# Response from the BFI to the Public Service Broadcasting Review

## Section 3

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

We very much welcome the opportunity to respond to this review of Public Service Broadcasting.

The British Film Institute is the national agency charged with preserving and making accessible the nation's audio-visual heritage and furthering an understanding of these media. Both online as well as in the world of venue based activities the BFI's range of services contribute to stimulating knowledge and learning about film and television, as well as developing awareness of other cultures and alternative viewpoints through these media.

As the designated National Television Archive, which operates as a part of the BFI National Archive, our concerns with television are based on both an assessment of its place in the contemporary culture and its role in sustaining the good polity of the nations of these islands. Television has to be acknowledged as the most important communications medium of the second half of the twentieth century, and as is commonly accepted, the British 'solution' has been successful because it has been the beneficiary of an evolving regulated environment, which has at all times prioritised public purposes. The dominant social and cultural role of television has undoubtedly lessened in recent years but this change has been slow and the place of television in people's lives in terms of hours consumed remains high. As convergence continues, the modes of transmission may change but television is likely to continue to hold a central place in most individuals' lives. This review, which is taking place at a time of some uncertainty across all media organisations about future 'business models', needs to take account of the continuing importance of television programmes in our civil society. Any proposals emanating from it should seek to sustain the infrastructure and if necessary modify the regulatory framework for continuing success both in meeting audience needs and underpinning robust organisations able to deliver innovation and quality.

Ofcom's first review of the PSB tv sector offered the first forward looking assessment of how convergence and globalisation would affect the UK commercial public service broadcasters and made an early attempt to quantify the economic impact of the changes associated with digital delivery and the lost benefits of gifted spectrum. As then, we are sceptical that the impact of the loss of the benefits of gifted spectrum is as great as is suggested by Channel 4's or ITV's analyses of their future business prospects, but there are certainly two factors which have to be taken account.of: the success of the Freeview platform and the dramatic rise in broadband take up. Like every other media sector the television industry is now coming to terms with this new, much more complex media environment where the watchword is uncertainty and tv organisations are sensibly seeking an advantageous, or at least 'safe', position in it.

Within the panoply of future possibilities, however, it does seem very likely that the historic role of the distributors of content as the most significant players in the value chain – effectively the pivot for media content of whatever form to be made available to audiences - will remain critical and fundamental, and for the UK this role for now can only be played by the broadcasters. The broadcasters' 'power' derives from their ability to invest in content and in the UK settlement heretofore this has derived from income derived from the mixed economy of advertising revenue and licence fee. This balanced and advantageous position for UK production is changing with the ability of foreign owned search engines to command more advertising revenue, so that less investment will be available for UK-commissioned programmes. As Ofcom notes, the BBC's guaranteed income from the licence fee gives it huge advantage and this needs to be matched by its continuing centrality in delivering the purposes of public service broadcasting across both the traditional media of television and radio as well as the web and other new platforms.

A longer term perspective requires careful consideration of what mechanisms might be developed on the internet to 'market' content with public purposes which users can find with ease. The internet as an industry sector has many parallels in this regard with the film industry where UK content has had limited success over many years despite Government repeated intervention to provide assistance. Ofcom's proposal for a Public Service Publisher touched on these needs in 2004 and we still consider this sort of forward thinking essential to feed into the public debate ahead of legislation. In short, Government needs to consider seriously if it wishes to sustain a healthy UK content production sector meeting the needs of our polity and then will the means to achieve this.

We believe this Review is important now to inform a policy framework for future interventions – which might include new legislation at some point - within a set of agreed objectives.

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

We do agree that it is a fundamental requirement of our culture that there is a wide availability of television programmes and public service content which both mirrors our society and contributes to our identity and understanding of the world.

