



# A new approach to public service content in the digital media age

The potential role of the Public Service Publisher

Discussion paper

Publication date: 24 January 2007

Closing Date for Responses: 23 March 2007

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## Foreword

This is a discussion document, which is intended to inform and encourage debate around public service intervention in digital media and the concept of the PSP. It is not intended as a formal policy consultation, although we would welcome comments and responses on the issues laid out in this document.

The future of public service broadcasting (PSB) in UK television is central to Ofcom's remit. Ofcom's first statutory review of PSB was completed in 2005 and set out recommendations for maintaining and strengthening the quality of PSB against a backdrop of rapid change in broadcasting. The television market has continued to evolve at speed since the review, as a result of which we published *Digital PSB*<sup>1</sup> in July 2006.

Digital PSB highlighted a number of market developments affecting the future of public service broadcasting:

- The rapid take-up of digital television is reducing the viewing share of the traditional public service broadcasters, and hence the value of the analogue spectrum
- Viewers – especially younger audiences – are increasingly watching content on internet and mobile platforms, and are starting to move away from traditional TV
- Changes in spectrum policy will affect the way in which public service aims need to be financed in the future.

In our view, these changes mean that the delivery of PSB in a fully digital television world needs to be rethought. While the core public purposes endure, the means of delivery and institutional framework may have to change. As a result, the challenge is to define the appropriate model for PSB for the future, not for the world as it is today – or as it has been in the past. The challenge is as much an opportunity for public service broadcasting as it is a threat to it.

We highlighted in *Digital PSB* and subsequent planning a number of areas for Ofcom's PSB-related work in 2006/7:

*First, the maintenance of the current high levels of high quality UK originations and the pressure on some core genres*

- The future of news: news is the most valued programme genre amongst viewers, but access to and viewing of television news may shift in future, especially after digital switchover. We have been assessing the future prospects for television news in the changing environment. This project aims to assess what news services may be provided in future, how the market for news is likely to develop, and the implications for plurality and quality of news provision
- Planned work on children's television and Nations and Regions programming: as we set out recently in Ofcom's draft Annual Plan for 2007/8, we will also carry out further work on the future of children's television programming and on non-news programming for the Nations and Regions of the UK.

*Second, securing plurality and diversity in the wider digital media market*

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<sup>1</sup> Ofcom, *Digital PSB* (2006)

- The future of Channel 4: Channel 4 has played an important role in PSB over the past quarter century, but it has raised a range of questions about the future sustainability of its model for funding public service content. Ofcom has commissioned L.E.K. Consulting to conduct a full independent financial review of Channel 4 – considering Channel 4's financial and operating performance both now and in the future; its continuing fulfilment of its public service remit; and whether intervention may be needed to support its PSB delivery in future
- New media forms of public service provision: in the digital age, a new organisation could provide additional innovation and plurality – we notionally described this new organisation as the Public Service Publisher, the PSP. Since publishing *Digital PSB*, we have carried out further work to develop a more detailed vision for the PSP – in policy, creative and in practical terms. This document publishes our work in this area.

We want to secure a public service system for the future which continues to deliver the best elements of the previous model: one which addresses viewers' interests through the provision of substantial amounts of high quality, UK-originated content; and which is characterised by a number of suppliers competing to provide that content.

No single approach will ensure that the quality of PSB delivery is maintained and strengthened in each major area such as news, children's programming, and programming targeted at the Nations and Regions. In each case consideration needs to be given to the future of both existing and new PSB providers, as well as to the contribution of the market. As a result we are publishing separate reports on each of these issues over the coming year, to inform to our next statutory PSB review which will start in 2008.

This document addresses how the delivery of public service purposes and characteristics might need to evolve given the continuing rapid development of digital media. It also describes the role that the PSP might play in the new system. We are not suggesting that the introduction of the PSP would address all of the challenges for the future of PSB – other responses to the issues highlighted above may well be needed, which we are considering in our other PSB work.

The issues around the PSP are not only about delivery and distribution – they are also creative in nature. To address this, we asked Anthony Lilley of Magic Lantern and Andrew Chitty of Illumina Digital to lead a forum of digital media practitioners to explore potential PSP content and services. The main conclusions from the forum's work are included in this paper, and further detail can be viewed at [www.openmedianetwork.org.uk](http://www.openmedianetwork.org.uk).

There is a long history of renewal and reinvention in delivering public service as technologies change – major museums were founded to inform and educate citizens in the 19th century; public service radio and television reached the whole UK in the 20th century; and now a new approach is needed for the digital media world of the 21st century. We believe that a new PSP could make a significant and enduring contribution to this new approach. But the PSP is only part of the overall solution, and its role needs to be considered alongside approaches to the major areas of public service content, and existing PSB providers. We look forward to responses to this document, and to the continued debate on the evolution of PSB.

## Section 1

# Executive Summary

- 1.1 This document aims to set out a new approach to the delivery of public service content in the digital media environment, one which addresses both the changes in the historical system of public service broadcasting (PSB) in television, and also the new ways in which citizens and consumers are accessing content.
- 1.2 We are living in a world in which viewer behaviour is changing rapidly – in recent years, the consumption of most television content has moved from analogue onto digital media platforms. Moreover, our understanding of what is meant by television is changing at the content, network and device levels. These changes have profound implications for the traditional broadcasting market, and for the future of the PSB system. This document explores these market changes, and suggests a particular response – the Public Service Publisher (PSP) – as part of a range of new ways to secure a strong and plural public service system for the future.
- 1.3 Ofcom originally developed the idea of the PSP in the review of public service television broadcasting (the PSB Review), which was completed in 2005. In the period since the PSB Review, the communications industry has experienced radical and exciting change. In 2006, we announced our intention to carry out further work to examine the case for the PSP in more detail, and to develop thinking on the distinctive content that the PSP could provide. We also noted that the potential role of the PSP needs to be considered in the round with that of other providers of PSB, and particular genres of PSB content – these wider issues are being addressed in Ofcom’s ongoing and future work on Channel 4, news provision, children’s programming, and non-news programming for the Nations and Regions.
- 1.4 We recognise that Ofcom, as a regulator, is not best placed to reach a view on the precise nature of the PSP’s content. In that context, and in order to inform this work, we engaged a Creative Forum of digital media industry experts to develop a content and operational vision for the PSP. This group was led by Anthony Lilley (Chief Executive of Magic Lantern Productions) and Andrew Chitty (Managing Director of Illumina Digital) – their main outputs are included as two sections of this paper, and are also available online at [www.openmedianetwork.org.uk](http://www.openmedianetwork.org.uk).

## Background

- 1.5 This work has been carried out in the context of Ofcom’s overall statutory remit to further the interests of citizens, secure availability of a wide range of television and radio services, and maintain a sufficient plurality of providers of different television and radio<sup>2</sup> services.
- 1.6 We have consistently emphasised the importance of securing the delivery of high quality, UK-originated content through a range of providers. Where developments in the market affect the future provision of such content, we need to monitor these developments, and report on how we can meet our duties in the changing world. Although Ofcom does not have the powers to make new interventions to secure public service content in digital media, we should make appropriate recommendations to Government on the future of PSB and any steps needed to secure the continued vitality of the PSB system.

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<sup>2</sup> Communications Act 2003. The relevant sections are 3(1a), 3(2c) and 3(2d)

- 1.7 In addition, the Communications Act also requires Ofcom to carry out a review of public service television broadcasting (the PSB Review) at least every five years, and to make recommendations on maintaining and strengthening the quality of PSB delivery for the future<sup>3</sup>. This document builds on Ofcom's first PSB Review, and considers how public service delivery can be maintained and strengthened in the digital media age.

## The need for a new approach

- 1.8 Our mandate requires us to consider the future of PSB delivery in UK television. However, we believe that the changing market requires our thinking to include areas beyond broadcasting – linear television remains important, and will remain so for some time to come, but it is no longer the only means of getting high-quality audio-visual content to viewers. In consequence, the traditional approach – though it continues to be at the heart of the system for PSB – may alone not be sufficient to secure the full range and extent of PSB output in the future.
- 1.9 Television is now part of a rich and exciting digital media landscape. Time and money spent on other communications technologies has grown rapidly and significantly, and consumers are increasingly accessing content on the internet and other digital media platforms. In less than a year since it came to mainstream attention, YouTube (<http://www.youtube.com/>) developed into a \$1.6bn company. And more than 2.5 million people now play Second Life (<http://secondlife.com/>), a media experience so innovative that it is prompting a reinterpretation of the idea of video games. These developments are particularly prevalent amongst younger audiences, who are taking advantage of technological advances to change their approaches to content consumption to suit their particular needs. For younger audiences, the mobile phone is now the most important communications medium – not television, and the internet represents an increasing proportion of their communications activity.
- 1.10 Forms of content are changing too: newer platforms allow two-way, participative communications – the ability of users to create, annotate, comment and communicate around content goes some way towards explaining the adoption of the internet as a cultural phenomenon. We can see the importance of these characteristics in many existing forms of digital content – whether social networking sites such as myspace and Bebo, user / community generated sites such as YouTube, and information sites such as wikipedia. Digital media is already offering examples of a rich, interactive media experience. In section 2 of this document, Anthony Lilley outlines the way how different this is from traditional broadcasting – and the implications for the market of that difference. Although this will put pressure on traditional one-way public service broadcasting, it also represents an opportunity for public service purposes to be fulfilled in an increasingly engaging way.
- 1.11 At the same time, the rise of digital multichannel television has brought with it increased competition and viewer fragmentation, which in turn has seriously challenged the viewing shares of the existing public service broadcasters (PSBs). These market developments are threatening the established public service system – it may not be realistic to expect most of the commercially-funded PSBs to accept significant public service obligations for a great deal longer. Two years ago, this was a radical proposition – but it is accepted more widely today. These obligations secure not only a number of key genres, but also a wide variety of benefits for the industry and consumers – notably the existing high levels of UK-originated content.

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<sup>3</sup> Communications Act, 2003, Section 264

- 1.12 In this changing landscape, we believe that the means of public service delivery need to change as linear television gradually diminishes in importance. Ofcom defined the purposes and characteristics of public service broadcasting in the PSB Review. These endure into the digital media age, but are no longer solely the domain of traditional television – they can (and should) now be delivered through a wider range of digital media.
- 1.13 Indeed, we are already seeing public service content starting to emerge on newer platforms – provided by existing PSBs and by other organisations. For instance, Blast Theory (<http://www.blasttheory.co.uk>) explores some social and political aspects of technology using interactive media; games such as Hopelab's <http://www.re-mission.net> are developed to help young people with cancer gain more awareness of the condition; and, amongst the UK PSBs, Channel 4's FourDocs (<http://www.channel4.com/fourdocs/>) allows users to generate, upload and view four minute documentaries. As the wider digital media market develops and become more accessible and better funded, we would expect provision of public service content on those platforms to increase.
- 1.14 Nonetheless, the rationale for intervention in support of public service content is likely to remain in the digital media world. Changes in the market will eliminate many of the structural requirements for intervention: the market will provide a greater variety and volume of content across all digital media and commercial providers are likely to deliver content that meets public purposes – this is already happening in television, and may become increasingly important in other media. However, the factors that continue to drive intervention in linear television – namely that public service content continues to deliver economic and social benefits that would not be realised without intervention – are also relevant for wider digital media.
- 1.15 These factors are at the heart of the citizenship-based rationale for intervention to support public service content. For instance, individuals may receive more benefit from content – for instance through news and information – than they realise. Similarly, an individual's viewing of content can have additional benefits for society as a whole, for instance through his or her engagement in the democratic process as a more educated citizen. The public service purposes and characteristics defined by Ofcom are intended to address these citizenship issues – and so address the problem that the market is unlikely to provide the full set of content and services that will maximise the benefit to society.
- 1.16 Overall, therefore, although public service content will be provided by the market, it may well not be enough either in terms of quantity or diversity – a market shortfall is likely to arise. This may have adverse implications for the level of UK-originated production, and for plurality in the public service system – the BBC is likely to play a material role in the digital media world of the future, but for a public service culture to flourish, effective competition for quality is needed.

### Options for future public service delivery

- 1.17 Overall, there will be a range of opportunities and challenges for the public service system – on traditional television, and on newer platforms. These may require a range of responses, some of which could be focused on traditional TV, and others could help ensure that public purposes and characteristics are properly addressed on wider digital media.
- 1.18 If further intervention were required on public service grounds, a number of potential avenues are available. Further intervention could:

- Be limited to **linear television only** – with funding focused on specific broadcasters, forms of content (e.g. support for regional news, local TV or indigenous language services), or via targeted grants on a commission-by-commission basis
  - Have an important **digital media** element – whether support for existing providers (either existing broadcasters or other digital media operators), or funding for a new organisation designed to deliver public service goals in new ways.
- 1.19 Both of these options have merit, and are not mutually exclusive. A mixed approach is likely to be both necessary and desirable – for instance, the public service shortfalls in television may require a different response from those in wider digital media. We therefore do not consider it appropriate to suggest ruling out any of the options at this stage.
- 1.20 However, as part – but certainly not the entirety – of a new model for public service delivery, we continue to believe that there is value in considering the creation of a new organisation: a new provider of public service content, the PSP, with its centre of gravity in digital media and with a remit specifically designed for new forms of content provision – but ones that clearly deliver the purposes and characteristics of PSB. We believe that the changing digital media landscape creates a new opportunity for the delivery of public service content, and that the PSP could play a valuable role in addressing this opportunity. Existing organisations are also likely to deliver content in new ways – and indeed this is already happening. However, a new organisation would provide a new source of innovation, and would be able to place new forms of public service delivery at the heart of its mission.
- 1.21 We have therefore sought in this document to develop the role that the PSP could play. We stress that, in developing the PSP concept further, in no way are we suggesting that the introduction of the PSP would address *all* of the challenges for the future of PSB – specific responses *may* be needed in relation to each of the issues highlighted in the Foreword of this document, and these are the subject of other work within Ofcom.
- 1.22 Moreover, we are open-minded about whether the PSP will be a new organisation, or attached to an existing institution. Either way, the PSP would not be a straight replacement for the PSB content that is under threat on traditional television – rather, it would represent a new and complementary approach to public service delivery. As a result, the role of the PSP needs to be considered in the round with that of existing PSB providers, and key areas of public service content – the PSP is only part of the overall solution, but we believe it could be an important part.

## The PSP's content

- 1.23 The PSP has always been conceived of as a new media response to the challenges of digital media. It would meet public purposes using the tools, technology, insights and culture of digital media, both in production and distribution. As consumer behaviour changes rapidly and online content moves more into the mainstream, it becomes more important to consider afresh the style, form and substance of content which will inform, educate and entertain in the multimedia digital age.
- 1.24 The PSP's content would share a number of important characteristics that digital media enables. At its heart, the content would be participative in nature. This enables a new approach to public service delivery – in which citizens are users rather than

viewers of public service content, are able to personalise the content and experience, and where the distinction between producer and consumer of content is much less explicit. The PSP would drive community activity and mediation, and it would offer location-sensitivity and a diversity of viewpoints. Its content would retain the purposes and characteristics of the most successful public service television and would aim to have similar levels of influence and impact, but it would be delivered in new ways. Section 4 of this document – written by Andrew Chitty – sets out a number of illustrative examples of possible PSP content that display these characteristics.

