

NORTH WEST VISION AND MEDIA RESPONSE TO OFCOM PSB REVIEW CONSULTATION.

1. INTRODUCTION

- Ofcom's consultation raises important issues about the future of public service broadcasting. The North West region the UK has a considerable broadcasting heritage which has been underpinned by the regulatory framework that established ITV as a regional network. The role played by Granada within the ITV network has been substantial – from current affairs to drama, documentaries to entertainment - and the region has also provided a wide variety of network production, currently ranging from Channel 4's Hollyoaks to the BBC's A Question of Sport.
- In 2011, the BBC will become the anchor tenant of Media City UK, a £400m development in Salford Quays. BBC will employ 2,500 people in key departments including Children's, Future Media and Technology, Learning, Sport and Radio Five Live. (Source: Ofcom Communications Market: Nations and Regions 2008). BBC's decision to move is inspired not only by the desire to reflect its audiences outside London, but also by a recognition that the North West offers a chance for BBC to change its own culture and to reflect a 21st Century configuration of both traditional broadcast companies and innovative digital producers that can respond to demand from consumers for commercial and public service broadcasting.
- The Manchester City Region is the North of England's centre for Creative sector activity and is home to many of the nation's key higher education, cultural and media production assets that will drive the future development of the sector. The relocation of parts of the BBC to Salford Quays, once realised, will establish the largest BBC production centre outside London, thus establishing the City Region's role as a national and international media centre. The move will ensure the creation of mediacity:uk, including a Media Enterprise Centre, a Northern Centre of Excellence in Media Enterprise and Skills and a Media Research Institute. The development as a whole aims to attract an additional 15,500 employment opportunities¹ within the City Region, further developing the independent sector locally and attracting major media companies to the area.

2. OVERVIEW

- North West Vision and Media's response to Ofcom's consultation has been developed with from the region's independent producers and public partners. It reflects a belief that while the region has enjoyed considerable benefits from regulatory intervention – Granada from the 1960s to 1990s and the BBC in 2010 – it also has much at stake as the capacity for regulatory intervention is reduced in future.
- This document urges Ofcom to take a positive, proactive approach to the opportunities for the future. It is important that Ofcom's actions target its action to support those areas where strong demand for content, including in this region, children's and new media, is currently not met by current public sector provision.

- There is an opportunity for new stimuli to ensure that public sector content can meet the evidence of increased demand across a whole range of digital channels. To do so would be more effective than measures which simply prop up a broken economic model based on needs of the supply side – as suggested by all four of Ofcom’s options.

3. ABOUT NORTH WEST VISION AND MEDIA

- NWV+M works on behalf of the Digital and Creative Industries to grow a world-class media economy in England’s Northwest.
- Northwest Vision and Media does five essential things.
 1. Provides strategic leadership
 2. Builds businesses
 3. Develops skills and talent
 4. Encourages production
 5. Inspires audiences

4. DIGITAL AND CREATIVE INDUSTRIES IN THE NORTH WEST

- The North West covers Greater Manchester, Merseyside, Cheshire, Cumbria and Lancashire. It has a population of 6.7 million, 60 percent of whom live in the two core conurbations, Greater Manchester and Merseyside. The North West has the biggest film and television production industry outside of London.
- In Manchester in 2003 the sector generated £2.7bn GVA in the Manchester City Region, accounting for nearly two thirds (63%) of total output from the sector in the North West. Between 1998 and 2003, GVA grew by 3.8% p.a., higher than both North West (3.2% p.a.) and UK (3.5% p.a.) average rates. The sector employed 77,100 employees within the City Region in 2004 accounting for 60% of total employment in the sector in the North West. Between 1998 and 2003 employee levels grew by 1.8% p.a., a figure more than twice the national rate (0.7% p.a.) and well above the North West average (1.2% p.a.). The strong GVA growth seen in recent years can be continued going forward with a growth rate of 4.2% p.a. forecast between 2006 and 2021.
- Within the region every effort is being made to capitalise upon the forecast growth potential in output and employment as additional investment by the BBC in the City Region alongside existing assets such as Granada TV, can now be realised and fully exploited.

