

*“Working for quality
and diversity in
British broadcasting”*

Founded in 1983 by Jocelyn Hay CBE



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RESPONSE BY THE VOICE OF THE LISTENER & VIEWER (VLV)

TO

OFCOM'S THIRD PUBLIC SERVICE BROADCASTING REVIEW: PUBLIC SERVICE CONTENT IN A CONNECTED SOCIETY

February 2015

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T A B L E O F C O N T E N T S

Information about the VLV	3
Executive Summary	3
Introduction	5
Question 1: Context and trends	9
Question 2: Key differences in the Nations	10
Question 3: Does the PSB system remain strong?	10
Question 4: Meeting the needs of a wide a range of audiences	12
Question 5: Spend and output in the Nations and Regions	14
Question 6: Is declining investment affecting the quality of PSB?	15
Question 7: C4C's delivery of its media content duties?	15
Question 8: Delivery of public service content by wider market	17
Question 9: Evolution model and potential alternative scenarios	18
Question 10: Incentives to Invest	20
Question 11: Maintaining and strengthening the PSB system	20
Question 12: Universality and discoverability of PSB content	20
Question 13: The scope of the PSB Compact	21
Question 14: Regulation governing independent productions	22
Question 15: New sources of funding to support PSB	23

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INFORMATION ABOUT THE VLV

Voice of the Listener & Viewer Limited (VLV) represents the citizen and consumer interests in broadcasting and speaks for listeners and viewers on the full range of broadcasting issues. It uses its independent expertise to champion quality and diversity in public service broadcasting, to respond to consultations, to produce policy briefings and to conduct research. VLV has no political, commercial or sectarian affiliations and is concerned with the issues, structures, institutions and regulations that underpin the British broadcasting system. VLV supports the principles of public service in broadcasting. It is a charitable company limited by guarantee (registered in England No 4407712 - Charity No 1152136).

EXECUTIVE SUMMARY

1. This is an important time for Public Service Broadcasting (PSB). The broadcasting world is currently in a state of transition which is leading to a widening generation gap in usage trends and a slow move away from the viewing of live television for some audiences. However, we note that this trend to move away from live television has not proved to be as great as anticipated in the last PSB Review and VLV believes that live and recorded viewing and listening will remain the primary means by which the public consume public service content for at least the coming decade.
2. VLV is very concerned by the continuing decline in investment in first run UK content by the PSBs which could undermine the current PSB system. While audience satisfaction levels appear to remain high, we fear that in time this reduction in investment will inevitably lead to a reduction in the distinctiveness and quality of UK specific content.
3. VLV believes that the chief threats to the future of PSB are:
 - (i) further reductions in the purchasing power of the BBC licence fee through top slicing or an inadequate licence fee settlement
 - (ii) the loss of cultural distinctiveness in programming partly as a result of increased sub-contracting of programme production to US-owned, multi-national companies
 - (iii) the privatisation of Channel 4
 - (iv) the increasing challenge to ensure prominence and discoverability of the PSBs as more and more people access television on a range of devices including mobile.

We are also concerned that there should be no erosion of the public service broadcasting obligations in the Communications Act 2003 or of news impartiality obligations.

4. VLV welcomes Ofcom's projection that revenue from advertising for the commercial PSBs should remain stable in the coming years. We would not want any relaxation of regulation governing advertising on the PSBs because we have yet to see any analysis of how further relaxation of television advertising rules would enhance investment in PSB programming.
5. VLV believes that the BBC remains the cornerstone of PSB in the UK but it needs sufficient funding to be able to deliver the range of high quality, diverse content we have benefitted from since its inception effectively. This will mean that the licence fee settlement dedicated to programme content which is due to be negotiated before the end of 2016 needs to be of sufficient scale in order to provide the means for the BBC to maintain its standards and thus those of PSB generally.
6. VLV also believes that C4C needs to remain a publicly owned commercial broadcaster which can reinvest any revenue back into its content provision rather than focus on the interests of shareholders.
7. In making this submission VLV has assumed that the statutory framework which underpins the provision of public service broadcasting in the Communications Act 2003 (Section 264 of the Act) will remain in place without alteration. We would want all the current obligations on the PSBs to remain in place.
8. As a result of the consolidation of the independent production sector and the vertical integration of independent production companies into UK broadcasters, we believe that regulatory interventions currently in place to support the independent production sector should be reassessed.
9. In light of the evolving public service broadcasting market Ofcom suggests that the current 'PSB compact' needs examining in detail. We agree that it would be sensible to explore whether the benefits which currently apply to the five main PSB channels should be extended to apply to their portfolio channels, but we disagree that such benefits should be extended to their other service delivery platforms, such as online platforms, because these are not free at the point of access.
10. Prominence and easy discoverability are key to the future success of the PSB content and we agree that Ofcom should explore ways to ensure discoverability of such content, putting in place regulation which will as far as is possible remain fit for purpose as technology changes. Any electronic programme guide provided by a UK-licensed broadcaster should continue to allocate the top numbered channel slots to the British PSBs, while similar considerations of prominence and discoverability to apply to the range of devices on which television services are accessed.

11. With regard to the current 'retransmission' fees debate, VLV believes that platform providers should be encouraged to pay for the PSB channels they carry, but this should not be at the expense of prominence.
12. The Communications Act 2003 effectively prohibits the imposition of a charge to receive any public service broadcast channel. Whilst access to the internet and subscription TV both offer opportunities to provide a range of high quality content for those willing and able to pay for it, it is only the PSBs which provide a full range of *UK-produced, universally available* programmes and these are provided at a much lower cost per viewer-hour than subscription services. It is these channels which should benefit from the PSB compact.
13. VLV also considers that in order for public service broadcasters to continue to provide all viewers with a universal service, Ofcom needs to guarantee that there will be an effective nationwide transmission system alongside new methods of distribution, such as broadband.