- 1.25 The PSP would use all communications platforms and technologies to achieve reach and impact – it could use TV distribution for its content, but it would not take traditional broadcast as its starting point. Some of its output would – like television programmes – be based on linear video content; but most of its content would be supported with more interactive and participative aspects.
- 1.26 For instance, factual content could be adapted to the viewer's personal preferences – so different individuals viewing (say) local, regional and national content could be tailored to individual preference based on their known or stated interests. The PSP could therefore allow each individual to access the same title, but see different content. Content could also be made location-specific – current affairs or news content delivered over mobile devices could allow the context of the piece to differ depending on the precise location in which the content is being watched.
- 1.27 Some of the PSP's services would not resemble linear programming at all. For example, the PSP could harness the lessons of gaming to develop models for the successful engagement of audiences – for instance considering issues of health, social welfare, political engagement and economic policy. But the PSP needs to have focus – to be viable, it cannot simply support worthy causes based on a vague notion of public interest. If the PSP is established as a response to an enduring PSB argument, it should address the particular shortfalls that can be expected in the PSB arena of the fully digital age.

### The PSP's operating model

- 1.28 Decisions on the PSP's operating model are in part linked to the level of funding appropriate for the organisation. This will need to be decided in the context of possible wider public funding in the PSB ecology and the scale of comparable institutions in the digital media market. Given the PSP's potential remit and the scale of potentially comparable services, we suggest funding of £50m to £100m annually as a sensible starting-point. However, the PSP's role within the public service system is likely to grow over time, and its initial funding may need to be expanded. However, we stress that this is an approximate figure based on the current comparators and likely remit. As the market evolves and more detail is known, the figure will need to be considered further.
- 1.29 Equally, the specifics of the PSP's operating model will depend on its precise remit and approach to content provision. However, this document suggests how the PSP might work in practice. We recognise that other operating models are possible – in the responses to this document, we would welcome thoughts on the possible alternatives. For now, we suggest that PSP's operating model is likely to have four main elements:
  - First, the PSP could be a **commissioner** – rather than a producer – of participative content. It could work with a diverse range of suppliers, from

traditional linear content producers to others rooted in alternative markets such as gaming and social networks

- Second, a more radical **rights model** could be designed specifically for an organisation delivering public purposes in new ways. Overall, we believe that the PSP should be “share-aware” – meaning that the rights exploitation model should embrace the reality of a participatory media environment, and not struggle against it. In particular, this means that alternative open licensing models – which allow content to be re-used and modified by others – are likely to be more appropriate for the PSP than traditional rights models
  - Third, the PSP would operate a **non-commercial** business model, although the open rights model could allow other parties to develop commercial propositions that build on PSP content and services. Relevant analogies here include open source software – which can be freely used and modified by users, but which has also prompted commercial operators to develop value-added services to support the free software. In the case of the PSP, if commercial propositions were developed in response to PSP-funded content, a share of commercial income should be returned to the PSP and to the content producer
  - Fourth, the PSP could aim to secure reach and impact by partnering with other organisations for **distribution** – possible partners include traditional broadcasters, local TV and community media, alternative platform operators, and service providers. We believe that investment in technology platforms would be expensive and could draw the PSP away from its core remit to ensure the delivery of new forms of public service content – we therefore consider it more appropriate for the PSP to work with other organisations with established distribution arrangements. Similarly, we would not necessarily expect the PSP to invest significantly in developing a consumer brand proposition. Rather, it could establish itself as a “facilitation brand”, subordinate to other brands in consumers’ eyes, but having an important impact in the decision process – providing a potential mark of quality, much like the “Intel Inside” brand for PCs.
- 1.30 More broadly, this document also considers the PSP’s wider market role. In particular, the PSP could be based outside London in order to facilitate a wider spread of investment across the UK, and to ensure that the diversity benefits of out of London production are delivered. The PSP could contribute to media literacy by working to increase take-up of new media platforms amongst those who do not or cannot access new services at present; and it could play an important role as a public service navigator, helping to guide users to public service content in addition to that commissioned by the PSP.

## Next steps

- 1.31 We are open-minded about the best solution for the future of public service content – we will not report again on the how to maintain and strengthen the quality of PSB until the next PSB Review, which must be completed no later than 2009/10. The primary purpose of this paper is to take the debate forward within the UK’s creative industries and policy environment. We continue to believe that there is a real opportunity for a new PSP to make a significant contribution to the public service system, and to create a lasting legacy for the future.

- 1.32 We welcome the Culture, Media and Sport Select Committee's interest in the PSP concept in its inquiry into public service media content<sup>4</sup>. Our evidence to that inquiry summarises many of the points made in this document.
- 1.33 As a result, although this document is not a formal consultation, we are actively seeking responses on:
- The appropriate nature of intervention in the digital media age, and the balance between TV and non-TV forms of public service content distribution
  - The potential role of the PSP and its creative remit
  - The operating model – in particular, the approach to rights management
  - The scale of funding required.
- 1.34 As noted in Ofcom's Draft Annual Plan, published on 12 December 2006, we will during 2007/8 take forward our thinking on public service content and the PSP in the context of the wider work programme running up to the next PSB Review. We will develop the PSP concept further through:
- A series of events focusing on the key themes regarding how the PSP would work in practice – the different aspects of its content, and its operating model. This would involve discussions with a wide range of players from across the digital media industries about the potential and practicality of the PSP
  - Enhanced versions of example PSP content and services, building on the material developed by the Creative Forum – we are keen to work with organisations active in the digital media space to develop possible content. These examples could be launched at, and thereby help inform, the new series of events
  - Exploration with government and other public bodies of the prospects for funding for PSP-type projects, and discussions with content providers regarding the types of prototype PSP content and services that funding could be used to support
  - Full consideration of the responses to this document – we would welcome thoughts and reactions to the issues raised in this document by 23 March 2007. We will review these responses with a view to publishing a summary later in 2007. At the same time, we will carry out further work within Ofcom on some of the key structural and operational aspects of the PSP.

### Structure of this document

- 1.35 The rest of this document elaborates on the above discussion in more detail. Although this document is published by Ofcom, two of the core sections are written by external authors<sup>5</sup>:
- Section 2, written by Anthony Lilley of Magic Lantern, introduces the changing digital media landscape

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<sup>4</sup> [http://www.parliament.uk/parliamentary\\_committees/culture\\_media\\_and\\_sport/cms061026.cfm](http://www.parliament.uk/parliamentary_committees/culture_media_and_sport/cms061026.cfm)

<sup>5</sup> In order to make clear which sections are written by external authors, the formatting of Sections 2 and 4 differs from the Ofcom-authored sections of this document.

- Section 3 develops Ofcom's views on a possible new approach to public service content, and sets out the options for future public service delivery. The next two sections consider one of these options – the PSP – in more detail
  - Section 4, written by Andrew Chitty of Illumina Digital, sets out the areas of content that the PSP could focus on
  - Section 5 provides Ofcom's thoughts on some of the important elements of the PSP's operating model. These thoughts are informed by the work of the external Creative Forum
  - Section 6 concludes with next steps.
- 1.36 In addition to the above, members of the external Creative Forum have contributed supporting vision papers, available at [www.openmedianetwork.org.uk](http://www.openmedianetwork.org.uk), which are published alongside this document. The outputs of the Creative Forum comprise initial views of how the PSP could work in practice. In our view, they present exciting early propositions for the potential of the PSP. However, they are not the only propositions – we are therefore keen to receive as many additional visions as possible through the responses to this document.

## Section 2

# The Changing landscape

**Written by Anthony Lilley, Chief Executive of Magic Lantern Productions<sup>6</sup>**

“Over time, the preferred means of delivering PSB will change, as some providers prove themselves to be more effective than others, or as new media become more effective than conventional channels. A robust PSB system needs to be flexible enough to adapt to this sort of change.”<sup>7</sup>

The global media landscape is changing rapidly. The main catalysts for this change are high speed two-way broadband networks and ICTs (Information Communications Technologies) such as PCs, games consoles and the mobile phone. The uptake of these technologies has been – and continues to be – startling. They resonate with the fundamental human need to communicate. They amplify and distribute the voices of individuals and groups in a way which has traditionally been the sole and limited preserve of those at the apex of mass media. And we love them for it. The social and commercial developments which they are triggering are rapid, wide-ranging and unstoppable.

The interactive media technologies, many of which have been around for twenty years or more, are different from their mass media predecessors, such as radio and, in particular, television and film. They are not simply the next step in the evolution of television, nor will they necessarily mean that TV and film will fall extinct. Interactive media platforms engender fundamentally different modes of use to those made possible by television. They have the potential to be interactive and participative in a way that television simply cannot be. Of course, they can also reduce the costs of production of traditional mass media, distribute it in new ways and reenergise its archives by offering them up as part of an explosion of choice. But they are much more than simply that. Television, the dominant form over the past fifty years, now inhabits a much more complex landscape than it once did. Even digital television, important though it may be, is really just “more television”. It has a small part to play in the evolution of media but the changing landscape is much larger and more complex than that.

Interactive media technologies can, for instance, place ideas in new contexts via mobile devices. They can put the tools of media creation and manipulation in the hands of the people formerly known as the audience and allow flourishing social networks and homemade content to take root. More fundamentally, they have already created whole new forms of entertainment and participation such as the computer game and the online virtual world.

This paper returns again and again to this simple but profound notion: whilst traditional media technologies primarily concentrate on the distribution of ideas, the interactive media technologies are concerned with handing active control and the ability to communicate to citizens. The social potential of this change is already being felt and the place we find ourselves in today is likely to be little more than the beginning. This explosion of communication is increasingly taking on many of the characteristics that we have previously ascribed to the mass media which preceded it, particularly as media production technologies get into the hands of more people and media distribution over broadband networks becomes akin to a basic utility service for many.

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<sup>6</sup> Since September 2006, Anthony Lilley has also been a member of the Ofcom Content Board.

<sup>7</sup> Ofcom Review of Public Service Broadcasting (Phase 3 Report)

Our use of media is shifting to find a new balance between the creation and distribution of content as we have known it in the age of mass media, and the active participation of citizens. We are entering the age of “our media” – where the communication of ideas amongst groups and the sharing of content are at the heart of what is going on. This change adds significantly to the ecology of mass media as we have understood it since the invention of radio broadcasting at the end of the 19th century.

We already have a splendid system of media distribution using the mass media technologies of television, film, radio and, to some extent, the first generation of the web. Indeed, broadband networks have the added effect of improving this environment still further by facilitating access to media on-demand. But even this change from a scheduled world of media scarcity to a plentiful world of traditional media available on-demand represents a significant challenge to the assumptions and models of mass media players.

Traditional media are at the zenith of their powers when they are distributing information and providing entertainment. These are powerful human needs; but they are not sufficient for life in the twenty first century as the forces of globalisation flatten our world. We are not in the information age; that has passed. We are entering the networked, learning age. The architecture of participation we need is likely to be profoundly different from the one we have been used to in the industrial, mass-produced age of the twentieth century.

The challenges and opportunities facing media companies and policy-makers are profound. Amongst the more resonant themes of current discourse about our place in a globalising culture and economy are concerns about social cohesion, the future of democracy and the need to build a society dedicated to learning and enterprise. The mass media can be forces for considerable good in this debate. However, alone, their technological and organisational structures are likely to be insufficient in future as expectations and modes of behaviour continue to change. We now urgently need to turn our attention to the development of a thriving culture of participation and engagement. We need our media to play a central part in this evolution and to help provide public benefits which might not be provided by commercial markets.

Public service broadcasting has been a highly successful notion when it has come to the creation of wide public benefit from mass media. Naturally, it is not immune to technological changes in the means of distribution of TV content as well as the arrival of new forms of content which are arising from the possibilities of interactive media technologies. It could be said that these developments are acting to accelerate the evolution of existing public service broadcasters into media brands with public service purposes (at varying degrees of centrality to their activities ranging from the BBC to Five).

Alternatively, and as Ofcom discusses in the next section, this could be phrased as the evolution of public service broadcasting into public service content. This is a major challenge in and of itself. The provision of public service mass media in the 21st century requires considerable thought. The BBC and to a lesser extent Channel 4 are already grappling with what the evolution of the media landscape means for them as institutions; the challenge to their core businesses as mass media players is large enough. Whilst they are both also responding to the potential of interactive media technologies, they are not uniquely focussed on this area. In addition, their institutional structures, priorities and talent bases are not necessarily aligned to the new, participative model.

Whilst PSBs are undoubtedly travelling in a direction which is seeing them increase their interactive media activity, they are doing this, logically and by necessity, from the point of view of traditional, mass media entities moving into a new space. This is undoubtedly a valid and important approach to the evolution of media, but it reflects only part of the picture. The opportunities of interactive media do not arise solely from their relationship to mass media –

but also from their common ancestry with communications technologies such as the telephone and computer modem. The potential benefits they could bring should likewise not be solely seen through the lens of the evolution of mass media. This raises the question of whether the framework for public service media can respond to the changes in the market conditions in which it operates and in the expectations of citizens of the media ecology of the twenty-first century simply by a process of evolutionary change. A more radical approach might better harness the specific public service potential of participatory media.

Ofcom's notion of the Public Service Publisher (PSP), which is one response to a perceived gap in public service content provision, has opened the debate on what we as a society want from our publicly-focussed media organisations in a way which goes beyond television. Broadcasters are already looking at this future themselves, of course. There is clearly an overlap between the evolution of public service broadcasting and the organisations which provide it, and the potential of interactive media. However, it is important to be pragmatic when considering this evolving space. The interactive media and broadcasting are not forces arrayed in opposition. They are likely to co-exist. Mass media will play a major role for some time yet. Indeed, the arrival of on-demand media is likely to put a premium on the role of PSBs as commissioners of innovative work, high quality news services and more. The sustainability of PSB might well, therefore, rest in part on the ability of public service broadcasters to harness interactive media, but it is unlikely to be totally reliant on it. This means that a blended solution is likely to be needed, for instance, to the question of how to provide balance and plurality in the supply of public service content which includes but is not limited to the participatory media which is the focus of this paper.

There is a further reason why it is essential to look beyond the broadcasting sector. The interactive media revolution is not just affecting media players. Almost all institutions are seeing both their external and internal relationships being reconfigured. Newspapers were amongst the first to feel the change, closely followed by music recording companies as the arrival of digital distribution changed their traditional models – and continues to do so. A profound example which is relevant to our discussion is e-commerce. This has fundamentally realigned the relationship between consumers and suppliers.

Likewise, we are beginning to see the potential for a genuine revolution in the delivery of public services through harnessing interactive media. Many government services are migrating online and, in the process, are taking on some of characteristics which would once have been the preserve of public service broadcasting. Examples include the formation of Teachers' TV by the Department for Education and Skills, or the many public information programmes – which now include very considerable online dimensions – funded, produced and delivered directly for or on behalf of public sector institutions.

This applies even more to cultural activities such as the arts, museums and galleries sector which – in many cases – are moving beyond simply providing access to cultural artefacts, into a mode where many institutions are finding that the facilitation of learning, understanding and participation are more central to their missions than ever before. These and others present compelling reasons why we might want to extend the case for public service broadcasting and re-evaluate it in the light of changing circumstances by looking at it in the wider context of public service delivery as a whole and diminishing the special status which we have previously given to mass media.