It is our contention that the conditions of the creativity needed to deliver programmes with these characteristics have been too little considered in the rush to develop a regime which prioritises, or has led to, the development of a production sector with major players unconnected to the distributors of content. The SME emphasis of the early Channel 4 years, which complemented the historic decentralised programme production across the integrated ITV companies, has now been changed to the unfocused provision of an advantageous regime for larger companies without direct ties to the broadcaster. In essence, the focus of the regulators (ITC then Ofcom) in the last ten years has been on the wrong part of the value chain – on production rather than the new modes of distribution and then on the impact of distribution on the conditions of production. In this respect the BBC has been exemplary in following a much more far sighted strategy in the same period.

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

It is undoubtedly the case that other digital channels in the broadcast domain have added to the range of choice. The expanded provision of sports coverage has played a significant part in the success of BSkyB. Audience members in the UK with ties to other cultures have been able to access material in their mother tongue. News coverage has developed so that views from different perspectives are now available for many in the population whose needs would otherwise have been provided less well. However, a high proportion of the material on offer is 'international' content or repeats of UK programmes and though this may provide choice, much of it contributes little toward the public purposes of broadcasting let alone to the health of the production sector. As Ofcom notes itself, the amount invested in new UK content is limited. Furthermore, investment in British film has been vitrtually non-existent by the digital channels which have derived much of their market impact by licensing studio films from the US.

Ofcom's conclusions about the contribution of other channels provide too little focus on the components of citizenship. While we welcome the abandonment of the early consumer-citizen hyphenate in Ofcom's policy frameworks, we believe Ofcom's work often remains too market-driven and undertakes too little analysis of the critical legacy role that the 'old media' of television and radio played in sustaining citizenship. The audience surveys are useful background information but provide too little substance to form the basis of 'evidence-based' analysis relating to the future.

Ofcom avers to interactive media, which, if this is referring to the internet, undoubtedly provides a rich and diverse resource which readily provides access to publicly purposeful media. Again, the difficulty is what is sometimes called resource discovery, and the problems faced by all providers of web sites to gain attention for their services, and here again the BBC has provided exemplary leadership. In reality, this market is dominated by Google with all the adverse consequences for the flow of advertising revenue to British companies. We believe the development of web offers from other public organisations has over excited some commentators. The investment from these organisations in online content has been limited and often project funded by lottery providers and, unless there were a radical redirection or increase of resources from central Government to these organisations, their level of funding to commission new 'public service' content for interactive media is unlikely ever to reach that of broadcasters. This is not to say that these organisations, of which the BFI is one, do not have an important role to play in offering the wealth of knowledge and content to the public using digital technology, but rather that it muddies the waters to see their activity as some rescue mission.

i) 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?

As noted above, we believe first the ITC then Ofcom prioritised regulation of the wrong part of the value chain in their areas of responsibility in the last ten years. The key objective should be to enable successful organisations to deliver high quality programmes and public service content widely used by British viewers and users in other media environments.

The scenarios suggested by Ofcom are plausible but predicting which, if any, of the scenarios is most likely to emerge is impossible. Ofcom has the difficult task of recommending changes to the regulatory framework which ensure the needs of the citizens of the UK are met, The current uncertainties in terms of future audience behaviour, and relatedly any clear sense of what the successful economic models may be, makes any assessment speculative. The one certainty is that UK public service content must be sustained in the globally competitive market where much content commissioning will probably be driven by non-UK companies to secure the highest return on investment. The closest analogue may be the British film industry which has lacked a global player in the distribution sector and become dependent on US majors for large scale investment in UK productions. In this scenario the maintenance of UK global players in commissioning and production is critical. It seems probable that the recently altered terms of trade between broadcasters as commissioners and independent production companies will need to be reassessed to take account of this situation.

There are a number of key areas where Ofcom's intervention will be critical to secure an outcome beneficial to the citizens of Britain. It has been suggested that Ofcom has inhibited the development of next generation broadband in the UK through over regulation. If this is the case then clearly this is slowing the growth of the sectors across the value chain which would benefit from higher network speeds. Although internet platforms are likely to remain of secondary importance in consumer behaviour until there is widespread uptake enabling web video to be seen through the main household television monitor, Ofcom should seek to facilitate the capability of players across the value chain to experiment and innovate. The introduction of HD capability through Freeview seems likely to be a key factor in determining the future value of the multiplex places under the control of the commercial public sector broadcasters. We note that there is little mention of this factor in these scenarios.

