

Title:

Mr

Forename:

Andy

Surname:

Egan

Representing:

Organisation

Organisation (if applicable):

BECTU

Email:

What do you want Ofcom to keep confidential?:

Keep nothing confidential

If you want part of your response kept confidential, which parts?:

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Ofcom should only publish this response after the consultation has ended:

You may publish my response on receipt

3i) Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?:

2. We note and agree with the PSB purposes and characteristics as laid out in the Communications Act and set out on page 19 of the Consultation paper ie the purposes are informing our understanding of the world/stimulating knowledge and

learning/reflecting UK cultural identity/representing diversity and alternative viewpoints; the characteristics are high quality/original/innovative/challenging/engaging/widely available to a large majority of citizens.

3. We strongly agree with Ofcom's view that television has an essential and continuing role in the delivery of these purposes. We believe that this is backed up by all the available evidence on programme hours and investment, on audience reach and on audience impact.

4. We note that Ofcom's own research in this area has demonstrated that:

- 'Television remains a central part of people's lives and is still the main source of news and entertainment for most people' (para 3.19).
- 'Audiences continue to regard the purposes and characteristics of PSB as important' (3.10).
- 'Most people still feel that the PSBs deliver well-made, high quality programmes; satisfaction with delivery of news and information is particularly high' (1.9).
- 'It [television] is a valued source of information and learning and is seen as important in shaping public opinion and promoting understanding between different groups in society' (3.17).

5. We further note that participants in Ofcom's research into willingness to pay for PSB featured 'a majority who were willing to pay more for the same amount of PSB' (3.45).

6. We believe that, on all available research evidence, no alternative method can remotely match PSB broadcasters in delivering these purposes - not the internet and certainly not non-PSB broadcasters. This reinforces our view that strong regulatory support for the future development of PSB is essential.

3ii) Do you agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes?:

7. We agree with Ofcom that 'examination of the four purposes of PSB [informing ourselves/knowledge and learning/cultural identity/diversity] suggests that content made in the UK is essential to the full delivery of all of them' (3.27).

8. We particularly note that the Ofcom viewer survey indicated that 'over 4/5 (83%) of people thought it is important for the main TV channels to provide programmes that are made in UK and reflect life in the UK' (3.28).

9. We strongly believe that a high quantity of UK-originated output - of high quality and broad range - is a central characteristic of our PSB system, is essential for the delivery of PSB purposes and will remain so in the future.

4i) Do you agree with Ofcom's conclusions about the way that other digital channels and interactive media contribute towards the public purposes?:

10. The media landscape is changing - with the spread of digital channels, the approach of digital switchover, the growth of the internet and the development of new platforms.

11. We note, in the first instance, that PSBs themselves are diversifying into new digital channels and online internet services. We accept that this is a legitimate and desirable way for PSBs to achieve audience reach and, where appropriate, new revenue sources. BBC, ITV and Channel 4 are all active in these new areas and Freeview in particular has boosted their availability. We strongly support PSBs' right to develop in these areas - especially including BBC Online and iPlayer.

12. However, we believe these developments are supplementary to rather than in any way a substitute for our main broadcasters' underlying PSB purposes. We therefore agree with Ofcom that:

- 'the [digital] portfolio channels do not fulfil PSB purposes and characteristics as significantly as the main channels'
- '[they] tend to broadcast a far lower proportion of new UK content... - and what there is tends to be broadcast on the main channels at some point anyway'.
- 'there are no [statutory] requirements' for commercial PSBs' portfolio channels 'to contribute to the broadcasters' remits' (4.18).

13. We believe, even more strongly, that non-PSB broadcasters' digital channels make an extremely limited contribution to the delivery of PSB purposes. Relative to their overall output, non-PSBs' contribution in this area is absolutely minimal. We note that this is confirmed by Ofcom's own analysis, which demonstrates that:

- 'non-PSB channels offer much less originated UK content than the PSBs and spend much less on it' (4.26).
- 'Investment by digital-only channels in content is concentrated in entertainment channels' (4.28).

14. Relative to revenue and profitability, non-PSB channels' contribution to PSB purposes is shockingly small. We believe that this should be noted when considering future funding models for PSB.