## Section 3

# The need for a new approach

- 3.1 The previous section set out Anthony Lilley's views on how the media landscape is shifting – from linear broadcasting to a more open, participative model. This section considers Ofcom's views on the implications of this shift for the system of public service broadcasting (PSB) in UK television.
- 3.2 The PSB system has served the UK well over several decades. In the earliest stages of the television sector, with television broadcasting at the BBC beginning in 1936, there was only one television channel. It took more than 60 years for another four analogue terrestrial services to be launched. In this constrained world, UK governments always intervened with the aim of ensuring wider benefits to society, giving broadcasters access to the limited airwaves in return for accepting a range of public service content obligations – restrictions and quotas on the range, types and scheduling of programming. And, even in this old world of limited routes to audiences, competition for quality drove success: the launches of ITV in 1955, Channel 4 in 1982 and Five in 1997 all brought new sources of innovation into the market, raised the bar for existing players, and developed distinctive television propositions for viewers. The system also supports a number of smaller providers like S4C, who have developed niche propositions to deliver specific PSB purposes.
- 3.3 As Ofcom argued in the PSB Review, changes in the market are threatening the established PSB system – the move from analogue to digital television means it is no longer realistic to expect commercial broadcasters to deliver the historic level of PSB obligations due to fragmenting audiences, the existence of alternative non-terrestrial access to audiences, and the diminishing value of analogue spectrum. As such, PSB provision from commercially-funded organisations is under threat.
- 3.4 This was one of the most important – and at the time most controversial – conclusions of Ofcom's first review of PSB. It is now more widely accepted in industry and government, and there is an emerging view that new approaches are needed to deliver public purposes in the future. During 2005 and 2006, the focus has been on how to define the BBC's role in the digital age. This section sets out Ofcom's suggested new approach to public service content across the PSB system, and subsequent sections of this document consider how this new approach is best delivered in the changing world – particularly in order to ensure plurality of PSB provision.

## Enduring purposes and characteristics

- 3.5 Ofcom defined the purposes and characteristics of public service content in the PSB Review. The purposes are to:
- Inform ourselves and others and to increase our understanding of the world
  - Reflect and strengthen our cultural identity
  - Stimulate our interest in and knowledge of art, science, history and other topics
  - Make us aware of different cultures and alternative viewpoints.
- 3.6 We also defined the necessary characteristics of such content:

- High quality – well funded and well produced
  - Original – new UK content rather than repeats or acquisitions
  - Innovative – breaking new ideas or re-inventing exciting approaches, rather than copying old ones
  - Challenging – making viewers think
  - Engaging – remaining accessible and attractive to viewers
  - Widely available – if content is publicly funded, a large majority of citizens need to be given the chance to watch it.
- 3.7 Ofcom's research established that there is continued support for a broadcasting system that delivers on these purposes and characteristics. In the PSB Review, we framed the discussions around the providers of content that met these criteria. But a key question for the future is: does the way in which these purposes and characteristics are delivered need to change?

### Changing consumer behaviour: the growth of digital media

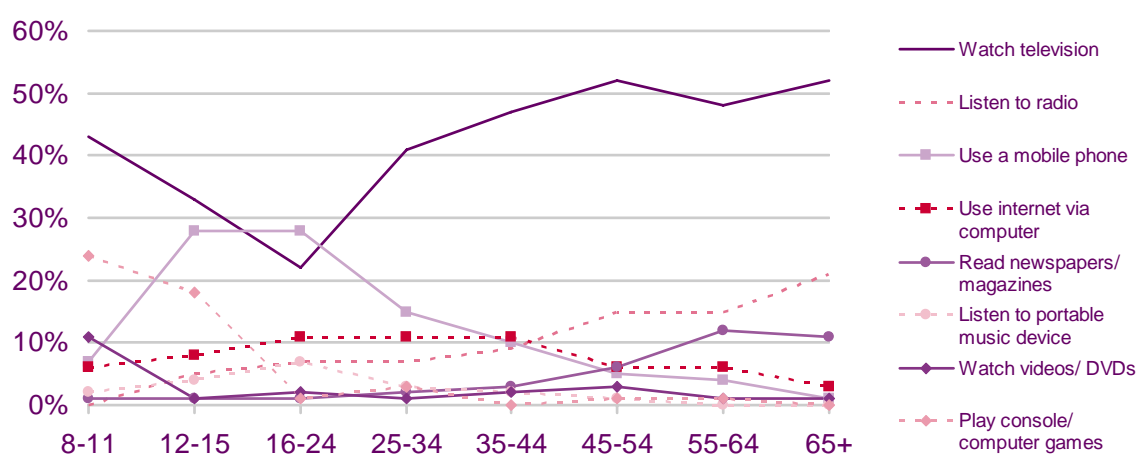
- 3.8 The objective of public service intervention has always been the delivery of high-quality, UK-originated content that meets public purposes. The structure of the traditional broadcasting market means that the focus to date has been on the distributors of that content. In the changing market environment, where consumer behaviour is changing rapidly with profound implications for the broadcasting market as a whole, this focus may evolve – the purposes and characteristics of PSB will endure, but they may have broader applications to new areas. In thinking about these new areas, we talk in this document about the “digital media” market. This includes digital TV services that are used to transmit a range of channels; and a wider range of platforms and services – including internet and mobile phones – and storage technologies such as Personal Video Recorders (PVRs).
- 3.9 The rise of new technologies and forms of entertainment is having a disruptive effect, both on the traditional television sector and the wider digital media market<sup>8</sup>. While television viewing hours are broadly static, other forms of media consumption are growing rapidly. As time spent on other communications technologies has grown rapidly and significantly, the relative impact of traditional television – public service or otherwise – is declining.
- 3.10 Simultaneously, digital media are experiencing rapid growth, both in terms of content and hardware. Consumers, especially those under the age of 25, are taking advantage of technological advances to change their consumption of content. In an average week, young adults (age 16-24) watch seven hours (28%) less television, but use the internet for twenty minutes (14%) more and send 2.5 times as many texts than the rest of society<sup>9</sup>. As a consequence, and as the following figure shows, they place a higher value on communications devices other than television.

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<sup>8</sup> Important changes are also taking place in the radio market. Ofcom is currently undertaking work on the Future of Radio and is due to consult on this issue before the end of the financial year.

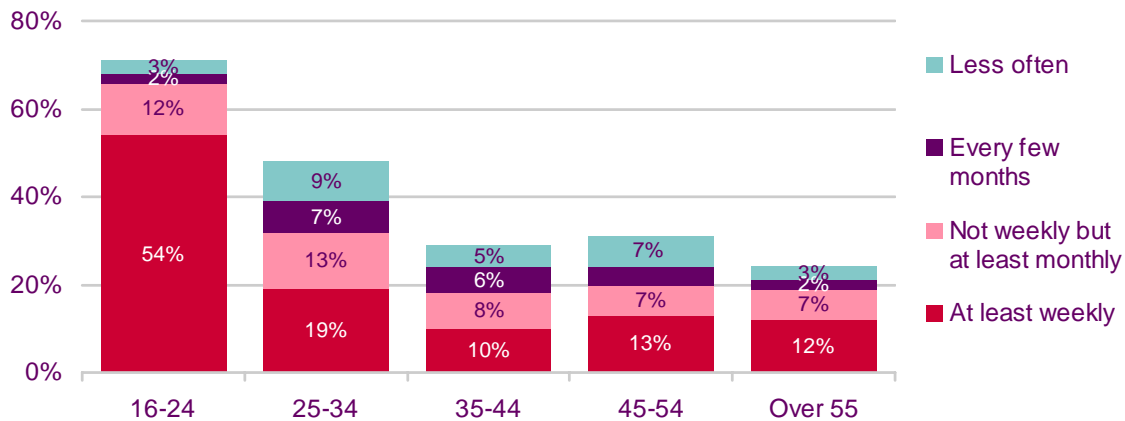
<sup>9</sup> Ofcom, *The Communications Market 2006*, Figure 1.28

**Figure 3.1: Media activity that would be most missed by age group**



Source: Ofcom

- 3.11 The behaviour of the young is of particular interest not just for their interaction with the market now, but also for the indication they give to future developments as today's young adults become older – the technology and take-up of the under-25s today may be spread across the mainstream within the decade.
- 3.12 As content is increasingly delivered on other devices, the boundaries between these markets and traditional broadcasting are blurred – for instance, a PC or mobile device could be an alternative platform for viewing television content, even linear programmes. Trials and service launches of broadcast mobile TV and simulcast internet broadcasting suggest that this reality is both popular and becoming increasingly accessible. Broadcasting has already advanced beyond the television set.
- 3.13 However, digital media does not mean simply a series of alternative distribution models for the same linear content. New types of content have a number of characteristics that make them go far beyond traditional broadcasting – the notions of participation and two way communication are key differences between traditional broadcast and new digital content. More specifically, it is the ability of users to create, annotate, comment and communicate around content that goes some way towards explaining the adoption of the internet as a cultural phenomenon. These characteristics can be seen in already existing digital content – video gaming, social networking sites, community sites, wikipedia, and user / community generated content. These services have already begun to change the way (and what) we consider broadcasting.
- 3.14 As a result, they offer the potential to generate a far richer and deeper viewer experience. This experience can be harnessed for public service delivery, just as easily as for commercial content. Once more, younger age groups are at the forefront of these new types of content – for example, as the figure below shows, 16-24 year olds are much more likely to use social networking websites than the rest of the population. But usage levels among other age groups are also significant given the recent emergence of the social networking phenomenon.

**Figure 3.2: Use of social networking sites by age group**

Source: Ofcom Media Literacy Audit, addressing question: “How frequently, if at all, do you use websites where you can chat with people you know or contact people you have lost touch with?”

- 3.15 The rapid growth of broader, richer, less sharply defined digital media suggests that in the medium term – if not sooner – the broadcasting market will be increasingly characterised by forms of provision that are cross-platform and multimedia in nature, where content is likely to become increasingly central. Content producers will be able to make their output available without using the traditional channel model. From a public service perspective, it may now be more appropriate to speak of Public Service Content (PSC) rather than Public Service Broadcasting (PSB). We adopt the PSC terminology for the remainder of this paper, except where it makes sense to refer, for example, to the “PSB system” or the “PSB argument”.
- 3.16 This distinction is likely to have important implications for the nature of intervention to deliver public purposes. Traditionally, governments and regulators have sought to secure sufficient PSC by focusing the intervention on TV channels – this may have been imperfect and ambiguous at times, but historically has been the most efficient system for ensuring the highest levels of PSC. This is unlikely to change fundamentally in the near future – public service obligations on broadcasters and delivery by linear channels will remain important. However, over the longer term, this may offer the opportunity to develop different methods of supporting content delivery.
- 3.17 In a networked world, with very limited capacity constraints, the ability to distribute content that meets public purposes will be enhanced substantially. Not only will it be possible to create more in depth content, but much more of it can be made available to citizens. Digital media offers the chance to expand public service reach and impact by addressing content provision in a more dynamic way than is currently possible. This means not only greater efficiency of funding (for instance, there would no longer be a need to support a full schedule roster in order to secure key public service content), but also the ability to target content and spend in order to enhance the overall impact of the system.

## Evolution of the public service system

- 3.18 The changes in the provision and consumption of television and other digital content are changing the historical system of public service delivery. There is therefore an opportunity to re-imagine public service delivery for the changing world.

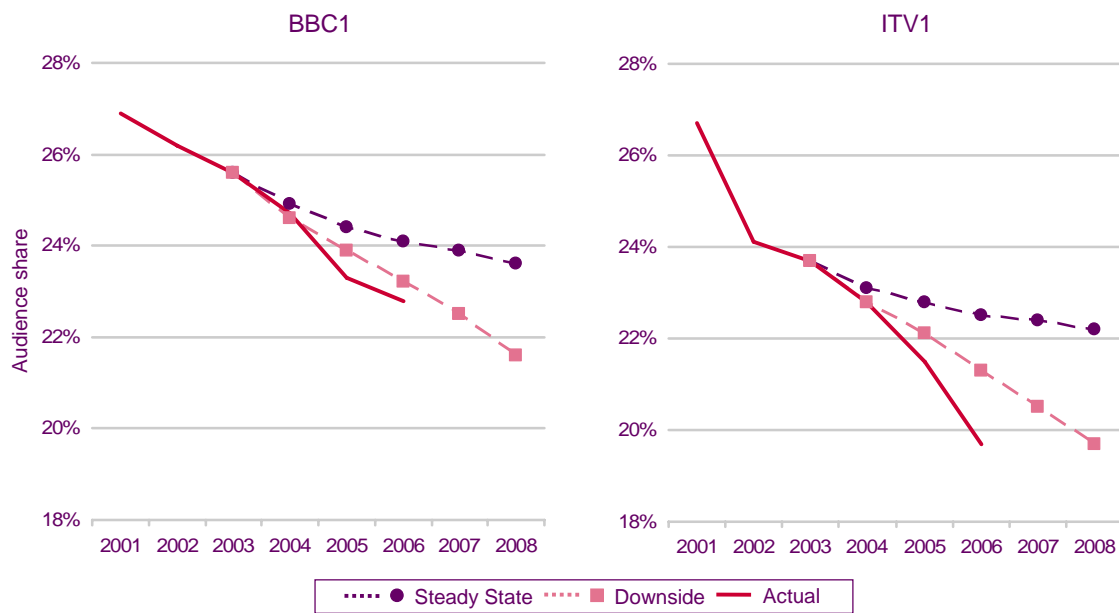
- 3.19 To date, commercial broadcasters have been willing to deliver on public purposes and characteristics in exchange for access to the strictly limited number of analogue terrestrial television broadcast licences on offer at below market prices (together with the associated spectrum resource to allow terrestrial broadcast delivery). Publicly owned broadcasters – the BBC and Channel 4 – were also gifted the spectrum necessary to allow the terrestrial broadcast delivery of their analogue television services.
- 3.20 In the analogue age, the value of the commercial analogue licences was substantial. Other platforms and non-terrestrial channels have been in operation since 1984 – their initial impact was relatively minor, but has recently grown very rapidly. Since 2004, multichannel television has been a reality for the majority of households. Currently, around 25% of the television audience receive broadcasting solely through analogue, and this will reduce rapidly over the next six years to digital switchover. By 2010, the value of the spectrum in analogue use will be minimal; by 2012, it will be zero, as all households will receive television through a digital signal.
- 3.21 There will still be some value in the spectrum set aside for public service channels on the digital terrestrial platform, but as more channels can be supported and the spectrum required for each channel will be reduced, the value will be lower than that for analogue spectrum. In any case, Ofcom policy regarding spectrum (the main input for the historical system) supports making access to spectrum subject to pricing to ensure this scarce resource is used efficiently. Ofcom has proposed charging for the use of digital spectrum from 2014<sup>10</sup>. By then, the means to secure implicit funding for material public service delivery will thus no longer exist.
- 3.22 Increased competition in the market has already eroded the viewing shares of the main terrestrial broadcasters – as shown in the figure below. Moreover, these trends have accelerated since we completed the PSB Review. Viewing shares at the main terrestrial channels have declined more rapidly than our PSB Review forecasts – even under our most pessimistic scenarios. The figure below shows two scenarios we modelled in 2004, the first modelling only the impact of increasing digital penetration (steady state), and the second a downside scenario for PSBs<sup>11</sup>.

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<sup>10</sup> Ofcom, *Future pricing of spectrum used for terrestrial broadcasting* (July 2006)

<sup>11</sup> For a definition of the scenarios shown in the figure, please see the Ofcom publication, *Digital PSB* (July 2006).

**Figure 3.3: Rapid acceleration of main channel loss of share (all individuals)**



Source: BARB, PSB Review Phase 2

3.23 In consequence, some commercial providers have already reduced their commitments to key genres on traditional television:

- The levels of non-news programming for the Nations and Regions have been reduced for ITV1
- ITV1's religious programming levels have been halved
- ITV1's children's programming has reduced from 12 hours per week to eight. ITV consulted Ofcom about a further major reduction in this programming commitment in September 2006.
- Five has been permitted to reduce its commitment to reaching 60% original programming in 2009. Its origination quota has been fixed at 53% from 2007.

3.24 As multichannel television penetration rises, the pressure on continued delivery of PSB obligations by the commercial channels is likely to increase. The value and importance of the analogue spectrum is declining and, as a result, the provision of high-quality originated context across genres – along with wider benefits such as a diversity of production supply – may face challenges.