INTRODUCTION

14. VLV welcomes Ofcom's review of the current state and future development of public service broadcasting in the UK. Given that Ofcom's principal statutory duty is to place citizens and consumers at the heart of its work, we welcome the emphasis placed in this report on the behaviour and the needs of audiences.
15. We agree this is an important time for PSB. The broadcasting world is currently in a state of transition which is leading to a widening generation gap in usage trends and a slow move away from the viewing of live television for some audiences. However we note that this trend to move away from live television has not proved to be as great as anticipated in the last PSB Review and VLV believes that live and recorded viewing and listening will remain the primary means by which the public consume public service content for at least the coming decade. This is the basis upon which we believe that the five main PSBs should be provided with support in return for their delivery of the public purposes of public service broadcasting as defined by Ofcom.
16. We believe that PSB plays a huge role in the lives of the British public and that its social, cultural and political importance is not fully quantifiable via data which focuses on spend, volume of content or audience research. While these are useful indicators of market trends, they do not tell the whole story and they do not reflect the importance of the PSBs in ensuring that there is space for national and civic debate in addition to the more fragmented debate on fast-expanding social media. Quality is a subjective concept and cannot be easily measured. VLV believes it is the quality of programmes, one of the key characteristics of PSB, which is most likely to be eroded through reduced investment and this aspect of the delivery of PSBs is the one most difficult to measure.

17. In making this submission VLV has assumed that the statutory framework which underpins the provision of public service broadcasting in the Communications Act 2003 (Section 264 of the Act) will remain in place without alteration. We would want all the current obligations on the PSBs to remain in place.
18. We welcome Ofcom's finding that viewing of the UK's public service broadcasters remained stable between 2008 and 2013 if their portfolio channels are taken into account,¹ although we understand that linear viewing declined more sharply in the final year for which figures are available. We also note that radio listening has remained largely stable.² The PSB Review and Ofcom Annual PSB Reports mostly focus on television, but VLV believes that public service radio makes a significant contribution to the UK's PSB landscape and its importance should not be overlooked.
19. Whilst access to the internet and subscription TV both offer opportunities to provide a range of high quality content for those willing and able to pay for it, only the PSBs provide a full range of *UK-produced, universally available* programmes and at a much lower cost per viewer-hour than subscription services. UK produced content is still by far the most popular content, with 75% of all viewing in 2013 generated by UK produced content.³
20. VLV shares the view that the main public service channels have been broadly successful in delivering the purposes of public service broadcasting, but that following digital switchover, enhanced channel choice has reduced their reach and impact. Nonetheless we note that in 2013 the viewing share of all PSB channels, which includes the commercial PSB portfolio channels, remained high at 72.4%, compared with 74.7% in 2008.⁴ The main PSB channels had an average weekly reach of over 85% of total TV population and they accounted for 88% of all spending on new UK originations.⁵ We note that the PSBs still account for the vast majority (90%) of investment in new programming.⁶
21. We note that some of the most popular channels, after the five main PSBs, are the PSB portfolio channels which broadcast content which was originally commissioned and sometimes broadcast first by their parent companies. Additionally, we note that the decline in viewing public service channels is greater among 16-24 year olds but that in many instances it is the PSB portfolio channels which are most attractive to these viewers.
22. The lesson that VLV draws from these changes in viewing habits is that UK citizens continue to rely on public service broadcasting, however funded, even though some viewers have chosen to exercise the enhanced channel choice which digitalisation and technological convergence has given them. The policy challenge is therefore to

¹ *Ofcom PSB Report 2014*

² with a weekly reach of 90% of adults (aged 15+) listening in an average week compared with 89% in 2008. *Ofcom PSB Report 2014*

³ *Ofcom PSB Report 2014*

⁴ *Ofcom PSB Report 2014*

⁵ *Ofcom PSB Report 2014*

⁶ *Ofcom's Third PSB Review*, December 2014, para 2.13

ensure the continued strength of the current universally available PSB system, while allowing consumers who choose to pay more for greater choice being able to do so.

23. VLV submits the viewing habits of individual viewers should not drive public policy choices which may limit the provision of universal service, and thus the freedom of choice for all viewers. It may be the case that there is a proliferation of public service content available across a wide range of platforms, but it is only content on the PSB broadcast channels which currently remains free at the point of consumption
24. We believe that viewers do want a choice in the provision of free to air public service broadcasting programmes, and for this reason Ofcom needs to ensure that there are adequate incentives in place for the PSBs to provide such content.
25. VLV also considers that in order for public service broadcasters to continue to provide all viewers with a universal service Ofcom needs to guarantee that there will be an effective nationwide transmission system alongside new methods of distribution, such as broadband.
26. During the next two years there are two priorities for the Government – to secure the long-term stability of the BBC and to ensure the continuing supply of a wide range of universally available, free-to-air, UK-produced programmes on the commercial PSBs through a mix of incentives and appropriate regulation. (See our response to questions 12 – 15 below.)

Some Problems within the Evolutionary Model

27. Ofcom's analyses of many relevant trends, current patterns and some likely future developments are informative and useful.
28. However, the PSB Review conveys an impression that the most likely future scenario for PSB is one of an 'evolutionary path' which implies there will not be significant deterioration in PSB provision, but there will also not be many opportunities to improve on delivery or to close some of the gaps that have been appearing in provision.
29. We consider that the challenges which face public service broadcasting as well as the opportunities for improvements in the future may have been underestimated.
30. VLV believes that the chief threats to the future of PSB are:
 - (i) further reductions in the purchasing power of the BBC licence fee through top slicing or an inadequate licence fee settlement
 - (ii) the loss of cultural distinctiveness in programming partly as a result of increased sub-contracting of programme production to US-owned, multi-national companies
 - (iii) the privatisation of Channel 4; we are also concerned that there should be no erosion of the public service broadcasting obligations in the Communications Act 2003 or of news impartiality obligations.

