

## Cover sheet for response to an Ofcom consultation

### BASIC DETAILS

Consultation title:	Ofcom's Second PSB Review
To (Ofcom contact):	Rhona Parry
Name of respondent:	Emmanuel Goldstein
Representing (self or organisation/s):	Self

### CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why: **Nothing**

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Name: Emmanuel Goldstein

## COMMENTS ON OFCOM'S PSB REVIEW

*'Through seeking we may learn and know things better. But as for certain truth, no man hath known it, for all is but a woven web of guesses.'* ~ Iain Chalmers quoting Xenophanes, 6<sup>th</sup> Century BC:<sup>1</sup>

*I think Xenophanes once worked for the BBC.*

Why is it that so many evidence-informed policy programmes fail or at least fail to deliver enough benefits to justify their existence? The recent catalogue of policy failures includes high-profile, evidence-based attempts such as Sure Start<sup>2</sup> and the National Literacy Strategy<sup>3</sup>.

*I would suggest the answer is complexity. Complexity and uncertainty often walk hand-in-hand down the primrose path to policy failure.*

In media policy, the uncertainty can often be overwhelming. Regulators such as Ofcom often attempt to better understand the links between complex issues such as media ownership (including public ownership), the funding of media content, the state specification of media content controls and programming and production quotas, how that media content affects the public, and the resulting social and economic outcomes.

*So how does Ofcom's PSB Review measure up?*

As an initial matter, I salute Ofcom for recognising that its predictions about the future or claims about the present could contain errors.<sup>4</sup> Conducting policy-oriented research should lead to an agreed-upon acceptable probability of finding the truth; it does not always lead to the truth itself. The PSB Review document, however, is an odd combination of uncertainty and confidence.

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<sup>1</sup> 'If Evidence-informed Policy Works in Practice, Does it Matter if it Doesn't Work in Theory?', *Evidence and Policy*, Vol. 1., No. 2, 2005.

<sup>2</sup> 'Early Learning Education Plan a Failure', *Telegraph*, 28 Aug 2007, available at: <http://www.telegraph.co.uk/news/uknews/1561510/Early-learning-education-plan-a-failure.html>.

<sup>3</sup> 'School Literacy Scheme Attached', *BBC News*, 2 Nov 2007, available at: <http://news.bbc.co.uk/1/hi/education/7073275.stm>.

<sup>4</sup> If one reads the PSB Review carefully, the astounding level of uncertainty becomes apparent. See, for example, Section 5.5 of the review:

The future of UK media provision is highly uncertain. After digital switchover, the penetration of different platforms and services may continue to change, with implications for the availability, payment models and viewing patterns of services. Audiences' preferences for different kinds of media, and the level of take-up of innovative new interactive and mobile services, are very difficult to predict. Revenues to the industry - both their size, and their source - will be driven by these uncertain factors, in addition to the prevailing economic climate. Total viewing of television (or television-like) programming may vary considerably, particularly among certain demographics.

The simple truth is that Ofcom *will* make errors so its claims about the marketplace, viewers and technology may not be accurate. Predictions about the future contained in the PSB review need to be taken as probabilities, not certainties. They must add up to something that becomes more probable than not — at least probable enough to justify state intervention and the expenditure of public funds.

***We just cannot assume that the outcomes will be as Ofcom predict.***

So what are those claims<sup>5</sup> contained in the PSB Review? I think they can be summarised as follows (with suggested rebuttals in fine italics). I have not inserted the rebuttals for substantive discussion. They merely illustrate that Ofcom's claims and predictions are not certain. There is always an alternative point of view or other possible outcome. Some of these claims are like coin tosses – independent. Others might be considered a bit more conditional in nature.