3.25 Existing levels of provision may not be maintained, especially for ITV1 and Five. Channel 4's contribution to the PSB ecology faces many of the same pressures as those of its commercial rivals, and we are considering the impact and extent of this pressure in the separate Financial Review of Channel 4.

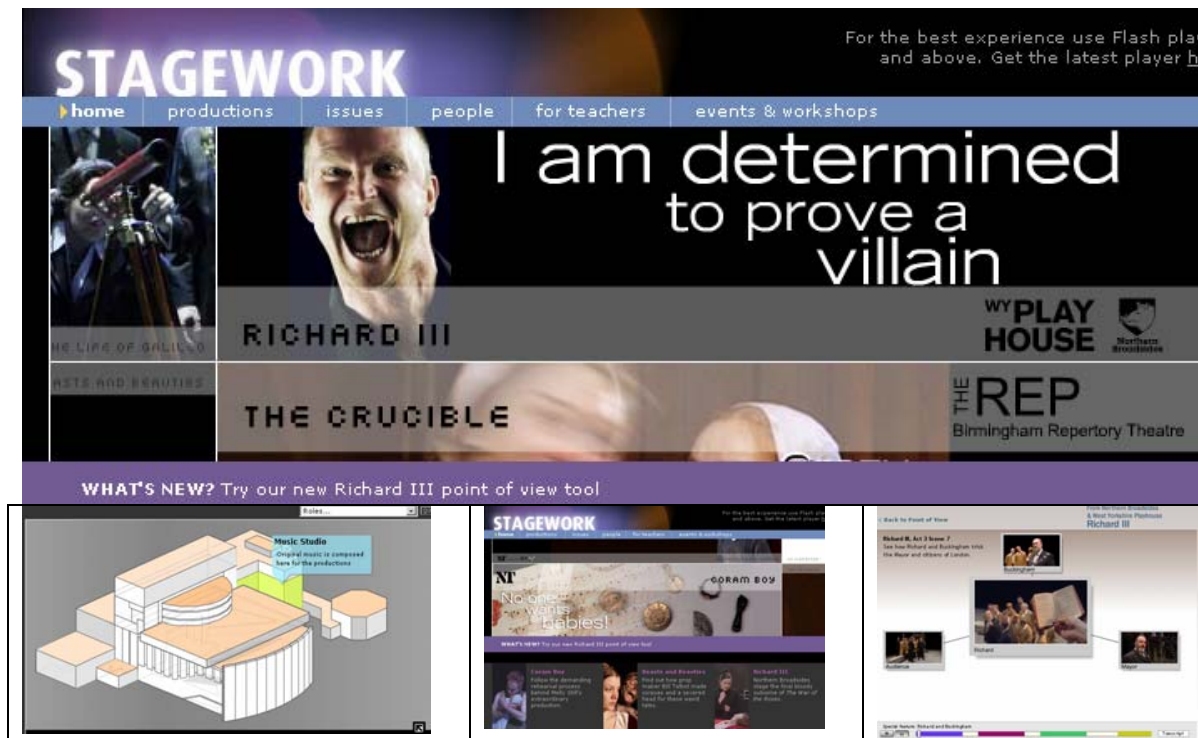
3.26 The viewing of young adults has been disproportionately affected by multichannel television. 16-24 year old viewing of the main terrestrial channels fell 16% from 2001 to 2005, versus an overall fall of 10%<sup>12</sup>. Given young adults' historical

<sup>12</sup> Ofcom, *The Communications Market 2006*, Figure 1.32

disengagement from PSB, this means that some key genres now have very low young adult reach: 24% for current affairs programming (versus 44% overall); 12% for regional news (33%), 34% for national news (60%). Recent trends are likely to reduce the reach of public service content even further.

- 3.27 In addition to the direct consequences of a loss of output, market developments are likely to bring about a reduction of competition in the provision of public service content. In the PSB Review, we identified plurality as critical for successful public service provision. If support for public service content provision is allowed to erode, the benefits of plurality on traditional television will be lost, to the detriment of UK viewers as both consumers and citizens – and also to the risk of those public service broadcasters that remain.
- 3.28 At the same time, public service content is starting to emerge on newer platforms as consumers seek out public service elements from digital media. Consumers are increasingly finding content with public purposes and characteristics being created for and in the fully online digital world, usually supported by public funds. For instance, the National Theatre's Stagework site (see box below) is an example of the effective use of internet technology by public institutions. In addition, a wide variety (and volume) of public service content has been made available by other public institutions: local and national government are increasingly making services available online and are using the internet to reach and inform citizens. The scale of this activity is significant and is likely to continue to grow.
- 3.29 Existing broadcasters have begun to re-orientate themselves around the wider digital media market. The BBC website is a prime example of an effective public service online news service, with exceptional reach and readership. However, to date, most investments by broadcasters have been small in scale, reach and impact, with only a small number of standalone online ventures, e.g. Channel 4's FourDocs (<http://www.channel4.com/fourdocs/>).

[www.stagework.org.uk](http://www.stagework.org.uk)



Launched in 2004 with the epic adaptation of Philip Pullman's His Dark Materials, Stagemwork takes users behind the scenes of some of the UK's most exciting theatrical productions from the National Theatre and its regional partners. The user can access a large and growing archive of high quality video to explore a production from the earliest stage of rehearsal through to final performances – a collection of interactive documentaries that the user can navigate under their own initiative.

But the site also provides interactive applications that allow users to investigate theatre techniques from lighting and costume design to direction and performance, provides specially commissioned learning resources for students and teachers, hosts online workshops and events and provides an interactive guide to careers in theatre. In its first 3 years Stagemwork has been recognised by BAFTA, the Association of Online Publishers, the UN World Summit and the Webby's as setting the standard for broadband public service content.

Stagemwork's success is the product of a partnership between the National Theatre, an independent Production company, Illumina Digital and Culture Online, a one-off fund of the DCMS designed to encourage participation in the arts and culture through the innovative use of technology. It shows that some public institutions can create and deliver broadband content with the narrative structure and high production values normally associated with broadcasters.

- 3.30 In addition to public bodies, other organisations have innovated in a wide range of areas in the provision digital media content. Most successful online services, including social networking and user generated services are now operated as commercial ventures, focussed on areas that generate maximum commercial returns, and few have material public service value. In particular, it is difficult to find examples of digital media content that address the most vulnerable areas of the PSB system.
- 3.31 The provision of PSC on alternative platforms is likely to increase in future – the market is not yet mature and is likely to develop unevenly. It is likely that greater familiarity with new technology and increasingly successful attempts to charge consumers for content will encourage the development of increasing volumes of PSC

on a number of platforms. Moreover, if successful publicly-funded examples exist, these may prompt wider market participants to provide similar content. This is a potentially exciting new arena for public service content. Some existing online content appears to have extended reach amongst young adults – e.g. these audiences are twice as likely to value the BBC's online services as the rest of the population<sup>13</sup>. The wider digital market could offer more new sources of PSC, additional functionality of PSC, and the possibility of reaching groups that have become disengaged from the traditional PSB system.

- 3.32 Searching for and finding the results of these new opportunities is, however, likely to become ever more difficult. In the PSB system, locating key content is relatively straightforward – EPGs and fixed schedules allow relative ease of location. However, navigation of the more varied and extensive digital media content will be increasingly difficult as volume proliferates and no standardised search system exists. This poses a threat to public service content – if audiences are unable to reach this content, it will not have the level of impact that it needs. Therefore, even if the market provides public service content, it may not provide the means for it to be found.

### The basis for public service intervention in the digital media age

- 3.33 The above discussion shows that newer forms of public service content are emerging. But a key question for the regulator and government concerns whether the market will provide sufficient PSC on digital platforms without the need for intervention – or will there be a shortfall?
- 3.34 In Phase 1 of the PSB Review, Ofcom considered the rationale for PSB, laying out the six main reasons used to justify intervention in the broadcasting market<sup>14</sup>:
- The search for large scale **advertising revenues** will mean companies cluster in the centre ground
  - **Restricted access** to spectrum makes entry impossible on market grounds and without competition the ability of the market to deliver the most efficient solution is impaired
  - Broadcasting is an **experience good**, whereby consumers have limited information before consumption and limited opportunity to correct decisions taken at a later date
  - Programmes are **non-excludable**, meaning there is an inability to charge for access. Traditionally, broadcasting has not made access conditional on payment of optional charges. Hence, the market under-provides such goods
  - Several individuals can consume broadcast content without diminishing its value to others. Programming is said to be **non-rival**. The marginal price (and efficient price) is zero, resulting in under-provision by the market
  - High quality programming are **merit goods**, which consumers would not place the correct value on and would therefore cause the market to under-provide

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<sup>13</sup> IPSOS-RSL, commissioned for Ofcom, PSB Review Phase 1 (2004)

<sup>14</sup> Ofcom, *Review of Public Service Broadcasting Phase 1* (2004)

- There are significant **positive externalities** from certain kinds of broadcasting, which society as whole benefits from. This aspect should be understood at comprising two elements, both relevant to traditional broadcasting:
    - Public service content delivers an orthodox, quantifiable, economic externality – e.g. where viewers would be willing to pay for public service delivery in order to ensure that it is available to society
    - Public service content also provides a series of important, but less quantifiable, social benefits – for instance where content helps deliver a more educated society. This is related to the merit good argument above, but it also suggests that there may be a shortfall in content that delivers social benefit – even if all technical market failures are corrected.
- 3.35 The growth of multichannel television has mitigated many of these problems. Increased competition, simultaneous deployment of technology allowing time-shifting, more rapid repeat cycles and greater access allow consumers to put a more accurate price on the content they wished to watch, and encryption would allow broadcasters to limit access to their content. Widely available digital media goes even further and eliminates many of the traditional structural barriers entirely. A wide range of revenues and suppliers creates a very competitive marketplace; replayability allows consumers to value content accurately; and access can be made entirely conditional.
- 3.36 This means that many of the traditional arguments for market failure do not hold in the same way in the changing environment. The market will provide a greater variety and volume of content in linear television and in other digital media. For instance, the growing penetration of multichannel platforms has made it commercially viable to broadcast specialist channels such as the Discovery channels and Artsworld.
- 3.37 The absence of structural barriers could be seen – simplistically – to mean that no market failure exists. However, we also established in the PSB Review that a number of characteristics of broadcasting provide an enduring rationale for the public service intervention – broadcasting continues to be non-rival: the efficient price to provide the service is still zero as before; consumers would continue to under-appreciate PSC as a merit good; and positive externalities remain. The need for intervention in public service broadcasting therefore endures, though the need may be less acute. The market may provide more public service content in a digital media than it did in the analogue broadcasting world, but it may still not provide enough.
- 3.38 It is important to note that the same factors are also relevant for newer digital media platforms. Specifically, the market may not be most efficient in delivering the following economic benefits:
- PSC remains a **merit good** that it is desirable for consumers to access. While some scepticism exists over the potential to guide consumers to content that they may not choose, the digital media market is still likely to fail to deliver the optimum quantity
  - **Positive externalities**, quantifiable and unquantifiable, will continue to arise from provision of content by digital means, although the benefits may be reduced as a result of fragmentation and increased choice. These include the orthodox externalities noted earlier, as well as the wider social benefits
  - Content is still **non-rival** on wider digital media platforms. Regardless of how it is distributed, the marginal cost for the extra unit is still zero. However, although

consumer welfare would be enhanced through the delivery of free-to-view content, this would need to be balanced against the cost of creating the extra welfare - e.g. the potential market impact on commercial provision of similar services, and the additional cost of delivering the digital media service.

- 3.39 Although this argument is framed in economic terms, these factors are at the heart of the citizenship-based rationale for intervention to support content with wider social value. Content is a merit good if individuals receive more benefit – for instance through news and information – than they realise. Similarly, the concept of a positive externality is an economics-based way of expressing the point that an individual's viewing of content can have additional benefits for society as a whole, for instance through his or her engagement in the democratic process as a more educated citizen. The purposes and characteristics of public service content defined by Ofcom are intended to address these citizenship issues – and so address the problem that the market is unlikely to provide the full set of content and services that will maximise the benefit to society.
- 3.40 In particular, we note the potential impact this could have on UK originated production. Of the £2.7bn currently spent on UK originated content per annum, £2.6bn is accounted for by the PSB channels<sup>15</sup>. Although much of this is as a result of market forces – viewers value UK original programming and broadcasters have commercial incentives to provide it – we believe the PSB regime plays a key role in securing these high levels of original production. Without intervention it is likely that higher levels of repeats and acquired programmes would be scheduled, especially in economically marginal genres.
- 3.41 In summary, although the changes brought about by the emergence of a converged digital media landscape affect the public service argument, a case for intervention is likely to remain. Moreover, just as we continue to expect under-provision of certain types of television programming, other similar types of video content (interactive, personalised, user-generated) may exhibit similar characteristics. As a result, shortfalls may be expected, both for new forms of content and for conventional television programmes.
- 3.42 However, it is not possible at this stage to be definitive on the scale of this shortfall: there is already substantial provision of publicly-funded online content that addresses public purposes; and, while similar market based content in digital media is not widespread, it may grow in future. As a result, the extent of any shortfall would need to be monitored over time, and assessed in full before a final decision is made. Nonetheless, given the potential for shortfall, there may be a role for intervention to support new forms of public service delivery.
- 3.43 In addition, although the BBC intends to provide much content on digital media platforms, there is an argument for intervening to ensure plurality of provision. Regardless of the extent and nature of the BBC's activity and funding for digital media public service content, we argue that competition is critical for a flourishing PSB system – further intervention could therefore be needed to provide competition for quality in the future.
- 3.44 Importantly, this is not the same as making a broad, sweeping argument for public intervention in internet content. But where digital media content has the potential to deliver on public purposes and characteristics and to have impact and influence in a

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<sup>15</sup> Ofcom, *The Communications Market 2006*, Figure 4.67

way similar to television, we believe that there is a case for intervention targeted at the broader types of media experience which viewers now enjoy.

## Overview of options

- 3.45 Overall, there will be a range of opportunities and challenges for PSC – on traditional television, and on newer platforms. These may require a range of responses, some of which could be focused on traditional TV, and others could help ensure that public purposes and characteristics are properly addressed on wider digital media.
- 3.46 If further intervention were to be pursued, a number of potential avenues are available. Further intervention could:
- Be limited to **linear television only** – with funding focused on specific broadcasters, forms of content (e.g. support for regional news, local TV or indigenous language services), or via targeted grants on a commission-by-commission basis
  - Have an important **digital media** element – whether support for existing providers (either existing broadcasters or other digital media operators), or funding for a new organisation designed to deliver public service goals in new ways.
- 3.47 It is important to note that these options are not mutually exclusive. It would, for instance, be possible to support a new source of multimedia PSC alongside an enhanced role for existing PSBs in either television or other digital media. We therefore do not consider it appropriate to rule out any of the options at this stage.
- 3.48 Nonetheless, we are concerned that any response focused solely on traditional broadcasting might not be adequate to secure a strong and plural public service system for the future. By failing to harness the potential of the new media environment, the audiences for content that meets public purposes and characteristics may continue to dwindle. In contrast, a multimedia-based approach would enable the delivery of public service content in new and exciting ways. At the same time, we recognise that a mixed approach is both inevitable and desirable – for some of the challenges faced by the historical public service system, a traditional TV response will still be central to the future mix of PSC.
- 3.49 In the PSB Review, we discussed the possibility of a new public service organisation for the digital media market, describing it as the Public Service Publisher (PSP). We envisaged the periodic award of the contract to run the PSP – with the tender process open to all organisations other than the BBC (in order to ensure competition for quality with the BBC). This approach could help deliver value for money, and encourage new ideas and approaches.
- 3.50 Overall, we continue to believe that there is value in considering the creation of a new provider of PSC, with its centre of gravity in new media and with a remit specifically designed for new forms of content provision. A new organisation would have the provision of PSC ingrained into its organisational values and structure. In contrast, some other commercial broadcasters, concentrating on maximising audiences and revenues, may regard PSC as a means, not an end in itself. Moreover, a new organisation rooted in wider digital media would help address the ways that consumers are increasingly behaving, and would help to fill the shortfall in public service content on digital media platforms.