31. In respect of possible improvements in programme content, VLV believes that greater attention should be paid to the civic role of the PSB services. This should take the form of demonstrable improvements in news and current affairs as well as in the provision of entertainment, long-running series and in 'high end' drama. In the case of news and current affairs and their contribution to deliberative democracy, much closer attention should be paid to the opinions, declared priorities and interests of viewers. In the case of fiction, broadcasters should entertain in the knowledge that their civic role requires appropriate engagement with contemporary conditions.
32. VLV is keen to highlight the civic role of PSB because, as broadcasting is increasingly deregulated and fragmented, it is the interests of the citizen which are most likely to be eroded in favour of commercialisation. We believe there is currently a balance provided by the PSBs on free to air television which provides the public with popular, engaging content across a wide range of genres. We would like to see this system supported and maintained through effective regulation.
33. Fragmentation of the media market has led to increased competition for viewers. VLV believes this has resulted in an increase in the volume of more popular genres and a reduction in the distinctiveness of programming as the PSBs compete for audience share. This reduction in distinctiveness is one of the key elements of PSB which audiences say they are unhappy with.⁷
34. The review does not seem to fully appreciate the level of threat inherent in the reduction of investment in PSB key programming areas, including significant real-terms reductions, in funding for drama, current affairs, children's and nations and regions programming.⁸
35. The economic, social, and cultural benefits derived from the PSB system need to be protected and maintained on behalf of all citizens of the UK through an adequate regulatory system which supports and encourages investment in high quality public service content and provides a forum for national and civic debate. VLV believes there is a risk that provision of content which is considered more 'niche' or specific to certain audiences will be moved to online platforms and this will be accepted as an argument that the PSBs no longer need to provide such content on their broadcast platforms. This content could be defined as of interest to specific age groups, ethnic groups or socio-economic groups. An indicator that such content is currently under-delivered on the main platforms is the fact that only 46% of people are satisfied that the PSB system delivers programmes which show different kinds of cultures within the UK.⁹
36. We agree with the prediction that *A failure to reflect adequately a more diverse society may result in falling viewing and satisfaction.*¹⁰ We believe that if the current PSB system is to thrive, then it needs to appeal to a wide audience, serving the needs of a diverse society. Audiences should not be forced to pay extra for

⁷ Ofcom PSB Report, 2014

⁸ Ofcom PSB Report, 2014, para 1.25.3

⁹ Ofcom PSB Report, 2014

¹⁰ Ofcom's Third PSB Review, December 2014, para 1.36.3

content via online or subscription services when they have already paid their licence fee. We strongly refute Ofcom's suggestion that *increasing use of on-demand and online services may allow distinct audience groups to be targeted better with public service content that more closely meets their needs.*¹¹

Question 1: Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?

37. We largely agree with Ofcom's analysis of the context in which the PSB system currently operates.
38. The UK public service broadcasting ecology has undergone considerable change since the last PSB Review in 2008. With the switch to digital broadcasting and rise in broadband internet, viewers and listeners have a greater choice of content and an increased ability to time-shift their consumption.¹²
39. While we acknowledge the internet is becoming a more important platform for broadcast content, especially among the younger generations, we are keen to stress the dominance of live and recorded viewing and listening as the most popular means to consume public service content. While we acknowledge that audiences have become more fragmented,¹³ we are pleased to see that Ofcom agrees that patterns of TV consumption have changed much more slowly than expected. The main PSB channels still account for over half of all viewing (51.1% in 2013). In addition 85% of viewing is either live (69%) or recorded (16%).
40. We completely support the view that *One of the benefits of the PSB system is that it enables and encourages the delivery of innovative and creative programming. This is particularly the case for the BBC, which can take risks as it has guaranteed income from the licence fee, and Channel 4, which has a specific requirement to innovate, experiment and be creative.*¹⁴ It is VLV's view that both the BBC and C4C need to be fully supported in their delivery of public service content if the PSB system is to thrive.
41. We are concerned by the acquisition of UK broadcasters, production and distribution companies by global media companies, including Channel 5 and all3media. This concerns us because the perspective of these companies is global and therefore driven by different concerns than companies which are primarily focused on the UK market. We note that today *seven of the biggest 12 UK independent production companies are vertically integrated with broadcaster owning companies that have significant global scale*¹⁵. We are particularly concerned that if the independent sector is dominated by global companies, market entry for smaller and medium sized independent companies, which have been a success story for the UK, will effectively be barred.

¹¹ Ofcom's Third PSB Review, December 2014, para 1.36.3

¹² Ofcom's Third PSB Review, December 2014, para 1.8, p 2

¹³ Ofcom's Third PSB Review, December 2014, para 1.13

¹⁴ Ofcom's Third PSB Review, December 2014, para 1.17

¹⁵ Ofcom's Third PSB Review, December 2014, para 1.10/1.12

42. While we welcome the increased revenue from overseas sales which are often necessary in order to top up content production budgets, we consider that the need to attract overseas investment may dilute the nature of UK specific content and lead to content which is more internationally attractive and culturally homogenous. UK-produced, culturally specific content is hugely important to our PSB system and needs to be supported.¹⁶

Question 2: Have we identified the key differences in Northern Ireland, Scotland and Wales?

43. VLV believes the analysis provided by Ofcom seems appropriate based on the information given but, while the information about audience assessments in Figure 14¹⁷ is interesting, it would be useful to show in the same table how such expectations relate to the perceived delivery of those PSB purposes as is the format in other tables, such as Figure 10.¹⁸
44. Looking back to Figure 10 (Summary of the importance and delivery of PSB purposes and characteristics)¹⁹ it is clear that while fairly representing the nations and regions is considered an important characteristic of PSB, the delivery of this characteristic is perceived as the poorest of all (44%). Although a significant increase in delivery of this purpose is noted over the past five years, the satisfaction figures are still very low and are of concern to VLV.

