

**Ofcom:
Second Public Service Broadcasting Review
June 2008
Education Digital 2's Response**

Introduction

This document sets out Education Digital 2's response to Ofcom's '*Second Public Service Broadcasting Review*'.

Education Digital 2 (ED2) is a consortium of Ten Alps PLC and ITN, which has been brought together to develop, manage and deliver Teachers TV on behalf of the Department for Children Schools and Families. Teachers TV is a multi-platform service, designed to support the people who work in schools and to improve standards in schools in England. As a result, our remit is significantly directed towards delivering PSB content.

We therefore welcome this opportunity to participate in the debate around the future of Public Service Broadcasting and we would like to congratulate Ofcom on its thoughtful and timely consultation. The analysis provided in the review provides a clear picture of a model that has exerted a critically important influence over the standard of broadcasting in this country, but which is now failing significantly and will only decline further in the coming years. We believe this consultation comes at a critical time for the UK media; we hope that its outcomes will enable the concept of the PSB model to regain its impact and enhance the ability of this country's citizens to see high quality UK-generated content.

Executive Summary

This response broadly accepts the view set out by Ofcom of issues facing PSB.

However, it develops two points which we believe are crucially important to the consultation at this stage and which should be explored further in the next phase:

- The consultation document notes the valuable role being played by public service content provided on-line, either by operators like Teachers TV (which also have a broadcasting capability) or by on-line only providers. It also notes the difficulty audiences may have of accessing such content. We believe that this is an issue worth further exploration and possible intervention
- The consultation document argues in favour of plurality as a key issue in high-quality PSB. Again, we agree. But plurality is not simply a matter of C4 competing with the BBC. There is a real shortage of spectrum on DTT which prevents the entry into the market of a whole range of potential providers of PSB content. We therefore propose a mechanism to address this issue which we hope Ofcom will explore.

Response to Consultation Questions

Section 3. How well are the public service broadcasters delivering public purposes?

- 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 agree with this question as literally expressed. However it is also the case that an excessive concentration on the role of linear broadcasting, as evidenced by the Ofcom approach, could lead to incorrect policy outcomes. Whatever the difficulties facing PSB broadcasters, any deficiency in PSB content is being more than made up by public service content available over the net.

As the foreword to the consultation states: “Meanwhile outside broadcasting, we are experiencing an extraordinary flowering of public purpose content in digital media from a variety of sources – public sector, community and voluntary organisations, individual and commercial, with a wide range of funding sources.”

Teachers TV, for example, is moving towards a model in which its content will be increasingly viewed via the web (the overwhelming majority of our back-catalogue of programmes is already available online and each programme is viewed at least once every 3 days). Whilst television remains an important delivery channel at present, we are seeing increasing numbers of our audience moving online, reflecting the more general trend for viewers to watch when they want to rather than trying to fit their busy lives around a linear schedule.

The real policy challenge is therefore not so much the question of PSB funding in the conventional sense – which is the focus of the consultation document - but how to make this new wealth of content fully available.

For that there are two issues:

- the availability of broadband nationally, which is a policy matter which the government is currently exploring;
- and (more significantly in our view) the need to ensure that users faced with a bewildering choice of content are properly helped and guided to identify what is relevant to them. As you note:

“But this expansion of choice can create new challenges as well as opportunities. Audiences report some difficulties with finding and accessing content that meets their needs, both on digital television and online. Not all audiences currently benefit from access to online services, whether by choice or by exclusion. Ensuring easy access to and ‘discoverability’ of public service content is likely to become increasingly important in a digital age” (1.8)

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

Yes. Only UK-originated content can reflect the particular world view and cultural heritage that is unique to this country and therefore critical for maintaining our cultural identity. UK origination is also important as it impacts the perceived quality of the content. Teachers TV is a good example of this – even though some content can be bought from a number of countries including the USA, in the majority of cases it would be less valuable as it does not reflect the particular needs, challenges and circumstances of UK teachers. One of the key reasons for the enduring credibility of Teachers TV amongst its audience is that it offers UK-originated content that is consequently relevant to its audience, sensitive to their particular needs and rooted in the unique circumstances and challenges faced by UK teachers in UK schools.

