

Ofcom review of public service television broadcasting

Summary of conclusions

8 February 2005

Communications Act requires us to address two issues

Assess the extent to which the public service broadcasters (BBC, Channel 3, Channel 4, Five, S4C and Teletext) taken together, fulfil the purposes of public service television broadcasting

Recommend how best to maintain and strengthen the quality of PSB television in the future

Our previous reports

Phase 1: Is television special?

- Main broadcasters have only partially fulfilled the requirements of PSB
- Viewers value range, high quality, original and innovative programming
- Diminishing consumer market failures
- Long-term case for PSB building on statutory duties
- PSB defined in terms of purposes and characteristics

Phase 2: Meeting the digital challenge

- Analogue PSB model not sustainable in digital world
- Viewers support for current levels of PSB funding
- New model to maintain PSB provision and plurality in digital world
- New PSB provider, the Public Service Publisher (PSP), for digital world

Issues considered in Phase 3

Overall PSB framework

- Significance of risks to analogue model
- Continued role for existing PSB providers
- Contribution of multichannel broadcasters to PSB

PSB in the Nations and Regions

- Longer-term vision of PSB in the Nations and Regions
- Transition of PSB in English Regions
- Proposals for the Nations

Future of Channel 4

- Future financial prospects of Channel 4
- Long-term strategic options to secure C4's PSB role

The PSP

- How might the PSP work
- What the PSP's remit could be
- How the tender process could be run

Governance and regulation

- Clarity and separation of different roles and responsibilities for regulation and governance

New PSB framework characterised by competition for quality

- Increasingly competitive marketplace presenting new opportunities as well as challenges for PSB
- UK-wide plurality of PSB commissioning, production and broadcasting
- Flexibility in the system for provision (and providers) of PSB to adapt to changing needs and preferences of citizens

Plurality of PSB providers at the heart of new system

BBC	Cornerstone of PSB, and fully-funded by a licence fee model
Channel 3	Focus on strengths of free-to-air network and regional news, and original production from all parts of the UK
Channel 4	Not-for-profit, commercially-funded broadcaster focusing on distinctive and innovative content
Five	Maintain its PSB contribution – primarily a market-led PSB
S4C	Key role in Welsh language public service broadcasting
Teletext	Remit for a range of high quality and diverse text material
Gaelic Media Service	Key role in Gaelic language public service broadcasting
New contributors to PSB	The Public Service Publisher; and a PSB contribution from multichannel services

The long-term model for PSB in the Nations and Regions

- Regional news at the core of PSB
- Increased quotas for out-of-London production on the ITV1 network
- Improved dispersal of out-of-London production across the UK
- Continued regional non-news services on ITV1, especially in the Nations
- Delivery of indigenous language services through dedicated services
- Continued significant role for the BBC in the Nations and Regions
- Further work to develop options for local TV and other new media
- PSP based outside London

New framework for the Channel 3 English Regions

Regional news

- Key PSB genre valued by the public
- Obligations maintained at current levels
 - Typically 5.5 hours per week

Regional non-news

- **2-stage transition:**
 - **Stage 1** - immediate reduction from 3 to 1.5 hours per week
 - At least 45 minutes in peak and 30 minutes in near-peak
 - **Stage 2** – proposed reduction from 1.5 to 0.5 hours per week at the start of switchover sequence

Out-of-London production

- ITV1's quota for out-of-London production for the network increased to 50% by value and volume
 - Representing £40m additional spend in real terms outside London in 2006

Production Partnership Fund

- Proposed by ITV plc to support delivery of new ITV1 production requirements for the network across Nations and Regions
- Available to producers outside London but excluding established network production centres
- £9m over the next 3 years

Proposals for the Channel 3 Nations – for consultation

Regional news

- Key PSB genre valued by the public
- Obligations standardised at 5.5 hours per week
 - Proposal from SMG to discontinue Scottish TV 1400 news and introduce Scottish tailored ITN news at 2230

Regional non-news

- **2-stage transition:**
 - **Stage 1** – standardisation at 4 hours per week
 - Currently 4.5 hours for UTV and Wales; 4 for Scottish, 1.5 for Grampian and 1 for Border
 - **Stage 2** – reduction from 4 to 3 hours per week at the start of switchover sequence

Content sharing and networking

- Proposals to exempt national licensees from paying for network programming during opt-outs
- Scottish licensees allowed to share some regional non-news content enabling all-Scottish service
- ITV Border to show Scottish/Grampian content simultaneously with Scottish licensees

Indigenous language services

Wales:

- Greater transparency between the BBC and S4C, including explicit and documented service agreements
- Consideration to be given to the use of the PSP competitive tender model for the provision of Welsh language services

Scotland:

- Work towards a dedicated Gaelic service for Gaelic speakers, initially delivered by digital satellite

Northern Ireland:

- Extension of existing television services in Irish (TG4) for people with knowledge of the Irish language
- Further consideration to be given by the relevant authorities as to how an Irish language service can be delivered after switchover
- PSB providers to consider how best to meet the needs of Ulster Scots community

Channel 4

- Continue as commercially funded not-for-profit broadcaster
 - Best estimates of Channel 4's financial prospects indicate its position is secure in the short term although there may be longer-term issues
 - There are further opportunities for self-help, and commercial ventures and alliances
- Assess the case for assistance advanced by Channel 4
 - Application of a broader interpretation of PSB status to specific Channel 4 activities
 - Post 2006 ITU's Regional Radio Conference spectrum allocation
 - Spectrum pricing
- Government to consider the case for supporting one-off DTT transmission roll-out costs
- Monitor Channel 4's performance and finances, with a full review in 2006-07
 - Ongoing work with Channel 4 on options for meeting its longer term challenges
 - Indirect support
 - Relationship with the proposed PSP
 - Direct funding
 - Strong arguments remain against provision of public funding, including State Aid issues

