



**Submission to Ofcom's consultation: Public Service Content in a
Connected Society**

February 2015

Executive Summary

- Economically and culturally, the English regions are underserved by the PSB system. Creative England calls for Ofcom to ensure PSB value is distributed more equitably across the country.
- For Creative England, there are three notable trends outlined in Ofcom's consultation document. Firstly; the observation of a growing generation gap, with younger and older people's consumption habits increasingly differentiated across many communications media. Secondly; that audiences want to see original and innovative programming, but appear to feel that the PSBs are duplicating successful programme ideas and formats, potentially at the expense of more original, innovative and challenging programming. Thirdly, the observation that only 46% of people across the UK are satisfied that the PSB system delivers programmes that show different kinds of cultures within the UK.
- Audiences in the Wales, Scotland and Northern Ireland enjoy a range of non-network, non-news or current affairs programming that represent their distinct national and cultural identities. Much of this output is later reflected to a UK-wide audience through the core PSB networks. In contrast there is very little non-network, non-news or current affairs spend and output aimed specifically at audiences in England. It is a widely accepted view that the unique identities of audiences in Wales, Scotland and Northern Ireland are growing in importance. We believe the same is true of England.
- Creative England is concerned that the West Midlands, the East Midlands and the East of England now collectively account for only 2% of all PSB Network production expenditure.
- The Public Service Broadcasters should be incentivised to make a more strategic and integrated contribution to the success of the UK's creative economy. Out-of-London investment by public service broadcasters should focus on longer-term strategic partnerships with a small number of geographically diverse production companies or groups of companies. This would generate more revenues; new formats; longer series'; help PSBs to better reflect national and regional cultures and, ultimately, help businesses not only to endure, but also to grow.
- We call on the PSBs to be more bold and imaginative in the delivery of PSB obligations and to be empowered by Ofcom to deliver their obligations outside of traditional linear means.
- We would support a PSB regulatory approach focused on a broadcaster's entire output on all platforms, rather than solely by channel. This approach could accommodate changing media consumption habits amongst diverse audiences; encourage originality and innovation in the delivery of PSB obligations and contribute towards the overall well-being of the UK's independent production sector ecology; and wider creative economy.

About Creative England

Creative England invests in and supports creative ideas, talent and businesses in film, TV, games and digital media. With offices in Brighton, Bristol, Birmingham, Salford (MediaCityUK), Sheffield, Pinewood Studios and Elstree Studios, the focus of our activities is in the English regions outside the M25 - a recognition of the comparative disadvantages

suffered by individuals and businesses who do not have immediate access to the networks and opportunities that are associated with being located in London. For further information about this submission or Creative England, please contact Creative England's Public Affairs Coordinator, Liam O'Shea, at liam.oshea@creativeengland.co.uk or on 0117 376 3317.

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?

Ofcom has provided a comprehensive assessment of the context in which the PSB system currently operates. It identifies a number of variables at play which, individually or in combination, may have varying degrees of impact upon the PSB system in the coming years.

Whilst the assessment highlights that between 2009-2013 the UK independent production sector has grown by 3.4% on average each year, generating £2.8bn in revenue in 2013, Creative England has concerns about the qualitative nature of that growth and its impact on the health and dynamism of the sector in the English Regions.

With increasing integration and consolidation of the sector and the decline of PSB investment in first-run original content; we believe the opportunities for small and medium-sized independent production companies based in the English Regions to grow on a sustainable basis could be diminishing.

According to the BBC's 2013 report, *The Economic Impact of the BBC*, "The shift in the BBC's spending out of London helps to rebalance the economy geographically, spreading the benefits of growth across the UK... growth within the creative industries is likely to be enduring if the benefits of prosperity are shared by all rather than limited to the few."¹

Whilst initiatives such as the relocation of parts of the BBC to Salford may have boosted out-of-London quota statistics, and provided a strong creative cluster in Salford, other regions of England have been left relatively disadvantaged.

Figure 33 in the report highlights that between 2008-2013, throughout the Midlands and East of England regions, which have a collective population of over 15.982 million people, PSB network production expenditure decreased from 7% to just 2%.