5. CONSULTATION QUESTIONS

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

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

3.1 We agree in general terms that television has an essential role in delivering public service broadcasting's purpose but we note with concern Ofcom's observations about the nations and regions (3.85 to 3.92)

3.2 Viewers outside London value seeing their nation or region portrayed on network television, but levels of satisfaction with the current output are low. Even in a region such as the North West, with its strong network heritage dating back to the creation of Coronation Street, the current trend towards fewer network programmes from the regions is striking.

According to Ofcom's Nations and Regions Communications Market Report 2008, TV1 and the BBC invested a total of £199m in originated hours of output for viewers in England in 2007 - accounting for 61% of their UK-wide spend on national and regional output. This represents a real-terms reduction of 4% on 2006, compared to the UK-wide reduction of 3%; the fall was driven mainly by ITV1's declining spend on English regional news. Although ITV1 met its 50% volume Out of London quota, achieving 53%, the proportion of ITV1 spend outside London in 2007 was 44% - significantly below the 50% minimum.

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

3.3 We agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes and are dismayed by the substantial reduction in programme output since 2003. Ofcom needs to focus on sources of demand rather than on new supply-side measures. For example, search has been mentioned by Ofcom themselves as one technology that could be developed to help identify public sector content and therefore demonstrate to potential providers, either from the private or public sector, how best to reach this audience and thereby optimise whichever metrics for return on investment they may have.

3.4 The need to look to the future is underlined by the extent to which there has already been substantial falls in non-news regional output which Ofcom has allowed ITV1 to undertake. Overall hours of regional output fell by 8% between 2003 and 2007. Hours of regional non-news/non current affairs output fell by 44% in this period. ITV1's regional news and current affairs fell by 9% and 10% respectively in the same period, under licence variations agreed by Ofcom.

3.5 The fall in spend by ITV1 of 28% and BBC of 12% between 2003 and 2007 is a substantial reduction to an area of the output which is valued by viewers.

3.6 We are also concerned about the scale and speed of decline in Children's television production. The North West has particular strengths in this area and companies involved in Children's production have been hit hard by ITV's reduced commitment in this area.

3.7 We feel that the decline in Children's production is likely to be replicated in other areas which Ofcom indicates will come under pressure – such as regional news, and network current affairs. These are areas where UK originated output is fundamental.

3.8 We note that Channel 4 has been a huge champion of independently produced content from a variety of different producers in the UK.

3.9 We hope that the move of BBC operations to Media City will see a rise in regional output from the north both in house and independent.

3.10 We hope that the BBC will substantially increase the share of its online and multi platform content from independent producers – currently this is really small.

3.11 We welcome the 4IP fund and the initiatives that bring around it for the nations and regions although the NW is not currently a part of it.

Section 4. The changing market environment.

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

4.1 We recognise the greatly increased demand for media across a range of digital and online channels as a huge opportunity for the production of public service content.

4.2 We would urge Ofcom to consider how regulation can stimulate the production of high quality public service content to meet this demand, including the capacity for search and marketing to make this content accessible to the widest possible audience.

4.3 However it is apparent from this section of Ofcom's report that the growing provision of digital content across such media does not necessarily include public service content on any significant scale. In particular, these media tend to take a national perspective – the notion of regional representation is absent entirely from commercial side channels and does not seem to be particularly significant for dedicated public channels such as BBC3 or BBC4.

4.4 The Regional Screen Agencies could be a mechanism for commissioning and delivering through digital outlets.

4.5 The six multimedia arts venues (MAVs) identified in UK Government's 'Creative Britain' strategy offer the potential to catalyse the production of quality public service content for new digital and online channels.

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

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?