15. Finally, while the internet does deliver a certain amount of PSB content, it cannot - as indicated above - in any way match the reach and impact of PSB in this area. Ofcom's own commissioned research in this area demonstrates that online PS content is 'limited' in availability and 'difficult' in discoverability in key PS areas such as arts, culture and heritage/children/community and social action/learning and education/and recreation (4.42).

16. Our conclusion is that PSB - rather than other digital channels or the internet - remains central to the delivery of PS purposes for the foreseeable future.

5i) Do you agree with Ofcom's assessment of the implications of different economic scenarios for the UK TV market for the future prospects for delivery of the public purposes?:

17. We note Ofcom's analysis that future developments are uncertain; that various alternative scenarios and outcomes are possible; that the audience share of PSBs is likely to decline; that commercial PSBs' revenues are likely to remain flat in real terms; that commercial digital channels are unlikely to fill any gap left by PSBs; that total investment in PS content could decline in real terms; and that some genres (eg regional news, children's, nations and regions) are likely to face greater pressure than others.

18. We further note Ofcom's analysis in respect of the short term pressures on commercial PSBs, that PSB costs may exceed benefits for ITV plc before 2012, for ITV1 Wales by 2009 and for STV by 2009-10. At the same time we note Ofcom's view that there will be continuing net PSB benefits beyond switchover for UTV, GMTV and Five.

19. While not necessarily accepting every aspect of this analysis - which is based on a self-admitted high degree of uncertainty - we readily accept that the future of PSB, if left to market developments alone, is problematic. There is a range of possible outcomes. But there is also a range of possible policy solutions to guide and influence these outcomes. We do not therefore accept - and neither should Ofcom - that any particular outcome is inevitable.

20. For now, we note in particular that:

- Commercial digital channels are unlikely to fill any gap left by PSBs and 'if anything, non-PSB originated hours of output will decline as a proportion of all originated output and of those hours that are originated, a significant proportion will be made in genres that are less relevant to PSB purposes' (5.23).
- There are significant benefits to PSBs by means of privileged access to spectrum, prominence on electronic programme guides and preferential access to listings (5.35). Key commercial PSBs - ITV, Channel 4 and Five - all continue to benefit from this.
- Some commercial PSBs argue that their terms of trade with independent producers 'are increasingly out of step with the way the content market is evolving' (5.51). We agree with this and disagree with Ofcom that this is solely a commercial matter for broadcasters to discuss with PACT. Since independent production now looms so large within PSB - including many independent companies which are larger than the PSB franchises which commission them - we believe these terms of trade and the independents' practice of profiteering from PSB should cease to be a no-go area for Ofcom. Failing any alteration in the terms of trade, Ofcom should actively consider a reduction in the broadcasters' independent quota obligations - certainly in the case of ITV.

5ii) Do you agree with Ofcom's analysis of the costs and benefits of PSB status?:

Please see above.

6i) Do you agree with Ofcom's vision for public service content?:

21. We note Ofcom's vision for a system that 'delivers high levels of new UK content meeting the purposes of PSB'; is 'innovative, original and of consistently high quality';

should 'achieve maximum reach and impact'; 'ensures competition with the BBC'; and 'meets the needs of all communities within the UK' (6.3).

22. We further note Ofcom's view that this would require more than one provider in the area of national, international and regional news; high quality and original children's/drama/comedy/ and factual output; and content reflecting the different communities of the UK (6.4).

23. We can agree with these aspects of Ofcom's vision - but with the specific proviso that the key PSB element of universal availability of free-to-view content remains valid; that only PSB (rather than digital-only channels or online content) can secure this; and therefore Ofcom's call for 'a more nuanced understanding' of this (6.2) should not be allowed to justify any move away from a strong and central concern to retain our PSB system in the digital future.

