.⁴⁹
76. IBT therefore favours an approach which is partially institutional in the form of Channel 4 providing what programming is appropriate to the channel in terms of content and reach and putting the remainder of programming out to tender to be assessed on a case-by-case basis.⁵⁰
77. IBT believes that if Channel 4 were the institution managing the limited contestable funding it would be able to deliver the benefits outlined by Ofcom's analysis: 'in the UK a competitive funding model would be likely to work best if it consisted of a small number of large ongoing contracts for delivering public service content rather than a large number of small contracts for individual programmes or services. This approach would have several key benefits: it would offer certainty of funding for providers over a sufficiently long period to allow for effective planning and building an audience. It would also reduce bureaucracy and administrative overheads. And it allows editorial and creative control to remain in the hands of the provider, not the funding body, thereby avoiding second guessing or twin layers of commissioning.'⁵¹
78. IBT agrees that for Channel 4, or any body responsible for allocating contestable funding, its 'budget and objectives [should be] set by Parliament.' We agree that 'The funding body's duty would be to award funding through competitive tenders to meet identified deficits in provision of public service content, informed by consultation with audiences about their priorities.'⁵²
79. IBT would not rule out other broadcasters from applying for funding via Channel 4 if they are better placed to provide impact and reach for the public service content in question.
80. We agree with Ofcom's conclusion that Channel 4 and 'institutions of this kind may have fewer or less significant conflicts of interest than purely commercial organisations, and their culture and values may be better aligned with delivering public service purposes, although this is clearly contingent upon the institution in question.'⁵³

⁴⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 22

⁵⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 22

⁵¹ Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 21

⁵² Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 21

⁵³ Ofcom's Second Public Service Broadcasting Review, Phase 2, figure 22

81. We believe that reach and impact, possibly with a particular target audience, which is not exclusively delivered by the PSBs, should be a key criterion for awarding funding.

Section 5: Long-term: nations and regions

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

82. Since this is not IBT's area of expertise and is not covered by IBT's research, we will limit our response to this section.
83. On the basis of the research conducted by Ofcom into what the public want, IBT agrees that nations and regions news continues to have an important role and that additional funding should be provided to sustain it.
84. Evidence which led us to this view includes the finding that 'almost nine in ten people (88 per cent) thought it important that the main TV channels provide nations and regions news. When people were asked specifically whether it was important for ITV1 as well as the BBC to provide nations and regions news programmes, there were high levels of agreement with audiences in the devolved nations again more definitive than those in England.'⁵⁴
85. And also: 'Research undertaken for phase 2 supports the findings that television is an important source of nations and regions news and that plural supply is highly valued. When asked to choose their main source for nations and regions news, respondents named BBC One and Channel 3 most frequently.'⁵⁵
86. IBT's main area of concern regarding PSB in the nations and regions is coverage of international issues on the news or in regional programming which is presented with a local angle. When there has been an earthquake abroad, for example, often local stories of fundraising etc will more effectively engage viewers here with what is going on outside the UK than national news.
87. Additionally, there are communities of people around the UK who have originated from other countries and therefore have a keen interest in stories which mark the connection between where they live in the UK and their families' origins. This is in IBT's opinion a valuable aspect of regional output.

⁵⁴ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.4

⁵⁵ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.5

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

88. IBT believes that its choice of a hybrid of Models 1 & 3 with limited competitive funding to fill the PSB gaps, of which regional news and programming for the devolved nations are two, is the best model to ensure provision.
89. IBT agrees with Ofcom's suggestion that 'plurality [of provision in the devolved nations] should include news and, ideally, an appropriate amount of current affairs and other programming. It should also include representation of nations/regions at a UK level and output in indigenous languages.'⁵⁶
90. IBT agrees with Ofcom that this model, as with all the other models, would require new funding.⁵⁷
91. We would envisage a model similar to that proposed by Ofcom whereby 'competitive funding is used to commission nations and regions news. Both existing providers such as STV, UTV and ITV Wales, and entirely new providers, or consortia of providers, could bid for these funds. It might open up new opportunities for local TV providers as well as other broadcasters.'⁵⁸
92. We agree that 'it would also be comparatively easy to assess the delivery of such a service.'⁵⁹
93. We agree that if ITV1 were to give up its commitment to providing regional news and programming for the devolved nations, Channel 4 as an institutional supplier could achieve greater reach and impact than a model based solely on competitive funding.⁶⁰
94. While we note the findings of the deliberative research which show that 'those in the nations were much more attached to STV, UTV or ITV Wales, and did not think Channel 4 had the capacity or expertise to fill the gap'⁶¹, we would argue that through its network of producers Channel 4 is the next best placed institution to be able to provide plurality of programming in this area.