Question 3: Do you agree with our assessment that the PSB system remains strong overall?

PSB Performance

45. VLV accepts that there are a number of positive features in Ofcom's review of the PSB landscape which appears to remain strong, broadly delivering the purposes and objectives of public service broadcasting. It is encouraging that Ofcom's evidence shows that the PSB channels retain a substantial share of audience viewing and that there has not been any major flight from television viewing to online alternatives.
46. It is also apparent that, despite the worrying decrease in investment in first run UK programmes, the audience have not been aware of any substantial change in either quantity or quality of broadcasting on the PSB channels. Audience valuation of PSB programming continues to be high.

PSB Quality

47. Ofcom bases its measurement of quality mainly in terms of the amount of money invested in programming and the evidence in this Review shows an overall drop of 17.3% in spend on first run UK programming by the PSBs which VLV regards as a substantial and worrying reduction in investment.²⁰ Additionally, although the

¹⁶ Ofcom's Third PSB Review, December 2014, para 1.10/1.12

¹⁷ Ofcom's Third PSB Review, December 2014, Figure 14, p 32

¹⁸ Ofcom's Third PSB Review, December 2014, p 23

¹⁹ Ofcom's Third PSB Review, December 2014, p 23

²⁰ Ofcom's Third PSB Review, December 2014, para 1.22.3

public view impartial, high quality news as the most important element of PSB, there has been a drop in spending of 11% on news by the PSB channels.²¹ We are concerned that in due course the impacts of this reduction will become more apparent on screen – as lower investment impacts on the quality, range and diversity of news content available.

48. We assume that these cuts have come about as a result of a downturn during the review period in advertising revenue alongside continuing decline in licence fee funding available for broadcast content. We note that the commercial PSBs' revenues are now rising which we hope will lead to greater investment in original, distinctive UK produced content.
49. Additionally, we hope to see a 2016 licence fee settlement for the BBC that will be of sufficient scale to support the BBC in its mission for the coming ten years without further erosions of PSB content. VLV believes that the cut-back in investment in new content for BBC Two of 24%²² and the loss of audience share of 26%²³ are related and are a direct result of the BBC's loss of revenue. These changes serve as powerful indicators that if the BBC has to cut its budgets any further, this will have a negative impact on its popularity.
50. We recognise that the decline in spend in certain genres, such as drama, may be made up by co-production funding in some instances. Drama is the most expensive genre of broadcasting and is also one of the most international, so that many productions involve a number of production partners. However, we are concerned that if there is a shortage of investment funds for drama the PSB channels may become increasingly reliant on co-productions which may have to be aimed at the international rather than the national market. This might harm the distinctiveness of the PSB channels.
51. Overall, VLV supports Ofcom's conclusion²⁴ that *'the overall impact of the reduction in investment on the PSBs' delivery of the purpose and objectives of public service broadcasting is currently unclear.'* VLV believes that if this trend of reduction in programme investment in all major genres across the PSB channels' output continues, then there will inevitably be a consequent drop in the quality of programme provision on these channels. While we broadly support the metrics used by Ofcom to measure the performance of the PSB system, we question whether they adequately reflect changes in the actual quality of PSB output.²⁵

Audience Satisfaction

52. We believe that Ofcom's analysis of audience satisfaction with PSB programming presents a more positive picture overall than is actually the case. Ofcom audience research shows that the public are looking for more innovation and distinctiveness from the PSBs and that only 46% of people are satisfied that the PSB system

²¹ *Ofcom PSB Report, 2014, pg 15*

²² *Ofcom's Third PSB Review, December 2014, pg 39, Figure 17*

²³ *Ofcom's Third PSB Review, December 2014, para 3.37*

²⁴ *Ofcom's Third PSB Review, December 2014, para 3.28*

²⁵ *Ofcom's Third PSB Review, December 2014, para 1.21*

delivers programmes which show different kinds of cultures within the UK.²⁶ We are also concerned by the finding that viewers believe the PSBs are losing their distinctiveness and originality.²⁷ It seems that the public want less duplication of *successful programme ideas and formats, potentially at the expense of more original, innovative and challenging programing*²⁸.

53. We are not overly concerned by the Ofcom finding that younger consumers do not distinguish between PSB and non-PSB channels. For the average viewer the description of a channel as PSB or not PSB is irrelevant. It is likely, surely, that viewers have always distinguished between 'good' and 'bad' content rather than classifying it as PSB or non-PSB?

Question 4: Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable?

54. This question relates to the ways in which different audiences might be defined, including those in the nations and regions and minority audiences. Ofcom's findings suggest that this is one of the areas where there is less satisfaction amongst the survey sample. Only 46% were satisfied with the portrayal of different kinds of cultures in UK²⁹ and only 46% felt that the representation of diversity and alternative viewpoints was successful.³⁰
55. VLV thinks this is an important but complex issue. History also suggests that it has been a problem for UK public service broadcasting for a long time.
56. The Beveridge Royal Commission (1949-51) was very critical of the metropolitan centredness of the BBC and when commercial television was to be introduced as a new service, the initial plans were for a much stronger regional system. However the economics of television have always pushed it towards serving as large an audience as possible and the cost of running separate regional broadcasters would have been too high, so networking rapidly led to a common programming for much of the ITV companies' output.
57. Similarly the Annan Report (1977) evidenced a great deal of frustration at the apparent limits of the BBC and ITV in terms of their representations of multi-ethnic Britain and the introduction of Channel 4 with the concept of independent production companies was intended to 'open up' television to a wider range of representations. However the economics of television have again led to a situation where independent production companies have increasingly merged to produce larger companies which inevitably narrows the number of sources for programming.

