

Scottish Government Response to the Third PSB Review consultation

Questions

Question 1: Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?

We agree with the general assessment of the PSB sectors and the trends affecting it, although we comment on some specific aspects in answer to more detailed questions below. We would also add that it would be worth considering the possible impact of any revision to the European Audio-Visual Media Services Directive, which is likely to happen before the next PSB Review and probably soon after the current one (particularly since we know from Ofcom's *Draft Annual Plan 2015/16: Consultation Document* that this is very much in Ofcom's sights (paragraph A2.124). Although local television has only recently got underway, some consideration of its contribution would be helpful, if possible including whether it is displacing viewers away from other PSB channels. As regards the independent production sector, we believe that the report unduly emphasises consolidation among the larger independents. Whilst all that is said is factually accurate we believe it important to emphasise as well, the relative fragility of much of the sector. Achieving a more sustainable production sector should be a key goal for the next phase of public service broadcasting. In that regard, strengthening the sector in the nations and regions has much to offer.

Question 2: Have we identified the key differences in Northern Ireland, Scotland and Wales?

We think that the key elements of the situation in Scotland are well described. In relation to the printed press, the greater strength of the local daily press, compared to the rest of the UK, including the Aberdeen based *Press & Journal* and the Dundee based *Courier* might have been explicitly mentioned although the underlying data showing this are presented in the document *PSB Review Scotland Market Context* that accompanies the main document. In terms of differences between nations the obvious difference is in levels of licence fee expenditure on content production for the nations. In Northern Ireland approximately £53 million in licence fee resources is spent on local content compared to revenue of £98 million¹; in

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total licence fee revenue in 2012-13: £3,706,000,000
http://www.bbc.co.uk/annualreport/2013/executive/finances/licence_fee.html

Northern Ireland number of households as proportion of UK total: 2.65%
<http://www.ons.gov.uk/ons/rel/census/2011-census/population-estimates-by-five-year-age-bands--and-household-estimates--for-local-authorities-in-the-united-kingdom/stb-population-and-household-estimates-for-the-united-kingdom-march-2011.html>

NI licence fee revenue therefore of order of £98 million

Wales £151.7 million is spent on local content compared to revenue of £182 million.² Scotland raises some £320 million in licence fee resources but spend on local content by BBC Scotland is set to fall to £86 million by 2016-17.

Question 3: Do you agree with our assessment that the PSB system remains strong overall?

The data presented in the consultation paper indicate declines in programme spend, output and viewing, which argue against complacency. Nevertheless, given the achievement of digital switchover across the UK since the last review, with the consequent increase in channels available to viewers, the PSB model has proved resilient as a whole. As commented on elsewhere, there are specific areas of less resilience.

Question 4: Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable?

The BBC's annual budget in Northern Ireland for the delivery of local content is £53 million. (http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_deliveringqualityfirst_strategy_northernireland.pdf - p 14)

² total licence fee revenue in 2012-13: £3,706,000
http://www.bbc.co.uk/annualreport/2013/executive/finances/licence_fee.html

Wales number of households as proportion of UK total: 4.92%
<http://www.ons.gov.uk/ons/rel/census/2011-census/population-estimates-by-five-year-age-bands--and-household-estimates--for-local-authorities-in-the-united-kingdom/stb-population-and-household-estimates-for-the-united-kingdom-march-2011.html>

Welsh licence fee revenue therefore of order of £182 million

BBC licence fee funding for S4C: £76.3m http://www.s4c.co.uk/e_press_level2.shtml?id=726

BBC in kind support for S4C: £ 19.4m http://www.s4c.co.uk/e_press_level2.shtml?id=726

BBC television production for Welsh audiences: £31.1 million
http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_deliveringqualityfirst_strategy_wales.pdf

BBC Radio Wales: £13 million
http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_deliveringqualityfirst_strategy_wales.pdf

BBC Radio Cymru: £11.9 million
http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_deliveringqualityfirst_strategy_wales.pdf

Total: £151.7 million

On the evidence presented, the fall in educational programming and programming for children has been considerable. Resources for Scottish Gaelic are very stretched and it would be appropriate for more licence fee resources to be devoted to this.

Question 5: Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?

As commented in relation to Question 2 above there is a striking difference between licence fee resources available for local content between Northern Ireland, Scotland, and Wales, with Scotland receiving a notably lower proportion per capita. Insofar as the amount of local content in Scotland remains adequate, this is heavily reliant on STV meeting and exceeding its PSB obligations. If the PSB system comes under increased commercial pressure, this may be at risk

Question 6: Is declining investment affecting the quality of PSB and is it a cause for concern?