6ii) How important are plurality and competition for quality in delivering the purposes of public service broadcasting, and in what areas?:

24. We note and agree with Ofcom's analysis that:

- Plurality of PSB has delivered the benefits of diversity of voice; enhanced reach and impact; and competition for quality (6.37-9).
- Based on Ofcom's own audience research, 'viewers value plurality highly in PSB' (3.38) and 'there is very high support for plurality in news programming' (3.41).
- 'market driven plurality is unlikely to deliver all the benefits the historic model of PSB has provided because the reach and impact of market services is generally less than that of services provided by the main PS channels' (6.42).
- 'the market is unlikely to deliver the benefits of plurality without continued intervention' (6.44).

25. We are not convinced - given the high degree of uncertainty about the future - that in some areas (such as factual and children's programming) it may be more effective to deliver plurality via online services or dedicated digital channels (6.47). We believe that redefining and weakening the definition of plural PSB in this way is not justified by sufficiently strong evidence. Once lost, this plurality could never be regained. It should not, therefore, be surrendered at this point.

6iii) In maximising reach and impact of public service content in the future, what roles can different platforms and services play?:

26. We note Ofcom's view that 'we wish to maximise the total value of PS content ...the future will not be about linear television alone, but a rich mix of linear broadcasting and new and diverse forms of content and delivery' (6.11).

27. However, we believe it is precisely the existing PSBs who are best placed to provide PS content through additional platforms, including online services. In particular, we note the BBC's significant investment online. We do not accept that this has in any way 'crowded out' commercial investment in online content and we note 'our [Ofcom's] analysis suggests that to date this has not been a significant factor'

(6.21).

28. More generally, we are not convinced that new delivery platforms can, in any immediate foreseeable future, replicate the success of PSB in providing commercially-available, free at the point of use, high quality and wide-ranging PS content. We note Ofcom's own similar reservations on this issue:

- 'investment in UK content by digital channels remains very limited compared to PSBs, and is concentrated in sport, entertainment and to a lesser extent news' (1.28).
- 'The contribution of certain digital channels to programming that meets public purposes - Sky News, Discovery and so on - is also constrained by those services' generally limited reach' (6.20).
- 'the reach of online services generally remains limited compared to TV programmes and there may be persistent barriers to increasing the reach and impact of online PS content' (6.8).

29. We therefore accept two of Ofcom's 'general principles of availability and access to PS content' (6.34) ie:

- 'Core PS content should remain widely available, free-to-view, through provision on a range of platforms - at minimum terrestrial and satellite. This should include all designated PS linear channels.'
- 'the value of PS content will be maximised if it is provided without additional payment' (6.34).

30. We remain unconvinced about the third principle - that 'use of paid for platforms...to deliver some PS content is appropriate if those platforms can deliver greater reach or impact among a particular target audience' (6.34). This is as yet contentious and unproven, especially as payment at the point of use cuts across basic PS principles and undermines universal access even among a particular target audience.

6iv) Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?:

31. We accept that the growth of digital channels, online services and other platforms provides a different and challenging context for the future development of PSB. However - if we continue to value the underlying aims and characteristics of PSB, and especially when the focus is on content rather than delivery - we see no viable across-the-board alternative to a model based on our existing PSB system. We accept that there is a range of alternative future outcomes and that the whole future of PSB, if left to market forces alone, is problematic. However, there is also a range of possible policy solutions to influence these outcomes - and at the core of this debate are the future models for funding.

7i) What are your views of the high-level options for funding public service broadcasting in future?:

32. We accept Ofcom's analysis that:

- 'if nothing changes in the funding and delivery of PSB, we are unlikely to be able to continue to secure its potential ongoing benefits' (7.4).
- 'an appropriately-funded, independent BBC will and should remain the cornerstone of PSB and. any decision which substantially impacts the BBC's PS contribution could be counter-productive' (7.6).
- 'Our analysis suggests that by 2012 the value of implicit funding for those institutions [ITV, Channel 4, Five] will have declined by around two thirds or £335m since the Act' (7.1) ie the approach of digital switchover is leading to a significant funding gap for commercial PSBs.
- 'Our recommendation is that new funds should be found to replace the current declining implicit subsidy' (7.16).

