

“What is important about public service broadcasting and how should it be funded in the 21st century?”

The American broadcaster David Sarnoff said, in 1922, ‘broadcasting represents a job of entertaining, informing and educating the nation, and should therefore be distinctly regarded as a public service’.¹ Since its conception, British broadcasting has adopted this ideal, and each of the four analogue terrestrial broadcasters are required to produce a certain amount of programming intended for the public’s benefit, rather than for purely commercial concerns. This is known as public service broadcasting (PSB) and includes news and current affairs, and original religious, arts and children’s programmes. But these programmes are expensive to make, and do not attract large audiences and the corresponding high profits, meaning public service broadcasting is facing challenging times, and its future looks uncertain.

The explosion of television channels through digital, satellite and online services has given advertisers more choice. This, teamed with the current recession, means the commercial broadcasters – ITV, Channel 4 and Five – are struggling to raise the advertising revenue to finance their public service broadcasts. Furthermore, when television broadcasting goes entirely digital in 2012, the privately-owned companies, ITV and Five, will no longer have the public service commitments, currently enforced by their analogue licences. And although publicly-owned Channel 4 will still have PSB obligations, there are fears it will lose audiences and advertising in the multi-channel world, and be unable to fund public service broadcasts. The media regulator Ofcom predicts these developments will create a shortfall of up to 235 million pounds per year in the provision of public service content by 2012, leaving some programmes, such as regional news and children’s shows, only available on the BBC.² This, it declares, means ‘the current system of providing public service programmes is broken’.³

¹ J. McDonnell, *Public Service Broadcasting: A Reader* (London, 1991), p.1.

² http://www.ofcom.org.uk/media/news/2009/01/nr_20090121

³ <http://www.ofcom.org.uk/media/features/janpsb1>

For public service broadcasting to survive outside the BBC, a new model is desperately needed. In January Ofcom published a report detailing how PSB should be sustained and strengthened over the next decade. Its recommendation to the government was that Channel 4 be built up, to create an alternative public service voice to the BBC, and both the culture secretary and the communications minister gave this their support. However, in April, committees in both Houses of Parliament reverted to previous recommendations; their view being the BBC licence fee should be 'top-sliced' to create a contestable fund for commercial broadcasters to use, to make public service content. This paper seeks to determine whether public service broadcasting would be better funded in the twenty first century through the creation of a new PSB body, or the redistribution of existing funds.

First, however, it is necessary to establish why PSB is worth sustaining. The BBC was set up during the 1920s as a genuine public service broadcaster, funded solely by the public, with revenue collected from the licence fee. It was John Reith, as Director-General of the BBC from 1924-1938, who first adopted the mission to 'inform, educate and entertain'. He believed the broadcasting service should be protected from purely commercial pressures; serve the whole nation; be organised as a monopoly; and have high programme standards.⁴ These concepts have changed slightly, and now Ofcom's chief executive, Ed Richards, defines public service broadcasts as 'those that increase the audience's understanding of the world, and give them a variety of viewpoints, through a range of programming'.⁵ To achieve these goals, each new commercial addition to terrestrial broadcasting has been given its own unique public service obligations. Upon arrival, ITV had to produce a certain level of local news coverage, arts and religious programming; Channel 4 was required to cater for minorities and the arts; and Five had to provide minimum levels of originally commissioned content and programmes from various genres. However these channels currently get no government funding and their PSB obligations are subsidised by advertising revenue. Without these stipulations they would likely shun public service broadcasts in favour populist entertainment, to maximise profits and attract larger audiences. Only the most watched shows would win airtime, thereby decreasing the range of content,

⁴ J. McDonnell, *Public Service Broadcasting*, p.1.

⁵ 'TV licence fee could be shared', 20 April 2008, <http://news.bbc.co.uk/1/hi/entertainment/7339381.stm>

and imported programmes and repeats, which are cheap to air, would increase. Television could lose its ability to educate, and niche programming would prevent diversity. Broadcasting would cease to cater for society as a whole. For these reasons, altering the 'broken' funding system is imperative.