Whilst certainly not a homogenous entity, over the same period, network production spend collectively doubled in the other UK nations, which together comprise a population of 10.17 million and now account for 10% of all network production expenditure.

We therefore question the extent to which existing Out-of-London initiatives have acted as a catalyst for growth throughout the country. If such quotas are to have any real meaning, they must ensure a more equitable distribution of the value derived from PSB commissioning and production opportunities - particularly in the case of the licence fee-backed BBC.

As a case in point; according to trade union BECTU, licence fee payers in the Midlands contributed more than £900 million to the BBC's income in 2012, yet the BBC only spent around £100 million in the region out of a total income of more than £4 billion².

In this respect, we feel that England, in particular the West Midlands, East Midlands and East of England regions, are being underserved by the PSB system. As a result, PSB

¹ http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_economic_impact_2013.pdf

² <http://www.birminghampost.co.uk/business/creative/bbc-moves-bobby-friction-show-8462583>

commissioning and production opportunities for small and medium sized independent production companies based in the English regions outside of London are declining.

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?

The BBC Trust defines one of the Corporation's key public purposes - reflecting UK audiences – as being an obligation to 'represent the different nations, regions and communities to the rest of the UK' and to 'cater for the different nations, regions and communities of the UK'. The Trust notes that this purpose 'remains a crucial part of the BBC's remit'.

Creative England has concerns regarding the current balance of PSB spend and output on programming specifically for audiences in England and questions the PSBs record at reflecting the diversity of the whole of the UK.

Commissioning opportunities outside of England

In the case of the BBC and Channel 4, a level of spend is ring-fenced specifically for the production of dedicated national outputs – Production companies in Wales, Scotland and Northern Ireland have opportunities to make programmes for BBC Wales, BBC Scotland, and BBC Northern Ireland; STV, UTV, S4C as well as the core PSB Networks. Some non-network programmes do, by edict, later air on the wider network. This exposure can add a great deal of value to a production company's profile.

By comparison, there is no PSB spend ring-fenced for the production of dedicated English programming that, by edict, airs to audiences in the other UK nations. We believe more could and should be done by the PSBs to reflect the diversity that exists within the English regions to both indigenous audiences and to the UK's other nations.

England is also a Nation

The out-of-London English regions are a significant constituent part of the UK and account for some 44.702 million its population. This compares to a population of 5.295 million in Scotland; 3.064 million in Wales and 1.811 million in Northern Ireland. Despite this population differential, there is a significant disparity in dedicated non-network, non-news or current affairs programming available to audiences in England compared to the quantity of such outputs for audiences in Wales, Scotland and Northern Ireland.

Non-Network Output Quantity

Ofcom's PSB Report: D – PSB Output and Spend³ shows that in 2012, total BBC non-network output in the whole of England (excluding news and current affairs programming) amounted to just 94 hours. This compares to 320 hours in Scotland, 250 hours in Wales and 170 hours in Northern Ireland.

Similarly, ITV's non-network output in England (excluding news and current affairs) amounted to just 17 hours. This compares to 1124 hours in Scotland (STV); 33 hours in Wales and 72 hours in Northern Ireland (UTV) (figures exclude Gaelic language and S4C programming).

Non-Network Production Spend

³ http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2013/output_and_spend.pdf

Between 2008-2013 non-network first-run origination spend in England decreased by £64 million. This compares with a £12 million reduction in Wales; a £7 million reduction in Scotland and a £7 million reduction in Northern Ireland (Excludes spend on Gaelic and Welsh language programming as well as spend on BBC Alba or BBC spend on S4C output).

Clearly, audiences in England do not have the same access to public service content that expresses and represents who they are both to themselves and to audiences in the other UK nations. Increased output of such content would culturally and creatively enrich the whole UK.

Audience Satisfaction - National and Cultural Representation

Audiences across the UK are undoubtedly dissatisfied with the PSB system's performance in this space. When looking at England, Ofcom's PSB Tracker (2013) shows that only 44% of audiences score the PSBs highly in terms of portraying their region; compared to an importance rating of 67%. The tracker also shows that only 45% of audiences in England believe that PSB programming shows different kinds of cultures within the UK; compared to an importance rating of 64%.⁴ (N.B. In Ofcom's analysis, England is not broken down region. To get a more detailed analysis in the future, Ofcom could provide a breakdown of audience satisfaction by region).