Section 4. The changing market environment

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

Yes. Ofcom’s research appears robust and we see no reason to doubt their figures. The data speaks for itself and paints a very clear picture of an expanding

market of providers who are creating and delivering public service content. Teachers TV is possibly the purest example of this, providing a multi-platform service which, we would argue, delivers nothing but public service content. This is particularly true of younger audiences, where the consultation notes:

More than 50% of individuals now have broadband at home, up from less than 10% in 2003. As well as take-up in the home, the internet is increasingly available in public places such as schools and libraries. On average, people with internet access spend over 12 hours a week online and three-quarters of this time is at home. This has increased by 20% in the last two years, and by 50% among 16-24s in the same period. Among broadband users, one-third identify internet access as the one communications service they would find it hardest to live without, compared to just a fifth for TV on the main channels. (4.8)

This suggests that future public service content consumption habits will continue to shift away from linear broadcasters and that the focus on public policy intervention in the future should be to make such content widely accessible and better-known.

Section 5. Prospects for the future delivery of public service content

- 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?*

It is true that conventional linear broadcasting models of PSB face a challenge. However we believe that the model offered by TTV is a partial solution to this issue in a way that avoids the negative outcomes of the most pessimistic scenarios. In a fully enabled broadband Britain – with the right kind of media literacy support – the provision of dedicated public service information to audiences is possible at a much lower cost than through conventional linear broadcasting. We believe that any policy solution to PSB should take that fully into account.

As the consultation states: "Our evidence suggests that interactive media play a growing role in delivering public purposes, and any assessment of the future need for publicly funded intervention in broadcasting for public purposes must take account of this contribution." (2.18)

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

In principle yes, however, this analysis seems to underrate the benefits of retaining PSB status in terms of position on the EPG. It is also unclear from Ofcom's analysis what elements of PSB will be lost if formal PSB status is surrendered.

We note however the important points made in connection with on-line services set out in this chapter:

"Interactive and online services will play an important role but discoverability is likely to remain an issue

5.59 In future, ensuring that people know about, and can find, a wide range of high-quality interactive public service content seems likely to be a greater challenge than ensuring its availability. Our research suggests that many people already find it hard to discern whether or not to trust a website that is new to

them, and many are also frustrated by the narrowness of range of online content they consume. The latter frustration is more pronounced amongst those who have grown up with the internet.

5.60 Search is rapidly consolidating its position as the starting point for the vast majority of online experiences, and is the most significant driver of traffic to most websites. Very high barriers to entry mean that search has also become highly concentrated, with 88% of all UK web searches being conducted on a single, non UK-based provider. It is in the long-term interest of search providers to meet the needs of their users – needs which encompass people acting both as consumers and as citizens. Ofcom's research suggests that demand for public service content remains very strong, and thus it should continue to be in the interests of search providers to ensure that their results give due prominence, where appropriate, to public service content.

5.61 However, search results are generated algorithmically, and are therefore continually prone to manipulation using a range of ever-changing techniques, known collectively as search engine optimisation. An 'arms race' is likely to continue between those search engine providers keen to meet the full range of needs of their users, and those who place the greatest commercial value on the traffic generated by search. Typically, the latter group does not include the providers of public service content.

5.62 This is likely to continue to have an adverse effect on the reach and impact of interactive public service content, despite demand from users. One question is therefore whether intervention might be possible to enhance the reach and impact of existing public service content, and ensure it is easy for audiences to find and access."

We entirely agree with this analysis, which seems to us to be fundamental to the debate on public service content, and among the most important issues that the next stage of this consultation process should focus on.

Section 6. Meeting audience needs in a digital age

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

Yes, we feel that Ofcom has painted an exciting picture of how PSB should look in the future.

The consultation document points out the promise but also the danger facing on-line content:

"First, new ways of delivering public service value are emerging as the availability and use of online content has grown. Online services can have very significant impact on users, particularly content that supports informal learning or helps users meet personal needs and interests, which can be provided at a lower cost and in a more targeted way than broadcast content. In particular, as broadband penetration has grown, and as the BBC's services have expanded and their reach increased, so has the public service value of those services. However, 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 public service content."

We broadly agree with this analysis. But the argument that these barriers might be 'persistent' only holds if there is no intervention which enables on-line content to reach its rightful place in the public service ecology.