One option, and the method recommended by Ofcom in its January review, is to free the privately owned broadcasters of most of their public service commitments, and concentrate on creating a viable, financially robust, public service alternative to the BBC. Channel 4 would be at the heart of this new body, and would be strengthened through partnerships and mergers. It could either take a stake in BBC Worldwide – the BBC's commercial arm – or it could merge with Five. Ofcom's preferred solution is for Channel 4 to take a stake in BBC Worldwide, in an attempt to plug its potential £150 million annual funding gap. The media regulator is confident this relationship is the most feasible, as both organisations 'have a commitment to funding public service outcomes'.⁶ The culture secretary, Andy Burnham, and the communications minister, Lord Carter, have also endorsed Ofcom's preference, as has the Liberal Democrat's culture spokesman, Don Foster who described BBC Worldwide as 'the jewel in the British broadcasting crown', that broadcasters should be enabled to share in and benefit from.⁷ But the strongest proponent of this scheme is Channel 4's chief executive, Andy Duncan. He told BBC News this was the most sustainable option because of a genuine alignment of interests between the two companies: both generate income commercially to put back into content for the benefit of the public.⁸

However this proposed partnership has roused significant opposition from other broadcasters. The BBC has warned the government this tie-up will not fulfil its ambition of creating a new PSB of real scale. It says Worldwide is unable to provide the necessary funding, and therefore cannot offer a

⁶ L. Holmwood, 'How Ofcom's PSB report could affect the BBC', 21 January 2009, <http://www.guardian.co.uk/media/2009/jan/21/ofcom-bbc-funding>

⁷ C. Fitzsimmons, 'Ofcom's PSB report: the reaction', 21 January 2009, <http://www.guardian.co.uk/media/2009/jan/21/ofcom-psb-report-reaction>

⁸ 'Channel 4 must form partnership', 21 January 2009, <http://news.bbc.co.uk/1/hi/entertainment/7841607.stm>

complete solution.⁹ Channel Five's chief executive Dawn Airey agrees, arguing the partnership would not avert Channel 4's looming financial crisis. She's done the sums and says they don't add up. Worldwide makes £120 million a year, but around half of this is generated overseas. And in order to get just a 50 percent share of its UK profits, Channel 4 would have to find £400 million.¹⁰ Instead she'd rather see Channel 4 merge with the privately-owned Five, in a move she believes would generate cost savings of over a million pounds a year, largely through combining back office functions.¹¹ With these savings she is confident Five could plug Channel 4's funding gap and guarantee the station national news bulletins for Scotland, Wales and Northern Ireland.¹² Gerhard Zieler, the chief executive of Five's German owner, RTL, insists there is 'industrial logic' to the merger.¹³ Both channels, he claims, have similar business models, and similar programming. Although not the preferred choice, this alternative has been considered by both Ofcom and the government, and backed by the Director-General of the BBC, Mark Thompson.¹⁴

But some feel merging Channel 4 with a private broadcaster would dampen its public service character. 'It would mean Channel 4 being subject to the influence of shareholders, and irreversibly alter the company's ethos', says culture spokesman Don Foster.¹⁵ Andy Duncan shares these concerns. It would be 'like mixing oil and water, we are there for a public purpose, and Five is owned by RTL to maximise profits'.¹⁶ He has repeatedly dismissed the idea of a merger with Five, fearful the German company would expect a return on its investment and take money that would otherwise be ploughed back into programming. But Dawn Airey has quashed these suggestions. She ensures a proportion of revenues would be spent on current affairs, news and documentaries, and a government appointed

⁹ M. Sweny, 'BBC Worldwide/Channel 4 partnership will not resolve PSB issue, warns BBC', 25 March 2009, <http://www.guardian.co.uk/media/2009/mar/25/bbc-worldwide-channel-4-psb>.