1. Channel 4 will suffer financially in the coming years<sup>6</sup>  
*(C4 is exaggerating its condition to secure a subsidy; things may change; better CEO needed)*
2. PSB can be defined in a reliable, measurable and agreed-upon manner<sup>7</sup>  
*(Ofcom can say this, but can it be enforced in a legalistic setting? It's a bit fluffy.)*
3. As a result of financial hardship Channel 4 will reduce PSB output<sup>8</sup>  
*(This may be hard to measure and uncertain; people may demand PSB and make it profitable)*
4. PSB has certain characteristics that viewers demand<sup>9</sup>  
*(It's probably better just to measure what they watch, not what they report as aspirations)*
5. Pluralism is good. Channel 4 should compete with the BBC for PSB<sup>10</sup>  
*(Discovery is becoming more popular...and the internet... Sky Arts, Sky One)*

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<sup>5</sup> It cannot pass without mention that some of Ofcom's claims are normative in nature. Thought leadership in policy making about PSB has largely been given-over to Ofcom by Parliament, and Ofcom's PSB review is therefore partly normative. In addition, some of Ofcom's questions reflect deeper assumptions about television and its role in society. I won't explore those here, but suffice it to say it would be quite normal for a television regulator to attach considerable importance to the role of television in our lives. And it is quite normal for people to simply disagree with Ofcom. Some of this debate is about values, not evidence.

<sup>6</sup> See PSB Review at Section 1.18: '[I]ts contribution to public service programming *could* come under significant pressure' (emphasis added).

<sup>7</sup> See PSB Review at Section 1.2: 'In the first PSB Review, we defined public service broadcasting by its purposes and characteristics.'

<sup>8</sup> See footnote 5, *supra*.

<sup>9</sup> See PSB Review at Section 1.5: '[A]udiences attach high value to content that reflects the UK in all its facets, which they see as essential to maintaining our cultural identity and social cohesion.'

<sup>10</sup> See PSB Review at Section 1.25: 'Our analysis *suggests* that plurality continues to deliver benefits to audiences ....' (emphasis added).

6. Viewers are willing to pay more for PSB plurality of provision<sup>11</sup>  
(*It's probably better to test people's actual behaviour rather than to measure feel-good attitudes*)
7. State subsidy for Channel 4 will successfully preserve PSB plurality<sup>12</sup>  
(*Maybe ... it depends on how C4 spends it and whether people watch – it could be a train wreck*)
8. Additional state subsidy won't violate EU laws or harm the BBC<sup>13</sup>  
(*Someone famous once said 'the law is an ass'*)
9. The benefits will exceed the costs of waste, disputes and regulatory error  
(Murphy's law?)

***Do you agree that Ofcom have to get most or all of these claims correct for its PSB review to make sense as a whole?***

And the unfortunate reality about multiple independent events that must ALL occur to achieve a desired outcome: The more you combine together, the smaller the probability of the desired outcome. It's the proverbial situation where the stars, moon and planets must all come into alignment.<sup>14</sup>

***It sometimes works in romance, rarely in regulation.***

Ofcom expresses probabilities in subjective terms by using phrases like 'our research suggests'.<sup>15</sup> It uses what one might call verbal proxies of probability.

So have some fun, give each Ofcom claim a probability score and multiply them together to get the overall probability of Ofcom making a error-free decision. Probabilities are numbers between (but not including) 0 and 1.0. So, to borrow from Andersen et. al, Analysis of Evidence, 2<sup>nd</sup> Edition, you can match your subjective belief (often stated casually) with a numerical probability score using the following guide:

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<sup>11</sup> See PSB Review at Section 1.26 : 'Our latest research *suggests* people continue to be willing to pay more for existing public service broadcasting to ensure plural provision is maintained.' (emphasis added)

<sup>12</sup> See PSB Review at Section 1.41: 'Channel 4's remit is extended across platforms and into new programming areas, supported by new funding.'

<sup>13</sup> See PSB Review at Section 6.20: 'Any such arrangement would need to be carefully specified to ensure that it meets principles of good governance and accountability, and that it is consistent with state aid rules.'

<sup>14</sup> I am presenting herein a vastly simplified model of probability analysis (derived from about 10 minutes research on the internet), merely intended to flag-up that all this uncertainty expressed by Ofcom will likely yield policy failure if it is not otherwise addressed. For example, some of Ofcom's claims could be subject to a more rigorous probability analysis because some of these events are conditional and some are independent. Ofcom may also benefit from a Bayesian analysis to better account for its prior learning in the first PSB Review.