We wholly endorse the comments regarding the importance of search and discovery relating to public service content on the web and encourage Ofcom to continue to foster debate about the best solution to this set of problems.

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

We continue to find the case being deployed to encourage ITV to maintain its public service broadcasting status as less than persuasive. There is a direct benefit to ITV of its historic place in British everyday life which was established in the era of so called spectrum scarcity. This will continue after digital switch off through Freeview.

It has been disturbing in recent years that Ofcom has agreed to the withdrawal of ITV from regional programming on a straightforward cost benefit analysis. If ITV plc is confident in its own business model – and of course its track record in recent years has been far from stellar – then it should either accept the obligations of public service or hand its licence back.

#### Section 6

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

The vision is unexceptionable but should also continue to be expressed in terms of the principles of a good polity and not simply as 'driven by audience priorities' It has often been said that audiences don't know what they want until it is made available and Ofcom's prescription is one which could easily lead to a dumbing down of programme quality if applied unthinkingly.

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

Plurality is possibly a key question and we welcome the publication of *The Price of Plurality* by the Reuters Institute at the University of Oxford to widen the debate on this issue.

Few would welcome a monopoly of provision but it is arguable that in the race to introduce changes in intellectual property position of independent producers to facilitate a more business-like and sustainable independent production sector, that the organisational needs for innovation and creativity have been overlooked. This could be summed up as requiring a better compromise between the needs of the lynchpins of the UK production sector – the public service broadcasters- and the needs of a sector of the industry marked by small and medium sized entities and high levels of uncertainty for those working in the industry.

Competition for quality is a nostrum often uttered but it is unclear what level of competition between broadcasters will deliver the optimum public purposes. The decision in the UK to set up Channel 4 played an important role in changing the ecology of British broadcasting. Just as ITV had introduced competition and, through the regulatory framework a range of regional production centres enabling large vertically integrated network companies to emerge in some of them, Channel 4 enabled an independent production sector to grow and flourish, again because of the regulatory framework.

The decision facing Government and Ofcom is whether, in the light of the ITV situation, and with the need to think through the firm structure which might be encouraged to develop content for new platforms, the current incumbent broadcasters can provide the necessary impetus for a successful series of transitions as the new environment of competition emerges. We believe these issues of overall industry structure should be paramount in deciding the way forward and in these terms there is insufficient justification for the models offered in Section 7.

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

Online content has played and will continue to play a significant part in providing access to public service content. Television will continue for the foreseeable future to play a major role in providing audiences easy to access public service content. The role of mobile phones remains unclear.

Reach and availability are then key factors. In this regard, the importance of search technologies which prioritise public service content remains a difficult issue which must be addressed.

We welcome Ofcom's identification of related issues in terms of different possible public purposes which are now potentially available because of technological change. The BFI has worked with the BBC, Teachers' TV, Open University and Channel 4 in the Creative Archive Licence Group to offer material for individuals to use non-commercially in their own endeavours. The rights difficulties to this kind of initiative remain and we would welcome Ofcom's involvement in exploring whether it can assist with this development in the light of its media literacy responsibilities as the debate over the future of public service content continues. We believe there is an ever wider appreciation of the important public (and intellectual) value in Archival content, and with our continuing responsibility for securing and making the nation's heritage accessible, we would wish to work with Ofcom in finding appropriate methods for the maintenance and enhancement of archival work as the broadcasting environment changes.

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

Our answer to question (ii) above suggests a need to rethink the whole structure of regulated public service broadcasting but in a more fundamental analysis than Phase 1 of this Review suggests.

We agree that in the longer term parts of current public service provision will need radical overhaul. In particular, where the focus has been on what exists rather than with future opportunities this has led to unsustainable commercial funding models. Continued intervention will be necessary. The BBC should be encouraged to continue to lead in innovating across programmes, technologies and platforms but within a framework which enables its financial strength to be utilised by other entities: the notion of venture capital for the creative industries needs to be operationalised. The best long term options for Channels 3 and 4 are much more difficult to determine.