Recognising multichannel PSB contribution

Contributors to PSB

- Designated PSBs
 - All BBC channels
 - Channel 3
 - Channel 4
 - Five
 - S4C
 - Teletext
- Additional contribution from multichannel sector

Potential PSB threshold

- Potential PSB threshold to include:
 - Contribution to PSB purposes and characteristics over time
 - Significant contribution to high-quality UK originations
 - Free-to-view on all digital platforms
- Five's PSB obligations focused on news and UK origination

Benefits of PSB status

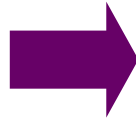
- Appropriate EPG prominence
- Must-carry on cable
- DTT capacity for designated PSB channels

Plurality through thriving content production sector

- Increased quota for ITV1's out-of-London production and commitment to increasing the dispersal of production of ITV1 network programmes around the UK
 - Progress will be reviewed in 2007, including the option of introducing quotas thereafter if ITV plc's own initiatives do not secure improvements
- Proposal to consult with the BBC about increasing its out-of-London production quota, as part of the follow-up to Charter Review
- Review of content production forthcoming in 2005

From analogue into digital age

Analogue



Digital

BBC

- Cornerstone of PSB

BBC

- Remains strong

Channel 4

- Focus on public purposes and innovation

Channel 4

- Monitor position

ITV1

- Key strengths in news and regional news and origination

ITV1

- Rebalancing of current obligations needed

Five

- Focus on news and origination

Five

- Market-led

S4C

- Central to PSB in Wales

S4C

- Funding challenges need to be addressed

PSB in the digital world

- By 2010, technology will have changed the communications market
 - Regional switchover programme will be half way through
 - 13.5m homes will have broadband connections
 - A growing proportion of broadband connections at 4Mbps, i.e. video-capable
- Public funding could help ensure that PSB can harness the power of broadband to achieve reach and impact
 - Further develop UK-originated broadband and interactive content, alongside that currently provided by the BBC
- The erosion of value of analogue spectrum has already begun – by switchover, there will be £300-400m per year less in the PSB system than today

Proposals from the PSP seminar

Cross-genre originality
and innovation

- Original and innovative content in drama, comedy and factual, plus a network of local services

Innovation from under-
represented “tribes”

- Showcase channel on all digital platforms
- Extensive broadband site allowing the delivery of decentralised peer-to-peer content

Public services content

- Internet and broadcasting delivering content from museums, galleries, education, NHS, and other recipients of public money

The PSP is a new type of PSB provider

Why a PSP?

- Won't the market provide high-quality interactive and broadband content?
- Why not rely on the BBC?
- Give the money to Channel 4?
- Isn't it a waste of taxpayers' money?

What is the PSP?

- The PSP is not a traditional TV channel
 - PSB provider for the digital and broadband world
 - UK-originated digital content, adapting PSB for digital world
 - On-demand access
 - New interactive formats
- The PSP will use all communications platforms in order to achieve reach and impact
 - Broadband and mobile platforms as well as digital TV
- The PSP will be based out of London and reflect the whole of UK

The PSP in practice

What might be the PSP's remit?

1. Free-to-view premier content service
 - Providing high quality, imaginative and innovative drama, comedy and factual content
2. Local and communities service
 - Local news, information and other content bringing together communities of shared interests
3. Other options

How could the PSP work in practice?

- Contract (or contracts) to run PSP awarded following a period competitive tender process
- Explicit funding needed for PSP, although precise amount of funding could vary with the remit
- PSP up and running before switchover is complete
- Next steps to develop the idea further



Breaking The Silence: The Truth About the War on Terror (ITV1)



Shameless (C4)



Little Britain (BBC)



Tim Marlow...on MoMA (Five)



BBC News

Key roles and relationships in the PSB system

Cross-sector regulation

- External and cross-sector
- Applicable to all participants in the market

Accountability

- Effective oversight, on behalf of the public, of any use of public funding for the provision of PSB, and public appointments

Internal governance

- Internal/corporate
- Management and compliance of the various organisations and institutions in the system

Consistency and transparency of roles

Cross-sector regulation



Carried out by Ofcom

- Cross-sector regulation and competition issues – with the BBC subject to the same ex ante rules as commercial broadcasters
- Impact Assessments for new services proposed by the BBC
- Consistent approach to Tier 2 quotas
 - E.g. regional programming

Accountability and internal governance



2 possible models

- Model proposed by the BBC
 - Greater separation between the BBC's Governors and management
 - Clearer independent role for the Governors
- Model proposed by the Burns panel
 - New external body, a Public Service Broadcasting Commission, to collect and administer the licence fee and ensure public value for money
 - Unitary BBC board in charge of governance

What happens next?

At Ofcom

- Implement regulatory changes
- Review Channel 3 and Channel 5 licence terms
- Review content production sector, and competition in broadcasting markets
- Examine role of multichannel broadcasters in PSB
- Carry out further work on local television
- Monitor position of C4

For Government

- Recommendations for Government to consider in Charter Review and elsewhere:
 - Governance, regulation and accountability
 - New forms of explicit funding and the PSP

New consultation

- Consultation on proposals for PSB in Nations
 - closing date 19 April 2005
- Ofcom to report on final decisions, before any implementation