- 3.51 The next two sections of this document therefore develop the role that a PSP could play: Andrew Chitty explores possible PSP content in the next section, and we outline Ofcom's views about the possible operating model of the PSP in Section 5. We stress that, in developing the PSP concept further, in no way are we suggesting that the introduction of the PSP would address *all* of the challenges for the future of PSB – the PSP is only part of the overall solution, but we believe it could be an important part.

## Section 4

# The PSP's content

**Written by Andrew Chitty, Managing Director of Illumina Digital**

It is hard to describe any new organisation. Perhaps even harder when the need for the PSP has been described in terms of the perceived future challenges to our cherished system of Public Service Broadcasting. But the needs and behaviours of citizen-users in the first decade of the 21st Century are different to those of viewer-consumers in the last decades of the 20th Century. The aim here is to explore the creative potential of a Public Service Publisher by looking at what it might do – the content and services that it might bring into being and how these will touch the lives of citizens and contribute to public culture. We are not attempting to be definitive or comprehensive but to provide touchstones to illustrate the kind of innovative public service content that might be made available in the near future. The ambition is that these glimpses of future potential will open up a dialogue which others will explore.

The content of this section is the output of the PSP Creative Forum – a series of creative workshops and dialogues facilitated by Ofcom during 2006. The Forum wanted to ask what would such an organisation make, how would it benefit user citizens and to start to define the public service values that would underpin its outputs. The contributors were asked to think about creative potential and outputs rather than structure or organisation; all were leading contributors and innovators in the exciting territory where digital media and public service meet.

The overriding feeling of the participants was that the UK needs something like the PSP sooner rather than later. We need it to develop a coherent vision of public service values and content in a networked world. Should such a uniquely British organisation be created then, just like Channel 4 in the early 80s, it would call into being a new wave of creative businesses that would serve the UK well in the changing media landscape. As one participant said, “what we see now are the equivalents of the C19th end-of-the-pier zoetropes and nickelodeons, but somewhere in there is the new cinema”.

## PSP content in the digital landscape

It is clear that networked and digital media driven by user participation are now at the heart of our culture. Audience consumption of audio-visual media is changing with a steady drift from linear programmed media like conventional TV towards not only online and on-demand media but to other interactive and participative experiences. Rather than abandoning the concept of Public Service as the broadcast model changes, this shift to interactive media offers the opportunity to revitalise our concept of Public Service for these new and active users rather than just to support the viewing habits of the past.

Users of interactive services behave differently from television viewers, they want different things. The distinction between ‘lean forward’ and ‘lean back’ media captures an essential quality – users approach a website with an active purpose in mind – be it to find content and information or to participate or contribute.

In recent years the UK has been recognised in many global awards for excellence and innovation in rich media public content on the web. Users can go behind the scenes at the National Theatre's Stagework site, journey across the Antarctic at [www.capefarewell.com](http://www.capefarewell.com) or upload social history to Urban Tapestries. Kids excluded from school create extraordinary things on [www.notschool.net](http://www.notschool.net) and online services from organisations such as Tate and the

National Archives and creative community services like Shooting People have gathered millions of users and thousands of members. On the leading edge where drama gaming and storytelling come together, Augmented Reality experiences like Blast Theory's Uncle Roy All Around You, NVA's Storr: Unfolding Landscape or Tim Wright's Oldton disturb and delight in equal measure.

A wealth of PSP-like content exists in embryonic form, but until now these projects have been isolated examples of creative excellence, subject to stop-start discretionary funding and not shaped by any coherent or strategic vision of the nature of public service content. Lottery funded initiatives like NOF Digitise (for the museums and galleries sector), the DCMS Culture Online programme, Pathfinder local authority projects, DfES Teachers' TV, EU and Research Council funding have laid some of the groundwork, delivered pockets of brilliance and innovation and proved that the UK digital creative sector has the capacity to deliver innovation in public service. One of the PSP's roles will be to take these prototypes, explore which can work and how they can scale and deliver a coordinated strategy for sustainable public service interactive content.

With a thriving creative community of independent production companies, interactive writers and digital artists, web-enabled public organisations and design agencies that now employ more people than the broadcast TV sector<sup>16</sup>, with a strategic intervention like the PSP, the UK clearly has the talent base to capitalise on this dynamic new sector of the creative economy.

## Characteristics of PSP Content

### Participation

Threaded through all of the creative propositions discussed in the Creative Forum process has been one key idea – that any new vision of Public Service Content has to be underpinned by the idea of user participation. This is the defining quality that separates successful networked content from broadcast media. The ability of users to create, annotate, comment and communicate around content underpinned the adoption of the internet as a cultural phenomenon from the days of email, through the spread of the World Wide Web to blogs, social networking sites like Flickr and Massively Multiplayer Online Games like World of Warcraft. This is a two way communications medium where users need an 'architecture of participation' to engage.

The concept of participation is very amenable to a new idea of Public Service in that it encourages citizens to become users rather than viewers of content: active participants who produce, modify, comment on, judge and repurpose content rather than act as the passive (though grateful) recipients of broadcast information and entertainment. Rather than thinking of high quality 'content' in the manner of TV programmes it might be more useful to think of high quality participatory services where linear content is only one aspect of an experience that might be accessed through many channels – online, via mobile, kiosk or TV.

Pulse (see box below) is an illustrative example of just such a content-led service – a hypothetical online platform for social history created from user generated and archived digital media. Its initial aim is to provide a public space to allow users to deposit material of social significance which can be tagged by theme, location, and context. Pulse would also have an editorial layer which encourages and commissions individuals and communities, professionals and amateurs to weave stories or 'curate' areas of the service.

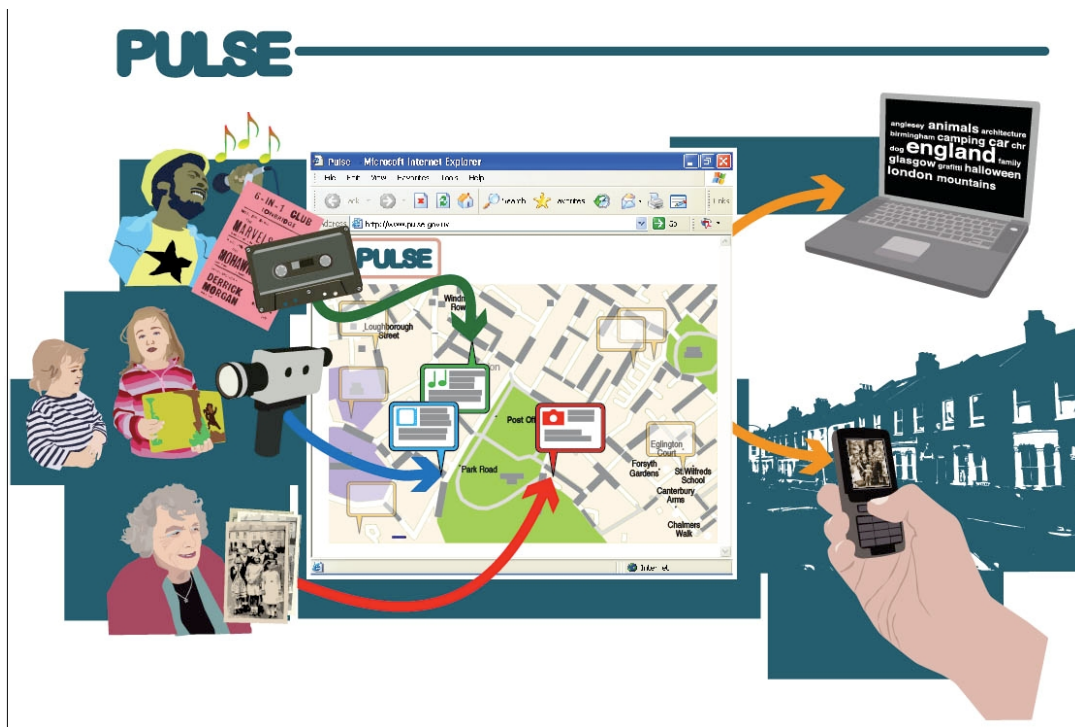
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<sup>16</sup> Skillset Employment Census 2005

### **Illustrative example: Pulse**

Pulse is a national, online, living multimedia archive that provides a platform for users to reflect on and contribute to the changing nature of British society.

Pulse encourages individual users, communities and existing archives to post their original content – from home movies to documents, historical photographs to audio recordings – and share it with the nation. In return Pulse commits to preserve this media within its online archive. Every contribution is tagged by the user creating a folksonomy of the contemporary UK which can be interrogated and explored. It's a blend of history and storytelling that celebrates both the commonality and diversity of society - a social documentary as well as a historical record and an evolving archive: Mass Observation meets Web2.0



But the PSP's commitment to Pulse is to create far more than a digital vault – it also provides the framework for an editorial layer that mines this web of social, oral and documented histories. Initially Pulse would work with communities, individuals, historians and existing archives to seed Pulse's content. Editorial projects would be commissioned to create original content around particular themes of contemporary or social importance or to curate thematic or geographical areas of pulse.

Pulse is a framework and a socially engaged editorial proposition. The PSP has committed funding to develop the architecture and provide the editorial and management team with a commissioning budget for 3 years. But to succeed Pulse will be delivered, exploited and ultimately sustained through partnerships. One of the early projects is to populate the archive with content liberated from the BBC's 1986 Domesday Project – an early example of a user generated archive presently unavailable to its contributors. Pulse will make it nationally accessible and updatable by anyone with a mobile phone. Technology partners will provide digital storage and platforms and Pulse will work with the JISC funded Digital Curation Centre on preservation standards. Partnerships with broadcasters, publishers and Regional Development Authorities will promote particular campaigns, market and distribute Pulse content and broaden access.

Pulse embodies the PSP's creative and public purpose: It provides an innovative participative service which builds on current trends in user behaviour but throws into the mix the editorial values of public service content. It is permeable, personalised and location sensitive and will be as living and diverse as the communities that build it.

Could a broadcaster not serve these audiences equally well? Narrative history has of course been one of the most successful TV genres of recent years. The first problem is structural: Pulse's combination of social history, cultural identity, current affairs and interactive digital media would probably fall across several commissioning departments; 360 degree commissioning is still an aspiration rather than a reality. Even so, any of the current PSBs could be expected to deliver some high quality, probably presenter lead, flagship series in this area. Innovative new formats might draw in new audiences with celebrity or archive as Wall to Wall's Who Do You Think You Are has done for the BBC and The Second World War in Colour did for ITV. There might even be a web site where users are asked to contribute their own stories around the TV material. But after the series' broadcast these contributions will remain untended and unused – until and unless the series is recommissioned. And money talks – current evidence suggests that the budget provided for any online participatory element is unlikely to exceed 5% of the budget for the TV series. With the best will in the world it is hard for the participatory tail to wag the television dog.

That isn't to say that there haven't been worthy attempts by broadcasters to create stand alone participatory projects that share some of the characteristics of Pulse. But this has proven problematic. Without a TV component much of the armoury of the broadcasting organisation cannot be used – the editorial excellence, promotion and ability to engage the audience. The partnerships with other organisations which could mitigate this are rarely successful. And absence of TV means these projects receive little recognition within the organisation. Delivering these types of project through the online division of current PSBs seems to offer no clear advantage over a PSP type entity which could always partner with broadcasters where a television component is required.

The whole PSP approach to the creative process and the relationship to its audiences will be the reverse of that in television. In television the editorial vision is the producers'; they determine subject, story, format and presentation; the audience is only invited to comment afterwards (if at all) as an extension of the programme. Pulse starts from the participatory principle – the audience are the users who build and own it. They contribute content and by tagging the content, they decide what is meaningful to themselves and to others. Narrative layers are vital but they contextualise and structure the content – they do not replace it. Any subject can be covered if the users want to see it and the service is there for the long term. And because of this audience numbers are different. Pulse, like many other PSP projects is probably best seen as having 'long tail' characteristics<sup>17</sup>.

It seems to us that an assumption of participation is the starting point for all PSP experiences but we believe there are others that are likely to be almost as important:

## **Personalisation**

In a networked world there is no need to think of the audience for a drama, entertainment or informational experience as an undifferentiated mass. As an active participant you can choose to tell me who you are, where you are and what you are interested in. As a producer I can use this information to provide you with a personalised experience.

## **Permeability**

Growing from the traditions of the internet, PSP-supported projects and services blur the distinction between producers and consumers. The creators of the story sit at the centre of concentric rings of other professional and amateur participants. Those nearer the centre invest time and energy in active participation; those at the margins consume the story more passively. Everyone can find a place where they gain most reward.

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<sup>17</sup> Chris Anderson, *The Long Tail* (<http://www.wired.com/wired/archive/12.10/tail.html>)

## **Community Mediation**

Though seen by many traditional media owners as a recent phenomenon, User Generated Content (UGC) in the form of self publishing was always one of the prime engines for adoption of the web in the mid-90s. Harnessing the power of UGC for Public Service Objectives will mean identifying communities with public service objectives and empowering them to create, mediate and moderate their own content and services. This shift in emphasis recognises the need for new editorial visions but devolves this to the community to deliver rather than establishing the PSP as an all-knowing editorial monolith.

## **Location sensitive**

The development of mobile technologies allows content to become sensitive to the location in which it is accessed. Factual, information, entertainment, drama and arts experiences will be pervasive – delivered to users dependent on where as well as when they want to engage.

## **Collaborative authorship, diversity of viewpoints**

The PSP should encourage the emergence of new, strong and distinctive authorial voices that reflect the contemporary UK as well as incorporating diversity of views both within individual projects or services and across the entire output. Participative experiences require new forms of collaborative authorship that will foster the diversity of views that is felt to be disappearing from Public Service Broadcasting.

These are the qualities that will be central to the Public Service Content and experiences that the PSP will call into being. Some of them are present in (some) Public Service broadcasting and PSB-associated digital media activities but they certainly are not, and probably cannot be, central to organisations whose centre of gravity is the commissioning and production of television. But if these are a first draft of the Public Service Values of the PSP, in which areas should it be active?

## **PSP Content Road Map**

The workshops that have fed into this document investigated a series of content areas which seemed to combine the values identified by Ofcom's PSB review and some degree of non broadcaster public service content: Arts and Culture, Drama and Narrative, Political and Social Action, Factual Content and Gaming.

These workshops have informed the authors of our five personal visions<sup>18</sup> of how the PSP might transform the digital landscape: Inspire, Story, Act, Investigate and Play respectively. It is important to say that we do not see these as the 'departments' of any future PSP but as a starting point to discuss where the PSP might concentrate its efforts.

During the process we found some recurrent themes which we have illustrated with hypothetical projects to allow people to get to grips with the many different ways PSP projects might operate and be delivered.

- The huge potential of Augmented Reality Games (aka Mixed Reality, Alternate Reality) as a hybrid experience was identified in the context of drama, gaming, factual and even environmental content. City Confidential (below) is a hypothetical PSP ARG, but there are many examples of this emerging genre

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<sup>18</sup> Five separate Vision Papers, produced by members of the PSP Creative Forum, are available at: [www.openmedianetwork.org.uk](http://www.openmedianetwork.org.uk)

combining performance theatre and networked content. More on this can be found in Story and Play.