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

We are not convinced that Ofcom's analysis of the 'key dilemma' that lies ahead is accurate. It is certainly the case that the 'implicit subsidy' from gifted spectrum will be less valuable. However, redirecting the BBC's resources seems like a case of short term thinking which is based on a lack of strategic thinking about the ends which we are seeking to achieve. If we can agree objectives for the provision of content across the public service sector, it is for Government to will the means within a framework of realistic expectations and likely outcomes.

We concur with Ofcom (para 7.16) that 'new funds should be found to replace the current declining implicit subsidy'. We are opposed to any redirection of the licence fee though we understand that this will be an attractive option if the alternative is direct funding by the Treasury. It is noteworthy that significant sums of funding from taxation are already dedicated to minority channels and we believe this principle, which is a sound one to achieve a public good which is endorsed by Parliament, should apply to other niches where, as Ofcom points out, a commercial remedy through the trade off between monopoly of advertising sales and granting of a franchise (albeit now expressed as an implicit subsidy for gifted spectrum), is no longer feasible. As this has arisen in part because of the oversight in the drafting of the 2003 Communications Act to provide guaranteed investment in children's programming and regional coverage, Government needs to act to provide remedies which meet these well established needs in our society.

Ofcom has resolved to create a market in spectrum once the analogue television signals are redundant. We believe this was a mistaken decision as the public good should be prioritised over a dubious belief in the efficiency of markets.

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

The proposed tests for future models of public service broadcasting are a mixture of factors, which relate variously to business models, audience need and political decision making. Again we would comment at one level on the absence of the overarching objective for public service content, on the other on the correct focus on the exercise of power to commission in the new environment of competitiveness.

iii) Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why?

It is our view that none of the proposed models will meet all of the needs of UK citizens in the future. It is certainly the case that the current environment is unstable due to rapid change in technologies, a perceived change in audience behaviour and increased globally based competition and that this perplexes many senior figures in media organisations.

For us, the BBC must remain as the bulwark of creativity and innovation in providing the citizens of the UK with a range of content across all platforms. Channel 4, when it has not chased ratings to gain audience share, has provided competition to the BBC through invigorating public service content and any diminution of this role would be regrettable. Channel 4 is a more nimble organisation than the BBC and has sometimes pioneered in the use of online platforms for innovative objectives, including the development of 4Docs and 4Laughs.

We are of course aware of both Channel 4's own analysis of its future revenue and expenditure patterns and the parallel work of LEK. The adoption of the pessimistic projections seems premature although obviously if they do prove accurate there would be a problem. Our suggestion is that a safety net be reintroduced for Channel 4 sourced from the Exchequer but that this should be provided through a mechanism which guarantees the channel against insolvency only available to be drawn down in exceptional circumstances following scrutiny by Ofcom. There would be an expectation that no additional funding would become available. The funding could be sourced from ring-fencing a proportion of the proceeds from the spectrum auction which Ofcom is implementing although we are aware of Government aversion to hypothecated funds.

# In relation to the four models:

Model 1 – 'evolution' – may be both the conservative and most radical of these four options as it provides an element of certainty of future structure and does not attempt to predict outcomes. We remain unconvinced that new legislation is possible in the time frame Ofcom is suggesting and anyway allowing some time for markets and technologies to mature may be advisable. If ITV were to decide to give up its public service broadcaster status its franchises could be readvertised in a framework where the required outputs from new franchisees could be more clearly articulated – in effect undoing the adverse consequences of the 2003 Communications Act. We are aware that this might require limited legislative time but it is preferable to being locked into a position by an unsuitable set of requirements to meet the greatest public good. Furthermore, in relation to Channel 4, if its funding problems are not as acute as predicted, any further intervention would be unnecessary

Model 2 – BBC only – is a counsel of great pessimism about the future prospects for public service broadcasting. This outcome is clearly undesirable and further consideration should be abandoned

Model 3 – BBC/C4 plus limited competitive funding – offers an environment of plurality where it will be possible to target subsidies – to the extent they are needed – for the advertising and sponsorship supported public service broadcasters. If new sustainable business models emerge for the new platforms there is every reason to believe the broadcasters as well as new entrants may be able to provide content supported both through existing and new income streams.

