

Ofcom's Third Review of Public Service Broadcasting, 2008 – 2013: *Public Service Content in a Connected Society*, 26 February 2015, Consultation.

Title of Response: Public Service Broadcasting: National Cultures, Identities and Values

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1.1.Introduction

1.2. Ofcom has provided much valuable information and evidence regarding the performance of Britain's public service broadcasters and their competitors in what is now a vigorously competitive multi-channel market. This market includes the BBC – sometimes referred to as owned by its shareholders, the licence fee payers; Channel 4, established as an advertising-funded Trust without private shareholders; and other conventionally owned commercial companies, supported by advertising or subscription, including ITV, Five, Virgin Media and BSkyB. In 2013 there were a total of 527 channels licensed to broadcast in the United Kingdom. Three of the larger companies mentioned above and enjoying significant though minority audience shares, are now owned in whole or in part by US corporations with broadcasting interests. In 2013-14 Liberty Global and Viacom bought, respectively, Virgin and Five. And Twenty First Century Fox (previously News Corporation) continues as a majority shareholder with a 39 per cent stake in BSkyB. In 2011 BSkyB, now Sky UK, had been subject to a widely publicised but unsuccessful take-over bid by News Corp. In addition to the many terrestrial, cable or satellite television providers are the relatively new pay-per-view or 'over the top' services like Netflix relying exclusively upon the internet for their delivery.

1.3. Few people in Britain have read the 2003 Communications Act and might be surprised to discover that the BBC is not Britain's only public service broadcaster (PSB). As Ofcom notes the PSB television channels as defined in current law include all BBC channels; ITV's main channel (including Scottish TV and Ulster TV); Channel 4's main channel; Channel Five's main channel and the Welsh Fourth Channel (S4C). Radio services are only rather ambiguously included in the formal review since a 2010 amendment to the Communications Act extends Ofcom's duties to review the role of the wider 'media services' sector and its impact on public service television. Ofcom has taken 'media services' to include radio as well as online services, though the data provided on radio in this review is more limited than the evidence provided on the state of television.

1.4. Ofcom's third review and consultation provides a most welcome opportunity for public debate although levels of public awareness of this opportunity are rather low. It is arguably the case that Ofcom considers its main 'stakeholders' to be the industry players rather than the audience or consumers – though it also conducts valuable audience research reported on in Section 3 of the main consultation document.

1.5. Ofcom has also provided vital information on the process of change in technologies and in patterns of take-up and usage in a connected society where the role of the internet is increasingly centre stage. Most viewing (perhaps 90 per cent) is still to live television but younger people in particular are finding new sources of audio-visual pleasure on-line (YouTube, Netflix etc.) and all age groups are making increasing use of 'catch-up' or 'time-shift' services such as the BBC's iPlayer or Channel 4's 4oD. Ofcom estimates that Netflix has some 3 million subscribers 'with users skewing younger and more ABC1' – this might then be a service less likely to be available in living wage, minimum wage or below minimum wage households (Ofcom PSB: 15). Television viewing has held up remarkably well with just under four hours a day (3.9 hours) per person in 2013, a slight rise from viewing in 2008 (See Table 1). Regarding the new symbiosis of broadcasting and the internet it is worth noting Ofcom's figure of 80 per cent of all households with broadband; this means that 20 per cent of homes are still without access. This creates some challenges for the PSB objective of universal service (Ofcom PSB: 13)

2.1. Is Public Service Broadcasting National Broadcasting?

2.2. The political forms of the democratic experiment are still very much tied to the nation state, voters select their Member of Parliament but not the Board of Directors of a national or multi-national media company (1). In the latter case a kind of accountability is thought to be provided through the discipline of the market – if customers buy then companies prosper.