⁵⁶ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.19

⁵⁷ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.20

⁵⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.41

⁵⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.24

⁶⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.44

⁶¹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.46

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

95. We welcome the opportunities which Ofcom plans to provide for local programming through the Digital Dividend Review (DDR) by packaging some spectrum in geographic lots, based on main transmitter sites serving major towns and cities including where local TV operators already provide analogue services. ⁶²
96. We agree with Ofcom's conclusions that there is much potential for local content on broadband platforms and there are many broadcasters and newspaper groups investigating how to get the best from this potential market. ⁶³
97. While we note that local content models may be 'challenging' ⁶⁴, IBT does not consider local content as a high priority for PSC funding at this stage and notes MTM's analysis which suggested that it is too soon to judge whether local and hyper-local models will be commercially sustainable. ⁶⁵

Section 6: Funding

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

Ofcom Research

98. IBT notes the findings in Oliver & Ohlbaum's analysis of profitability for Phase 2: 'the genres that are likely to be increasingly unprofitable are fairly consistent across broadcasters: UK single drama, UK comedy, UK children's programming, documentaries, current affairs, education and regional and national news.'⁶⁶ And also notes with concern the findings from Phase 1 research, 'In the short to medium term, other genres that are likely to come under similar pressure include specialist factual programming, international and investigative current affairs, UK scripted comedy and challenging UK drama. All of these have direct links to

⁶² Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.66

⁶³ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.70

⁶⁴ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.72

⁶⁵ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 5.74

⁶⁶ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.12

delivering the PSB purposes.⁶⁷ Specialist factual and international and investigative current affairs are areas of great interest to IBT members and it appears from Ofcom's research, they are also genres highly valued by the public.

99. We note that audiences 'would prioritise UK children's content and documentaries for investment above current levels. By comparison, religion or arts may be lesser priorities. In other areas, our research suggests audiences want broadly the same level of provision as they get today.'⁶⁸
100. We note with concern that 'In some of these genres, such as children's programming, reductions in investment have already occurred.'⁶⁹This aligns with our research for *Screening the World* (2008) which shows a deplorably low level of new programming produced for UK children about the wider world.
101. We agree that there may be exceptions 'where a genre becomes less profitable (e.g. national news) or unprofitable (e.g. UK innovative drama or comedy) in itself but remains important for the channel brand or to maintain broad audience scale to the schedule. However, in the future the loss that such a decision implies will increase and the situation may be reappraised.'

Access to DTT Spectrum

102. We agree with those respondents who approved of continued use of subsidised spectrum as a means to fund public service content. Some respondents believed that "more could be made" of existing regulatory assets (principally regarded as privileged access to spectrum) and that there was long-term enduring value in them.⁷⁰
103. We disagree with many of the arguments which say that there are drawbacks to the use of subsidized spectrum. ⁷¹The argument that 'because PSB funding is tied to a specific platform, incentives to use alternative delivery mechanisms are weakened'. It is IBT's view that all broadcasters will inevitably use alternative delivery mechanisms and platforms as a means of income generation and to increase reach.

⁶⁷ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.7

⁶⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.14

⁶⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.13

⁷⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.30

⁷¹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.33

104. Also we are not convinced by the argument that ‘Funding through spectrum also lacks transparency and accountability as the value is difficult to quantify precisely, and is subject to variability which bears no direct relation to changes in the cost of public service content provision’ . This should not preclude the use of spectrum as a commodity in the negotiation for PSB provision. In the past subsidized or gifted analogue spectrum has been used as a commodity in the provision of PSB, so why can DTT spectrum not be used in the same way?
105. The argument that ‘reserving spectrum for the PSB purposes restricts alternative uses both currently and in the future and may prevent the most efficient use of this spectrum, with potentially significant costs for society’ can be easily countered by providing licences which are for a limited period of time.
106. We agree with the point made by participants in the Phase 2 deliberative research who expressed concern ‘that any providers receiving spectrum benefits were committed to providing public service content and that they would spend the exact amount equivalent to spectrum benefits on doing so.’⁷²
107. We agree with all the Ofcom recommendations made for any future models that rely on DTT funding⁷³: ‘regular evaluation of the costs and benefits of the use of spectrum as a funding source in the light of changes in the value of the capacity and the opportunity cost for society; Greater flexibility to change or withdraw allocations of spectrum to particular institutions; Greater flexibility for public service institutions in the way they use their capacity; Introducing governance arrangements that ensure transparent, accountable and efficient use of DTT assets; Seeking opportunities to simplify and streamline the regulatory framework through which spectrum is allocated to broadcasters.’

EPG Prominence

108. IBT agrees that there is significant value in EPG positioning. We agree that it is probably more valuable to Five than other terrestrials.