33. We further note Ofcom's four possible options for funding PSB in future:

- I) Direct public funding including direct taxation
- II) Opening up licence fee funding/BBC assets to other providers ie the option known as 'top-slicing'
- III) Regulatory assets including privileged access to spectrum and increased advertising minutage
- IV) Industry levies

34. Our view is clear. We favour option 3 and 4 (which are not mutually exclusive). We oppose options 1 and 2.

35. We oppose direct public funding because this represents a politically vulnerable method of finance which would have negative implications for editorial independence and creative freedom and could easily become extremely unpopular with the public.

36. We are fundamentally opposed to opening up licence fee funding to other providers or to selling off BBC assets. In our view this model does not provide for the funding of broadcasters in addition to the BBC but directly at the expense of the BBC. It seems completely counter to Ofcom's own self-proclaimed view of the BBC as the cornerstone of PSB. It would weaken the BBC's role as our central PSB provider; redirect public resources to private profit; potentially impose an extra layer of chaotic and wasteful competition with high transaction costs (in the event of any new system for bidding/allocating these funds); and lead to a net reduction in original PSB production (as indicated in previous research by Oliver and Ohlbaum).

37. We also oppose any variation on this model, including the use of any excess or enhanced licence fee. We believe that this would dilute the connection between licence fee payer and BBC; erode public support for the core licence fee; and set a precedent for future demands impacting on the core licence fee. It would also fail to acknowledge that the BBC's digital role benefits the whole industry and will continue beyond 2012.

38. We favour the exploration of using 'regulatory assets' as a funding source. Gifted or discounted spectrum pricing in exchange for the provision of a PSB service is an attractive option - as is the use of additional revenue from any increased advertising minutage that follows from the revision of the AVMS Directive or possibly a licence fee rebate. We believe, however, that the use of regulatory assets will, in itself, be

insufficient to fill the funding gap.

39. We therefore strongly favour the option of industry funding through levies on non-PSB providers. We believe, for example, that a levy on the turnover of non-PSB broadcasters licensed in the UK (eg BSkyB) could provide significant resources to fill the PSB funding gap. BSkyB is an immensely lucrative commercial franchise which has long enjoyed the benefits of light regulation and the ability to commodify areas such as live sport while contributing pitifully little original PSB programming (relative to its revenue stream). In a sense, BSkyB and others have been parasitic on the basic framework provided by PSB. It would therefore be entirely justified and affordable to redirect some of their resources to PSB. In so far as other platform operators (eg cable, telecoms, internet service providers) also benefit from the underlying PSB framework, consideration should also be given to extending the levy into these areas.

40. We believe that any potential EC state aid arguments against such a levy should be resisted. The Amsterdam Protocol (ie the Protocol on the system of Public Service Broadcasting in the Member States appended to the Amsterdam Treaty) clearly recognises 'the competence of member states to provide for the funding of PSB... for the fulfilment of the PS remit'. We believe it would be wholly inappropriate for Ofcom to presume that state aid arguments would override this and we look to Ofcom to urge the Government to take a stand on this issue.

41. We look to Ofcom to initiate research on available (or reportedly available) foreign models for levy-based funding (eg France, Canada, and possibly others including Italy, Spain and Finland). We do not have to adopt any such model and might well have to devise a new model appropriate for the UK. Comparative international information will nonetheless be useful. It is disappointing - given the scope of Ofcom's research activity - that this has not been undertaken before (not, at least, in any publicly accessible form). We look forward to the 'detailed assessment' (1.33) of this and other options in phase 2 of this review.

7ii) Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?:

42. We note the tests as set out in Figure 48 of the paper (p97) and that the issues raised in this area will be explored in more detail in phase 2 (7.34). Our only initial comment at this stage is in respect of 'complementarity'. We believe it will be equally important for any future PSB model to be subject to the test 'Does it complement, not discourage, existing PSB provision?' We do not accept that any testing regime should take market provision as its default provision.

7iii) Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why? Are there any alternative models, or combination of models that could be more appropriate, and why?:

43. We note Ofcom's four possible models for the future delivery of PSB:

- I) Evolution, with current commercial PSBs retaining a PS role.
- II) BBC only.
- III) BBC/Channel 4 (plus limited competitive funding to fill remaining gaps in provision)
- IV) Broad competitive funding ie funding for PS content beyond the BBC awarded through a funding agency, with no designated PS role for existing commercial PSBs.