2.3. Public service broadcasting is thought to have a social and cultural purpose that is distinct from though not necessarily in opposition to the traditional forms of market competition. Indeed the existence of PSB can only be justified by its social, cultural and civic role, including the role of public story telling as embedded in drama, comedy and entertainment. In many parts of the world the costs of fictional production are too great to meet within the nation state; in such cases large amounts of drama, entertainment, comedy and children's programmes will be imported and are likely, therefore, to embody the characteristics and values of other cultures. The United Kingdom is fortunate in being able to provide opportunities for creative people to produce a significant proportion of its television programmes within the UK – reflecting a variety of concerns and interests in what is a highly diverse nation state.

2.4. Food and fuel and movies come into Britain from all over the world but PSB has a special responsibility to explore and give a voice to the changing identities and values that make up the culture of the country. Successive waves of immigration, notably from Ireland, the Caribbean, South East Asia and more recently from central Europe have brought a powerful diversity of cultures and experiences. Representing these relatively new cultures, along with those of the nations of Scotland, Ireland, Wales and England, provide a necessary concomitant to the open door policy of also welcoming narratives from all over the world.

2.5. Public service broadcasting, like a national health service, must be available to all. However, unlike a health service its primary concern is the making of meanings and the exploration of values. PSB has two chief obligations:

2.6. *Firstly*, to reflect, inspect and critique the UK's democratic institutions and, more broadly to assess the state of Britain's democracy. To undertake this task the PSBs need to move away from the all too easy criticism that the public have lost faith in the 'political class'. The broadcast media themselves play a key role in representing the work of both politicians and democratic institutions. Some reflection on how well broadcasters fulfil this task would be appropriate whether within factual, fictional or entertainment genres.

2.7. *Secondly*, to explore and represent the many cultures and communities that make up the UK to-day. And this exploration of cultural diversity takes place across a variety of genres. It has been suggested that increasing foreign investment in or ownership of British production companies and broadcasters indicates that 'we must be doing something right'. However, the risk inherent in this process is that foreign owners or those with a primary commitment to a global not national marketplace might in the long run prioritise the sorts of story-telling that can be sold around the world and not the kind of story-telling that reflects the particular issues within and the diverse characteristics of British culture.

3.1. Context: Creating the Multi-Channel Universe

3.2. The Peacock Committee, established by Prime Minister Margaret Thatcher to consider the funding of the BBC, reported in 1986. Conducting its research in a country and a society that had only four television channels at the time, the Committee's findings were forward-looking. The report recommended enlargement of 'freedom of choice' for the consumer and greater opportunities for 'programme makers to offer alternative wares to the public' as well as the emergence of new 'direct means of consumer payment for programmes' (subscription services); they also advocated the development of 'pay per view' as a means of allowing viewers to 'register the intensity of their preference' Members sensed, correctly, that the much criticised 'spectrum scarcity' - given at the time as major reason for the impossibility of enhanced competition - might give way in the face of new technologies (Peacock, 1986: 124-6). The advent of subscription satellite and cable television, the invention of digital broadcasting and its near universal presence in British homes following digital switchover in 2012 made Peacock's vision of more plentiful choice a reality.

3.3. However, in some respects Peacock's vision of the future was not to be fulfilled. Among the longer term changes proposed in the Report was an end to the BBC Licence Fee and its replacement by voluntary subscription as a main form of funding – that is, an end to the principle of universal service within the UK. The concern about loss of 'programmes of merit which would not survive in a market where audience ratings was the sole criterion' was to be met by the creation of a Public Service Broadcasting Council probably to be funded by the tax payer and with its commissioned programmes distributed across many different channels (Peacock, 1986: 148). Considerable audience fragmentation was expected.

3.4. What we see instead, nearly thirty years later, is a still universally available and mixed public and commercial PSB sector, distributed free at the point of use. The four channels of 1986 have given way to the 527 channels as mentioned above. But by 2013 Britain's PSB main and secondary channels, all free-to-air and mostly regulated to show a significant proportion of first-run, UK-originated content, attract a 72.5 per cent share of all viewing (Ofcom PSB: 80); by contrast the most popular subscription provider, BSkyB - recently renamed Sky UK - attracts a share of 8.3 per cent of viewing (Ofcom CMR: 191). In terms of individual channels in the UK in 2013 the most popular is BBC1 with a 21 per cent share of the audience while the single most popular subscription channel, Sky Sports 1 attracts a share of 1.1 per cent - though this is more than BBC4 with a share of 0.9 per cent (Ofcom CMR: 196).

