

Submission to OFCOM Phase 2 consultation on Public Service Broadcasting  
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by

Dr Carole Tongue  
Former MEP spokesperson on public service broadcasting

Bill Armstrong  
Actor, writer and Broadcaster

Public Service Broadcasting is integral to the democratic, social and cultural life of the UK. It is one of the key pillars of citizenship. If British public service broadcasting is to survive in the face of critical structural shifts in the broadcast market, fundamental changes will have to be made in the way our television is regulated. Sustainable and meaningful solutions must be found urgently or some broadcasters, in particular Channel 4, will not survive. A model of competition between channels where some broadcast a mass of much cheaper imported material is not sustainable, as evidenced in the significant recent decline in the production of UK children's programmes outside the BBC (as documented by OFCOM).

We have to create to compete.

In this respect, applying regulation across fairly across all channels is imperative. British and European Union audiovisual rules together mandate significant broadcast of and investment in British programmes. These rules must be applied fairly and proportionately to ensure consistent high values of investment in a UK audiovisual industry - our most influential cultural medium, which shapes our values, meanings and identities. Before the explosion of, virtually unregulated (where broadcast and investment levels are concerned) cable and satellite companies, UK broadcasters consistently made a positive contribution to our balance of trade in television programmes. A valuable, though currently underused, audiovisual skill base still exists. Correcting the current, unfair, competitive advantages enjoyed by cable, satellite and video-on-demand channels will enable our public service broadcasters to employ our skill base and successfully compete in a rapidly expanding international audiovisual market.

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

Yes. Public service provision of high quality, original UK content that meets public needs from a wide range of providers is crucial to the democratic, social and cultural needs of UK society.

**Question 2:** Which of the three refined models do you think is most appropriate?

A plurality of sources of public service provision is critical. The central question is how the increasingly critical shortfall in PSB funding is addressed, whichever model is chosen. Despite the, very considerable, urgency the funding question, the long-term sustainability of the solution is paramount.

**Question 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. Channel 4 is a unique model, known worldwide for its public service programming, its innovative and high quality UK films, drama and scripted comedy and factual programming. Supporting and enabling Channel 4 to fulfill its unique and important mandate is central to any sustainable, long-term PSB model.

Channel 4 should not have to compete for funding. The OFCOM review clearly identifies PSB as an area where the market is failing and will continue to fail to ensure optimum or even adequate provision of social goods. Quasi-market mechanisms will simply create inefficiency and waste and make little difference to the direction of resources to those genres most in need of support.

**Question 9:** Do you agree with our assessment of each possible funding source, in terms of its scale, advantages and disadvantages?

No. Far too little attention and research has been given to the question of industry-wide levies. OFCOM's research shows industry-wide levies to have a high level of public support. Successful industry-wide levies exist and operate in other EU countries. Nonetheless, OFCOM all but dismisses them on the grounds of enforceability. Likely objections from cable and satellite broadcasters appear to hold more weight than a growing interest in industry levies amongst the wider public.

By contrast, considerable attention is paid to funding through access to the spectrum and some version of top slicing the licence fee. Ease of administration of these options appears to outweigh their limitations of uncertainty, questionable sustainability, lack of flexibility and lack of transparency. The line of least resistance is not necessarily the best long term PSB funding solution.

The question of industry levies is directly related to the application of EU content directives. There is no longer any justification for describing cable, satellite and video on-demand broadcasters as niche broadcasters when, taken together, they constitute a very large and growing share of the market. Our public service

broadcasters more than fulfil their content quotas under the terms of the European Union Television Without Frontiers, now Audiovisual Media Services directives to which we are signatories. Cable, satellite and on-demand channels invest in and broadcast very little British programming. The cost of the, already amortized foreign programming that dominates cable, satellite and video on-demand channels is a fraction of that of domestically produced programming. Consequently cable, satellite and video-on-demand channels enjoy a substantial, and unfair, competitive advantage. If cultural and economic public interest objectives are to be met fairly and consistently, it is only appropriate that all cable, satellite and video-on-demand services should make a proportionate contribution to investment and production environment of which they are a part.

It is in the enlightened self-interest of all broadcasters in the UK market to invest in high quality home grown production. In a win-win situation, public objectives are met and investment in domestic production affords broadcasters the opportunity to develop lucrative rights libraries after the successful models of CanalPlus and StudioCanal in France.

OFCOM must research possible formulae for combining, and perhaps off-setting broadcast quotas and investment obligations against industry levies, drawing on the models and experience of other OECD countries.

In the interests of transparency, accountability and consistency, the compliance of all broadcasters with content and investment obligations must be monitored by OFCOM.

**Question 11:** Which of the potential approaches to funding for Channel 4 do you favour?

Channel 4 should be funded directly from industry-wide levies. Top slicing the BBC licence fee - aka switchover surplus - taking some control of BBC Worldwide or cross promotion with the BBC, all run a strong risk of rendering Channel 4 a junior partner to the BBC, vulnerable to unwarranted and unconstructive interference.

Tax relief on UK produced independent programmes is worth exploring as a possibility although such schemes have a chequered history.

Funding of Channel Four through a share of Industry-wide levies offers a politically sustainable, flexible, transparent, accountable and, above all fair, long-term funding option.

Spreading the cost of public service broadcasting fairly across all players who operate in and benefit from the UK broadcasting environment offers a fair, sustainable and long-term solution to the present severe and urgent funding crisis. Without such a comprehensive and meaningful solution, public service broadcasting will become increasingly marginalized to the consequent social, political and democratic detriment of the Nation.

The stories that derive from our culture are the glue that binds us together. Our shared social values and those of our children emerge from our past and the society we live in is understood through our stories. These shared values deserve protection.