

DISCOVERY NETWORKS UK RESPONSE TO OFCOM'S SECOND PUBLIC SERVICE BROADCASTING REVIEW: PHASE ONE: THE DIGITAL OPPORTUNITY

Introduction

Discovery Networks UK (DNUK) is responding to Ofcom's consultation on the future funding of public service broadcasting. Specifically, Ofcom's review of public service broadcasting states that in the medium to longer term, there will be a significant deficit in the public funding available to maintain PSB programming output and quality at existing levels. Ofcom believes that UK origination sits at the heart of PSB programming, therefore it asks for stakeholders' views about possible funding mechanisms to ensure the viability of quality, innovative programming in the future. Ofcom notes that public service broadcasting¹;

- Provides public service content which is innovative, original, challenging, engaging and of consistently high quality;
- Is available in a form, and on a range of platforms to achieve maximum reach and impact;
- Ensures competition for the BBC in each public purpose with sufficient scale to achieve reach and impact;
- Exploits the distinctive benefits of different delivery platforms;

¹ Ofcom PSB Review: The Digital Opportunity; Section 1, 1.9

- Supplies diverse content which meets the needs of all communities within the UK.

As a key stakeholder in this debate, DNUK recognizes the value of programming that engages as well as entertains and is made available to consumers on any platform, at any time. Discovery was founded on the principle that consumers have an inherent interest in their world and fellow citizens and, given the opportunity, they will seek out quality information and entertainment.

Headquartered in London, DNUK distributes 11 channel brands to UK viewers: (Discovery Channel, Animal Planet, Home & Health, Travel & Living, Real Time, Real Time Extra, Discovery Science, Turbo, Discovery HD, DMAX, and Discovery Knowledge). Together these channels attract more than 100 million subscribers cumulatively, across the satellite, cable and Freeview platforms. One in three adults in the UK with multi-channel pay television watch Discovery's channels each week.

This response examines two key issues raised in the consultation: 1) whether digital switchover will have a negative impact on plurality in the market and 2) if the influx of commercial broadcasters into the market, as a result of switchover, will negatively impact UK originated public service programming.

Will Switchover have a Negative Effect on Plurality

Currently there is no scarcity of programming options in the UK. The UK is arguably the most competitive television market in the world where anyone with £100,000 and an Ofcom license can launch a network. Therefore, concerns that switchover will have a negative effect on plurality is misplaced. In fact, switchover will create additional capacity and, by extension, additional voices. In other words, it increases, rather than decreases plurality. The challenge is how to raise the bar to incentivize innovative and quality programming in such a cluttered media universe.

Ofcom would be doing a disservice to consumers in simply incentivizing PSBs to create innovative and quality programming. Why not encourage all voices, rather than a subset, to create such programming. If all broadcasters competed for funding rather than PSB's alone relying on entitlement, all broadcasters would have an incentive to strive for quality content and consumers would benefit.

A continued PSB-only subsidy will further distort the economics of the market for multichannel investors, and lead to the creation of less public value by these broadcasters than otherwise would have been the case. As noted in a recent Deloitte & Touche study, commissioned by the members of the Satellite and Cable Broadcasters Group (SCBG), increased funding for some of the existing PSBs has the potential to negatively impact the revenues, value add and

employment of the commercial non-PSB broadcasters, who generated a value add of around £2 billion for the UK economy in 2007.

Rather, Discovery supports the use of contestable funding to create incentives for programmers interested in funding PSB-like programming in the UK market. Such a scheme will give all broadcasters that are serious about investing in quality UK productions equal access and consideration. This kind of incentive program will create true competition in the market for quality entertainment and information channels.

Will Switchover Negatively Impact UK Originated Programming

DNE challenges the tightly drawn definitions of PSB that Ofcom has previously adopted, and prefers to frame an alternative definition that takes into account all programmers that meet the criteria for creating PSB-like programming. DNE questions the presumption that programming must be created by a PSB to be truly public service: the multichannel sector is well placed to contribute to public service value and purposes.

Ofcom indeed asks: “how do we capitalize on the wide range of providers – private, public, voluntary sector and individuals – who are already producing an unheralded diversity of digital and interactive content which in many respects meet public purposes and characteristics already?”² Ofcom’s research illustrated

² Consultation 6.17

that BBC News 24, Sky News, UKTV History and Discovery Channel score highly on delivery of a range of PSB characteristics, especially quality, trust and engaging programs. Further, the study showed, Discovery, Sky News and BBC News scored high on programming that shows what is going on in the world and illustrated the different cultures within the UK.³

The creation of a contestable funding scheme, a Public Service Investment Fund, would provide a solution that allows Ofcom to address concerns about the future of PSB-like programming without adding stress to an already unstable media environment. Such a scheme would incentivize non-PSBs to apply for funding for programming that they purport to have PSB-like qualities: innovative, educational, quality programming that retains the best of British media culture. There are ample models for this type of scheme in other global markets.

Singapore's Media Development Authority has a number of schemes available to fund content produced in Singapore. The schemes focus on a number of areas including local productions, co-productions of exportable content, digital media content. The goal is not only to stimulate local investment, but also to export Singaporean culture globally. Singapore has been very successful in forming incentive partnerships with other world markets, such as Australia, Korea and Canada that have taken a lead in content production. There are similar incentive investment schemes in Italy, the Nordic Region and New Zealand.

³ Consultation, Annex 6, pp 126-127

DNUK does not support the use of levies on consumers or the market to fund such a scheme. Rather, there are various options that are available: tax incentive programs, possible use of revenue from the spectrum auction, matching grants programs etc. DNUK look forward to discussing some of these options further during the next stage of this review.

Summary

It is clear that what is at the heart of this debate, is not simply the funding of existing public service broadcasters, but what those broadcasters brought to the media landscape when they were first conceived: a British voice to consumers seeking entertainment and information on television. Now, there is a significantly transformed media environment, and there is a clear concern that this “voice” will be lost in the din of foreign channels populating the new digital media landscape.

From its own research, Ofcom has recognized that there already are non-PSB entities providing content that is “trustworthy and engaging.” Digital switchover, will allow even more opportunities for similar programming to make its way into consumers’ homes. A contestable funding scheme suggested in Model 4 of the consultation would serve to raise the bar for excellence in UK programming because it would create incentives for the development of quality programming.

Secondly, Ofcom's concerns that the influx of commercial broadcasters into the market will negatively impact UK originated public service programming is also not valid. That argument assumes that only PSBs produce UK-originated, quality content. This is also not true, as we illustrated earlier. To resolve this and create a win-win for the market and broadcasters that will sustain production of UK originated, quality and innovative programming, DNE supports a contestable funding scheme.

As noted earlier, such a scheme will give all broadcasters that are serious about investing in quality UK productions equal access and consideration. This kind of incentive program will create true competition in the market for quality entertainment and information channels.