44. BECTU clearly favours model 1 'evolution' as the most appropriate and is opposed to all other models or combinations.

45. We note that model 1 is the only one in which commercial PSBs retain a designated PS role. We believe - in the interests of plurality of PSB and in order to build on the PS skills and experience built up over decades - that ITV should continue as a PSB, with appropriate additional funding to allow it to pursue a strong PS remit, including programming for the regions. Removal of its PSB role could, incidentally, simply render ITV plc more vulnerable to foreign takeover, to the long-term detriment of UK viewers. Five should also retain its PSB role, with appropriate regulation to guarantee this.

46. Model 2 - with BBC as the sole PS provider - would offer no plurality and could, in the long term, lead to the Corporation evolving into a niche broadcaster along the lines of PBS in the US. As noted in the paper, there 'would be a decline in provision of content meeting public purposes that is not commercially viable' and 'a decline in the range and diversity of content available to audiences' (7.47). On Ofcom's own description, the BBC should remain the 'cornerstone' of PSB. It can only do this if there is a broader structure of PSB to support.

47. Model 3 - based on BBC/C4 with limited additional/competitive funding - exhibits the same problems of a significant loss of plurality (in the form of the commercial PSBs) and the danger of PSB evolving into a niche market along the lines of PBS. It compounds this by introducing the highly problematic notion of a competitive funding regime - which could incorporate all the drawbacks of top-slicing or of an extra layer of bureaucracy in the form of a funding agency. We also favour additional funding to support C4 in its continuing role as an innovative PSB - but not at the expense of BBC funding

48. Model 4 - ie broad competitive funding - brings together the problems of a 'BBC only' approach (since the BBC would be the only designated PSB) and those of an 'independent funding agency' (which simply introduces a layer of wasteful competition with high transaction costs into our PSB system). We foresee a net reduction in PSB programming overall (as suggested in previous research), a real threat to BBC funding (in the event of the almost inevitable pressure to redistribute licence fee funds) and, as indicated in the paper, 'a smaller role for the BBC than at present' (7.54).

49. If we wish to pressure a vibrant pluralistic PSB system in the digital era, we see no alternative to adopting model 1 (with a strong continuing PS remit for commercial PSBs). We would see the adoption of any of the other models as potentially signalling the start of a long, slow decline of PSB in the UK.

8i) What do you think is the appropriate public service role for Channel 4 in the short, medium and long term? What do you think of Channel 4's proposed vision?:

50. We note that Ofcom's commissioned research from LEK indicated that C4 is likely to be loss making beyond 2010 and that C4's core channel made an operating loss in 2007 for the first time since 1992. We further note that C4 has raised its request for public support from £100m to £150m.

51. We are strongly in favour of C4 remaining as a PSB and we believe it should retain its particular PSB remit of providing a distinctive, innovative and diverse service. We are flatly opposed to privatisation, which would undermine the basic justification for C4's creation in the first place.

52. We accept that C4 requires additional public funding but would be strongly opposed - for the reasons set out above - to redirecting BBC licence fee revenue to the channel. We believe that the channel's public funding could be provided by privileged access to spectrum, extra advertising minutage and/or industry levies. There is no need or justification for any top-slicing of the BBC licence fee for this purpose.

8ii) Which of the options set out for the commercial PSBs do you favour?:

53. As indicated above, we favour a strong continuing role for ITV as a PSB. We accept there is a funding gap and believe this should be resolved by a combination of spectrum advantages, advertising minutage and, particularly, industry levies. With suitable funding from these sources, we do not accept that there should be a relaxation of ITV's historically essential regional obligations. We note, with Ofcom, that 'ITV1's regional history, its unique reach, audience share and regional infrastructure make it an effective carrier for the delivery of regions and nations content' (8.11). We note with regret that, following the establishment of ITV plc, internal accounting procedures apparently prevent advertising revenue associated with regional programming to be designated for regional production.

54. We favour a continuing role for Five as a PSB. We note that 'the regulatory obligations placed on Five are significantly lower than those for other PSBs' (8.26) - to the point when we do not believe there is scope to lower them further. We especially note that Ofcom's modelling 'indicates that Five should see a benefit from PSB status up to and beyond switchover' (8.30).