3.5. Peacock's concept of the introduction of channel or programme pricing as a way of establishing viewer preferences and their intensity remains an important one. But the broadcasting statistics for 2013 show quite a complex picture. Subscription TV is now taken in just over half or 53 per cent of UK homes (see Table 1). However, the amount of viewing time devoted to it is relatively small. In the case of the most popular subscription provider, Sky, its more than fifteen channels, taken together, attract a significantly smaller share of viewers (8.3 per cent) than the most popular of the PSB channels - BBC1 (21 per cent) (Ofcom, CMR14: 191).

3.6. When we turn to the topic of overall TV industry revenues in 2013 we find that while the overall figures continue to rise (a total of £11.2 billion in 2008 compared with £12.9 billion in 2013) the distribution of revenues does not match the share of audience. The three main sources of revenue are divided as follows in 2013: public funding (essentially the BBC) represents a 20 per cent share of the total; advertising (for ITV, Channel 4, Five and others) constitutes a 31 per cent share while subscription generates a 46 per cent share. (See Table 2).

3.7. What the viewing share figures indicate is that over the years the BBC, along with ITV, Channel 4 and Five, have survived and prospered as popular not specialised or elite providers. However their sources of finance are now diminishing, most particularly in the case of the BBC.

3.8. In the broad sweep of change and development since 1986 one last general point is important. In respect of the major process of change that saw all TV households switch from analogue to digital, it was the invention of Freeview with its new platform provision offering a free-to-view form of distribution for the PSBs that saved this sector. The Freeview technology provided a firm basis for migration to digital, creating a viable digital terrestrial television sector (DTT) when, for a time, it appeared that the only possible route ahead was via cable or satellite subscription. In the Herculean clash of technologies and business interests the free-to view sector was given a new lease of life.

3.9. Ofcom's Review of PSB properly focuses on a wide range of issues including production finance for first-run, UK-originated programmes, new technologies and associated viewing

habits and the future role of independent producers. The five main threats to the future of PSB identified in this submission are:

- The potential loss of spectrum for the delivery of free-to-view, nation-wide television services; this would have the effect of requiring viewers to turn to cable, satellite or Internet Protocol television thus introducing new gatekeepers and probably also higher costs for the viewer;
- Further reductions in the purchasing power of the BBC Licence Fee;
- The loss of cultural distinctiveness in programming in part as a result of the increased sub-contracting of programme production to US owned multi-national companies.
- The privatisation of Channel 4;
- The removal of news impartiality obligations from other licensed but not PSB British broadcasters with a knock-on effect on the news produced by all the PSBs, including the BBC.

4.1. Ofcom's Fifteen Consultation Questions

Q1. 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's review of PSB and the extensive data collected as part of this process is useful. Reference to the role of PSB in supporting other cultural sectors such as film, music, theatre, galleries and museums are welcome but it would be good to see broadcasting itself recognised as an influential element in British culture – with all of the opportunities that this entails. A brief survey of technological changes is provided in the review including the final stages of switchover from analogue to digital broadcasting. In 2008 some 87 per cent of homes had access to digital broadcasting, up to 97 per cent by 2014 with all of the additional choice of channels that this implies. The role of Freeview in offering access to 70 free-to-view channels is noted as well as the role of subscription TV services in offering several hundred. The new role of smart phones, tablets, smart TVs and broadband connected set top boxes is summarised along with the release of spectrum for an experiment in local TV services.