- The concept of co-created and co-designed services like ActivMobs from the RED Unit of the Design Council is another widely applicable approach that clearly moves beyond and is distinct from the successful social action campaigns run by Broadcasters. DB2 (below) shows how this approach to empowering citizens to make better use of existing public organisations and public content might be used by the PSP in the arena of health.
- The potential for projects which combine professionally produced and user generated content in a deliberative process or structured dialogue also arose in several contexts from minority sports to science policy. Genie (below) explores this.

Some 'content' areas that we considered now seem to us better viewed as common approaches:

- Despite (or perhaps because of) the achievements in richly interactive educational content we do not think the PSP would ever have a 'Learning Department', rather that some level of active learning is a core element in any project or service the PSP would fund
- Our attempts to address directly how the PSP should enable online communities now seems the wrong approach: in the world we imagine, everything the PSP does will involve supporting, connecting and empowering communities of interest and/or geography.

**Illustrative example: City Confidential – an Augmented Reality Drama which users can participate in online and in cities across the UK\***

City Confidential is a thriller set in the world of the scandal-mag-cum-style-sheet of the title. Editor Hughie Shephard has hit on a rich seam of stories in the intermixed world of local celebrity, politics, urban redevelopment, arts and culture and the network of back scratching and corruption that binds them together.



Online and on public screens across the city his face is everywhere - asking for your contributions to 'tell it like it is'. You become engaged in Hughie's world, explore the video features, subscribe to the Citybitch Vidcast and receive text messages alerts as you enter the city's shops, bars galleries and concert venues. Out shopping on a Saturday you're invited to meet the journalists working for CC. You contribute your own stories ... and you start to realise Hughie has made himself a marked man. Accused of taking bungs from local developers Hughie disappears from view. Can you find him, clear his name and expose the real story?

Part conspiracy drama part urban reality show, City Confidential invites you to participate in an ongoing drama and contribute your own content. Online, on mobile, on TV and in the real world CC explores the paranoia and excitement of the city. Piloted in Newcastle/Gateshead in 2009 with the support of the PSP and Screen North East. CC is written by Tim Wright and produced by multimedia production company Media19 in collaboration with Punch Drunk Theatre company and Blast Theory.

The first 'series' of City Confidential will be rolled out in 2010 in Glasgow, Manchester, Leeds, Birmingham, Bristol, Belfast, Cardiff and London with support from their respective regional Development Agencies. Each city will generate its own users and its own Edition. Everyone can join the national experience at [www.cityconfidential.net](http://www.cityconfidential.net)

City Confidential is also available as a simultaneous short run TV series drawn from the ARD and broadcast by one of the PSP's broadcasting partners.

**How would TV treat this? – as a terrific conspiracy thriller. Viewers could watch but not contribute. They couldn't find their own way through the story. But more importantly it wouldn't encourage them to contribute their own content about their city and the challenges it faces. This factual and contemporary content not only surrounds the ARD it becomes part of it.**

**Online service providers are clearly better positioned to engage with the user generated content and social networking aspects of such a proposition but their operations lack the commissioning expertise to develop and sustain an editorial project of this nature.**

*\*With apologies to Colin Bateman*

### Illustrative example: DB<sup>2</sup> – A co-created content-led service for Diabetes

The management of chronic health problems and the promotion of healthier lifestyle choices is one of the biggest challenges facing the UK and one where PSB TV has played a campaigning role. But health is also an area where the new, participative PSP approach could make a real difference : empowering mixed communities of professionals and users to create content and services that share knowledge and develop new strategies for managing health.

DB2 is a PSP project to test this approach – providing a content-led service to help people live well with diabetes. It is a model for how the PSP might enable the co-creation of new services and illustrates the difference between the PSB approach of making content **about** an important issue to the PSC proposition of creating content-led services **for** the people involved.



During the DB2 trial in Bolton, where 10% of households have at least one diabetic, service design and production company Red:Pink worked with diabetics, their families, carers and health professionals to create an online community where they could share solutions to common problems. Written posts, photographs, videos and podcasts were uploaded by patients themselves, their families, nurses, doctors and diabetes specialists. People facing similar issues supported each other through the platform, and people who have overcome particular problems can share their stories and advice with others. A ranking system allows the community to decide what is most relevant. One of its early successes was an instructional video created by a patient and nurse team as to how to get the best out of your diabetes consultation that now forms the basis of the NHS's best practice guidelines

Following the trial the DB2 platform has been opened up nationally and the introduction of new clusters across the country has resulted in innovative new services, content and tools:

- An online application that you to analyse the nutritional content of food shopping services and a mobile application that allows you to do the same when you're in the supermarket
- A collaborative cooking service for families to partner up to cook meals – locating other volunteers from via DB2's postcard database.
- A regular hosted forum for newly diagnosed diabetic teenagers
- Online progress tools that allows users to track over time actors most relevant to them

DB2 is a thriving community which now provides much of the informational content on diabetes management to local health trusts as well as specialist advice and research for broadcasters and other media channels. After 3 years support from the PSP its also well on the way to being self-financing having gained support from both the health and food retailing sectors.

**Broadcasters commission a wide variety of factual, campaigning and lifestyle programming about health issues. From the Big Challenge to Too Fat to Walk TV lead campaigns have impact but are inevitably short lived. Chronic and serious health issues like Diabetes and cancer are avoided by commissioners. The interested audience is perceived to be small and the wider audience thought to find the issues depressing and intractable. The PSP approach is to serve those users with an ongoing need, not to make programmes about their problems for an audience of others. For commercial online operators the overtly public service nature of services like DB2 provide no clear business model that would justify the necessary early stage investment.**

### **Illustrative example: Genie – Beyond a current affairs approach to science and technology decision making**

Some of the most challenging political issues of the next 10 years are framed in terms of choices grounded in scientific evidence – access to drugs for cancer therapy, implementation of biometric and DNA profiling, the benefits of stem cell research and perhaps most significantly environmental issues whether they be energy policy, climate change or habitat depletion. These are hot and complex topics. But despite their prevalence in the media the gap between the beliefs of scientists and policy makers and those of the public has never been wider.

Genie is one of a number of fixed period PSP projects that will use participatory media to bridge the gap between ‘expert’ groups and lay citizens; bringing them together in a deliberative process that seeks to forge common ground and communicate the results to the wider population. This last element elevates Genie beyond any citizen jury process yet tried out.

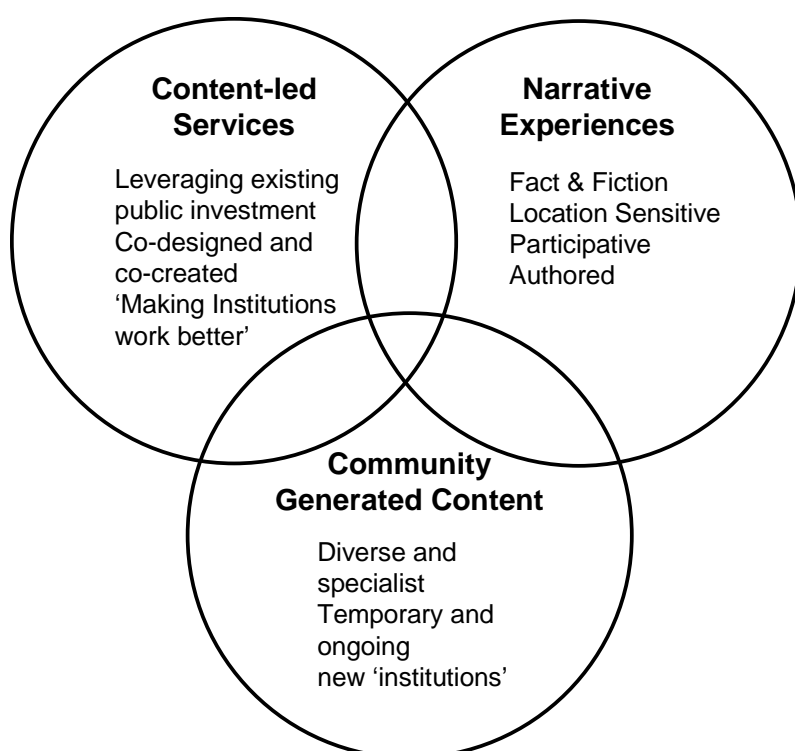


The objective of Genie is to devise a consensus on the right options for UK energy policy. The project is launched with a series of professionally produced media ‘kits’: authored films representing various positions and associated information resources devised with the support of partner organisations like the Royal Society, Wellcome Trust, Institute for Fiscal Studies and so on. These are distributed across a variety of online destinations. The media kits are used as an invitation to recruit a citizens panel who want to take part in the process. Initial reactions are sought and posted online prior to a series of online and face-to-face events that are documented and made available to the wider audience. From events around the UK mixed teams of lay people and policy makers are formed to investigate particular aspects and concerns: nuclear storage; energy security; feasibility of renewable technology etc. These mixed teams produce a second wave of media kits which are distributed, debated and annotated online. This iterative process culminates in a final media document (or film) which is launched online and through broadcast partners with responses from politicians and those involved.

The key to Genie is the bringing together of ‘experts’ and citizens in this iterative process where each side not only begins to understand the others motivations and beliefs but in the process opens up this mutual education to a wider audience of their peers. Genie has many media outputs, some of which may well be aired on television, but Genie is not making television ‘about’ the decisions facing us as citizens. It is a participative process in which the decisions are actually being taken.

**But surely PSBs could do the same job producing a hard hitting documentary and current affairs season culminating with some form of debate-come-interactive event? Undoubtedly the BBC or Channel 4 can and will do this as ITV once did with landmark shows like Central’s seminal Can Polar Bears Tread Water? But the Genie approach goes far beyond red button voting on a fixed menu of policy options based on an adversarial view of the world. It is about a mutual exchange between experts and citizens – about devising new options – and this takes time, a commodity that television is notoriously short of. Hitherto Public Service Broadcasting’s remit has been to analyse the world; the ambition of this kind of Public Service Content is to create a framework for deciding how we want to change it. In the commercial market the online arms of newspapers, with their engagement in campaigning and debate, could be active partners with the PSP in projects of this type. However the investment in rich media content and offline activity is not likely to be something they would undertake alone.**

Drawing together both the themes and examples from the Forum process there seems to us three distinct types of content for the PSP, each of which overlaps with the other two:



Content-led Services are designed to empower individuals or groups and to get the best out of existing public investment in content or organisations. This may be creative empowerment – mashing and modding content that the taxpayer has already invested in. Or it might be personal empowerment – using new services built around health content that have been co-designed with users.

Narrative experiences are the area where the new forms of ‘professional’ content will be created: participatory dramas and factual experiences which will engage new audiences and make full creative use of networked media. This is an area where the UK can excel requiring a combining as it does creative writing, theatre and performance, interactive and game design and televisual skills.

Community Generated Content is where the PSP connects people; supporting ‘new’ organisations in the form of content creating communities. These communities will create and deliver their own services for their uses and will be both specialist and diverse. It may be that birdwatchers will finally be able to create content *\*for\** twitchers rather than *\*about\** them as television does.

Of course the most interesting areas, and potentially the most fruitful, are at the intersections. Co-Created Health services, similar to those advocated by Cottam and Leadbeater<sup>19</sup>, where users of the services act as designers may be a direction the PSP could take. As such they would sit between Content-Led Services and Community Generated Content. And whilst City Confidential (above) appears firmly within narrative experiences, large parts of the experience will be community generated.

<sup>19</sup> Hilary Cottam and Charles Leadbeater, Health: Co-creating Services, Design Council, November 2004

A simple venn diagram cannot possibly represent a content or commissioning strategy for the PSP, but it does provide some initial thoughts as to the different types of commissioning and partnering relationships the PSP will have to establish and sustain, and the different kinds of commercial and public entities with which the PSP will interact:

- It is most likely that **Content-Led Services** will require the PSP to work with existing organisations. No doubt this would present challenges in terms of contractual and funding arrangements but also opportunities for partnership and long-term sustainability
- Enabling **Community Generated Content** and Services will mean identifying and supporting People and Networks. But how will these be identified and on what grounds would existing communities be selected? How would the PSP deliver innovation where existing community networks are weak or absent?
- Delivering **Narrative Experiences** would seem to be the most familiar territory, being a case of working on a project by project basis with producers and production companies. The challenge for the PSP will be to establish and support a supplier base with the right skills and capacity whilst continuing to provide equal access for new entrants.

To deliver the variety of innovative content and services that we have mapped out for the PSP will require new ways of working. It could be hard to achieve this by grafting these new working practices onto an existing organisation. Perhaps it is necessary to create a new organisation to shake up the landscape and find new ways of doing things. That is what Channel 4 did in the early 80s, and one of the by-products of the establishment of the channel and the legislative framework around it is a thriving UK independent production sector with mature companies, diversity of supply and business models increasingly based on the creation of intellectual property. The PSP could have the same galvanising impact on the interactive media sector – turning acknowledged creative excellence into real economic value.

## Section 5

# The PSP's operating model

- 5.1 The PSP has always and deliberately been imagined as a new media response to the changes brought about by digital media. It would meet public purposes using the tools, technology, insights and culture of digital media, both in production and distribution. As consumer behaviour changes rapidly and online content becomes increasingly important, an opportunity exists to consider afresh the style, form and substance of content which will inform, educate and entertain in the multimedia digital age. The potential nature of this content was explored in Andrew Chitty's paper in the previous section. This section now moves on to consider some of Ofcom's views on the possible aspects of the PSP's likely business model – focusing on rights and distribution, the PSP's relationships with other organisations, and other key operational aspects.<sup>20</sup>
- 5.2 These are put forward as thoughts on how the PSP might deliver most effectively on its public service mission in the wider digital media market. We recognise that other operating models are possible – in the responses to this document, we would welcome thoughts on the possible alternatives. In each area, there is likely to be a number of potential options, and we have limited our discussion only in the interests of clarity and concision, not in an attempt to pre-judge any operational decisions. The operating model and remit of the PSP would also need to be framed so as to ensure that the PSP is able to deliver PSC with significant reach and impact. As the PSP concept develops further, this objective must be continually considered, and ongoing assessment of the PSP's ability to do this will need to be undertaken. For now, we focus on the operational aspects that we consider most likely to enable the PSP to deliver on public purposes and characteristics, namely:
- Funding and accountability
  - Content production
  - A new rights approach
  - Commercial exploitation
  - Distribution and branding
  - The PSP's wider market role.

## Funding and accountability

- 5.3 The precise operating model of the PSP will be driven in part by the level of funding it receives. When the PSP was originally proposed in the PSB Review in 2004, we suggested £300m as the upper limit of its potential annual funding – based on an estimate of the value of public service content that is likely to disappear from traditional broadcasters over the next five years. This figure will need to be kept under review in future as the scale of the overall public service shortfall becomes apparent. As noted in the PSB Review, this funding could come from three main sources:

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<sup>20</sup> This section is informed by work carried out by Anthony Lilley as part of the PSP Creative Forum process.

- Tax revenues: funding from tax revenues could either come from general taxation or from hypothecated spectrum-related revenues
- Enhanced licence fee: setting the licence fee higher than that required to fund the BBC would provide a secure income stream which could fund PSC in the digital age
- Tax on the turnover of UK licensed broadcasters: This source of revenues funds the regulation of the broadcasting industry and could be used to finance PSC.

5.4 However, the PSP is only one of a number of potential solutions to the shortfall and – as indicated earlier – will be operating in a online digital media market where commercial provision of public service content is likely to be high. Therefore, were the government to make available £300m of funding for PSC delivery, this would need to be directed to a range of interventions in the public service system – including but not limited to the PSP. As a result, the PSP would receive only a proportion of this funding.

5.5 In any case, at this stage of development of the idea, the appropriate level of funding required for the PSP is necessarily an approximate calculation. Costs (and therefore funding) for online activity are likely to be very different to traditional broadcasting, and will be subject to rapid change as the content market and transmission technologies change.