²⁶ *Ofcom PSB Report, 2014*

²⁷ *Ofcom's Third PSB Review, December 2014, para 1.14*

²⁸ *Ofcom's Third PSB Review, December 2014, para 1.17*

²⁹ *Ofcom's Third PSB Review, December 2014, para 1.25.2*

³⁰ *Ofcom's Third PSB Review, December 2014, para 3.54*

58. It is clear from Ofcom's research and other sources that many ethnic minorities and those who live in the nations and regions feel under-represented in terms of on screen representation.
59. While production outside London has steadily increased in recent years, and is welcome, we are not convinced that this will necessarily lead to the production of content which will fulfil the needs of these communities. Just because a programme is made in Scotland, for example, does not necessarily mean it will reflect the issues, voices or concerns of those who live there.
60. It is also clear that there is an ongoing concern over gender issues in broadcasting and the media in general, both in the representation of women and in the on-screen presence (or absence) of older women.
61. VLV believes that these are very important issues and are key aspects of Public Service Broadcasting as defined in the objectives which Ofcom has been reviewing. We expect that Ofcom and the BBC Trust will ensure that the PSBs address these concerns as seriously as they deserve.

The Generation Gap

62. We acknowledge Ofcom's findings that the generation gap between younger and old audiences appears to be growing. We believe it remains to be seen whether *they take these habits with them as they age*. Nonetheless, we believe that the public service broadcasters need to make more effort to ensure engagement with younger viewers so that they do not desert the PSBs.
63. If there are not programmes which attract children and young people to watch public service television, then there may be an undermining of public awareness of the importance of PSB within our culture. If children and young people are in the habit of visiting PSBs, this is likely to continue in later life, whereas if they decide the PSBs are not worth going to for content at an early age, they will go elsewhere.
64. VLV is very concerned by the BBC Executive's proposed plan to take BBC Three off-air and make its content available mostly online. Ofcom's Review provides evidence that BBC Three is reaching a younger audience and is innovative and it therefore seems unwise to risk divorcing the channel and its audience from mainstream public service broadcasting.

Older Children

65. We note a significant gap in provision for 10-14 year olds and believe that this is an issue which needs addressing urgently.³¹ We question whether C4C's remit to provide content for older children (aged 10-14) is practicable for C4C on its mainstream platforms. Its current delivery of content for older children, aged 10-14, is very limited. We agree with Ofcom that there are *tensions between C4C's duties and its need for commercial funding and this is likely to have contributed to its decision not to commission more in this area.*³²

³¹ Ofcom's Third PSB Review, December 2014, para 1.16

³² Ofcom Review of Channel 4 Corporation's delivery of its media content duties (2010-2013), p 45

66. The children's television market is very fragmented because of the significant differences in content which is appropriate for each distinct age group. For example, a 10 year old will need very different content from a 14 year old. This means that this type of very age-specific content does not have the potential to attract large audiences or generate significant advertising revenues and therefore it is considered to be not cost-effective.
67. VLV is very concerned by the lack of provision for 10-14 year olds by the PSBs as a whole and urges Ofcom as part of its work this Review to consider what action might be taken to improve the amount and accessibility of UK produced, UK specific content for this age group, otherwise there is a risk that older children will migrate away from the PSBs to other platforms. It is important that this age group is engaged by content which is culturally specific to the world in which they are growing up. Without high quality PSB provision their media diet is likely to be dominated by imported content which doesn't provide them with the cultural, social or political reference points they need in order to develop into well-informed UK citizens.

Sports

68. While many of the non-PSBs provide coverage of live sporting events, this content is mostly available only on a subscription basis and VLV would like to highlight the important role key sporting events play on PSB television. We would not want to see any erosion of the current list of sports events protected under Part IV of the Broadcasting Act 1996.

Question 5: Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?

69. This question has two elements which need to be carefully balanced between dedicated nations programming and network programming.
70. As stated above, we acknowledge the lack of satisfaction among those surveyed by Ofcom that the PSBs represent their region effectively. We note that Ofcom research suggests that older audiences in the nations feel that more could be done to reflect their local and national identities. Younger adults in the nations, however, believe it is more important that specific ethnicities, religions, socio-economic groups and sexual orientations should be represented better.³³
71. While In terms of output (although not spend), the volume of UK-wide network production made in the nations has risen since 2008³⁴, this is largely due to the BBC and to STV in Scotland. VLV believes there should be increased pressure on the other PSBs to invest in more production beyond the M25. It should be noted too that the BBC's commitment to increasing the proportion of network output in line with the relative size of the four national populations is a voluntary commitment only.

³³ *Ofcom's Third PSB Review*, December 2014, para 1.27

³⁴ *Ofcom's Third PSB Review*, December 2014, para 1.28

72. The decrease in regions/nations news spend, which is particularly acute in Channel 3 provision, is a worrying trend given the democratic function of plurality in broadcast news provision. We note the particular situation of STV; STV produces considerably more programming than the BBC that is specifically for Scotland. The fact that the increase in Scotland is accounted for by one single commissioning strand is indicative of the fragile nature of the Scottish broadcast ecology.
73. Similarly, it is Channel 3 that has seen the most significant reduction in non-news genres in regions/nations programming. This has decreased by a huge 86% in real terms during the period of this review.³⁵ While care must be taken in the balance and proportion of 'opt-out' or purely regions/nations programming, again this extreme decrease is a worrying trend.

Question 6: Is declining investment affecting the quality of PSB and is it a cause for concern?

74. We note that the PSBs account for 85% of all investment in first run non-sport UK content and that their investment in new first-run UK originations is down by 17.3%³⁶ in real terms since 2008.
75. We are concerned by Ofcom research which highlights that there is a continuing decline in investment in certain key genres of programming: current affairs spending is down by 17%, nations and regions is down by 26% and children's is down by 15%, while entertainment spending rose by 6%.³⁷
76. We echo Ofcom's concern that if this downward trend in investment continues, it will be impossible for the PSBs to maintain the quality, range, volume and diversity of their content.
77. It is notable that advertising revenue for the commercial PSBs has risen in recent years as the economy has stabilised and that perhaps this will lead to a slowing in this trend. The BBC's next licence fee settlement is crucial in the context of investment in new UK originated content.