The quality of PSB has remained to some degree resilient in the face of falling revenue, due to economies and efficiencies, but as noted elsewhere some sectors have suffered particularly steep losses in production and spend or start from a very low base. Going forward it will be important to monitor the PSB sector for fragility.

Question 7: Do you agree with Ofcom's provisional findings in the Review of C4C's delivery of its media content duties?

Ofcom's provisional findings seem reasonable. It is a matter for regret that the Channel 4 relicensing process did not result in a less unexacting target for increasing programming commissioned from the nations.

Question 8: To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.

We are wary of the concept of PSB Portfolio channels. Universality of access is an important part of PSB standing, whereas the "portfolio" channels are only available on multiplexes serving c. 90% of the population. If they were to achieve greater coverage this might be reviewed. Placing PSB advertising restrictions on the "portfolio" channels would limit the contribution that e.g. E4 makes to financing the core Channel 4 channel.

Other non-PSB channels certainly produce some programming with PSB characteristics but it would be risky to rely on this,. We believe that core PSB services, including a strong publicly funded element, remain essential.

Similarly to the "portfolio" channels, online and internet services raise issues of access. The current proposal to remove BBC 3 from free-to-air digital terrestrial

television to an online platform underlines the importance of Ofcom's role in ensuring access to high quality broadband services across all of the UK.

For radio services a concern will be to maintain coverage as the switchover from analogue to digital continues.

We also note the references to newspapers in this section. This material is interesting but in the current economic climate for the printed press it should not be seen as a substitute for PSB output.

Question 9: How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system?

Experience suggests that evolution is the most likely scenario. The alternative risks and scenarios that have been identified seem correct.

Question 10: How might incentives to invest change over time?

The possible incentives to invest are well covered in the document.

As the documentation published in relation to relicensing Channel 3 indicated that STV was exceeding its PSB requirements to a greater degree than other licensees there might be merit in an empirical study of why this was so and whether any wider lessons for the PSB system could be learned.

In addition, attention should be paid to ways of minimising the amount of investment needed. For example, BBC Alba is able to broadcast considerable, varied sports programming through it and its producers being attentive to e.g. efficient use of crew.

Question 11: Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?

Yes - we believe that the focus given to prominence and discoverability is right. We comment further on this below.

Question 12: Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?

Yes, this does remain important. As technology develops obligations should be placed upon producers of innovative receiving equipment to ensure that PSB channels are appropriately prominent. Such requirements should encompass using geolocation techniques to ensure that such prominence is appropriate to the location of the receiving equipment e.g. ITV1 should be prominent in England, Wales and the South of Scotland, STV in Scotland, and UTV in Northern Ireland.

Question 13: Should we explore the possibility of giving greater flexibility to PSB institutions in how they deliver public service content, including examining the scope (in some or all cases) for regulating by institution, not by channel?

While not opposing this outright, as set out at Question 8, we think that this raises issues of universality of access that would need to be addressed.

Question 14: Do the current interventions in relation to the independent production sector need to change in light of industry developments?

We believe that, particularly in the light of the move towards consolidation and takeover in the sector that the consultation paper rightly notes, maintenance of an internally competitive sector, strong in the regions and nations as well as within London is essential. To that end we would look for a review of existing requirements for out of London to be undertaken, to look at scope for increasing existing requirements, to review the way in which production is assigned to regions and nations to ensure this is fit for purpose, to look at requirements for commissioning as well as producing out of London, and to place a duty on public service broadcasters to seek to develop and build relationships with independent producers. It will also be important to consider carefully any proposals for opening up eligibility for production, particularly if the ideas in the BBC Director General's speech of 10 July 2014 on 'compare and compete' are likely to figure in the context of renewal of the BBC's Charter. This may be an area where Ofcom's expertise in market impact assessments could usefully be applied.

Question 15: Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?

The main key sources are correctly identified. Publicly funded public service broadcasting should remain a strong element of the PSB system. Fiscal incentives for screen production can be attractive and options for this were examined in a Scottish Government paper, in the context of the constitutional debate, *Scotland's Future on Screen: Support to the Screen Sector in an Independent Scotland*, available at: <http://www.gov.scot/Publications/2014/06/5851>. It is to be hoped that the new fiscal incentive for children's programming will have a positive impact.