The Licence Fee

109. IBT welcomes the research carried out by Ofcom into viewer perceptions of licence fee.

⁷² Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.31

⁷³ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.34

110. IBT welcomes Ofcom's statement: 'We do not believe there should be any change in the way licence fee revenues are allocated that would curtail the BBC's ability to provide high quality public service output.'⁷⁴
111. IBT supports the use of the surplus licence fee post digital switchover in 2012 for other PSB provision outside the BBC but recognises that this is a matter which needs to be debated further – to ensure that licence fee payers are content for this element of the licence fee to be distributed outside the BBC.

BBC Partnerships

112. IBT keenly awaits the BBC's announcement proposals for potential partnerships.
113. We fully support the concept proposal of PSB providers working with creative and cultural partners to enhance discoverability of public service content online; exploring ways of making the BBC's regional and local news materials available to other outlets; and exploring global opportunities with the independent sector and with other PSB's.
114. We do not believe there is such value in the BBC sharing expertise about digital production with producers and broadcasters to facilitate more efficient production techniques; or working with developers and others to share R&D knowledge and developments. We believe that these are areas that will be less prioritised by other broadcasters or producers since they add less value.⁷⁵

Industry Levy

115. IBT agrees with concerns expressed by consumers that inevitably the costs of any levies to support PSC which impact on broadcasters or providers will be passed on by them to the public. Therefore we are in principle against the introduction of levies to support PSC.

Direct Public Funding

116. IBT agrees with Ofcom's conclusions that there are risks of reduced editorial independence, but we believe that this risk can be avoided through carefully worded licences with PSB providers.

⁷⁴ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.54

⁷⁵ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.57

117. We welcome the idea of national lottery funding being used to support public service content as long as it doesn't significantly divert funding from good causes already receiving funding.

Accountability and governance

118. IBT agrees that any 'public investment in public service content should be clearly associated with the delivery of the public service remit, and the level of funding should be transparent and proportionate to the benefits. In practice, this means decisions to provide funding should be informed by an explicit assessment of the public service objective, and the benefits and the costs of delivering it'.⁷⁶
119. IBT agrees that 'public investment should not unduly impact market provision or fund activity that could be provided adequately without subsidy by other suppliers in the market - the potential impact of public intervention on the wider market should be identified and assessed as part of the benefits or costs of intervention.'
120. IBT also agrees 'there should be independent assessment of the performance of bodies in receipt of public funding in the delivery of their public service objectives - the body responsible for allocating funding and ensuring delivery of public purposes should be independent of the recipients of funding.'

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

121. We agree with Ofcom's analysis which comes from measuring the potential funding sources against criteria:

121.1 As regulatory assets are already in place there are likely to be minimal concerns regarding enforcement and market impact, and little opposition from audiences or stakeholders. However, these would continue to represent a general subsidy to broadcasters whose incentives vary from public purposes.⁷⁷

121.2 The digital switchover surplus, if retained, offers potentially significant and secure funding, and limited impact on the market. The case against focuses on the risk of a negative impact on the BBC and potential objections from stakeholders.⁷⁸

⁷⁶ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.85

⁷⁷ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.80

⁷⁸ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.81

121.3 The BBC's commercial assets would also offer significant value to other providers, though the complexities of transferring these assets and aligning the interests of two organisations may compromise their benefit. A partnership based on cross-promotion by the BBC, though potentially less problematic, is likely to be of less and of more variable value to recipients.⁷⁹

121.4 Direct government funding offers potentially high and secure funding and reduces issues with collection and incentives of recipients. However, the alternative calls on tax revenues are great and steps would need to be taken to ensure the editorial independence of beneficiaries.⁸⁰

121.5 While levies could introduce new funding, they present challenges of enforceability (distribution is fragmented and internationally based) and incentives (industry players are unlikely to be beneficiaries and may ultimately pass on the cost to customers).⁸¹

122. Thus IBT supports regulatory assets and the digital switchover surplus as the two primary sources of additional funding.

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

Prior to 2012

123. Prior to 2012 IBT supports direct public funding in order for Channel 4 to continue providing public service content at current levels. IBT would argue that any concerns about Channel 4's independence can be addressed through a revised licence.
124. During the period from 2009 – 2012 efforts will need to be made to address the failings of Channel 4's business model which is no longer sustainable so that with a view to the longer term a business model may be devised which is more sustainable.
125. We urge speed in implementing this support because as Ofcom acknowledges "This analysis suggests that Channel 4 will need certainty about its long-term funding no later than 2010 and ideally significantly earlier. Otherwise, pressures on its existing funding model are likely to result in significant impact on its ability to invest in innovative public service content, potentially including news, international and investigative

