

**UK Film Council Response to Ofcom's Second Public Service
Broadcasting Review - Phase 2: preparing for the digital future**

December 2008

Executive Summary

The UK Film Council is the Government-backed lead agency for film in the UK. Our goal is to help make the UK a global hub for film in the digital age, with the world's most imaginative, diverse and vibrant film culture, underpinned by a flourishing, competitive film industry.

The UK Film Council welcomes the opportunity to comment on Phase Two of Ofcom's Second Public Service Broadcasting (PSB) Review.

As stated in our submission to Phase One of this Review, the UK Film Council believes that UK public service broadcasters have historically played a very important role in investing in and acquiring UK films and making them available to broad audiences. We believe that their role in respect of film will remain crucial in the digital age, especially if investment in other forms of UK-originated drama declines.

We support the refined Model 3 'BBC/Channel 4 plus limited competitive funding' which we believe will be most effective in delivering public purposes. Both the BBC and Channel 4 should expect to enjoy secure and adequate funding to deliver upon their public service objectives in a digital age.

Competitive funding has the potential to play a significant role in delivering public benefits to audiences, including in the area around cultural content. In assessing the potential benefits of competitive funding we need to look beyond broadcasting to a world in which broadband is very widely available and very widely used.

The advent of broadband provides a "once in generation" opportunity to massively expand public access to culture. Broadband should be used to enable creative talent and publically owned cultural institutions to better connect their existing work with audiences in ways that were simply not possible in the analogue age.

Such funding could be used to build on existing cultural institutions' expertise to expand the range and diversity of cultural content available to the public, as well to meet other specifically identified deficits in public service content.

This funding should specifically target innovative, cultural "R&D" activity (including content, networks and applications) in order to help identify and create new ways of reaching audiences.

We have attached as an annexe a speech made by John Woodward, Chief Executive Officer of the UK Film Council to The Media Festival in Manchester on November 28, 2008 which sets out in more detail the purposes that competitive funding might serve in relation to cultural content, and how it might be delivered.

We welcome Ofcom's continuing exploration of a range of possible funding models for public service content going forward.

However, under the option of direct funding we are completely opposed to the idea of using National Lottery money to support public service content. We note that

Ofcom's research indicated that audiences were concerned that any such use of Lottery funding would divert funding from Lottery good causes. Any such allocation of Lottery funding would have a such an effect on the good causes, and thus the overall impact would be to reduce significantly the richness and diversity of cultural activity in the UK.

Finally, we are aware that the British Film Institute (BFI) which we fund to deliver cultural and educational objectives, has raised concerns with Ofcom in the context of its Review of Public Service Broadcasting about the issue of archiving material from television broadcasters. In a digital age, where there is a much larger array of public service content of every kind, there are new challenges around the issue of what should be archived, and how a strategy for archiving material should be funded. We believe that Ofcom needs to engage with the BFI and other stakeholders to consider both the opportunities and challenges which now arise in relation to archiving.

**Responses to Questions:Ofcom's Second Public
Service Broadcasting Review
Phase 2: preparing for the digital future**

Consultation questions

Section 4: Models

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

Yes. To underline the position as set out in our submission to the first phase of this Review the UK Film Council believes that plurality should be a cornerstone of provision of public service content in a digital age. Such plurality is vital to permit a diversity of creative voices to emerge and acts as an important competitive spur. Plurality in the commissioning and acquisition of theatrical film is as important as plurality in relation to UK-originated drama.

In addition, we believe that competitive funding has a potentially significant role to play alongside strong, and securely funded public service broadcasters in the shape of the BBC and Channel 4 (see answer to question 5 below).

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

We support the refined BBC/C4 model with competitive funding. We supported the earlier version of this model in our submission to Phase One where we set out in detail our reasons for supporting it. We continue to believe that this model would be most likely to deliver the required public purposes, including those in relation to UK film.

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?

Yes, as stated in our submission to Phase One, we believe that Channel 4 has an important role to play in stimulating creativity and innovation in the provision of UK content to the benefit of audiences and the creative economy, including in field of film. We therefore agree that it should have an extended remit in this respect.