5.1 Ofcom's assessment of the implications of different economic scenarios underlines the importance of further exploration of the potential for new forms of PSB content and delivery mechanisms.

5.2 The focus here should be on new ideas and new talent, taking risks – public funding should be used to do more difficult projects, those which the commercial sector will tend to avoid.

5.3 We feel Ofcom should be wary that it does not fall into a trap of its own making in trying to assess the value of ITV's licences relative to the cost of PSB requirements. ITV's, as the leading UK commercial broadcaster, has accommodated these PSB requirements – and is likely to continue to accommodate them so long as Ofcom ensures it does so. It is therefore entirely possible that ITV will seek to accelerate the process in order to put Ofcom under further pressure to relax the regulatory obligations. In that case, things could get a lot worse a lot more quickly than Ofcom anticipates.

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

5.4 We agree in the main with this analysis.

5.5 We note that in the 'very unprofitable' category there are the following important genres: Nations and regions news; UK Children's; nations and regions other programming.

Section 6. Meeting audience needs in a digital age.

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

6.1 We agree with Ofcom's conclusion that the existing model for public service provision is not fit for purpose in responding to the opportunities and challenges which lie ahead and therefore that it is correct to review the statutory and institutional framework.

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

6.2 Plurality and competition are critical in delivering the purposes of public service broadcasting. Ofcom's viewer research reflects the value people place on this, and in terms of a regional economy like the North West, it is vital that there is more than one source of content.

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

6.3 It is important to look across all platforms – digital TV terrestrial, satellite and cable; internet and IPTV; mobile and other.

6.4 We agree with the following paragraph (page 85):

“The model for intervention in support of delivering public purposes would need to be able to adapt to potentially radical changes in the way consumers and citizens access public service

content. It would need to have the flexibility to fund services on whichever platform represented the most cost-effective way of reaching audiences.”

6.5 In that context we urge Ofcom to focus on sources of demand rather than on new supply-side measures. For example, search has been mentioned by Ofcom as one technology that could be developed to help identify public sector content and therefore demonstrate to potential providers, either from the private or public sector, how best to reach this audience and thereby optimise whichever metrics for return on investment they may have.

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

6.6 We agree that all PSB broadcasters face challenges – BBC, ITV and Channel 4 – and that therefore the existing model for delivering public service broadcasting across terrestrial television services will not be sufficient to meet changing needs. However we foresee considerable potential for new forms of PSB as a result of the digital opportunity identified by Ofcom.

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

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

7.1 We need to look beyond funding options that have served public service broadcasting in the past and identify ways which ensure future delivery mechanisms that will match what people want to view.

7.2 In particular we need to explore how people’s interests in accessing regional and very local information and news – as demonstrated by the research in Ofcom’s consultation document – can be achieved through new forms of PSB content and delivery.

7.3 Our comments on the four models – below – concentrate on looking to a future which is driven by demand. We cannot simply seek to preserve what we have had in the past in this region, and so we are putting forward proposals which are designed to identify new models of sustainability that reflect the strengths of our regional creative industry and its capacity to play an important part in the global creative economy.

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

7.4 The proposed tests do not include ‘regionality’ in any explicit way and we encourage Ofcom to look at how this can be included in any tests it may devise.

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?

7.5 The Four Models are:

Model 1 Evolution

The current commercial public service broadcasters retain a designated public service role. Either their public service responsibilities are reduced in line with the declining value of their gifted spectrum or additional support is provided to retain or expand those responsibilities which remain high public priorities but which can no longer be supported through the value of existing gifted spectrum.

7.6 COMMENT: Assumption of reduction in public service responsibilities is too readily made. There are strong commercial – and cultural reasons – why ITV in particular should be held to its PSB responsibilities. ‘Evolution’ is an inaccurate description of the process ITV wishes to undertake – ‘Erosion’ is more appropriate. Consequently Ofcom’s role should be to buttress PSB responsibilities where they are most threatened, learning from Children’s and protecting network quotas, regional news, and vulnerable genres such as current affairs. We feel it is important to look for new funding mechanisms in order to fund any regional deficit caused by relaxation of ITV quotas.