It would be more productive to step away from the potential problems facing providers of linear PSB and concentrate policy intervention on making public service content on the internet widely accessible and widely-known, as is implied in paragraph 6.19. Such intervention runs little risk of crowding out, as a partnership with commercial players will not have this effect.

It follows that we therefore disagree with the proposition set out in 6.34 that:

“Core public service content should remain widely available, free-to-view, through provision on a range of platforms – at minimum, terrestrial and satellite. This should include all current designated public service linear channels.”

It is at least quite conceivable that in the future most core public service content will be provided on an on-demand basis over the internet

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

As in virtually all other businesses, plurality and competition improves choice and puts pressure on suppliers to deliver better quality at lower cost. Thus, we believe it is in the interest of all channels, including the BBC that PSB content is delivered by multiple channels and providers. Given the limited resources for such content, market intervention should be restricted to those areas where there is clear evidence of market failure such as children’s programming.

At Teachers TV our model is built on a strategy of acquiring and providing distribution for high quality content that supports the delivery of our mission. Increasingly, however, we are unable to find high quality, current UK-produced content such as classroom resources. This is a key area that can make an important impact on the quality of children’s learning in schools; previously supported by the BBC and Channel 4, it is now an area of market failure that we believe should be considered a priority for Ofcom as part of the current review.

It could be seen as an area where competitive funding could be allocated for an alternative service to provide this type of content.

However as set out in: 1.26: “Plural provision is not equally valued in all genres... Audiences suggest it is less important in religious programmes and for school” it therefore maybe more appropriate to address this market failure by alternative mechanisms.

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

As noted in section 3 above, television (incorporating analogue, digital, linear and on demand services) will continue to play an important role in the delivery of public service content. The television has played a dominant role as a primary information source in the lives of UK citizens for many decades; its importance remains due to the legacy of the size and composition of its audience and its continuing central role in many of our lives.

Increasingly, however, the web is becoming the hub around which many services revolve, whether text based, audio visual or interactive (games, social media). In the future, not only will the web provide more traditional television services in channel format, but it will allow for more complete video-on-demand services through the likes of YouTube, the BBC iplayer and Kangaroo. The web is also the focal point for download of programming to handheld devices and video/audio players.

From an audience perspective, online has a greater reach than broadcast television for certain audiences (e.g. 16-24 year olds). It also enables more personalised and engaging interactive content (which can both increase the impact of that content) through enabling filtering, discussion, uploading of user-generated content and game-playing.

The web will have its own challenges and unique opportunities in terms of delivering high quality PSB content. Whilst large volumes of content already exist which meet the PSB requirements, the key challenge is to surface and quality assure this content and then bring it to the public's attention. Similarly User Generated Content with a PSB focus offers a virtually unlimited pool of new content and could be stimulated through competitions, by working with public and third sector organisations, or with young people interested in making a name for themselves in the medium. Here again, issues of quality assuring the content and enabling findability will need to be carefully considered.

Ofcom highlights findability as an issue, and rightly so. We believe that issues around findability can be solved in a number of ways. We believe that the most powerful solutions would involve working in partnership with the major search engines such as Google (which has already proved the power of market-specific search products through the development of Google Health and Google Scholar). A PSB version of Google would enable the public to surface PSB content more easily, using a medium they are already using – which would overcome the challenges of seeking to change behaviours. Findability could also be enhanced by agreeing a voluntary set of tagging standards amongst PSB content providers, separately indexing PSB content and providing it through a central portal, or potentially by providing iplayer-like functionality. We believe that thought should also be given to whether services like the iPlayer, 4OD, Kangaroo and other broadband aggregation points created by statutory PSBs should have a requirement to make space to carry PSB content from smaller, non-commercial services. This would massively improve findability because it would allow smaller provider's access to PSB audiences.

We agree with Ofcom that findability of PSB content will be a critical issue going forwards and that a proportion of the resources available for PSB should be directed towards improving findability as part of the remit to enhance reach. There is already a colossal volume of high quality PSB content available online from providers such as Teacher TV; solutions which improve findability would make an enormous impact on the effectiveness of that content, potentially far outweighing the benefit of using those same resources to create new (and potentially unfindable) content.