5.6 Instead, estimates of the level of PSP funding should be based on the level of output and impact required. Unlike with broadcasting, straightforward comparisons of production cost per hour do not exist – so it is relatively difficult to establish plausible benchmarks for PSP funding. However, some comparable spend numbers for similar organisations do exist:

- In financial year 2005/06, the BBC spent £72m on [bbc.co.uk](http://bbc.co.uk)<sup>21</sup>. This is likely to be an underestimate of the resources behind the BBC's online activities in total, given its access to joint services (e.g., newsgathering) that may not be accounted for in the above figure. Recent reports also suggest the BBC could generate around £100m in advertising revenue from international versions of its homepage and news website
- Other providers are relatively small: Channel 4's expenditure on its broader media ventures cost £23m in 2005<sup>22</sup>; Teachers' TV cost c.£19m p.a.<sup>23</sup>; BBC Jam £150m over 5 years (2003-2008)<sup>24</sup>; NOF Digitise (online content from museums and galleries) £50m<sup>25</sup>.

5.7 The PSP will have a substantial remit from its inception, with commitments in a wide variety of areas – in excess of the smaller providers listed above. It seems likely that it will need comparable funding to the BBC's online expenditure – £50m to £100m annually could be a sensible starting-point. However, the PSP's role within the PSC system is likely to grow over time, and its initial funding may need to be expanded.

<sup>21</sup> BBC Annual report 2006, p.106, <http://www.bbc.co.uk/bbctrust/assets/files/pdf/review-report-research/bbcannualreport.pdf>

<sup>22</sup> Channel 4 Annual Report 2005, p. 47, [http://www.channel4.com/about4/pdf/2005\\_C4\\_Complete.pdf](http://www.channel4.com/about4/pdf/2005_C4_Complete.pdf)

<sup>23</sup> Teachers TV Annual report 2005, p.6, <http://www.ttvboard.org/pages/docstore/TTV%20Board%20Interim%20Report%20.pdf>

<sup>24</sup> <http://www.bbc.co.uk/commissioning/jam/>

<sup>25</sup> <http://www.ukoln.ac.uk/nof/support/#briefNOFhistory>

- 5.8 It should be noted that, in the context of wider online and IT spend, this level of funding is relatively small. A UK total for online spending is impossible to estimate, but public institutions – including local councils, museums and galleries – have made substantial investments in their online activities and have running costs for this area many times larger than the level of funding suggested for the PSP.
- 5.9 A proper model for accountability also needs to be built in to the organisational framework for the PSP – i.e. effective oversight, on behalf of the public, of any use of public funding for the delivery of public service content. It would not be appropriate to direct public funding to the PSP – or indeed any other organisation – without also developing mechanisms to ensure that the funding is used properly to deliver the agreed public service objectives.
- 5.10 We note that a number of alternative accountability models are possible. To take an example, the recent BBC Charter Review process considered several options for accountability arrangements for the BBC. These included the creation of a new organisation, an external Public Service Broadcasting Commission, as suggested by the Burns Panel advising the Government on Charter Review; and the eventually agreed approach of a new BBC Trust, which is intended to be directly accountable to licence fee payers. In the case of the PSP, it is not possible to define the precise accountability model until the sources and mechanisms of funding are agreed. We therefore note at this stage that this area will need to be kept under review as the concept (and the market) develop further.

## Content production

- 5.11 To deliver the variety of content and services that have been suggested by Andrew Chitty, the PSP would need to work with a heterogeneous chain of suppliers and partners – more varied in form and content than that of any current public service broadcaster. Some suppliers will be traditional television content producers; others will be rooted in alternative markets, such as gaming and user networks. Acquiring production expertise all in these markets would be expensive and may strain management resources. The PSP's operating model is thus likely to be based on an external commissioning model rather than in-house production. Such a commission-based structure would allow for more rapid responses to changes in the market and effective support for this variety of content. In addition, it would help to deliver a diversity of production supply, rather than creating further vertical integration between content production and distribution.
- 5.12 The varied nature of the PSP's supply chain is also likely to mean that the PSP will not be able to adopt a uniform approach to commissioning and funding content. To be successful, the PSP will require innovation in contractual and financial structures – perhaps combining elements of commissioning, grant funding and joint venturing. We would envisage commissioning of content to take many forms, though most of these will probably – in the first instance – be similar to traditional commissioning. The exact mix will be determined by the development of the PSP and the market, but the PSP should be prepared to invest in content through a number of methods.
- 5.13 In addition, we envisage there being considerable overlap with a number of production partners in order to produce a wide variety of content. For instance, a broadcaster might see sufficient value in running audio-visual content on a closed platform such as broadcast whilst working with the PSP to release content online or mobile in a non-commercial way. Equally, the PSP could be the senior partner in joint venture or venture capital style relationships. The organisation would be able to support small, innovative producers in order to ensure that their (public service)

product reached the market, and that the producers continue to contribute to public service digital media in the longer term. This would not be the PSP's primary function, but it could be an important aspect of its role.

### A new rights approach

- 5.14 Just as the PSP will need to configure its content commissioning to the needs of digital media, so it will need to ensure that procedures for the most effective exploitation of that content are in place. In other words, a key issue for the PSP concerns the rights arrangements for the content which it has commissioned.
- 5.15 The PSP's need to establish an effective rights mechanism is driven by the nature of its public service remit. The PSP not only needs to reach a large proportion of the potential audience in order to secure reach and impact, but it will also need to deliver on the purposes and characteristics of PSB. Part of that delivery will rely on the type and genre of content provided; however, the PSP will need to innovate not only in terms of content, but also in the use of that content. In the participative media environment, a key part of its public service remit will be to make much of its content available to users and to allow extensive re-use, interaction and modification.
- 5.16 In this context, it is useful to consider the tools that societies have traditionally used to encourage the creation of new ideas. The traditional basis of intellectual property (IP) law is the granting of time-limited monopolies to creators and others to exploit the exclusive benefits of their work. It is considered that further innovation is encouraged by the provision of such rights for limited periods of time – known as the “term”. After the expiry of the term, the work concerned enters the public domain where it can be exploited for the greater good of society.
- 5.17 Implicit in the original concept of copyright – which is the area of intellectual property most relevant to this discussion – is a balance between a temporary right of the creator to earn a return for his or her innovation, against the public benefit of the idea becoming widely available for others to use. In some circumstances, for instance when particularly important scientific work has been funded directly by government, the public interest has been deemed to over-ride the private. Regardless of the precise balance, it is clear that the relationship between the public and private interest is not fixed.
- 5.18 This matters more in the changing digital media landscape than it did in the traditional media world. In traditional media, the focus was on organisations that operated within scarce distribution outlets – such as television channels. These organisations operated within a closed and controlled world – predominantly made up of physical products, like books, or within closed technologies such as television. As such, copyright licences which required all rights to be reserved were appropriate to the task of managing dealings between a limited number of professional organisations – the fact that they needed to ask each other permission did not create unmanageable friction in the system.
- 5.19 However, would these exclusive arrangements be appropriate for the participative media environment? In our view, they may not be. In this changing world, there is increasing creation and modification of content by those who were traditionally the audience. But this participative activity could be impeded if a rights reserved model is adopted – users could not modify or interact with content without seeking permission from the rights-owner every time they wish to do so. This could create barriers to participation, and potentially unmanageable friction. In our view, it is unlikely that restrictive IP models will optimise the delivery of public purposes in a way which is

consistent with our overarching objective – namely to develop a new approach to public service delivery in the participatory media environment.

- 5.20 In order to side-step these issues and to maximise public benefit, it is important that everything which the PSP does should be “share-aware” – meaning that the rights exploitation model should embrace the reality of a participative media environment, and not struggle against it. It may therefore be more appropriate for the PSP to adopt a more open licensing model. These differ from the traditional model in one key way – in that they express fully the uses which are allowed, rather than assuming that all rights are reserved. This is the key difference that makes open models more appropriate to the participatory media environment than traditional rights models.
- 5.21 In practice, this distinction means that, in many circumstances, there is no need to consult the original author before re-using content – as the author’s intention is clear from the outset. By way of example, the Creative Commons<sup>26</sup> licence, a variant of which is used by the consortium of UK public service organisations known as the Creative Archive Licence Group<sup>27</sup>, allows the creator or rights-holder to define the commercial use, the permissibility or otherwise of modification, and the future licence terms of their work. Since these are set out clearly in the terms of the licence, any friction is reduced.
- 5.22 A similar model – which aims to strike a balance between the rights and expectations of creators and wider public benefit – is used elsewhere in the public sphere. One example would be the funding of scientific innovation. Science funding has existed within an open, peer-reviewed model for much longer than the media. Within the science world, a number of approaches are taken but a common approach often applies to the distinction between basic research and applied research or product development, and the relative positions of commercial and public benefits in these processes.
- 5.23 The Human Genome Project<sup>28</sup> gives us a valuable case study to illustrate the way in which basic scientific research – which is often state supported – can then be leveraged by commercial organisations. Some funding institutions in the science field have begun to shift the balance between public and private benefit which is derived from their funding. The Wellcome Trust, for instance, has stated that it “supports unrestricted access to the published output of research as a fundamental part of its charitable mission and a public benefit to be encouraged wherever possible.”<sup>29</sup>
- 5.24 This approach is designed to maximise public benefit in the Wellcome Trust’s field. We suggest that the PSP should similarly place public benefit at the heart of its mission by releasing content free of charge from where it can then be shared, modified or integrated into new services by others. The commercial implications of this are discussed below, and the following box considers how this approach might be adopted by the PSP.

**Box 5.1: Multi-party exploitation of public service content**

The potential of PSP content to be exploited by a variety of parties across platforms can be demonstrated by examining one of the illustrative examples developed in Section 4 – e.g. *City Confidential*, a participative drama taking place online and in cities across the UK.

<sup>26</sup>

<http://creativecommons.org/>

<sup>27</sup>

<http://creativearchive.bbc.co.uk/>

<sup>28</sup>

[http://www.ornl.gov/sci/techresources/Human\\_Genome/project/privatesector.shtml#1](http://www.ornl.gov/sci/techresources/Human_Genome/project/privatesector.shtml#1)

<sup>29</sup>

[http://www.wellcome.ac.uk/doc\\_WTD002766.html](http://www.wellcome.ac.uk/doc_WTD002766.html)

A number of different types of content could spring up around this idea, including:

- The original video content generated by the content producer commissioned by the PSP – with different versions for different areas of the UK
- Repurposed and re-versioned editions of the video content for distribution on a number of platforms – whether TV, internet or mobile
- A supporting website, that carries the video content, allows access to audio and video podcasts, and allows users to contribute content about their city and the challenges it faces
- City Confidential content could also be used on other websites – e.g. a user operating a website about (say) Cardiff could use and modify the City Confidential content for use on the site
- Computer software – such as games and / or local information content – that addresses the themes and localities of City Confidential
- A range of DVD content – collating the linear video produced by the original content creator, as well as the video blogs and contributions made by users.

All of these pieces of content can deliver commercial and public service value. In a controlled rights environment, exploitation would be centred around the commissioner of the original content, the producer, and other clearly-defined licensees.

In the PSP environment, all of these opportunities would still be available – but a broader range could also arise: open access would allow a greater number of users and providers to develop content around the original proposition. Some of these would be freely-available, others (like some of the above) may be premium paid-for products. Overall, the potential would exist for rich experiences for audiences – as discussed below, this would be allied with a fair commercial return for the original rights-holder.

## Commercial exploitation

5.25 We therefore believe that an open rights model would help the PSP to deliver its mission. However, we recognise that there are practical issues with the implementation of such an approach, and therefore welcome responses to this document on how such a model may work in practice. We consider two related issues here – the relationship between the PSP's rights model and that used in traditional broadcasting; and the arrangements for commercial exploitation of PSP content.

5.26 An open rights model for the PSP would involve a step away from the way in which rights are treated by broadcasters. This is not necessarily a problem, as long as a number of questions can be tackled by the new model. These include:

- Whether the creator is properly recompensed for their innovation in the initial commissioning budget
- Whether the creator is fully aware of the rights model under which content would be made available by the PSP and understands its implications – including the implications for the amount of funding that the producer should receive under the new rights model
- What arrangements could be made for commercialisation of PSP content and services and how revenue-sharing might derive not from exclusive control of rights but from sharing the value of the use of the work by others

- How far the creator is willing to release authorial rights in the interests of creating a piece of public service work.
- 5.27 Further consideration would also need to be given to the relationships (if any) between the PSP's commissioning model and that enshrined by the Codes of Practice that govern the commissioning relationships of the PSBs. In our view, given that the PSP's types of content and modes of delivery would differ significantly from that of the PSBs, it is appropriate for the PSP to adopt a rights model that differs from the broadcasters' Codes. Nonetheless, in the responses to this document, we would welcome comments and suggestions about the rights issues likely to arise, and the practical implications associated with a new rights model for the PSP. We would also welcome thoughts on how open rights models might operate in the light of existing copyright legislation.
- 5.28 When considering the idea of the PSP as an open media organisation, it is important to note the following:
- First, no creator or other body will be forced to use PSP funding in any given project – there will remain a number of sources from which funds could be drawn
  - Second, the fact that the PSP might make content and services available for free does not necessarily mean that commercial services could not or indeed should not be built on the basis of the PSP's investment by others.
- 5.29 Indeed, there are many examples from around the world where commercial players have used their skills to add to the public benefit created by civic investment. In addition to the medical research example noted above, a technology-based model would be the way in which many software companies have sprung up around the Open Source software movement. Multinationals like IBM have developed considerable service businesses around Linux, as an example; and the Linux distribution company, Red Hat, exists largely to add value to a “free” product by bundling all the parts a user might need into a simple package and then providing support.
- 5.30 A similar model could apply to PSP content. It is important not to confuse the PSP's mission by bringing commercial decision-making into the structure of the organisation itself. It should be sufficient for the PSP to invest in order to deliver public benefit – others may then be able to build on this investment to create commercial value.
- 5.31 However, it does not follow from this that there is no potential of such ongoing product development to return some funds to the PSP and – more importantly – to the creators of content and services funded by it. Systems are in development – often alongside alternative copyright licensing regimes – which will increasingly be able to track the lineage of content from the original source material as it is used and reused over time. Such systems will never be perfect and are currently at a very early stage, but they could provide a valuable way of returning value to creators in the event that major commercial benefits do arise from their work.
- 5.32 It should also be noted that creators themselves will be just as free as anyone else to develop commercial services – and would often be well-placed to do so – from the work funded by the PSP. The precise boundaries between commercial and non-commercial here will be a matter of judgement, but we expect these to be manageable – decisions regarding commercial and non-commercial exploitation have been made in the traditional PSB landscape for decades.