¹⁰ Interview with Dawn Airey, 'I'm Bewildered of Long Acre', 9 February 2009, <http://www.guardian.co.uk/media/2009/feb/09/interview-dawn-airey>.

¹¹ Ibid.

¹² M. Sweny, 'Channel Five boss claims government see logic of merger with Channel 4', 1 April 2009, <http://www.guardian.co.uk/media/2009/apr/01/dawn-airey-channel-five-merger>.

¹³ R. Wray 'RTL slashes Five's value by half and eyes merger with Channel 4', 13 March 2009, <http://www.guardian.co.uk/media/2009/mar/13/rtl-five-merger-channel-4>.

¹⁴ J. Robinson, 'Thompson urges tie-up of Channel 4 and five', 13 January 2009, <http://www.guardian.co.uk/media/2009/jan/13/bbc-channel-4-five-merger>.

¹⁵ C. Fitzsimmons, 'Ofcom's PSB report: the reaction'.

¹⁶ 'Channel 4 must form partnership', 21 January 2009, <http://news.bbc.co.uk/1/hi/entertainment/7841607.stm>

editorial board could monitor the quality and quantity of PSB rigorously. RTL would cap the amount of money it could take out of the business, and a reserve fund would be created to ensure Channel 4's public service programmes could even be made in the depths of a recession. She's convinced Channel 4's resistance is 'emotional not rational' and has responded to Andy Duncan's intransigence by claiming a merger would be 'like mixing gin and tonic'. 'The differences we have' she says 'are complementary strengths'.¹⁷

However Channel 4's finances are sparse, and, in order to facilitate these partnerships, Ofcom wants to give the broadcaster a one off allocation from the digital switchover surplus. This is money left over from the part of the licence fee currently being ring-fenced to help the most vulnerable in society purchase digital television boxes by 2012. Ofcom argues this could be used 'without affecting programmes or services'.¹⁸ But the option has been dismissed by the government – which wants to use any surplus to make the giveaway boxes broadband capable – and resisted by the BBC. Yet without a cash injection, there is a chance Channel 4 would not be able to finance a merger.

But because of this, some have argued making Channel 4 into a new public service broadcaster is not a feasible way to finance PSB for the next century. Media Guardian columnist Steve Hewlett has called the idea 'hotchpotch'. 'Joint ventures might shore up some of what Channel 4 does, but the chance of it maintaining current high levels of investment in high quality UK content seems a stretch'.¹⁹ At the beginning of April, select committees from both the House of Commons and House of Lords rejected the idea of building Channel 4 up as an alternative public service broadcaster, in particular the government's preferred tie-up with BBC Worldwide. The Common's Media Select Committee found there was no obvious synergy between the two organisations, and 'any partnership of the two, no

¹⁷ Interview with Dawn Airey, 'I'm Bewildered of Long Acre'; M. Sweney, 'Channel Five boss claims government see logic of merger with Channel 4'.

¹⁸ M. Sweney, 'BBC licence fee digital surplus could help fund new PSB body, says Ofcom', 21 January 2009, <http://www.guardian.co.uk/media/2009/jan/21/licence-fee-psb-ofcom-report>

¹⁹ M. Brown, 'Digital Britain: the response', 2 February 2009, <http://www.guardian.co.uk/media/2009/feb/02/media-industry-response-digital-britain>

matter how great, could not solve Channel 4's funding gap'.²⁰ The House of Lords called the proposals nothing more than 'corporate engineering'.²¹ Instead the committees want contestable funding to be introduced to support PSB outside the BBC. This involves a fund that the commercial broadcasters could apply to for financial help with making regional news, current affairs, arts and children's programmes. This echoes another Ofcom's recommendations, that money be put aside to establish independently funded consortia that would deliver regional news on ITV. These ideas seek to relieve the commercial broadcasters of the financial burden of PSB, without having to forego the content. However both schemes require using money collected from the BBC licence fee. Ofcom suggests £30-£50 million be taken from the digital switchover surplus to create its consortia, while the House of Lords goes one step further. It wants to use money from the switchover surplus to set up a fund, and thereafter redirect a portion of the BBC's £3.5bn annual licence fee income – a method known as 'top-slicing'.