9i) To what extent do you agree with Ofcom's assessment of the likely future long term issues as they apply to the nations, regions and localities of the UK?:

55. We agree with Ofcom that 'In the long term the issues facing national, regional and local provision are very similar to those for the rest of PSB, and the long term choices represented by the four models are the same here as in other genres' (1.43). Our views on funding options and our preference for model 1 (evolution) are essentially the same for the nations and regions as set out above for PSB generally.

56. We further note and accept that programme output/spending for the nations and regions has fallen in recent years (3.87, 3.89); that audience research continues to confirm that viewers value nations and regions programming highly, especially news (9.3); and that 'the internet is not currently seen by viewers as a substitute for nations and regions provision on broadcast television' (9.7).

57. Specifically in respect of Scotland, we believe that plurality of PSB provision is particularly important in the light of the strong and developing remit of the Scottish Parliament. We note the ongoing work of the Scottish Broadcasting Commission but would strongly oppose any proposal to split the BBC and to operate as a separate Scottish Broadcasting Corporation (which would, in our view, have seriously negative employment implications). Similarly, we would oppose any move to splitting the licence fee on national lines. Nor do we favour devolution of responsibility for broadcasting from DCMS to the Scottish Parliament (which could lead to competitive funding pressures from other devolved areas of responsibility).

58. Similarly, we favour a strong and continuing role for commercial PSBs in Wales alongside BBC and S4C, while opposing any devolution of funding responsibilities from DCMS to the Welsh Assembly and any splitting of the licence fee.

59. In respect of Northern Ireland, we note that the strength of UTV relative to some other parts of the ITV system makes the 'evolution' model particularly appropriate there.

60. In conclusion, we favour model 1 for the nations and regions - with additional UK-based funding from regulatory and industry levy sources. We believe that a plural PSB model is highly appropriate and that demands for more original material should be addressed as much to commercial PSBs as to the BBC in the nations and regions. Furthermore, we specifically support the development of local television, as represented by bbcLocal.

9ii) Which model(s) do you think will be most appropriate in each of the nations and in the English regions in the long term, and why?:

Please see above.

9iii) What are your views on short/medium-term issues referred to, including the out-of-London network production quotas?:

61. We note, and in principle support, the Communication Act's requirement, across all PSBs, that a proportion and range of programmes are made outside the M25 and that a proportion of production money is spent in a range of production centres. We would additionally support an aim of achieving levels of nationally/regionally-originated network production in line with those areas' proportions of the UK population.

62. We also note that Ofcom will consider in more detail in Phase 2 the issues relating to out-of-London and out-of-England production quotas and will examine the distribution across the PSBs ie BBC, ITV, Channel 4 and Five. We await this more

detailed focus on these issues with interest.

63. Our starting position, in respect of the BBC, is that we welcome in principle the requirement for our nationally-funded broadcaster to make programmes throughout the UK (even if quotas are not to be applied in a specific and rigid way). However, we do have concerns that, following the closure of Television Centre in 2012 and the likely sale of Elstree, the BBC may not own a single major television studio in England (let alone London and the South East) and may not be able to produce, for example, drama/Children in Need/light entertainment shows without hiring commercial facilities.

64. Similarly, we support, in principle, an obligation on ITV to produce non-news programmes (as well, obviously, as news) from a range of production centres throughout the UK. We are obviously concerned that ITV has failed to achieve its out-of-London quota for two successive years.

65. We continue to have reservations about any single definition of regional as 'outside the M25'. This can, notoriously lead to productions notionally originating from production offices located just outside the M25 (eg Amersham) - and therefore out-of-London - but in effect still using London production facilities. We would welcome a stronger definition of 'national'/'regional' based on use of local labour/facilities rather than geographical location of the production office.

9iv) What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal? (Please note that Ofcom will put forward firm options on these issues, and consult also on ITV plc's regional news proposal, in phase 2 of this Review.):

66. We are already publicly and strongly opposed to ITV's proposals for a reduction in the number of regions and for a drastic reduction in regional news budgets. Furthermore, we regard ITV's amended proposals - which retain deep cuts in regional news budgets - as unacceptable.