⁷⁹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.82

⁸⁰ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.83

⁸¹ Ofcom's Second Public Service Broadcasting Review, Phase 2, para 6.84

current affairs, documentaries, arts, religion, challenging UK drama and UK scripted comedy.’⁸²

Post 2012

126. Post 2012 IBT would support the digital switchover surplus and gifted regulatory assets being used to support Channel 4. We would also welcome tax relief for certain genres of UK produced programming which are under threat – especially international current affairs and UK produced children’s programming. Along with other forms of direct funding, we agree this is a matter for the Treasury to consider.
127. Both prior and post 2012 we would support the cross promotion of Channel 4 for its content from the BBC. We note that ‘Preliminary analysis suggests this could have significant value to Channel 4 – in the tens of millions of pounds per annum, depending on the nature of the arrangement and whether cross-promotion were to be provided on all BBC services (TV, radio and online). However, the impact on the BBC, and audiences’ readiness for non-BBC services to be promoted on the BBC would need to be carefully assessed.’⁸³
128. However, prior to receiving any public funding we agree that it is essential that new accountability arrangements are put in place alongside a clearer public service remit against which to measure Channel 4’s PSB delivery and to ensure that funding is used solely for that purpose and does not subsidise commercial activity.⁸⁴

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

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

129. Since regional programming is not an area of expertise for IBT, we will not respond in detail to this question, but would like to make the general point that while IBT does not in principle disagree with the proposed merger of particular regional ITV news operations and reduction of sub-regional

⁸² Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.89

⁸³ Ofcom’s Second Public Service Broadcasting Review, Phase 2, Figure 45

⁸⁴ Ofcom’s Second Public Service Broadcasting Review, Phase 2, para 6.94

output, we strongly argue against any reduction in budgets which will prevent the regional news operations from providing a high quality regional news service.

130. Thus, IBT agrees with Andrew George MP's statement in the Westminster Hall Debate of November 18th when he said:

'It is important that our regional broadcasters should be able to put in the resources and, if they provide a valuable service, to dig below the surface and ask questions, not simply report on press releases and turn, if they can get there, at tragic events to stand outside and give us reports. We want the service to provide us with more in-depth analysis and the same quality of information as in the past. Given the resources planned at the moment, I fear that simply will not happen.'

131. Regarding the change to Tier 3 commitments for Five, we welcome Five's proposal that its 'commitment to the delivery of children's programmes be formalised'⁸⁵ and Ofcom's suggestion that 'this could also usefully apply to factual programmes'. We also welcome Five's agreement to 'consider extending the target age range for its children's programmes to embrace more fully primary age as well as pre-school children' since this would help fill an important gap in UK produced PSB provision for children. We would very much like to see more detail on these proposals so that they can be formalized as soon as possible.

132. Assuming that the above Tier 3 commitments are formalised, we support Ofcom's proposal to revise Five's quota of original productions down to 50%⁸⁶ and to redraft the Original Productions Order as suggested.⁸⁷

Background: IBT

133. The International Broadcasting Trust (IBT) is an amalgamation of two sister organisations: the former Third World and Environment Broadcasting Project (3WE) and former International Broadcasting Trust (IBT). The new IBT is a charity which seeks to promote high quality television and new media coverage of matters of international significance. In the past, 3WE has been active in this area and this submission fully reflects 3WE's long history of campaigning on these issues and arguing that international coverage on television is a necessary tool in informing us all, as global citizens.

⁸⁵ Ofcom's Second Public Service Broadcasting Review, Phase 2, para A1.72

⁸⁶ Ofcom's Second Public Service Broadcasting Review, Phase 2, para A1.76

⁸⁷ Ofcom's Second Public Service Broadcasting Review, Phase 2, para A1.77

134. IBT represents a coalition of international charities. Its members include: ActionAid, Amnesty International, British Red Cross, CAFOD, Care UK, Christian Aid, Comic Relief, Concern UK, Friends of the Earth, Merlin, Oxfam, Plan UK, Practical Action, Progressio, RSPB, Save the Children, Sightsavers International, Skillshare International, Tearfund, UNA UK, UNICEF UK, VSO, the World Association for Christian Communication and World Vision. IBT is a registered charity, number 326150.
135. The views in this submission reflect the concerns of IBT's member agencies regarding adequate common understanding of the world in which we live. These concerns are shared by millions of UK supporters of our organisations. IBT's members, being intimately and operationally concerned with the effects of 'globalisation' on communities and environments around the world, and with communicating across the world, welcome the advent of the global information society.
136. IBT's argument, reflected in all our policy work since 1997, is that television coverage of the developing world should not just focus on images of suffering which is more often than not what is presented in news coverage. It is IBT's view that an international dimension should be an integral part of all programming.