Ofcom also highlights that broadband access is not yet universal, and that not everyone is comfortable with the medium. This is true, and for this reason, "traditional" broadcast media is likely to be of continued importance for a long time to come. However, broadband is decreasing in cost, and as the population as a whole becomes more comfortable with the technology it is likely to overtake broadcast as the most influential medium.

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

Yes. The current model is clearly breaking down with the declining value of the 'benefits' of PSB status, media fragmentation and the increasing importance of alternative sources of PSB content delivered through non-broadcast channels.

Section 7. Future models for funding and providing public service content

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

The funding models proposed are not mutually exclusive. A combination of several of them might be the most likely outcome. We agree with Ofcom's analysis of their pros and cons and agree with your opinion that these require more analysis and are ultimately for parliament to decide upon.

With regard to the allocation of regulatory assets, we believe that a more strategic approach to the use of these assets would result in a better outcome for the delivery of PSB content – focused around addressing market failure.

The starting point for our proposal is a recognition that the cost of spectrum is negligible to the large PSBs but of disproportionately high value to the smaller PSBs such as Teachers TV. As a result, if the larger PSBs were required to pay for spectrum, but it was provided at reduced cost to the smaller PSBs, this would enhance access to PSB content by providing spectrum to those PSBs without the business model to afford it themselves. The resultant greater number of PSBs would enhance plurality and ensure that a wider group of content providers could become part of the PSB network (ideally the rewards for each would reflect the extent to which they deliver PSB content). It would have to be combined with other regulatory assets such as "PSB Status for niche broadcasters", which in turn would give these "must carry" status and improved EPG positioning. Note here that we are not suggesting that spectrum should be directly allocated to smaller PSBs. Ofcom's models 3 and 4 contain the implicit suggestion of an authority that would allocate funding competitively. Our suggestion is that this body might not only allocate cash but spectrum which it has already secured by paying open market prices. The funding for this might come from charging open market prices to the existing PSB for their spectrum. The authority could then decide whether and how to offer smaller parcels of DTT spectrum to PSB propositions alongside commitments to fund content.

For Teachers TV, for example, access to cable and satellite distribution is relatively cheap; as a result the service is currently available 24/7 on both of these. However, the market price of Freeview capacity is in a different league altogether and it is here that the service is unable to afford to be distributed. With the increasing take-up of Freeview in the run-up to digital switch-over, this prevents the smaller PSBs such as Teachers TV from gaining access to an increasingly significant proportion of their potential audiences.

Whilst unlikely to solve the bigger funding issues, as a complementary strategy it could be relatively cheap and easy to deliver. The funding which is freed up in this way could be spent on UK content providers (such as production companies), thereby stimulating the overall market for PSB content development in the UK. It might also make niche channels less dependent on advertising and sponsorship, thereby making them more independent and in a better position to deliver the innovative and risky content that fulfil the PSB ideal. We believe that with these incentives, a variety of new public and third sector entrants would think very seriously about devoting more resources to PSB content.

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

Yes. The tests are very high-level at this stage, but we accept that this is an early phase of the consultation. The sustainability test is going to be particularly hard to carry out, as the conditions in the media market are changing rapidly and therefore any funding/delivery model able to cope with this will have to be very versatile.

- 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? Are there any alternative models, or combination of models that could be more appropriate, and why?*

Model 1 appears to offer few benefits. It will provide little flexibility and remains focused on a model that, as the evidence provided suggests, is declining in impact and becoming increasingly less capable of delivering effective PSB content. Whilst this model would have no detrimental impact on the operations of Teachers TV, we would consider it a major missed opportunity to reshape the PSB landscape, to enhance the development and delivery of public service content and secure its place in the nation's future.

Regardless of the many potential safe-guards proposed by Ofcom, we feel that model 2 fundamentally cannot deliver the plurality that is central to effective PSB delivery and therefore appears to fail one of the key tests set out by Ofcom. As a result, the continued quality of public service content would be under threat. As with model 1, this option would have no significant impact on the operations of Teachers TV, but would represent a major missed opportunity.