We do not favour transferable supply agreements to commercial organisations which distribute profits to shareholders i.e to ITV1 or Five. There may be a case for rethinking Channel 4's remit to include a regional element – in effect enabling

Channel 4 to carry out the regional role played by ITV – and providing a financial support structure through regional agencies for the provision of regional and national content.

Model 4 – Broad competitive funding – has initial appeal until it is recognised that it would require an additional large bureaucratic infrastructure which would be too removed from the day to day pressures of audience to be able to take decisions with any degree of certainty with little connection to audiences and huge difficulty in providing the conditions fostering innovation and the production of high quality content,

We understand that the models are purely illustrative but they do – possibly inevitably given the way Ofcom has set out the terms for this review – reflect a vision of the future which is narrow and thoroughly pessimistic rather than embracing the opportunities of change. We would encourage Ofcom to sustain a public debate about alternative interventions in new media platforms for public purposes and to provide government with a wider set of proposals which are less encumbered by worries about Channel 3 and focused on the causes, and possible remedies, to the reduction in advertising revenues to support the production of high quality UK content with public service purposes.

The Review begins to elaborate a range of other regulatory issues which would be relevant to any legislative changes in relation to Option 4. Although all the issues mentioned are important we will not comment in this response other than to repeat our suggestion that they all would be appropriate within a review framework which, akin to earlier Committees of Enquiry like those chaired by Lord Annan or Lord Pilkington, would review the rationale and structure of Britain's convergent audiovisual media, including film, broadcasting and the internet.

# **Section 8**

i) 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?

Channel 4 is a unique institution whose place as a publicly owned broadcaster committed to innovation should be safeguarded in the emerging media landscape. After a number of misadventures based on an unfortunate pursuit of ratings and a demographic of hard to reach audiences, the channel has now begun to reestablish a clearer and more consistent approach in its mission or vision to nurture new talent and champion alternative perspectives. Channel 4 did provide some innovation during these years of inconsistent performance and we would praise the development of 4Docs and 4Laughs on the web as well as the launch of More4 and making FilmFour free to air. We regret the way the Channel has reduced its level of commitment to the British film sector for which it provided the main financial and creative support throughout the 1980s.

Channel 4 has to be seen as an alternative centre of commissioning and platform innovation which not only complements the BBC but challenges its modalities. Channel 4 in it early years refused the dominant 'professionalism' of the industry

and in its operations and at that time its Commissioning Editors often did not have a background in broadcasting. This enabled a bravery in commissions as newly formed independent production companies – in many instances themselves run by individuals without direct experience of broadcasting – entered television's agonic space of communication. After the early 1990s Channel 4 professionalised its operations and most significantly began selling its own advertising and targeting audiences, becoming first and foremost a brand and losing much of its radical edge. One major alteration was the abandonment of the workshop sector which had provided a means for different voices, including minority sectors, to engage with television. Channel 4 needs to rediscover its radicalism – which it has never lost completely – in the new media age and we are far from convinced that the new 'vision' provides a blueprint to this end. .

In the medium to long term we would envisage Channel 4 taking on a more experimental role and seeking to stay ahead of technological change and audience needs across new platforms. Its new education strategy suggests that the Channel's thinking is returning to its radical roots and if this can be generalised across the Channel it should be able to secure its legitimacy more successfully than it has in the recent past.

Which of the options set out for the commercial PSBs do you favour?