Dedicated National Programming - Supporting Independent Production

Non-network spend on nationally tailored output provides additional benefits to independent production companies in Wales, Scotland and Northern Ireland through additional commissioning opportunities and through profile raising exposure. Some non-network, nationally tailored programming is often later scheduled by edict into network programming (or on VOD platforms) - and therefore viewed by a UK-wide audience.

Non-network Independent Production

Non-network output can fall within the BBC's 25% Independent Production Quota⁵. This can limit overall commissioning opportunities for small independent production companies in the English regions who, so long as there are not the same ring-fenced dedicated output levels, are not on a level playing field.

National and Regional Devolution

The BBC Trust states that "despite facing common challenges, any consideration of the BBC's provision for the nations and English regions must recognise that the picture is not uniform. Because of their separate political institutions, there is a clear distinction between the nations as a group and the regions of England".⁶

With signs of a political consensus in England for the increasing devolution of powers at a combined authority/city region level, audiences in the English regions may begin to feel increasingly left out of the conversation on national identity and representation. Calls for improved regional and national representation in PSB output could become louder in the coming years.

As a point of both cultural and economic fairness, the PSB system should provide audiences in England the same opportunities to have their distinct local, regional and national cultures

⁴ http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb3/Annex_3.i_Audience_opinions_-_main_PSB_channels_2008-2013.pdf

⁵ <http://www.bbc.co.uk/commissioning/tv/how-we-work/business-requirements/quotas-and-targets.shtml>

⁶ <http://www.bbc.co.uk/aboutthebbc/insidethebbc/whoware/publicpurposes/communities.html>

and identities portrayed and consumed by a UK-wide audience - as is often the case for audiences in Wales, Scotland and Northern Ireland.

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

The investment and commissioning practices of the UK's public service broadcasters can have significant knock-on effects across both the creative economy and the wider economy.

The BBC and Channel 4, as public service broadcasters, have an obligation to commit minimum levels of spend in the UK's nations and regions. As Channel 4 acknowledges, the broadcasters' "...public service remit extends beyond the value we offer to the viewing public to our contribution to the strength and diversity of the British creative economy". Although the broadcasters are indeed meeting, and in many instances, exceeding their regional production quotas, they are not doing so evenly and London continues to dominate investment.

The broadcasters' commitment to regional investment has largely been on a project-by-project basis rather than on the basis of building long-term critical mass and sustainability. Commissioning in this way often creates a fundamental lack of security for small businesses that must rely on one-off productions to generate revenues.

This has the knock-on effect of diminishing the ability of small firms to access finance and jeopardises their long term sustainability which, in turn, produces a superficially attractive picture of dozens of new entrants but fails to produce solid businesses that attract talent and reflect stories from their own immediate city or region.

The public service broadcasters should be incentivised to make a more strategic and integrated contribution to the success of the UK's creative economy.

Investment by public service broadcasters should therefore focus on longer-term strategic partnerships with a small number of geographically diverse production companies or groups of companies. This would generate more revenues; new formats; longer series' and, ultimately, help businesses across the UK not only to endure, but also to grow.

We are therefore pleased to see the introduction of initiatives such as the Channel 4 Growth Fund, established to nurture the independent sector by providing access to funding for small to medium sized creative companies based in the UK. We are however disappointed that three out of the four companies to be awarded investment to date are based in London⁷. We would hope that the next round of investments to be announced later this year are more evenly spread across the UK.

We recognise that resources are limited and that dividing funds on too equitable a basis geographically could present the danger of diluting funding to such an extent that it would militate against the need to build critical mass. We therefore propose that PSBs develop regionally ring-fenced pots of funding which individuals and companies in the regions could bid for on a competitive basis. This approach could help to encourage the production of more regionally representative content; support the development of particular regional strengths and sub-sector specialisms, help establish critical mass and ensure each region gets a fair share of the cultural and economic benefit that the PSB system can deliver.

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 them by institution, not by channel?