Model 2 BBC only

The commercial PSBs do not retain special designated roles and no additional public funding is provided for public service broadcasting beyond the BBC. The BBC becomes the sole UK-wide intervention in public service content and may need to take on additional roles to meet needs not served by the market. Limited plurality is provided only to the extent possible through content supplied by full commercial broadcasters.

7.7 COMMENT: We acknowledge the vital role that the BBC plays in PSB content provision – in particular its role for innovation, quality content, national and international news and current affairs. We welcome the BBC Move North as a way to reinvigorate the Corporation and to break down some of the barriers for suppliers and audiences. The BBC is an important international player and brings value to other audiovisual content because it is recognised as a global brand. However, a monopoly would bring its own dangers and that would mean losing the plurality which we now have and value.

Model 3 BBC/C4 plus limited competitive funding.

Channel 4 retains a designated public service role to provide plurality with the BBC but other commercial PSBs lose their public service obligations and benefits. Channel 4’s remit is extended across platforms and into new programming areas, supported by new funding. Any remaining public purposes not served by the BBC and Channel 4 – potentially for example non-BBC programming for the nations and regions – could be delivered by long-term but transferable funding agreements with other providers, awarded competitively through a funding agency.

7.8 COMMENT: We would want to know more about how transferable funding will replace any loss of network quotas, regional news and vulnerable genres.

Model 4 Broad Competitive funding

The commercial PSBs do not retain special institutional roles. Instead additional funding is made available by government for public service content beyond the BBC. Long-term but transferable contracts for meeting specific public service purposes would be awarded competitively through a funding agency. Those contracts would be open to bids from a wide range of organisations, including the existing PSBs. The BBC would have a core role where the market is unlikely to deliver but where a competitive process would be difficult to specify.

7.9 COMMENT: In some respects this approach could benefit the region considerably – the development of the North West creative economy is well advanced and therefore it would be well-placed to bid for transferable contracts.

7.10 However, it is important that some of these contracts should stipulate that they must be awarded to out-of-London organisations if they are to make a meaningful contribution to the regional economy. Regional Screen Agencies could be well positioned to co-ordinate a new form of PSB through our partnerships with industry, new talent and the communities of the region.

7.11 GENERAL REMARKS

- We are not convinced that the four models outlined by Ofcom satisfactorily address the issues which Ofcom has raised elsewhere in its report.
- By being so prescriptive with just four models, Ofcom has limited the range of ideas which may be considered.
- For instance, only one of the four options envisages ITV continuing with any PSB responsibilities. Given the importance of ITV, this is unsatisfactory – the ‘evolution’ model which is the only one offering continuing ITV PSB content is too vague.
- We are uncomfortable with the idea of a ‘BBC-only’ model – this options means plurality will be lost.
- We would also prefer to have more detailed options available under the third and fourth models.
- For instance, in the BBC and Channel 4 option, we would like to know more about how Channel 4’s remit could be revised to address concerns about the impact on regional economies should ITV’s regional quota be reduced.
- In the fourth model, we would favour competitive tendering but emphasise that this needs to be done on a sufficient scale to make it meaningful. For instance, there is a big difference between tendering for a programme e.g. Question Time and tendering to operate an entire channel – More4, BBC3 etc.
- In the fourth model, we would want to know more about the way that long-term agreements could be devised to provide some opportunities to those regions which are likely to be most affected by a decline in PSB content.

- For instance, how might the major cities of this region be better served for news if, as appears to be likely, there is a decline in output from existing suppliers and an increasing focus on the BBC?
- Could the digital spectrum available for cities and local operations be made available in such a way as to encourage greater plurality of news provision.
- Could the combination of smaller-scale digital licences and broadband operations provide the basis for a new tier of localised services? If so, should funding be provided – along the lines of the Community Radio Fund – to ensure such services are sustainable?