As noted in our response to Section 8 we favour none of the options outlined by Ofcom. The terms under which the Review is currently framed have locked Ofcom into a 'make do and mend' situation. It is our contention that this might be a legitimate requirement in the short to medium term in relation to the commercial public service broadcasters. They have all failed to different degrees to keep abreast of the fast moving industry changes. However, much more radical thinking is required for the long term in relation to the legislative framework to best serve the interests of the UK in media and a review by Ofcom, albeit welcome, may be an insufficient intervention at such a moment. We would suggest a more intensive enquiry by a Commission appointed to consider all the issues under the chairmanship of someone who is not encumbered by any vested interest. The statutory duties which Ofcom is required to carry out and the framing of its work in a particular market discourse mean that a relatively objective assessment is difficult for it to carry out.

## Section 9

i) 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?

We concur with Ofcom's assessment of the issues but as noted previously we believe there are alternative options available to secure the necessary programming which it is the right of audiences in the regions and nations to have available.

Ofcom intimates the possibility of new licencees appointed to deliver regional programming and it is important to recognise that any new arrangement could be

achieved more rationally than the 1950s transmitter defined structure of the existing ITV network. There is a certain sense in creating national licences now that devolution is well established, although arguably regional licences would be appropriate in England given the size of the population and the diversity of cultures between regions. Channel 4 has pursued a very active policy in developing and maintaining the independent sector in the nations and regions and some development of this might prove an alternative focus for this programming alongside local content provided through the internet.

ii) 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?

Each of the nations has very specific characteristics and this needs to be taken into account when addressing their broadcasting provision. The administrations in each of the nations need to be consulted on these matters in relation to structure, programme mix and financial support even though broadcasting remains a matter reserved to Westminster.

Services for the English regions provide a different set of challenges and we would support changes to the current regional structure of the ITV franchises to allow a better fit between ITV region and cultural regionality than has been possible in the analogue world. Alternative ways of continuing to preserve these services in the long term have been alluded to in previous questions.

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

The out of London quotas are a well intentioned mechanism but lack any cultural or industrial rationale. The notion of creative clusters has gained consideration during the Government's deliberation about the creative economy but in truth there is little likelihood of numerous sustainable production clusters being established successfully in the UK because of the nature of the industry – marked by short term projects except for a limited number of ongoing series, a fragmented production sector and a workforce which is attracted to the centres of production. where there are ongoing employment opportunities available,

iv) What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal?

There is a paradox at the heart of ITV's approach to its historically grounded regional structure: oftentimes the local news programmes gained the highest ratings and, with the bonus of locally sold airtime, could tap into advertising spend which would otherwise be sold through other media. The need to balance these factors with the costs of production is obviously essential but we are surprised by ITV's constant desire in recent years to abandon its regional legitimacy.

The ITV plan may well meet all these concerns.

i) Do you agree with our assessment of the possible short term options available relating to children's programming: are there any other options available?

It was unfortunate that in drafting the Communications Act the need to produce and transmit high quality UK-produced children's programming was not retained as a regulated matter.

In the wake of ITV's effective withdrawal from production for this age group the suggestion of a tax incentive to underpin children's programming might provide the short term boost to production. However, as noted this could, unless policed, lead to possible abuses subsidising projects which would have happened anyway.

All the options mooted by Ofcom relate to the UK public service sector. We would suggest an investigation of working in a European framework to secure real choice and diversity in the provision of public service children's programming. There is a common interest across the European political domain to provide alternatives to the high quality US material which dominates the satellite channels and the creation of a European Children's Network might be a feasible option in the medium to long term.

In the discussions around the Public Service Publisher proposals began to emerge for this to be targeted at children, and given the importance attached to media literacy and the concerns about web safety, we believe this idea should be further developed.

# **Section 11**

i) 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?

As noted in answers to previous questions we are unconvinced by the arguments that new legislation needs to be in place by 2011. The media environment is changing fast and although there is a case for continued monitoring of the programming and commercial performance of the two main commercial public service broadcasters, defining a new legislative framework to provide public service content across all media platforms seems premature.

We would recommend two actions: the development by Ofcom of a proactive set of initiatives within the existing legal framework; and the setting up by Government of a Royal Commission to review the options for future public intervention in media.