During the period 2008-13 the new, online based catch up TV services become popular with the launch of the BBC iPlayer and the ITV Player in 2008-9. The increasingly central role of the internet in many aspects of life is identified. In 2011 Amazon buys Lovefilm, and Netflix (one of the new 'over the top' video on demand or VOD services) begins to commission original content with a successful US re-make of *House of Cards* launched in early 2013. Detailed figures are presented on time shifting by genre with documentary emerging as the fourth most popular category after foreign and UK drama and UK soaps (p. 22).

Audience research is presented indicating that the most important of the PSB purposes is thought to be trustworthy news while the most important characteristic is 'well-made, high quality programmes'. A growing interest in accessing programmes and VOD material while on the move and across a variety of devices is noted. Detailed information is given on the range of TV, radio and broadband services taken up in the nations (including services in

national languages: Welsh, Gaelic, Irish and Ulster Scots). Investment by the PSBs in new UK content falls from £3.2 billion to £3.0 billion. This last key issue is taken up in later sections of the review document.

As already mentioned Section 2 says relatively little about the cultural dimension of broadcasting or its civic role and no terminology is developed for the assessment of the *quality* of programming. The four ‘PSB Purposes’ are reiterated from the first Ofcom review of 2004. These cover important ground: ‘informing our understanding of the world’, ‘stimulating knowledge and learning’, ‘reflecting UK cultural identity’ and ‘representing diversity and alternative viewpoints’, but make no explicit link to the civic role of broadcasting or to the first of Ofcom’s legal duties which is ‘to further the interests of citizens in relation to communication matters’ (Communications Act, 2003: 3.1).

Some detailed information is given about the role of the independent production sector which is seen to grow at the rate of 3.4 per cent on average each year between 2009 and 2013. By 2013, spending by broadcasters on out-of-house production stands at 49 per cent of all investment in new, first-run original programmes; with a lower figure of out-of-house work in previous years, attributed by Ofcom to the recession (Ofcom PSB: 17). This suggests that in-house production is or was perceived to be cheaper than externally commissioned work – an apparent reversal of the more common argument that independent production delivers cost benefits to broadcasters and audiences. The growth of foreign investment both in broadcasters and in independent production companies is noted as a ‘significant shift’ with (as already indicated) the US company Viacom acquiring Channel 5, and ITV remaining the target of possible take-overs. Acquisitions of UK indies by US broadcasters or cable companies is also noted with News Corp (subsequently the 21st Century Fox division of Rupert Murdoch’s enterprises) taking over Shine and Discovery and Liberty Global taking over the largest of the British indies: All3Media (RTS, Television 2014:24-33). This issue will receive a more detailed consideration in the response to Question 14 below.

The most disturbing element of the Section 2 review concerns investment by the PSBs in new UK content; this falls from £3.2 billion in 2008 to £3.0 billion in 2013 (Ofcom PSB: 15). This last key issue is taken up below in relationship to Questions 6, 9, 10, 11 and 15.

Q2: Have we identified the key differences in Northern Ireland, Scotland and Wales?

No response. This is too large a question to be attempted here.

Q3: Do you agree with our assessment that the PSB system remains strong overall? + Q9 How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system.

The PSB system is strong in the sense that it is popular and that, if the viewing figures for the secondary channels are added to the PSB’s primary channels, their collective audience share amounts to nearly three quarters of all viewing to television in the UK (see 3.4 above). Its strength also comes from the effects of regulation for quality and diversity. This regulation ensures a significant level of investment in the largely more popular original, first run UK programmes that attract audiences.

As the Canadian lawyer Peter Grant demonstrated some time ago it is much more cost-effective to import well-resourced programmes made in a larger market than to make your own in what is, by contrast, a smaller market (Grant, 2004: 13-24); this was true for Canada and is also true for the UK in relationship to the US TV market. However, the relatively well

resourced PSB system in the UK, in conjunction with regulatory requirements, has allowed audiences and some broadcasters to escape this trap. By contrast, the weakness of the system lies in the erosion of the value of the BBC Licence Fee which in normal times provides a benchmark for investment in original and innovative work. Of the five main PSB channels, three of these (BBC1, BBC2 and C4) are not required to be profitable in order to distribute a dividend to investors, though they are required to be efficient. Two of them (ITV1 and Five) are required to generate a dividend and are therefore routinely careful about the proportion of their revenue that they are willing to invest in production. The main problem for UK PSB is that since 2010 the reducing value of the licence fee, coupled with a post-recession crisis in advertising, has seen the available revenue for original production go down.

