



ITN submission to Ofcom's Second PSB Review Phase 2: Preparing for the digital future

Background:

ITN is one of the UK's most diverse and dynamic content providers, producing news and factual programming across a range of platforms from television to mobile and online. High-quality, trusted news output lies at the heart of the business, with a large percentage of the population receiving its news from ITN via main customers ITV and Channel 4.

The award-winning national, international and London regional coverage supplied to ITV1 is watched by over eight million viewers every day, with regular text and video updates online. Distinctive and innovative public service programming is consistently delivered by the much-respected Channel 4 News, challenging audiences' perceptions of the world around them. This first-class content is also the hallmark of More4 News and Channel 4 News online.

Today, ITN is a truly diversified multimedia business, successfully building on its traditional strengths to harness the opportunities an evolving media market presents. Instant news content is delivered to customers on mobile and broadband, connecting with hard-to-reach youth audiences on channels such as Google, Yahoo, Bebo, YouTube and MySpace.

Engagement with primary and secondary school pupils is achieved through partnership with Espresso Education on a weekly news bulletin tied into the national curriculum. Broadcast and online news services are also produced for Teachers TV to give teachers on the ground a greater insight into key education issues.

Home to one of the world's largest moving image libraries, ITN manages an archive of iconic footage which dates from 1896 to the current day. And sports news is covered too by Setanta Sports News, a 24-hour sports channel for digital viewers.

These combined news services provide essential competition to the licence-funded BBC and make a vital contribution to a plural landscape.

ITN therefore continues to play a crucial role as the BBC's main competitor in terms of impartial news provision for the British public and in reaching a diverse cross-section of the UK population. However, the financial flexibility and lack of commercial constraints enjoyed by the BBC are distorting the economics of the media markets and public service news provision. As a result, diversity of supply is at serious risk.

We therefore welcome the opportunity to contribute to Ofcom's second PSB Review and will comment on the areas where we have direct experience and expertise.

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

ITN believes that a pluralistic news environment is essential for the future health of democracy and debate in the UK. It provides the basis for an informed citizenship and is critical if cultural understanding is to be encouraged.

The current model for commercially-funded PSB provision is clearly under great stress as the combination of fragmenting audiences and economic recession impacts on the PSB-committed networks. In this environment, it is imperative that fair competition and provision beyond the BBC is maintained. Pluralistic sources of news cannot, and must not, be delivered by the BBC alone.

ITN therefore agrees that public funding is an important route to protect the continued supply of balanced, impartial news.

In a fast-changing media landscape, it is necessary to establish a level playing field for the provision of quality news output over multiple platforms. The BBC's increasing activity in new territories such as mobile and online is anti-competitive and a clear distortion of these fragile, emerging marketplaces for commercial operators who need to see a return on investment.

Generously funded by the licence fee and operating without commercial restraint, the BBC's expansionist strategy poses a threat to plurality. ITN's own development depends on innovative diversification of its business but time and again BBC initiatives have intruded on fragile emerging markets and crushed nascent commercial businesses. ITN has experienced this with the massive BBC investment in bbc.co.uk and the launch of free BBC services on mobile. ITN therefore appreciates and welcomes the recent decision by the BBC Trust to reject plans for local online video but would seek assurances that there will be no back-door route to provision of the same service.

Another key current concern is the BBC website's plans for interactive map-based news services which will not be subject the same public value test or scrutiny, despite having a potentially detrimental effect on commercial players. ITN has recently launched a similar service with Google, which pinpoints the location of mobile or WiFi access points to highlight news stories in the area on Google Maps and Google Earth.

Without funding intervention, there is also a real possibility of a long-term BBC and Sky duopoly. Sky News has a history of bidding for ITN's news contracts at relatively low prices, most recently evidenced by its undercutting to secure the IRN contract at what appear to be uneconomic levels. We have been told that Sky's ability to underbid ITN on such contracts is partly underwritten by its marketing budget.

ITN therefore believes that there is justification for funding to support local, regional and even national news provision, and to preserve plural sources of news supply in this country for the long-term.

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

ITN continues to envisage a new PSB ecology underpinned by a licence-funded BBC and financially-secure Channel 4, but bolstered by ongoing public service obligations for regional news on ITV1.

We fully understand the positions taken by both Channel 4 and ITV and are supportive of their needs to be effective, commercial broadcasters in a complex market.

Channel 4 has identified a funding gap which threatens its leading role providing public service competition to the BBC. ITN backs the channel's bid for a sustainable and meaningful funding solution to preserve its full-level PSB activities.

The importance of Channel 4 News in challenging the status quo and reaching key youth and ethnic audiences has been highlighted by Ofcom's own analysis. The funding deficit poses a potential threat to this highly-valued, differentiated content and its wider contribution to society and cultural vitality.

But, like Channel 4, ITN would not want to see any direct links to public funding for the supply of news, which the broadcaster has already indicated should be sourced through traditional funding streams to protect its independence.