We believe that Channel 4 should expect to enjoy secure, adequate funding to enable it to achieve its public service objectives.

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

The UK Film Council does not have a view on this.

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?

The UK Film Council has given considerable thought to the role that competitive funding might play in the future. We believe that it has a role to play in the provision of cultural content, including film, as well as content for children, regional news and possibly other areas.

We support and wish to explore further Ofcom's proposals to establish competitive funding for developing public service content and believe that cultural content is fundamental to this vision.

Such competitive funding was the subject of a speech given by John Woodward, UK Film Council Chief Executive Officer at The Media Festival in Manchester on November 28.2008. This speech is appended as an Annex to this submission.

In the speech it is argued that there is an opportunity to explore an intervention which would expand and enrich the cultural choices available to UK audiences. The knowledge and expertise that exists within cultural organisations of every shape and size would be at the heart of such an intervention.

In particular, we think that broadband has the capacity to deliver new and innovative forms of cultural engagement with audiences and different communities of interest and it provides people with the opportunity to participate in the making and shaping of culture as never before.

Broadband delivery is the key to unlocking the massive cultural value of publicly funded archive content and making it available to all for the first time, including for further creative exploration and experimentation.

Such funding could be used to build on existing cultural institutions' expertise to expand the range and diversity of cultural content available to the public, as well to meet other specifically identified deficits in public service content.

This funding should also specifically target innovative, cultural "R&D" activity (including content, networks and applications) in order to help identify and create new ways of reaching audiences.

Such support could also act as an incentive to greater cultural and creative partnerships, ensuring that cultural organisations of every sort work closely with creative talent, broadcasters, digital and independent producers. This would help drive the development of the UK's creative economy, while adding significant public value to existing levels of public investment in cultural organisations.

Finally, the distribution networks and audience reach and innovative skills of the existing public service broadcasters should be enlisted to help this new content reach audiences. However it should be independent cultural organisations, with their knowledge and expertise, which are acknowledged as the driving force, directly engaging in content creation and distribution in the broadband world.

The speech which is annexed to this submission provides more details of how such competitive funding might work. In summary, John Woodward argued that wherever possible funding should be allocated according to a system which is automatic. Programme makers should simply be required to hit some clearly objective criteria, while meeting an audience demand identified by Ofcom.

This would be the basis for a light-touch operation with creativity and audiences at the heart of the mission. This is not an “arts specific” model. The principles of such a fund could potentially be extended to children’s content, regional news and other genres.

Section 5: Long-term: nations and regions

1) 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?

We believe that such news does have an important role. In particular, it is important that news covers the breadth and diversity of cultural activity, including that within the sphere of the moving image, in the nations and regions.

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

The UK Film Council does not have a view on this.

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

We believe that the potential for such local content services is certainly worth further analysis, especially now that the BBC Trust has stated that the BBC’s proposals for local video services should not proceed.

Section 6: Funding

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

We believe that Ofcom has provided a clear analysis of the scale, advantages and disadvantages of each funding option – regulatory assets, the licence fee, industry levies and direct government funding. We do not have a view, at this point in time, as to which funding option or mix of options would be preferable.

However, under the option of direct funding we are completely opposed to the idea of using National Lottery money to support public service content. We note that Ofcom’s research indicated that audiences were concerned that any such use of Lottery funding would divert funding from Lottery good causes. We believe that it is inevitable that any such allocation of Lottery funding would have this effect, and that the overall impact would be to reduce the richness and diversity of cultural activity in the UK.

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

The UK Film Council does not have a view on this.

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

As stated in our response to Phase One of this Review we believe that Channel 4 should be encouraged to explore all options including a possible partnership with the BBC via BBC Worldwide.

We continue to believe that subsidising Channel 4 through a portion of the licence fee should be a last resort since a direct grant would be likely to create significant difficulties as regards state aid as well as opening the possibility of direct political influence over the channel.

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

- 1) 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?

The UK Film Council does not have a view on this.