Section 8. Options for the commercial PSBs.

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?

8.1 Channel 4 will play a vital part in the short and medium term and it has gone a long way to explain that role in its Next on 4 document.

8.2 However, while we agree that Channel 4 faces a challenging future, we would prefer for it to find ways to survive and thrive in that future through its own efforts, rather than by public subsidy if that is possible.

8.3 For instance, is Channel 4 operating in the most cost effective way by being located in central London? Radical thinking could result in considerable cost savings – thereby offsetting some of the revenue declines it anticipates.

8.4 However, should it be agreed that there is a short-fall for Channel 4, and that public funding is an answer to this shortfall, we would like a more wide-ranging debate about Channel 4's remit and the extent to which it will need to be more representative of regions other than London and the South East.

8.5 In particular, the over-heating of the London independent production sector has come about as a result of all networks being based in London. Much could be achieved by dispersing elements of those networks around the country – a process which the BBC has already started, but which Channel 4 should accelerate if it is to receive public funding. It is important that the country should be represented – in the way that the old ITV regional network covered the entire country – but equally it is important that the potential to build a major media hub in Manchester is fulfilled and that Channel 4 should supplement the foundations being laid by the BBC in the region.

8.6 Channel 4 has made strong commitments to the region, in terms of regional representation and production through long running series and soaps such as Hollyoaks and Shameless, although it has taken a less active role in developing an out-of-London presence in the way that it has with Glasgow.

8.7 As the second largest media city outside London, Manchester's absence from the regions identified in Next on 4 as digital centres is somewhat surprising.

8.8 We would like to see a greater activity from Channel 4 in terms of shifting away from its central London operation and a substantial commitment to the North West. For instance, its 4IP fund identifies partners in West Midlands, Scotland, Northern Ireland and Yorkshire – but not the North West.

8.9 We feel left to its own devices, Channel 4 will continue to operate to a primarily metropolitan agenda – if it is to receive funding from the public purse then the issue of how it represents itself outside of London will need to be addressed.

8.10 This could be done – as the BBC has recognised – by relocating important elements of its operations away from London. Since Channel 4 does not produce programmes and so cannot relocate production departments in the way that the BBC is doing, it is important to ask what more it could do to readdress the metropolitan bias.

8.11 At one end of the spectrum it could move its entire London operation to mediacity:uk – there could be considerable savings on rents and operations, which would go some way towards addressing the short-fall in revenue which Channel 4 believes will occur in future. An interim step would be to move its digital channels and new media operations to mediacity:uk – this would ensure its 4IP initiative would have a healthy perspective of life outside London.

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

8.12 We believe that regulatory intervention is crucial to ensure a thriving regional media output and programming, and to enable audiences to have a choice.

8.13 For ITV, the evolution proposal is the most favourable, but does not have sufficient backing from Ofcom to ensure that the baby is not thrown out with the bathwater.

8.14 Proposals to move away from network quotas and regional news; redrawing the regional map and ending the ITV and GMTV split; should be given careful review and ITV should not be allowed to steamroller through proposals without adequate consultation.

8.15 The ‘evolution’ option seems to presuppose an inevitable decline in the PSB responsibilities for ITV. We would like to see a stronger emphasis from Ofcom on protecting these responsibilities in order to ensure that what has happened to Children’s programming does not occur in other genres.

8.16 For Channel 4 we feel more work is required to explain the potential benefits and risks of the three funding categories – funding from regulatory assets, public funding and funding from industry. As part of this process we would want to examine whether Channel 4 could offset the need for non-commercial funding by making costs savings through devolving substantial elements of its operations.

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

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?

9.1 We agree that Ofcom has identified the issues. We are less convinced by Ofcom's apparent lack of faith in regulatory intervention.

9.2 More needs to be done to encourage independent online production and ensure it is produced to an appropriate quality.