In ITN's view, any potential PSB funding model should ideally be some form of hybrid - combining workable, long-term measures to safeguard the future of Channel 4 as well as an element of competitive funding for other areas, including regional news. Such a model could ensure funding is maintained for ITN to continue to produce high quality broadcast news. If funding for regional news were available ITN would commit to bidding to secure the contract for provision of regional news, but would aim to manage any such contract on a normal commercial basis.

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?

ITN's primary concern is about the sustainability of Channel 4's core funding model rather than its digital aspirations. The broadcaster has developed an innovative and distinctive set of channels which clearly deliver on the assigned remit. Clarity on measures to plug its funding deficit will provide further flexibility to maximise commercial opportunities across multiple platforms in an evolving marketplace.

It is only right and proper that Channel 4 competes for additional funding to pursue its vision for the future but, to limit the burden of increased accountability, ITN favours contestable funding over direct subsidy. ITN would also re-iterate that care must be taken about how monies are apportioned to protect the credibility and independence of news. Should Channel 4, or any other broadcaster, have to bid themselves for public funding for news services, it would seed doubt in the minds of the audience that the service was tailored to meet the perceived pressures of the purse-string holders.

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?

Given ITV1's ability to deliver true mass audience reach head-to-head against the BBC, it must retain a central role in a plural news landscape post-DSO. Incentives need to be put in place to ensure continued access to the network schedule for news programming.

ITN welcomes ITV's recent assurances of its commitment to network broadcasting of regional news, subject to adequate funding to underpin its production. We are keen to assist with these proposals for regional news delivery in any way possible, to allow the broadcaster to concentrate on other areas of output while relying on ITN to deliver quality, independent news on its behalf.

Although the specifics of the licensing structure are not directly a matter for ITN, there is no doubt that ITV must be unshackled to move freely in this fiercely-competitive digital age. We therefore support a relaxation of its regulatory obligations under the current licensing framework to enable ITV to operate more effectively.

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?

We believe there are alternative options available. There is an argument that funding should be allocated in a way which supports existing news suppliers such as ITN in order to maintain current levels of plurality.

Alternatively, ITN agrees that it would be possible to design a tender for news, as illustrated in Figure 29. This model offers potential commercial attractions, facilitating consortiums with regional publishers to build strong local partnerships across multiple platforms.

However, we would seek clarity on the criteria for funding and on the gap between 'regional' and 'local'. To be commercially sustainable for a profit-driven company, the wider economic realities must be taken into account in deciding the right balance.

We also note that in Figure 32, there is no analysis of gross margins by genre for local news, yet elsewhere there is an expectation that it could be produced on a commercial basis.

6) 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?

ITN fully supports Ofcom's assessment that nations and regions news has not just an important, but vital role in PSB and agrees that additional funding should be provided to ensure these services are protected.

Existing institutions also have an essential part to play in sustaining impartiality and choice against the BBC so we would again stress the importance of continued access to the ITV network schedule.

Since March 2004, ITN has produced ITV's London news service, including the flagship London Tonight. This expertise in regional TV news output makes us well-placed to take on responsibility for managing the nations and regions news operations on the basis of commercially-viable contracts.

Our expectation is that provision would be on a full multi-platform basis and likely to include support directly, or indirectly, from local media groups.

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

ITN believes that funds need to be made available for national, regional and local news, though the definition of local and regional news within the devolved nations will have to be carefully considered. It is important to ensure that the costs of any separate regulatory structure, combined with the differing demographics in remote areas, do not create a model which is expensive to monitor and contains unrealistic expectations of what is both commercial and newsworthy in lowly-populated areas.

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

ITN shares Ofcom's view that the economics of local content provision remain challenging and will undoubtedly need significant funding.

It is our assessment that strong partnerships with local and regional papers would be the best way to provide the infrastructure and capabilities to successfully develop attractive web and digital TV propositions on a local level. We believe that collaboration of this kind would provide an economically viable framework for provision.

ITN has already demonstrated its ability to work closely with newspaper publishers through our strategic alliance with the Telegraph Media Group – a unique partnership with ITN producing bespoke video programming for the Telegraph website.

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

Although Ofcom's evaluation of possible funding sources is welcomed, ITN does not take a detailed view on each one, beyond repeating the assertion that funds should be made available for independent news production to stand against the BBC and Sky.

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

ITN's focus is limited to securing funding for national, regional and local news which we believe would be best sourced from the licence fee digital surplus, through the monies made available after DSO. This ring-fenced surplus would provide a significant, long-term funding stream for impartial news, without negative impact to the BBC.

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

Again, ITN does not have a detailed view, other than reiterating that any potential funding source for Channel 4 must be substantial and sustainable to enable the broadcaster to continue its full-level PSB activities.

12) 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?

ITN takes no broad assessment of changes to 'tier 2' quotas, but supports ITV's proposals to enable them to operate more freely in a highly-competitive marketplace.

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