<sup>15</sup> See PSB Review at Section 1.14: 'Economic modelling commissioned by Ofcom suggests three main conclusions.'

<i>Your belief</i>	<i>Probability assigned</i>
I know	0.99
I am positive	0.90
I am sure	0.80
I am confident	0.70
I think	0.60
I wonder whether	0.50
I suspect	0.40

For my test, I was very charitable to Ofcom – I assumed Ofcom was ‘positive’ about each of the eight individual outcomes. (The ninth, I yielded to Ofcom under the assumption it is a competent regulator.) In other words, I assumed a very low chance of error on any one individual claim.

$$(.9)(.9)(.9)(.9)(.9)(.9)(.9)(.9) = 0.43$$

The probability that eight 0.90 independent events all come to pass = 0.43 probability. So, even if Ofcom is really ‘positive’ about its predictions and claims about the PSB situation — it may as well flip a coin — the outcome would be statistically better.

***Would a rational regulator base the expenditure of millions of pounds on a coin toss?***

Even if you gave Ofcom all 0.90 probability scores but just think the regulator falls short with one claim — say claim number 7 — the overall probability of a good outcome can fall significantly. Assume I am ‘confident’ (0.70) that Channel 4 won’t waste the new state subsidy on either popular programmes that are not PSB or esoteric programmes that no one watches. But I remain ‘positive’ on the other claims.

$$(.9)(.9)(.9)(.9)(.9)(.9)(.7)(.9) = 0.33$$

All of a sudden the probability of the desired policy outcome drops to 0.33.

Now maybe I am being too kind to Ofcom — perhaps the probability of the regulator’s predictions on average are a bit lower, say 0.80 – the regulator is ‘sure’ of its claims.

$$(.8)(.8)(.8)(.8)(.8)(.8)(.8)(.8) = 0.17$$

Then the desired policy outcome has a 0.17 probability of occurring.

***With those odds, Ed Richards could give me the money and let me take it to the Bellagio in Vegas and put it on red at the roulette wheel.***

But let’s say you think the following are true about three of the eight variables:

- Getting it slightly wrong on what type of PSB viewers want or need is not that severe a problem;

- Maybe not all viewers would agree to pay the exact amount ultimately decided upon by Ofcom but a certain percentage will (especially if forced!); and
- Channel 4 may mis-spend or waste a little – but the bulk of the subsidy might be well spent on PSB that people enjoy and watch in sufficient quantity.

Okay, then what that really means is that you think it is acceptable to reduce the level of complexity in this exercise from eight variables to five. That's because within some of the variables Ofcom can get it slightly wrong, but still perhaps produce an acceptable policy outcome. That will improve Ofcom's score considerably. With five variables and Ofcom being 'sure' (0.80) about each of its claims, the probability of success is: 0.33. That's still not good, however.

So, Ofcom's multiple predictions about the future had better all be close to perfect or there will be some serious questions about whether they are robust enough to serve as a basis upon which to make policy. Oh, and in case you were wondering, if you rate Ofcom as nearly omnipotent (0.99 probability) on just five elements of its plan there is a 0.95 probability of a successful outcome.

*But Ofcom has never been accused of being that clever.*

So, let's assume that Ofcom's intellectual capacity is situated somewhere between 'sure' and 'omnipotent' about its desired outcomes for the PSB Review. This means — roughly — that we can expect an success rate somewhere between 33 percent and 95 percent if there are five required independent elements in its PSB review.

*Aim for 95 percent, but plan for 33 percent...<sup>16</sup>*

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The *status quo* is unacceptable – Ofcom cannot leave that much expressed uncertainty unresolved without conducting more analysis. Ofcom should perform more analysis about how its uncertainty could lead to policy failure and what the implications of that failure are. If the future looks error-plagued, what safeguards would Ofcom recommend: Sunset clauses? Pilot experiments? Independent assessments?

Ofcom should ensure that it won't be required to defend itself in a few years hence against claims that — like Sure Start or an NHS IT project — it wasted the taxpayers' money.

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<sup>16</sup> All of this, of course, assumes that the right people agree with Ofcom's normative preferences about the television market.