Ofcom has identified many of the alternative scenarios and risks for PSB in Sections 3 and 5 of the review document. However, the notion of steady evolution seems a little too positive in view of the threats currently faced by PSB. It is not yet known what will happen to the Licence Fee at BBC Charter Renewal (due in 2016) and TV advertising income although much recovered from its worst period, remains somewhat uncertain when compared to the large and still rising budgets enjoyed by the subscription companies. As indicated in 3.6 above, subscription revenue, as a proportion of total UK TV industry revenues, rose from 39 per cent in 2008 to 46 per cent (approaching half of all revenue) in 2013, while advertising fell from 27 per cent of total revenue in 2008 to 26 per cent in 2013 and the reduction in public funds/licence fee went down from 23 per cent to 20 per cent in the same period (See Table 1 below).

In addition, although the subscription providers in the UK have largely removed the carriage or transmission fees previously required from the PSBs whose popular channels they carried, they have made clear their unwillingness to start to pay a fee for the right to transmit the PSB channels. For this issue to be resolved Ofcom would need to exert considerable regulatory pressure in order to ensure re-transmission payments for the PSBs while retaining PSB prominence on the Electronic Programme Guide (EPG).

Q4: Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable? + Q6: Is declining investment affecting the quality of PSB and is it a cause for concern?

Section 3 of the review provides original and illuminating data on changes over the five year period (2008 -2013) with regard to PSB investment in a variety of genres. It should not be assumed that different audience demographics prefer different genres but the 'Programme Spend by Genre' figures give us a vivid sense of what, in hard times, appears to be most and least valued by the PSBs. Tables 3 and 4 below present Ofcom's figures for the percentage reductions in the budgets for ten different genres both in terms of all hours spending and in terms of spending specifically on first-run, originated content.

The genres are ranked in a general hierarchy of spending from 1 to 10. They are: 'Drama and Soap', 'Entertainment and Comedy', 'Factual', 'Sport', 'News and Current Affairs', 'Feature Films', 'Children's', 'Arts and Classical Music', 'Religion and Ethics', and - in the lowest ranking or number ten slot, 'Education'. The top four and the bottom three genres remain in the same overall ranking in both 'all hours' and 'originated content' spending. For just three genres there are changes of ranking. Thus both Children's and Arts and Classical Music do slightly better in the first-run, originated category; while Feature Film spending loses 33 per cent of value in the 'all hours' category but with a massive 75 per cent loss in the 'first run' category. It is important to bear in mind that these figures are aggregated across the budgets

of all the PSBs. In 2010 (within the period surveyed) Channel 4 was given greater responsibility for supporting British film and this would presumably have been reflected in their first run spend, if we were able to see this.

In summary, and if we focus on what is arguably the type of spending that is probably the most noticed by audiences – the ‘first-run, originated’ category, we find the following. All genres suffer a loss of investment but some more than others. Thus ‘Entertainment’ loses the least at minus 3 per cent; ‘Education’ loses the most at minus 65 per cent though the suspicion might be that quite a few otherwise educational programmes have been moved into different categories. The loss to ‘Education’ is followed by ‘Arts and Classical Music’ at minus 29 per cent; ‘Sport’ (perhaps surprisingly) at minus 28 per cent, ‘Drama and Soap’ at minus 24 per cent, ‘Factual’ and ‘Children’s’ each at minus 15 per cent and the great central beast of the system ‘News and Current Affairs’ at minus 13 per cent. All of these figures refer to losses in the years between 2008 and 2013.