Question 7: Do you agree with Ofcom's provisional findings in the Review of C4C's delivery of its media content duties?

78. VLV agrees with Ofcom's provisional findings in its Review of C4C.
79. We have made a submission separately to the Review of Channel 4 Corporation's delivery of its media content duties (2010-2013) but to reiterate, in summary:
80. While its investment in new originated content on the main channel dropped by £68m (15%) over the five year period from 2008 - 2013, it is reassuring to note that investment in programming between 2010 and 2013 rose.

³⁵ *Ofcom's Third PSB Review*, December 2014, para 6.48

³⁶ *Ofcom's Third PSB Review*, December 2014, para 1.22.3

³⁷ *Ofcom PSB Review*, 2014, para 1.25.3

81. We welcome Ofcom's view that the level of broadcasting advertising revenue is likely to remain stable.
82. We commend C4C for effectively maintaining its reach through investment and realignment of its portfolio channels while still remaining innovative.
83. VLV believes that C4C's portfolio provides a broad range of content which is distinctively different from the other UK public service broadcasters and which appeals to a diverse audience. VLV believes it is especially important in the PSB mix because it works to challenge established views and provide alternative perspectives. It also attracts a younger profile of viewer and a higher proportion of BAME viewers than the other PSBs.
84. VLV notes with concern Ofcom's finding that there has been a loss of audience for news and current affairs on C4 despite the welcome news that C4 has increased its investment in current affairs in peak time. We recognise that C4 has no plans to decrease the peak time given to these genres.
85. VLV believes that C4C's remit to provide content for older children needs to be reconsidered. We are very concerned because there is apparent market failure in provision of UK specific content for this age group, however we question whether C4C is able to deliver such content effectively on its existing broadcast platforms.
86. VLV believes that it would be sensible in future to include both the C4C portfolio channels and the +1 Channel in any assessment of C4C's delivery of its PSB remit. Such a development would also enable due recognition of the appeal of the portfolio channels to young adult viewers.
87. We understand that C4C is trying to extend its links with its 16-24 audience and that 50% of this target audience has now registered online with C4, a development which VLV welcomes.
88. We agree with Ofcom's concern that if there is a continued decline in the reach of the main channel, which attracts the largest audiences of all the C4C channels, there is a risk that C4C's impact in delivering its full range of duties and obligations as set out in its remit will be reduced.
89. We recognise that in order to remain commercially viable and continue to deliver its remit effectively C4C must maintain its reach and impact. Within C4C's operating model and remit there is a tension between needing to attract audiences to remain commercially viable while providing innovative, often challenging content. We would want to see the main channel, Channel 4, continue to remain the most 'alternative' mainstream PSB channel³⁸ in the UK and encourage it to ensure that it continues to take risks and provide content which other PSBs might not consider.
90. It is important that this balance between innovation and maintaining audience share is achieved so that C4C can continue with its current operating model. We

³⁸ Channel 4 refers to itself as the Alternative Mainstream channel in *Channel 4 Taking Risks and Challenging the Mainstream*, 2014

believe it should be viable as long as C4C continues to innovate in order to evolve with the market.

The delivery of the public service objectives by the wider market

Question 8: To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.

91. VLV broadly agrees that non-PSB services play a notable role in helping to deliver public service objectives and recognises that in various aspects this role has increased since Ofcom's last review of public service broadcasting. It is right that this current review should therefore take some account of output that demonstrates public service characteristics even if it does not come from PSB providers.
92. This is not to diminish the crucial importance to the UK of the PSB system and a recognition of the high benchmark set in quality standards by the PSBs which have an impact on standards on the market as a whole. VLV believes that the PSBs remain strongly at the heart of public service delivery, retaining unique overall obligations to viewers and listeners which are not fulfilled by non-PSBs. Nonetheless the complex and changing media environment, with increasing diversity of provision, fragmentation and shifting expectations of audiences and the growth of online and mobile usage, is blurring some of the old boundaries. It is clear that the public does not distinguish between PSB and non-PSB status in the same way that Ofcom does and indeed in some aspects public service broadcasters may now be regarded as less distinctive in the overall landscape than once they were. All of this suggests that some reappraisal of the parameters of public service broadcasting provision may be needed.
93. Commercial PSB portfolio channels, although not bound by PSB regulations and often restricted in the content genres offered, do contribute to the parent PSB channel's delivery of its remit overall. These channels increase reach of public service content, in some cases to audiences (especially younger audiences) who might not otherwise receive it, and, as Ofcom points out, have maintained the PSBs' reach.
94. VLV welcomes the increased investment by non-PSB channels in non-sport first-run original UK programmes (15% in 2013, compared with 9% in 2008)³⁹, given the reduction in real-terms investment by the public service broadcasters. We are concerned that the huge investment by Sky in sports rights may inhibit its ability to continue to invest in original UK non-sports content. We note the contribution by these providers of often high-quality content in traditionally public service areas such as drama, arts and news. We agree that this provision both increases choice for viewers and delivers a competitive spur to the PSB channels in providing quality output. However the fact that this content is not all universally free to access and

³⁹ *Ofcom's Third PSB Review*, December 2014, para 1.22.3

that much of it sits behind a relatively costly pay barrier significantly limits its public value.