9.3 We agree with Ofcom that there is real potential for new online services but do not believe such services have made sufficient progress in the region to ensure we can depend on them within the timescale of ITV decline.

9.4 Ofcom could go some way to meet new local and regional demand for digital services if it were to structure the auction for geographic spectrum that will be made available to ensure new regional and local DTT services can be established which are capable of being integrated with new online services.

9.5 The timetable of Ofcom's consultation and the question mark against any legislative timetable means that there is a real danger that Ofcom will end up shutting the stable door after the PSB horse has bolted, as has happened already with Children's TV.

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?

9.6 Long term we prefer to see a sustainable regional production economy that is driven by its ability to operate in the global digital economy.

9.7 However, while self-sufficiency is the long term objective, we believe that the playing out of the ITV regulatory settlement should not be at a rate which suits ITV – i.e. as quickly as it can persuade Ofcom to relax its obligations. We feel that there are important gains to be made by ensuring that any regulatory settlement for ITV is managed over a period of years while alternatives are able to establish themselves.

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

9.8 We are very concerned by Ofcom's findings that ITV has failed to meet its 50% network out of London quota.

9.9 This failure highlights the trend towards a centralised network – while the North West benefits from high profile banker programmes in the ITV schedule, such as Coronation Street – we feel it is inevitable that the relationship between this region and ITV as a network is bound to be eroded still further.

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)

9.10 We accept that ITV is under pressure to rationalise its regional news operations, however the consequences of this will be to take away one of the most popular regional news services, in the Border region.

9.11 We do not see any proposals that will become an effective substitute for this service – we hope Ofcom will explore such options with some urgency as it is very difficult to replace a news service once it is lost.

9.12 Although it is likely that ITV will continue to have a strong regional news presence in the Granada region, we feel that ITV's current proposals are likely to be the first step towards salami slicing the regional news budget.

9.13 If so, it seem inevitable that the programme ratings for regional news will decline, and in the next few years such programmes will come under pressure within the network schedule.

9.14 This process will lead to the point where ITV concludes it is no longer commercially viable to operate any form of regional news service. We think this is likely to happen within the next three years.

9.15 Ofcom suggests it could respond in a number of ways:

1. Refuse any change to existing licences. This would be the most effective way of ensuring that regional news is protected.
2. Allow ITV plc to reduce its costs by a version of its re-structuring plan. This is the start of salami-slicing process referred to above.
3. Consider other options for sustainability of regional news. We do not think this is a simple option but we would like to explore this further – for instance, could some of the BBC licence fee be allocated to alternative, non-commercial providers of regional news in order to ensure plurality? Is there a role for the geographic spectrum which will be auctioned post-switchover to be used to sustain more locally-focussed news services.

Section 10. Prospects for Children's programming

Do you agree with our assessment of the possible short term options available relating to Children's programming; are there any other options available?

10.1 We agree with Ofcom's assessment of the short term options available.

10.2 We would like Ofcom to explore the option of an alternative platform for original UK Children's programming, funded by public and private funds.

10.3 We would like Ofcom to explore ways in which taxation policy could be used to encourage original children's programme production.

Section 11. Timetable for implementing a new model

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

11.1 We feel Ofcom is being too optimistic in its thinking – Ofcom's medium term is, we feel, more likely to happen in the short-term.

11.2 Consequently, we feel there is a danger that change will happen quicker than Ofcom anticipates, and before any legislation can be put in place in 2011.

11.3 If so, it is important that Ofcom uses those tools it has at its disposal to ensure that lasting damage is not done by an over-hasty accommodation with ITV1.

11.4 We would hope Ofcom will also move with some urgency to clarify Channel 4's future – again encouraging the Channel to take measures now to ensure that it is in a healthy condition, rather than waiting for a new funding settlement at some time in the future.

11.5 If legislation is needed, we would hope Ofcom can make the case for it being introduced for 2010, rather than waiting for it to become effective towards the end of the digital switchover process.

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