Relatively speaking the system has tried to protect Entertainment but also, though to a lesser extent, ‘News and Current Affairs’, ‘Children’s’ and ‘Factual’. Sport, we might guess has been cut because the PSB’s cannot and will not compete with the very high prices being paid by companies like BSkyB and BT. And the other three: ‘News and Current Affairs’, ‘Children’s’ and ‘Factual’ are totemic to the system. Though more for some PSBs than others – the high and almost only spender for ‘Children’s’ is the BBC.

Entertainment can be an area that includes sharp and satirical work on the contemporary social and political scene; as a genre it should not, therefore, be dismissed as not properly PSB. Though there must also be some suspicion that this area is expected to feed the overall ratings. For several decades the BBC in particular has been caught between the Scylla and Charybdis of the high road and the low road – can’t be too popular and can’t be too obscure or elitist. The schedulers of BBC1 have raised this balancing act to great heights but with honourable achievements in science, engineering and history – areas not quite captured by the Ofcom genre grid. However the grid is interpreted, there must be cause for concern at the loss of investment in so many of the areas of meaning-making and of clear cultural significance.

A small irony in this context is noticed by Ofcom, since the audience reaction appears not yet to have noticed the chill wind of spending reductions. They report that 77 per cent of those who ever watch any PSB channel claim to be ‘quite, or very, satisfied...there were no significant differences in overall satisfaction between 2008 and 2013’ (Ofcom, PSB: 44).

Q5: 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?

No response; too complex to be addressed here.

Q6: Is declining investment affecting the quality of PSB and is it a cause for concern?

Yes and see Q4 above.

Q7: Do you agree with Ofcom’s provisional findings in the Review of C4C’s delivery of its media content duties?

No response.

Q8: 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.

Many of the commercial PSB secondary or 'portfolio' channels, perhaps especially those provided by Channel 4 (E4, Film Four) make a significant contribution to delivering PSB objectives, in particular for younger viewers. As regards the radio channels it is perhaps worth noting that Licence Fee payers provide some 60 per cent of total radio industry revenue; as regards listening share all BBC radio attracted 54.6 per cent in 2013 and all commercial radio, in the same year, attracted 42.8 per cent (Ofcom PSB, Annex 5).

As regards the relevance of online services in the category of News, for example, there are various examples of services contributing to PSB objectives as there are in the worlds of visual arts and music. But none of these services is likely to attract the sort of use and interest that is characteristic of PSB. Nor are these services universally available and free at the point of use. All require the payment of a broadband ISP fee and this can in some cases be at least as much as the monthly cost of the Licence Fee (£12.50) which, arguably, provides a richer offering.

Q9: How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system

'Steady evolution' may be a rather too hopeful view of some of the stark choices facing PSBs. See also the response to Question 3 above.

Q10: How might incentives to invest change over time?

No response.

Q11: Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?

Ofcom identifies a variety of ways in which funding to the PSB system might be increased. Changes to the advertising rules (that is, liberalising these rules) is not desirable for viewers nor for the system as a whole. The proposal to reduce the minimum UK expenditure for high-end television tax relief from 25 per cent to 10 percent does not seem to bring advantages for viewers or for the UK production sector considered as a whole.

In the case of the proposal to exempt PSBs from future Administrative Incentive Pricing (AIP - or payments for spectrum use) charges, this could be beneficial to viewers if this exemption goes hand-in-hand with increased first-run, original UK production obligations. There is already uncertainty and instability caused by the prospect of loss of spectrum currently used for Digital Terrestrial Television (DTT).

Contestable funding seems to be an unhappy and inappropriate last resort in the case of an already deeply damaged or broken system. As Ofcom rightly points out for this to be of any use the funding would need to be new money ('any use of current PSB funds would reduce other forms of provision', p. 119). Added value could not be achieved by attempting a bureaucratic recycling of existing resources. This has been suggested in the past, in the case of the Licence Fee in the past; such a policy would not bring new resources into the system.