95. News may be an area of particular interest. Non-PSB news channels are subject to the UK law on impartiality and accuracy and free-to-access non-PSB news channels are therefore likely to be seen by many viewers as operating in very largely the same arena as – and competing directly with – the public service newscasters. There may be a case for regarding these channels as making a very direct contribution to public service broadcasting.
96. Internet services are making an increasingly significant contribution to public service objectives: of that VLV has no doubt and any review of public service broadcasting would be incomplete without an assessment of this rapidly shifting overlap between online and broadcast. Although television consumption has held up strongly, the increase in the use of the internet for news in particular is notable. VLV would also point to one aspect of the public service objectives that is now delivered primarily online rather than by broadcast – formal education (as part of the objective of stimulating knowledge and learning).
97. The accelerating use of video-on-demand on a range of different platforms (including online) is changing patterns of consumption and vastly increasing consumer choice. How much the continuing move away from linear viewing of mixed-content channels will benefit the delivery of the public service objectives is, as Ofcom notes, unclear and requires future monitoring.
98. VLV recognises radio's wide contribution to public service broadcasting, most especially of course the BBC's comprehensive offer, but also commercial and community radio and in particular local and niche services. In spite of overall declining revenues and expenditure, together these services form a rich and diverse part of the PSB landscape.
99. While we acknowledge that viewers and listeners have access to a wider range of content than they did in 2008 because of technological changes, we are concerned that in some way this may be used as an argument to absolve the publicly owned PSBs from the responsibility to deliver a wide range of diverse content which appeals to a wide range of audiences. VLV believes this responsibility should remain with the PSBs - to deliver a range of content which is free at the point of access for diverse audiences, some of which may be less commercially appealing but which deliver social and public benefits.

Potential future market developments

Question 9: How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system?

100. We note that the PSB Review assumes that there will be no major structural changes in the market: that viewing to the PSBs will remain relatively high and that as a result advertising revenue will remain at comparable levels to those we see today. Ofcom assumes that the BBC will remain the cornerstone of PSB and be adequately funded

to provide output at a similar level to today and that the commercially funded PSB channels will continue to operate under their new licences which run until 2024.

101. VLV agrees that based on the evidence to date, which indicates that despite the pace of technological change patterns of TV consumption have changed more slowly than might have been expected, it would be reasonable to expect steady evolution to prevail in the short to medium term. Unchecked, this trend will preclude any improvement on levels of delivery and a lead to a potentially slow and steady decline in PSB. We believe that both Ofcom and the PSBs should remain alert to this changing context and be ever ready to consider change, adaptation and improvement.
102. We believe that as suggested by Ofcom, a cautious approach is justified. In the light of the continuing decline in funding for new UK originated PSB content and the increased fragmentation of the audience. Careful monitoring and methods to support the system will be required to ensure that more economically vulnerable genres are supported within the PSB system.
103. We agree with Ofcom that if either of the two key sources of funding for PSB, the BBC licence fee and advertising revenue, are undermined this will pose a significant threat to the future of PSB. Consequently funding levels must keep pace with cost inflation in order to ensure quality, diversity and innovation in the PSB system
104. With reference to the BBC, we believe that the BBC Charter review and the licence fee negotiations are likely to lead to a period of uncertainty where unforeseen changes could occur. Decriminalising non-payment of the licence fee, currently being reviewed, is a move that could also have a significant impact on BBC income which has already been hit by top slicing and below inflation licence fee increases.
105. We note that with the rise in the number of distribution platforms, incremental increases in the costs of distribution need to be taken into account when assessing the financial challenge facing the PSBs. However, with each new platform, there are opportunities to create new income streams which we hope will offset the costs of developing new distribution models.
106. We agree with Ofcom that the trend towards on-demand viewing could either threaten the PSBs' reach by diverting viewers away from their content, or it could, equally, be beneficial to them if they can harness the power of new technology to meet audience needs.
107. We acknowledge that that in an increasingly global marketplace, online-only video services do present a risk to the future of PSB in the UK. It is essential that our PSB institutions are effectively supported by the government and regulation to ensure that they maintain the scale required to compete for viewers and revenues in an ever increasingly competitive marketplace.
108. More broadly, VLV is concerned about the wider threat, not mentioned in the review, to the current and future availability of free-to-air public service broadcasting represented by the possible loss of UHF spectrum following the likely reallocation, supported by Ofcom, of the 700 MHz band to mobile services. If this goes ahead, in five to seven years' time, digital terrestrial television will have lost 30% of currently-

available capacity; and it is likely to be followed by pressure from mobile operators and wireless broadband services (WBB) on the 470-694 MHz band. This must be resisted and we welcome Ofcom's indication that it wishes to protect broadcaster use of the lower spectrum bands (470-694 MHz).

Question 10: How might incentives to invest change over time?

109. The report's assessment is that in the case of the three commercial PSBs, broadly speaking, incentives to invest are closely related to what is commercially attractive, tempered by their public service obligations and, in the case of Channel 4, public ownership.
110. VLV is concerned that the commercial pressures inherent in the current broadcasting market may in due course lead to a reduction in genres which attract smaller audiences and less revenue, such as religious, arts and children's programmes which are in danger of being marginalised.
111. VLV accepts that incentives to invest are likely to be affected in future by a range of factors discussed elsewhere in the report, most significantly by the broader funding climate. Other factors include the impact of technological innovation and changes in consumer behaviour, such as the move to on-demand viewing. Again, gradual evolution, with potentially time for adjustment, seems the most likely outcome.

Maintaining and strengthening the system

Question 11: Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?

112. Ofcom has identified four key areas for further consideration: modernising the availability and discoverability rules; providing greater institutional flexibility; rebalancing the relationship between PSBs and the production sector; and considering additional sources of funding. We address each area separately in the questions below.

Question 12: Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?