67. This would represent a fundamental erosion of ITV's distinctive characteristic - its strong regional structure. It also runs contrary to the interests of viewers - since audience research has consistently demonstrated strong viewer-approval for regional news programming. Ofcom's paper confirms that 'audiences in England generally attach high importance to provision of regional news from more than one supplier, providing plurality and competition for quality' (9.72).

68. We accept, as already indicated above, that ITV will face a funding gap and we advocate that this is filled from a combination of regulatory assets and industry levy sources. Extra advertising minutage around regional news programmes is one specific option for targeted additional funding.

69. We note that Ofcom has not as yet responded to the ITV proposals and that this will be covered in Phase 2 of the review. We are already clear - especially in the light of Ofcom's statutory duty to 'maintain and strengthen' PSB - that Ofcom should refuse these requested changes to the ITV licences. It would, in our view, be unacceptable for our regulator to place the commercial interests of ITV ahead of the interests of

viewers and citizens - especially when alternative sources of additional funding are available. We call on Ofcom to resist ITV's proposals without qualification.

10i) Do you agree with our assessment of the possible short term options available relating to children's programming:

70. We note that there has been a significant reduction in investment in original children's programming, especially by commercial PSBs. We further note strong viewer/parental support for UK-originated PSB children's programming but low levels of satisfaction with delivery (3.84). We accept that 'There is no evidence that the market will fill the gaps in children's content provision left by falling investment by the commercial PSBs' (1.54).

71. We believe, however, that children's TV is ultimately too important to be left to the market, in view of the social, cultural and educational implications of leaving British children without any significant alternative to a television diet of American and other imports. We believe that television plays a key role in children's lives not only through entertainment but through education and information - and that British children should have access to original programming reflecting their lives and their culture in a way that imported programming can never do. We further note that children's programming has in the past been an internationally successful sector of our programme production industry and has provided a platform for creative talent which has gone on to contribute to the wider industry.

72. We support the continuing role of the BBC as a major producer of children's programming but, as in other areas of PSB, believe plurality of output is essential, specifically including a role for commercial PSBs (with appropriate additional funding).

73. We therefore favour model 1 (for the underlying reasons set out above) as the long term way forward for children's programming. We believe the competitive funding approach (model 4) would be particularly inappropriate in this area, leading to a dispersal of output and loss of profile.

74. We accept that there may need to be additional short-term measures to support children's programming and would not be opposed to a strengthening of the remits of BBC, Channel 4 and S4C (with appropriate additional resources) in respect of children's output.

75. We note Pact's proposal for a production tax credit and outlined our initial views on this in our response to Ofcom's paper on 'The Future of Children's Television Programming' - including the point that the trend to independents' consolidation threatens the smaller specialist children's producers.

76. We retain this view that the tax credit proposal is geared to the commercial self-interest of independents rather than any broader concern for children's television. Crucially, it would discriminate against in-house production of children's programming in the commercial PSBs, since it would apply only to independent productions. Pact has never been able to answer this point (their response that they exclude all BBC commissions misses it entirely).

77. Therefore, since we strongly favour a long-term role for commercial PSBs in this area, we oppose the tax credit proposal as currently framed - while noting the additional danger of abuse of such a scheme. If tax credits are to be adopted, they should apply to in-house as well as independent production. Ofcom's role in this area is to support children's television not to construct a new trough for independents to feed in.

11i) Do you agree that new legislation will need to be in place by 2011 in order to ensure continued delivery of the public purposes in the medium and long term?:

78. We note Ofcom's proposal the new legislation be in place by 2011 ie in advance of the expiry of the commercial PSB licences in 2014.

79. We do not generally favour the bringing forward of new regulations, especially if this involves the introduction of unwelcome proposals (eg based on models 2,3 or 4) at an earlier stage than necessary. We await Ofcom's specific final proposals at the conclusion of the PSB review before providing a definitive view on this issue.

Comments:

80. We hope you will note our views - especially on the models for funding and for the long-term delivery of public service content but also on ITV regional news. We look forward to the further progress of the review.