Other forms of finance, following on from the often fractious dispute about transmission and re-transmission payments should be pursued. As Secretary of State, Sajid Javid noted in his

September 2014 speech to the Royal Television Society there might be a good case for removing the guarantee of free transmission of broadcasting services by cable companies enshrined in Section 73 of the Copyright, Design and Patents Act though this would not, of itself, settle the issue of acceptable payments to PSBs consequent upon their use by cable or satellite companies. But it would be an important step on that road (Javid, 2014: 34). Levies, taxes and copyright regimes, as outlined in Section 6 of the review should all be considered as a means for increasing PSB investment in first run, UK-originated programmes (p. 121).

Q12: Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?

Yes, both remain very important. The Electronic Programme Guide and any of its successors or alternatives will continue to be vital for viewers and listeners. This remains a key area for regulatory attention. For continued universal availability the provision of adequate suitable spectrum for PSB also remains vital. Some policy makers appear to think that the era of Digital Terrestrial Television will end in 2025 or 2030. But it is difficult to imagine – even with radical new technological developments – a system of mass distribution that is as efficient and cost effective as broadcasting over the airwaves. The benchmark for consumers should be a cost of 80 pence per month at 2015 prices since this is the amount currently paid by licence fee payers towards the cost of BBC distribution estimated at 6.5 per cent of all BBC costs. The distribution costs of other PSB providers is met by their advertising revenue and not directly by consumers.

Any new system of audio-visual distribution needs to avoid introducing new gatekeepers who might prevent access to PSB services or who might need to recoup their own research and development costs by passing on a higher distribution cost than 80p per month per household at 2015 prices. Of course in future, as at present, consumers may choose to pay more for premium services as they do at present with cable, satellite and ‘Over the Top’ subscriptions.

Q13: 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?

The possibility of regulating by institution and not by channel is worth considering. However, there is a great danger that what at present appear to be relatively diminishing resources for PSB might be spread too thinly over several channels. It might preferable to confirm that in the case of commercial PSBs only the main channel will be formally designated as a PSB. Though it might also be possible, under clearly specified conditions, to allow PSB providers to set the achievement of first-run UK-originated material distributed on secondary/portfolio channels to be set against their first-run quota obligations. In the case of Channel 4 which, although funded by advertising, is governed by a Trust and not by the interests of shareholders, the organisation might be given the option of proposing how many, if any, of its secondary channels it might wish to designate as PSBs. For different reasons it might be appropriate to allow Five to decide whether or not it wished to continue to be considered as a PSB.

Regarding the issue of a new genre specific role and duty (for example for the production of children’s programmes or for improved opt-out programming within the regions and nations), mentioned in the review at paragraph 6.45 it is unclear what specific regulatory benefits might be offered. If more worked through as a proposal this might be worth exploring, for example with ITV.

Q14: Do the current interventions in relation to the independent production sector need to change in light of industry developments?

Yes, these interventions do need to change to ensure that PSB providers in the UK continue to examine and represent the civic and cultural issues relevant to the diverse communities and social classes of this country. This is not likely to be achieved by overseas English language broadcasters even though in the short term these objectives may be met by the ostensibly independent companies now owned by large and multi-national US companies. A first step would be to change the recently amended Statutory Instrument the *Broadcasting (Independent Productions) (Amendment) Order 2014* (House of Commons and House of Lords). This Order was briefly debated and approved in the House of Commons on 30 October and in the House of Lords on 17 November, 2014, referred to also in the Ofcom review (p. 115). In the Commons debate it was argued that a producer should be ‘treated as an independent even if owned by a foreign broadcaster, so long as the foreign broadcaster’s services did not target the UK’. In comparing this with the campaign for independent production in the 1980s it seems extraordinary that a qualifying indie some 35 years later might be a producer whose company is owned and in the last instance controlled by a US broadcaster.