113. We believe that the guiding principles for audiences, and hence for Ofcom, remain universal access free at the point of use, choice and value for money – none of these values are at odds with the commercial imperatives that must inform the BBC, ITV, Channel 4 and Five in a competitive marketplace.
114. We welcome the proposal that *if Parliament continues to want to ensure that PSB content achieves universal reach and impact in a connected environment, it may be necessary to reform the current regulations on prominence and carriage and to define what is meant by universality in a more complicated connected environment.*⁴⁰

⁴⁰ Ofcom's Third PSB Review, December 2014, para 1.38

115. VLV defines *universality* as 'available to the whole UK population on digital terrestrial television platforms which are free at the point of access'.
116. Whilst internet platforms and subscription channels both offer new opportunities to provide a range of content for those willing and able to pay for it, only the current PSB system on DTT provides a full range of *UK-produced, universally available* programmes at a much lower cost per viewer-hour than pay TV. The policy challenge is therefore to ensure the continued strength of the universally available PSB system, while ensuring that those who choose to pay more for more choice are able to do so.
117. We agree that prominence and easy discoverability are key to ensure the strength of the PSB system. One of the primary regulatory levers available to Ofcom is to ensure that the public service broadcasters and their portfolio channels, if they contribute to their public purposes, are easily discoverable on the electronic programme guide (EPG). While they continue to deliver public value through their content provision, PSBs should be guaranteed prominence on the EPG regardless of whether they are being viewed in a home with a pay TV subscription or via a traditional rooftop aerial.
118. While we recognise that in time the EPG may become outdated with other types of search engines becoming increasingly dominant, VLV believes that in the short to medium term the EPG is likely to remain the primary search engine for most viewers.
119. In the longer term, as IPTV becomes more popular, discoverability of PSB content will increasingly become an issue as viewers move away from content which is delivered in linear schedules. In an increasingly crowded online space, public service content will have to compete with other content. In order to fulfil their responsibilities as public service broadcasters and justify the benefits they receive as such, the PSBs will need to find effective ways to give prominence to the public service content they produce.
120. With regard to the current 'retransmission' fees debate, VLV believes that platform providers should be encouraged to pay for the PSB channels they carry. This would involve considerable changes in the current commercial agreements in place between content providers and platforms and potentially require the establishment of new regulation.
121. A key factor in maintaining universal availability will be the provision of adequate, guaranteed spectrum to meet present and long term demands of digital terrestrial television.

Question 13: Should we explore the possibility of giving greater flexibility to PSB institutions in how they deliver public service content, including examining the scope (in some or all cases) for regulating by institution, not by channel?

122. It is VLV's understanding of the Communications Act (2003) that citizens means "all members of the public in the United Kingdom" and that *Ofcom's principal duty in carrying out its functions* is to *further the interests of citizens in relation to communication matters*. In Section 272(4) of the Act it is clear that all services provided by public service broadcasters should be made available *to the public*

without charge. On this basis, we oppose the suggestion that *PSB institutions should be allowed to choose how they deliver public service content, including online, on demand and on mobile*. VLV holds that public service content should be made available on platforms which are available at no extra cost at the point of use.⁴¹

123. We agree that as the distinction between the main PSB channels and the PSB portfolios diminishes, that the PSB institutions should have greater flexibility in choosing how they deliver public service content.
124. It is our view that PSB portfolio channels and +1 channels should be included in any assessment of the delivery of PSBs public purposes in the Annual PSB Report if they *significantly contribute* to the delivery of the public purposes. If these channels do not complement or augment delivery of the public purposes they should be disregarded but when they do provide new, UK originated content which fulfils the public purposes they should be taken into account.
125. We would not, however, wish this to be an opportunity for genres currently required under the PSB's licences, such as news or current affairs, to be moved onto less prominent platforms or into time slots which are outside peak time. Public service content needs to remain prominent and discoverable in order to be recognised as *significantly contributing* to a PSB's public purposes.
126. We would not agree to any benefits afforded currently to the main PSBs being transferred to any platform which is not free at the point of access.

Question 14: Do the current interventions in relation to the independent production sector need to change in light of industry developments?

127. It is our view that current interventions in relation to the independent production sector need to be reassessed in light of industry developments. When the terms of trade were first negotiated the UK independent production industry was in its infancy and needed financial and structural support.
128. Now, however, many of the UK's independent production companies have been bought by broadcasters or international media organisations and are no longer in need of the financial support they once needed when they were first formed. Under the current arrangements some very large independent companies benefit directly from revenue which is generated by the licence fee. In the case of the BBC we believe that the interests of licence fee payers – to enjoy the high quality and distinctive productions of a national broadcaster - must be paramount.
129. VLV believes that relations between PSBs and independent producers need to be rebalanced in favour of the PSBs. Wherever possible, Ofcom should allow the PSBs to negotiate in favour of their services to viewers. We believe that there should be new criteria to limit the size of independent production companies which receive preferable terms of trade. We would propose a sliding scale which would be transparent and apply to all companies based on turnover.

⁴¹ *Ofcom's Third PSB Review*, December 2014, para 1.38.2

130. Moreover, we believe that PSBs should be required to ensure that the first UK transmission of any productions which they co-finance should be transmitted on a free to air platform, before they are transmitted online or through a subscription or pay-per-view service.

Question 15: Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?

131. We would oppose the relaxation of television advertising rules because we have yet to see any analysis of how further relaxation of television advertising rules would enhance investment in PSB programming.

132. We have welcomed the tax breaks already introduced by the Government in high end drama, children's animation and children's factual content. We believe these tax breaks provides incentives for UK production companies to make content in the UK which is culturally specific to a UK audience.

133. As stated above, we believe that platform providers, including online aggregating platforms, should have pay for any content they show and this revenue could provide the PSBs with extra funding for content creation.

134. In the past we have supported the concept of industry levies and would do so in the future, especially on TV hardware, as exist in many European countries.

135. We would consider the establishing of new quotas to secure continued provision of any at risk genres.

Sources

- Ofcom (2014) *Public Service Content in a Connected Society. Ofcom's Third Review of Public Service Broadcasting.*
- Ofcom (2014) *PSB Annual Report 2014*