## Distribution and branding

- 5.33 Aside from third party exploitation of content, the PSP should also aim to maximise the reach and impact of its content – in our view, this requires wide distribution. However, it is not envisaged that the PSP should be set up as a distribution platform in its own right. Investment in technology platforms would be expensive and would draw the PSP away from its core remit to ensure the delivery of new forms of public service content. There could well be a central PSP service and site – in order to showcase projects for instance – but there is no compelling argument for a market failure in interactive media content distribution, certainly once the non-commercial nature of the PSP's mission is taken into account. Instead, the PSP would partner with organisations large and small from the public and private sectors, as well as syndicating content and services to individuals – along the lines currently operated by many blogs and video services such as Google Video.
- 5.34 This raises a question – does the need for relations with other distributors mean that the operation of the PSP should be granted to an existing broadcaster or content provider? There could be arguments for this (see box below) – an existing organisation would already have brand recognition, and would be able to cross-promote its PSP services. However, as noted earlier, an existing organisation may not have public purposes at the heart of its organisational values – or, if it does, it may not necessarily be best suited to delivering public purposes in the digital media environment. For this reason, a new organisation could well be worthwhile – albeit one that secures reach and impact in collaboration with existing distributors.
- 5.35 Moreover, it is also worth reiterating here that there would be a competitive process to operate the PSP. This tender process would be open to all potential operators of the PSP, other than the BBC – as one of the core purposes of the PSP would be to provide competition for quality for the BBC. Hence, existing organisations are able to bid to run the PSP – although they would have to run it as a separate venture, rather than integrating the PSP's operations into their core business.
- Should the PSP be a new organisation?**  
 The PSP's relationship with existing organisations will be key to its development and impact. We outline below the cases for and against a new institution:

*The PSP attached to an existing organisation*

  - Provision of a broadcast outlet for the PSP's content
  - Effective co-production partner
  - Brand identity already built, enabling reach and impact
  - Existing back-office infrastructure
  - Experience in developing content in the creative industries
  - Ability to migrate viewers from existing television to new platforms

*The PSP as a new organisation*

  - Able to design most efficient intervention with specific and changing remits as desired.
  - No broadcasting legacy issues in outlook or structure; rooted in digital media
  - Fresh injection of creativity into the sector
  - Potential for experimentation
  - Ability to partner with a wide variety of organisations and industries
  - Potentially fewer competition issues
- 5.36 A partnership approach would mean that the PSP would not fall into the trap of many public sector initiatives in digital media of spending large proportions of budget on technology *per se*. Commercial partners, open source communities and others would all be free to engage with PSP-supported work as and when required. The PSP's role would thus be limited to showcasing content, while others distributed it.
- 5.37 With such a role, it may be unhelpful for the PSP to invest heavily in creating a strong brand identity. While the organisation running the PSP would adopt a name and

branding for its particular venture, its identity might be better thought of as a “facilitation brand” rather than a consumer brand. This is one aspect, for instance, of the highly-successful “Intel Inside” marketing programme carried out by the silicon chip-maker. By positioning the chip as a source of quality and Intel as a quality supplier, Intel has been proven to have some success in differentiating itself from other places in the market and in turning the chip into a “decision-element” for some consumers when they buy new hardware.

- 5.38 A similar approach could be applied to the PSP. By working in partnership with distributors and syndicating content widely, the information that the project had received support from the PSP could be developed to become a mark of quality in the public service media landscape. There would be risks to this approach – as there are with all participatory media projects – namely that it would be possible for content to be subverted for purposes for which it was not intended. It is a natural risk of basic funding in science, for instance, that some of the commercial products which may spin-off from them may not have been intended or envisaged at the commissioning of the research. We do not, as a society, allow this possibility to obviate the need to fund the initial research. We need a similarly nuanced and mature view of the balance between risk and reward which the PSP would also bring up.
- 5.39 In order to manage this risk and maximise content distribution, the PSP will need to build effective partnerships with existing broadcasters to ensure distribution of content – with a view to securing maximum reach and impact. Partners may include the commercial PSB channels which have large audiences and open access, and commercial digital-only channels with particular appeal. For instance, video-based PSP content targeted at children could be carried on children’s channels on digital TV. Local and regional outlets could also be an effective means of transmitting PSP content to particular markets through television.
- 5.40 Moreover, the PSP will need to look to partner with other distributors outside the television market. The PSP’s remit in other platforms will mean that similar relationships will need to be built with platform operators and aggregators. An effective PSP will have close relationships with a wide range of organisations – from mobile network operators to internet search engines.
- 5.41 A further key role for the PSP would be in ensuring that navigation and search mechanisms for its content – and conceivably for all public service media content – become as efficient as possible. This would not extend to the development of a search engine, but it would involve working with search engine specialists and the major global and local players in search to establish tagging and discovery mechanisms to facilitate this. The PSP’s “facilitation brand” could be a valuable way of finding and benchmarking this kind of content in future.
- 5.42 We note that an open and collaborate approach is unlikely to be suitable for overseas markets. The PSP will be publicly funded within the UK, but – much as the BBC – could have a clear opportunity (and duty) to maximise commercial revenues in other markets in order to support its activities in the UK.

## The PSP's wider market role

### Based out of London

- 5.43 As noted in Ofcom's TV Production Sector Review<sup>30</sup>, we believe that there are diversity benefits associated with production and commissioning across the UK. These benefits are as likely to apply in wider digital media as they are in traditional television. In order to facilitate the delivery of these benefits, the PSP could be centred outside London. We recognise the importance of national, regional and non-metropolitan production, and we are also aware that the prospects for traditional out of London production may be challenging in future. The PSP offers an opportunity to make a step change in the levels of non-London media investment.
- 5.44 We do not intend to be prescriptive over the location of the PSP's base, noting merely the cost advantages to an out of London central location and the diversity benefits to the market as a whole of the PSP's likely contribution to the regional and national broadcasting and production industries. The PSP would therefore most likely maintain a central headquarters in a particular location outside London – thereby helping to contribute to creative clusters in that location – but we also envisage that it could ensure diversity by maintaining a presence across the Nations and Regions.

### Decentralised organisation

- 5.45 Given that the PSP will be a commissioning organisation, we would assume that much activity will be conducted away from the organisation's base in any case. We would suggest going further and encouraging a decentralised approach to all of the PSP's operations. In some cases this will be inevitable – regional or local services will require the organisation to operate within the nations, regions and localities – but other areas may also benefit from providing a diversity of viewpoints.
- 5.46 Unlike within traditional broadcasters, the PSP will have the ability to present multiple voices on the same issue. By the nature of the medium, broadcasters struggle to present more than two opposing views. The PSP will not be so restricted and should aim to put in place a decentralised model of governance in order to generate autonomy and multiple approaches to its content. Some of this decentralisation will be region or location based, but should extend to ensuring that the PSP has access to a plurality of views based on other factors as well.

### Market leadership

- 5.47 Finally, the PSP will need to consider those citizens and consumers who do not have access to much of its content. Although penetration of broadband or similar speed products (a necessary condition for accessing online content) is rising, it will soon reach PC penetration levels. Although mobile devices are ubiquitous, the majority cannot support the technologies needed for PSP content. Neither is likely to reach universality in the short term and indeed PC penetration has slowed in recent years.
- 5.48 To address this, a continued engagement with television will be a core part of the PSP's activity, despite its wider multimedia remit. Furthermore, the PSP should have a key role in supporting and encouraging use of newer digital technologies in order that the benefits of online content can be made more widely available – in effect to contribute to the development of increasing levels of media literacy amongst consumers and citizens. In many cases this will arise naturally from further

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<sup>30</sup> <http://www.ofcom.org.uk/consult/condocs/tpsr/>

investment in high quality UK-originated content on digital media platforms – but it could be encouraged still further, by giving the PSP a specific role and remit in these areas. The PSP would be well suited to act as a trusted guide and gateway to online content. The mechanics of how this would work are open to further discussion, but we suggest that the PSP could:

- Have a specific remit to increase take-up of new media platforms, in much the same way as the BBC has a significant role in the increased take-up of digital television in the run up to switchover
- Act as a gateway to PSC available, supporting getting content to market – acting as a distributor / promoter of content alongside its own commissioned activities. By adopting this role, the PSP would be able to enhance the value of the public service content provided by the market as well as improve media literacy and technology take-up.

## Summary

5.49 By way of summary, the table below summarises what the PSP is likely to be and what it is not.

**Figure 5.1: The PSP**

	<b>The PSP would...</b>	<b>The PSP would not...</b>	<b>Rationale</b>
Content created	commission new forms of digital content, and linear video content	seek to replicate traditional PSB build static websites	PSP's roots are in audiovisual content, and it should take full advantage of digital platforms to deliver new forms of content
Genres	support factual, narrative, regional and local content	support high end drama	PSP should focus on content which the commercial world would under-provide, and which the PSP can deliver effectively
Distribution	make content available across a number of platforms	operate a television channel	PSP's efficiency likely to come from not competing with existing providers on linear television
Production	commission content	produce content	as with Channel 4, the PSP offers the opportunity to enhance the market by investing in external production
Location	have a number of centres across the Nations and Regions of the UK	be based in London	national, regional and local perspectives add a great deal of value to PSC
Target audience	aim for broad appeal	target particular groups, e.g., the 16-24 age group	PSC needs to have broad appeal in order to maximise impact and benefit
Performance metrics	include measures of re-use, participation, influence in assessing its impact	rely on traditional reach and audience metrics	PSP will be a profoundly different organisation to traditional broadcasters; traditional metrics will not be appropriate
Additionality	seek to address the under-provision of public service content in digital media	limit itself to the genres under threat on traditional PSB channels	PSP is a provider of new types of content, not a direct replacement for traditional PSB

## Section 6

# Next steps

- 6.1 The developments discussed in this paper are already well underway. Elements of the historical system of public service provision have already disappeared and more will follow in the next few years; equally, content is already available on other digital media platforms and is forecast to grow rapidly.
- 6.2 There are a number of potential responses to the challenges these problems will present – both in television and in other digital media. This document has focused on one of these – the PSP. However, we note that in discussing the PSP concept further, we are not suggesting that the PSP is the only option for future public service delivery, to the exclusion of all other options. Rather, our primary purpose is to further the debate of the concept in industry – we welcome views on whether the PSP would have a valuable role to play as part of a broader solution to ensure a strong and plural public service system in the future.

## Timing and procedural issues

- 6.3 If intervention is pursued to address the emerging issues discussed here, we believe this should be considered as soon as possible. While we acknowledge that final resolution will take many years, we would urge the government to take an early decision to provide funding in the near future, perhaps in the next few years, to stem the public service decline and to guide future thinking on this issue.
- 6.4 However, a final resolution will be determined by a number of external factors, which make a final decision before 2012 unlikely:
- At present no funding exists to support the activities outlined in the paper. The government has committed to conduct a review of the case for public funding – including licence fee money – to be distributed more widely beyond the BBC, and expects this to take place towards the completion of digital switchover in 2012 – although it retains the option to undertake this review before the end of the current decade
  - DSO is also a material timing factor. Broadcast licences in the regions switching off in 2012 run beyond then, and major changes to the system could disrupt switchover for companies affected
  - A final decision around the provision of PSC in the digital media world will require consideration in Ofcom's next PSB Review, to be completed before 2009/10.
- 6.5 Therefore, while action could be taken relatively quickly, these issues will be addressed in the round in the run up to digital switchover.
- 6.6 It is also important to note the process for making a decision regarding the possible introduction of the PSP. Just as the launch of new (or significant changes to) BBC services requires assessments both of the public value and the market impact likely to arise, the PSP proposal would need to be assessed in full – to ensure that it would make a significant contribution to public purposes, while also limiting the market impact on the commercial sector. In making a decision about the PSP, the government would also need to decide who is best placed to carry out this assessment. It could, for instance, be a regulatory impact assessment carried out by

government. Alternatively, if the PSP idea is taken forward significantly by others in government and elsewhere, it may be appropriate for Ofcom to carry out an independent assessment of the potential market impact of the PSP, similar to Ofcom's role in the assessment of BBC services.

## Next Steps

- 6.7 We are open-minded about the best solution for the future of public service content – we will not report again on the how to maintain and strengthen the quality of PSB until the next PSB Review, which must be completed no later than 2009/10. The primary purpose of this paper is to take the debate forward within the UK's creative industries and policy environment. We continue to believe that there is a real opportunity for a new PSP to make a significant contribution to the public service system, and to create a lasting legacy for the future.
- 6.8 We welcome the Culture, Media and Sport Select Committee's interest in the PSP concept in its inquiry into public service media content<sup>31</sup>. Our evidence to that inquiry summarises many of the points made in this document.
- 6.9 As a result, although this document is not a formal consultation, we are actively seeking responses on:
- The appropriate nature of intervention in the digital media age, and the balance between TV and non-TV forms of public service content distribution
  - The potential role of the PSP and its creative remit
  - The operating model – in particular, the approach to rights management
  - The scale of funding required.
- 6.10 As noted in Ofcom's Draft Annual Plan, published on 12 December 2006, we will during 2007/8 take forward our thinking on public service content and the PSP in the context of the wider work programme running up to the next PSB Review. We will develop the PSP concept further through:
- A series of events focusing on the key themes regarding how the PSP would work in practice – the different aspects of its content, and its operating model. This would involve discussions with a wide range of players from across the digital media industries about the potential and practicality of the PSP
  - Enhanced versions of example PSP content and services, building on the material developed by the Creative Forum – we are keen to work with organisations active in the digital media space to develop possible content. These examples could be launched at, and thereby help inform, the new series of events
  - Exploration with government and other public bodies of the prospects for funding for PSP-type projects, and discussions with content providers regarding the types of prototype PSP content and services that funding could be used to support
  - Full consideration of the responses to this document – we would welcome thoughts and reactions to the issues raised in this document by 23 March 2007.

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<sup>31</sup> [http://www.parliament.uk/parliamentary\\_committees/culture\\_media\\_and\\_sport/cms061026.cfm](http://www.parliament.uk/parliamentary_committees/culture_media_and_sport/cms061026.cfm)

We will review these responses with a view to publishing a summary later in 2007. At the same time, we will carry out further work within Ofcom on some of the key structural and operational aspects of the PSP.

## Annex 1

# Responding to this document

## How to respond

- A1.1 This document does not represent part of a formal consultation process as it does not include any proposals. However, Ofcom invites written views and comments on the issues raised in this document, to be made by 5pm on 23<sup>rd</sup> March 2007
- A1.2 Please can you send your response to [william.garrod@ofcom.org.uk](mailto:william.garrod@ofcom.org.uk)
- A1.3 Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.

William Garrod  
Floor 6  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

Fax: 020 7981 3706

- A1.4 Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

## Further information

- A1.5 If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact William Garrod by email.

## Confidentiality

- A1.6 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, [www.ofcom.org.uk](http://www.ofcom.org.uk), ideally on receipt.
- A1.7 All comments will be treated as non-confidential unless respondents specify that part or all of the response is confidential and should not be disclosed. Please place any confidential parts of a response in a separate annex so that non-confidential parts may be published along with the respondent's identity.
- A1.8 Ofcom reserves its power to disclose any information it receives where this is required to facilitate the carrying out of its statutory functions.
- A1.9 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use in order to meet its legal requirements. Ofcom's approach on intellectual property rights is explained further on its website at <http://www.ofcom.org.uk/about/account/disclaimer/>

## Next steps

- A1.10 Following the end of the consultation period, Ofcom intends to publish further work in financial year 2007/08
- A1.11 Please note that you can register to receive free mail Updates alerting you to the publications of relevant Ofcom documents. For more details please see:  
[http://www.Ofcom.org.uk/static/subscribe/select\\_list.htm](http://www.Ofcom.org.uk/static/subscribe/select_list.htm)

## Annex 2

# Glossary

Augmented reality (aka mixed reality, reality)	Technology allowing information or games to be combined with the real world, e.g., handset games that use real world alternate locations to play in
Digital Media	Content and services available on digital television, online and other digital platforms including mobile devices
ICT	Information Communications Technology
IP	Intellectual Property
Long tail	Concept that a large number of small transactions will be more important than a small number of high volume transactions. See Anderson, C., <i>The Long Tail</i> (Random House: 2006)
Mashing	Combining two different services or content sources to provider a new service which draws on both
Modding	Modifying existing content to provide variant forms for consumption
Plurality	Competition between providers and distributors of content, in this case specifically public service content
PSB	Public Service Broadcasting
PSBs	Public Service Broadcasters
PSC	Public Service Content
PSP	Public Service Publisher
UGC	User Generated Content
Web 2.0	“next generation” of internet applications, that emphasize online collaboration and sharing among users