However, as previously mentioned, both the BBC and the government have resisted moves to use the switchover surplus. Meanwhile, the option of 'top-slicing' was rejected by Ofcom in its January report. Ofcom wants to keep the BBC at the heart of public service broadcasting, and therefore feels it necessary to maintain the corporation's funding. The report stated 'it is essential action is not taken which jeopardises the ability of the BBC to meet its purposes'.²² The BBC has always argued a reduced budget would threaten its ability to produce public service programmes. Speaking at a debate last May, trustee Dame Patricia Hodgson, said taking from the licence fee 'could destroy the critical mass that makes the BBC the most effective public service broadcaster in the world'. The general-secretary of the NUJ, Jeremy Dear, agrees. He is adamant 'licence fee money must be used solely to support the corporation and its objectives'.²³ Furthermore, there are concerns that a move towards contestable funding will result in unwatchable content. Jeremy Dear thinks, cost will inevitably trump

²⁰ L. Holmwood, 'Restrain BBC Worldwide, say MPs', 7 April 2009, <http://www.guardian.co.uk/media/2009/apr/07/bbc-worldwide-channel-4>

²¹ R. Parker, 'MPs revive top-slicing threat', 7 April 2009, http://www.broadcastnow.co.uk/news/2009/04/mps_revive_topslicing_threat.html

²² M. Sweney, 'BBC licence fee digital surplus could help fund new PSB body, says Ofcom', 21 January 2009.

²³ L. Holmwood, 'Unions attack Ofcom for allowing ITV to air less regional news', 21 January 2009, <http://www.guardian.co.uk/media/2009/jan/21/unions-attack-ofcom-itv>

quality, and viewers will end up missing out.²⁴ The major broadcasters have also rejected the recommendations of the two committees: the BBC is adamant the PSB debate must be resolved ‘by creating new value through partnerships, rather than just reallocating existing funds’; and Channel 4’s Andy Duncan is certain a partnership would offer a more solid solution to his broadcaster’s funding gap.²⁵

Therefore, redistributing finances to create a contestable fund may not be enough to prop up the public service commitments of the commercial broadcasters. The PSB content will be of a lesser quality, and could be forced out of peak hours to maintain viewing figures. Instead a radical restructure of public service broadcasting looks necessary, in the form of a new PSB to rival the BBC. To quote David Attenborough, ‘PSB is not about selecting individual programmes strands, financing them from some outside source, and foisting them upon commercial networks. PSB can only effectively operate as a network – a network that is dedicated primarily to the service of the public’.²⁶ But to achieve this, the BBC and the government need to be willing to part with some of the digital switchover surplus, if Channel 4 looks to be lacking the resources to form its essential partnerships. However, the chief executive of Ofcom, Ed Richards, announced in March that due to the rapidly deteriorating economic climate, the proposals in his January review, that fed into the government’s proposals, may not go far enough. ‘The temperature of the patient is rising, not falling’.²⁷ This bleak diagnosis means the current debate may need to move on quickly, to consider even more radical alternatives.

²⁴ Ibid.

²⁵ R. Parker, ‘MPs revive top-slicing threat’.

²⁶ Speech by Sir D. Attenborough, ‘The future of public service broadcasting’, 30 April 2008, http://www.bbc.co.uk/thefuture/transcript_atten.shtml

²⁷ M. Sweney, ‘Carter and Richards: more radical solutions may be needed on PSB’, 4 March 2009, <http://www.guardian.co.uk/media/2009/mar/04/lord-carter-ed-richards-psb>

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