Given the strength of the ‘super indies’ in the UK, some now owned by Liberty Global and Discovery (All3Media) or 21st Century Fox (Shine/Endemol) or Time Warner (Shed/Wall to Wall) it is likely that British broadcasters will wish to continue to commission programmes from them. But it seems quite inappropriate that such transactions should be covered by Terms of Trade originally invented for small UK indies, or that these companies should be considered to be qualifying indies. For broadcasters to fulfil the independent quota whilst also commissioning from the new multi-national sector the existing independent quota may need to be revised downwards whilst still leaving adequate scope for the small and medium sized indies owned and located in the UK, keen to explore and reflect the cultures of the UK and to meet the objectives of public service broadcasting.

Q15: 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?

No response.

Notes

- (1) Democracy is described as an experiment because it is a relatively recent phenomenon. In Britain half the population – women – were only granted voting rights on equal terms with men in 1928 – less than a hundred years ago.

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Tables can be found on two separate pages at the end of this submission.

Tables (Sylvia Harvey Response to Ofcom’s third review of public service broadcasting, 2008-13)

Table 1: Key Figures for British Television, including Public Service Broadcasting, 2008 and 2013

	2008	2013
Total TV industry revenue (£bn)	11.2bn	12.9bn
Percentage generated by public funds	23%	20%
Percentage generated by advertising	31%	29%
Percentage generated by subscriptions	39%	46%
Percentage of digital homes with TV subscriptions	53%	53%
Viewing per head, per day (hours) all homes	3.74 hrs	3.9 hrs
Share of the five main PSB channels in all homes	61%	51%
Number of channels broadcasting in the UK	495	527

Source: Ofcom (2014) *The Communications Market Report 2014*, p. 127.

Table 2: Audience Share of Top Five British Broadcasters in 2013 (all are public service broadcasters)

Channel	BBC1	ITV1	Channel 4	BBC2	Channel 5
Audience Share	21%	16.2%	5.8%	5.8%	4.4%
Rank	1	2	3	4	5

Source: Ofcom (2014) *The Communications Market Report 2014*, p. 196

At URL: http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/2014_UK_CMR.pdf

Table 3: UK Public Service Broadcasters (Television Only): Programme Spend by Genre (£m) 2008 and 2013, all hours.

Genre	Ranking in 2013	2008 £m	2013 £m	Percentage Reduction
Drama & Soap	1	958	662	-31%
Entertainment & Comedy	2	591	588	-1%
Factual	3	561	480	-14%
Sport	4	593	395	-33%
News & Current Affairs	5	348	304	-13%
Feature Films	6	232	156	-33%
Children	7	121	98	-19%
Arts & Classical Music	8	56	41	-27%
Religion & Ethics	9	18	14	-18%
Education	10	29	10	-65%
Total Spend (£m)		3,506	2,749	-22%

Table 4: UK Public Service Broadcasters (Television Only): Programme Spend by Genre (£m) 2008 and 2013 first-run, originated content only.

Genre	Ranking in 2013	2008 £m	2013 £m	Percentage Reduction
Drama & Soap	1	739	565	-24%
Entertainment & Comedy	2	526	512	-3%
Factual	3	546	466	-15%
Sport	4	546	393	-28%
News & Current Affairs	5	348	303	-13%
Children's	6	102	87	-15%
Arts & Classical Music	7	54	38	-29%
Feature Films	8	13	23	+75%
Religion & Ethics	9	17	14	-16%
Education	10	29	10	-65%
Total Spend (£m)		2,919	2,413	-17%

Source for Tables 3 and 4: Ofcom (2014) *Public Service Content in a Connected Society. Ofcom's third review of public service broadcasting*, p. 49; figures expressed in 2013 prices. At URL: <http://stakeholders.ofcom.org.uk/consultations/psb-review-3/>

Note: the UK's public service broadcasters are defined by law (2003 Communications Act) and comprise BBC One, BBC Two, BBC Three, BBC Four, BBC News, CBBC, CBeebies, BBC Parliament, BBC Alba, BBC HD Services, ITV, Scottish Television (STV), Ulster Television (UTV), Channel 4, S4C and Five. The two tables on spend by genre exclude S4C, BBC Alba, BBC HD as well as nations and regions programming.

Sylvia Harvey, 24 February 2015.