The two remaining models are both open for competitive funding and therefore introduce a degree of plurality and flexibility that will be critical for ensuring the new PSB framework remains effective in an evolving market. The two models are not mutually exclusive – to solve some of the short term problems around specifically children's programming, Channel 4 could be given a special PSB remit in the short run, with some flexible competitive funding contributed to build and test a model for how this could be sourced and distributed. Over time, this model (3) could be rebalanced towards greater competition and flexibility, either by reducing Channel 4's funding or by keeping it constant and increasing the funding allocated via competition. Should the model be found sufficient to meet the PSB requirements (e.g. by Channel 4 developing its PSB provision over multiple platforms and to wider audiences), it can simply be maintained.

The more likely scenario, however, is that providers other than Channel 4 will be better positioned and have more experience in some (non broadcast) areas of content development delivery, such as the critical online areas of findability and interactivity. As a result, we believe that the most effective model in the long run will be model 4, encompassing full competitive funding of PSB content and delivery going forward. This will ensure that a healthy pressure is maintained on both the BBC and Channel 4. Well-managed competition will deliver the maximum public benefit from limited resources; whilst funding which is directed towards digital media will enable new audiences to be reached, more tailored and interactive content to be developed and could be used to enhance the findability of high quality PSB content.

In either of models 3 or 4, the application of competitive funding would need to be regulated and controlled by a central authority. The remit of this authority will be to assess the options for the delivery of public service content and the market for development of such content, to identify the areas of market failure and use its resources (including regulatory assets and central funding) to address those failures. One of the key challenges in such a rapidly changing environment will be to strike an effective balance between the need to award long-term contracts that provide suppliers with sufficient time to effectively plug gaps in market provision, and the need to remain flexible as viewing habits change and new market circumstances emerge.

At Teachers TV we are uniquely placed to help inform the regulatory solutions for this type of model. We are happy to share our learning from having been involved in a competitive tender process for public service content and having worked within a governance process designed to achieve public value outcomes.

We urge Ofcom not to restrict intervention in Model 4 to purely content. As your analysis has demonstrated, the potential for public service content over the internet is immense. There would clearly be a role for the funding agency to invest in media literacy and awareness projects that were designed to increase public awareness of such material.

This would have further public benefits promoting the government's vision of a broadband-enabled and digital Britain,

Section 8. Options for the commercial PSBs

- 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?*

ED2 welcomes Channel 4's vision, particularly those aspects focused on providing more content for young people and multi-platform initiatives. If delivery model three is adopted, Channel 4's children's provision will be particularly important in the short run, to rectify the current market failure.

However, Channel 4 should not be the only PSB alternative to compete with BBC. We favour a solution which provides Channel 4 with a strong funding model, allowing it to deliver core services such as young people's television, but which also opens up the opportunity for smaller niche channels such as Teachers TV to get access to competitive funding and regulatory assets.

- ii) *Which of the options set out for the commercial PSBs do you favour?*

This question has been answered under section 7.

Section 9. Scenarios for the UK's nations, regions and localities

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

Education Digital sees no reason to doubt Ofcom's analysis. A significant proportion of the content for Teachers TV is currently produced outside London due to the expertise of the providers based in the regions. We support Ofcom's attempts to encourage a thriving national and local production sector, however, we believe that the cost differentials between London and the regions together with the rise of online communications and improvement of skills outside London have made market intervention unnecessary

Section 10. Prospects for children's programming

- 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?*

Of the options proposed by Ofcom, working with Channel 4 seems to be the most effective way to address the market failure in the short term. However there is a very real danger that short term solutions become long term issues; we would

only recommend this solution if plans were in place to ensure a more pluralistic solution in the long run.

With the declining opportunities for advertising to children, the economic models around the delivery of children's television have changed significantly in the recent period. As a result, we regard it of critical importance that Ofcom recognises children's programming as a clear-cut example of market failure where its intervention has to be justified. The formative years of this country's youth mark a crucial stage in which public service content can play a significant role - in forming attitudes and helping to deliver well adjusted, responsible and well informed citizens. As a result we applaud Ofcom's recognition that content for Children is worthy of special mention. We emphasise again, however, that all potential content formats and delivery channels rather than purely 'Programming' for television should be included within Ofcom's thinking in this area.

Section 11. Timetable for implementing a new model

ii) 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?

We see no reason to disagree with Ofcom's proposed timetable.