⁷ <http://www.channel4.com/info/press/news/channel-4-announces-first-growth-fund-investments>

PSBs should be moving much more boldly into the multiplatform and digital space. As such, we would support Ofcom's proposal of exploring the possibility of giving greater flexibility to PSB institutions in how they deliver public service obligations. This includes examining the scope for regulating PSBs by institution and not solely by channel.

Consideration should be given into how PSBs collectively deliver the values and purposes that underpin PSB across the whole array of platforms and what more could be done to deliver PSB obligations using online and other digital platforms (e.g. online, games, apps)

For Creative England, there are three particularly notable trends outlined in the report;

1. The observation of a growing generation gap, with younger and older people's consumption habits increasingly differentiated across many communications media.
2. The observation that audiences want to see original and innovative programming, but appear to feel that the PSBs are duplicating successful programme ideas and formats, potentially at the expense of more original, innovative and challenging programming.
3. The observation that only 46% of people across the UK are satisfied that the PSB system delivers programmes that show different kinds of cultures within the UK.

In Creative England's view, these observations, when taken together, represent a compelling case for Ofcom to enable PSB institutions to deliver PSB content in new ways.

Meeting the Needs of Children and Young Adults

The BBC is charged with representing the interests of license payers – including their children. Channel 4 also has a statutory duty under the Digital Economy Act 2010 to “provide relevant media content that appeals to the tastes and interests of older children and young adults”⁸.

However, as the report notes; spend on first-run original children's programming fell by 19% in the 2008-13 period. This coincides with a decline in the number of hours that children are now watching television (around 15.7 hours per week, down from 16.2 hours in 2008. The correlation between declining investment in children's programming and declining consumption suggests to us that the PSB system is not meeting the needs or expectations of children – particularly older children; and more should be done to develop original, innovative and challenging programming for all audiences.

This decline in investment is clearly taking place alongside wider technological and social changes which are transforming media consumption habits – particularly amongst younger audiences. Childwise Monitor recently published its 2015 annual report looking at children's and young people's media consumption⁹. Surveying 2000 children aged 5-16 showed that tablet ownership among younger children has doubled in the last 12 months, with 1 in 3 children aged 5 to 7 having their own tablet.

As technology is changing, so are the opportunities and means available to tell new stories and consume media. In practice, this means increasing investment, developing new and diverse strategic partnerships, exploiting new technologies and being braver and bolder in commissioning activity. At the root of this is the need to open up opportunities for new talent to emerge and thrive.

Delivering more original and innovative PSB programming

⁸ <http://www.channel4.com/info/corporate/about/channel-4s-remit>

⁹ <http://www.prolificnorth.co.uk/2015/01/tablet-use-surges-as-youtube-and-minecraft-dominate-childrens-media-habits/>

The UK has an abundance of talent with which to meet the demand for quality content, and that talent can be found in all parts of the UK. Providing platforms for that talent to develop is crucial. Whilst there are a range of talent development initiatives such as the BBC's Writer's Room, more could be done to translate talent development into commissions.

The film and television industry needs 'nursery slopes' – a reasonably well-funded space in which talent can develop, take risks and innovate. Children's television has traditionally provided one such space. As the investment in this genre has declined, so too has the space for talent to develop.

New technologies offer new opportunities to produce, distribute and consume content. They also provide more opportunities for talent to develop. Digital platforms could present a high-impact opportunity to provide PSB content that produces engaging content for younger views, generates more new and innovative formats and provides a junior level space for talent to develop. This may help PSBs reach and build new, young audiences, cater for diverse tastes and nurture upcoming talent.

Online and digital platforms, like recent proposals for BBC Three, could become hot houses through which talent can be identified, nurtured, mentored and supported. PSB investment in cross-platform and digital spaces could put talent development and audience development side-by-side; attract new, diverse writing/producing/directing talent; generate content for an audience in the 'gap' between children's and mainstream; and combine and maximise resources from strategic relationships and partnerships.

Creative England would therefore support Ofcom in exploring the possibility of giving greater flexibility to PSB institutions in how they deliver public service content, including examining the scope for regulating them by institution, not by channel.