Championing
excellence and diversity
in broadcasting

Voice of the Listener & Viewer

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SUBMISSION FROM VOICE OF THE LISTENER & VIEWER TO THE DCMS SELECT COMMITTEE INQUIRY INTO THE IMPACTS OF COVID-19 ON THE DCMS SECTOR

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About VLV

1. The Voice of the Listener & Viewer (VLV) is an independent, not for profit membership-based charity, free from political and sectarian affiliations. VLV supports high quality broadcasting which maintains the democratic and cultural traditions of the UK. We support the independence and integrity of the BBC and encourage work which demonstrates commitment to the principles of public service broadcasting (PSB).

Introduction

2. VLV's expertise is in broadcasting policy and regulation. We therefore limit our response to this submission to the impact of Covid-19 on the broadcasting sector.

3. The Covid-19 crisis has come at a time when the PSB system was already under considerable pressure. The rise in popularity of online services and SVoD, while they provide greater choice for audiences which VLV welcomes, is putting significant pressure on traditional broadcast platforms. These over the top (OTT) services remain largely unregulated and have no PSB obligations. Their unhindered growth is depriving the PSBs of audience share, reducing their impact and income as well as inflating production costs and changing the licensing landscape.[1]

4. The commercial PSBs have suffered a decline in advertising income consistently since 2014 and BBC income for UK services has been cut by 30% since 2010[2]. It is crucial that if the UK public are to continue to have universal access to accurate news, information and high quality programming, PSB is supported by updated, effective regulation and BBC funding is maintained to enable it to deliver its mission.

5. One of VLV's concerns is that, moving forwards, while the government focuses on managing the impacts of Covid-19 and negotiating trade deals, the reform of broadcasting regulation, which is urgently needed to ensure the sustainability of PSB in the UK, will be delayed. If regulation is not updated to support PSB, VLV questions whether it will be able to continue to deliver the range of services currently available.

6. VLV highlights that the following policies need to be introduced or maintained:

- PSB Prominence regulation should be updated so it is platform neutral and applies to hardware as well as platforms[3]. It should be flexible to allow for technological changes and ensure prominence is transparent, so it is clear why content is promoted.
- Fair value must be guaranteed for PSB content by all platforms and carriage obligations must be maintained.
- Advertising regulation should become platform neutral.

[1] *Public service broadcasting: as vital as ever* (House of Lords Select Committee on Communications and Digital, 5 November 2019)
[2] https://www.vlv.org.uk/news/vlv-research-shows-a-30-decline-in-bbc-public-funding-since-2010/
[3] http://www.vlv.org.uk/wp-content/uploads/VLV-submission-to-Communications-Committee-on-VOD-final-April-23-2019.pdf

- The Broadcasting Code should apply to all content on podcasting platforms, SVoD, BVoD and DTT.
- Online Harms legislation should be passed and implemented to protect citizens.
- The UK should remain a signatory of the ECTT and on the Council of Europe after Brexit. The AVMSD 30% European origination quota for SVoDs should be enshrined in UK legislation.
- SVoDs and online platforms should be included in all Ofcom analyses of the broadcasting market.
- A Content Fund for the PSBs should be created, funded by a levy on SVoDs and online platforms however this **must be additional** to TV licence income.
- The process of deciding BBC funding needs reform to be more transparent and ensure adequate funding to deliver the BBC mission.
- A Citizens' Forum for Broadcasting should be established to encourage a more informed debate and further Ofcom's role in representing citizen interests.

Q1: What has been the immediate impact of Covid-19 on the sector?

7. The most notable impacts of Covid-19 on the broadcasting sector have been the significant reduction in advertising income for commercial channels and the widespread ceasing of non-essential production. However, during this period viewing and listening has risen substantially and broadcasters have successfully delivered content to engage audiences and keep them well-informed during this crisis.

8. **Increased viewing and listening, especially among younger audiences:** The broadcasting sector has responded admirably to the challenges posed by the pandemic. Since lockdown TV viewing is reported to have increased by at least 21% year on year;[4] increased daytime viewing[5] and viewing by younger, hard-to-reach audiences have been especially notable[6]. The Prime Minister's address on 10 May secured close to a 90% TV share across six channels - 27.4m;[7] there's been a 60% upsurge in BBC iPlayer viewing, with 1.4 billion requests in the first three months of 2020[8]; according to Radiocentre 38% of commercial radio listeners are tuning in for an extra hour and 45 minutes each day.[9] Recent Enders Analysis research shows that the initial uplift in linear TV viewing was temporary and it has already largely returned to pre-lockdown levels, however unmatched TV set use, for streaming and other purposes, has retained the boost seen during the first weeks of lockdown.[10]

9. **Increase in digital skills, especially among older population:** It's notable that due to the restrictions on meeting in person during lockdown there has

[4] https://www.thinkbox.tv/research/barb-data/weekly-tv-viewing-report/
[5] https://d3sebdkplhxau9.cloudfront.net/8515/8773/2554/ITVViewingReport_24_April.pdf
[6] https://www.channel4.com/press/news/young-viewers-flock-channel-4-during-lockdown
[7] https://www.independent.co.uk/news/media/boris-johnson-speech-statement-tv-broadcast-viewers-lockdown-coronavirus-a9509156.html
[8] https://www.bbc.co.uk/mediacentre/latestnews/2020/bbc-iplayer-lockdown-viewers
[9] https://www.radiocentre.org/commercial-radio-listening-enjoys-huge-working-from-home-boost-during-coronavirus-lockdown/
[10] *Broadcast television: Troubling trends in lockdown* (Enders Analysis, 10 June 2020)

been rise in the use of online meeting apps among older members of the population.[11] This could signal a shift in the use of digital platforms by older users which could influence their viewing habits in future.

10. **Reduction in PSB income:** Advertising income was already in decline for commercial broadcasters because of competition with online platforms and, as noted above, this has been exacerbated by out of date regulation. Between 2014 and 2018 PSB net advertising revenue declined by an average of 3.8%, equivalent to approximately £325m a year.[12] In April ITV's advertising revenue was down a further 42%.[13] Enders Analysis suggests that TV advertising revenues could be down between 15% and 40% across the year.[14] It's estimated that Channel 4 advertising revenue has halved since the beginning of lockdown.[15]

11. The BBC is predicting its income will fall by £125 million this year as people stop paying their TV Licences during lockdown and with revenue from BBC Studios dropping substantially.

12. **Rise in OTT Subscriptions:** SVoD subscriptions were already growing in the first three months of this year – it's estimated that before lockdown began 53% of homes in the UK subscribed to at least one SVoD.[16] Since lockdown it's reported that there have been at least an additional 4.6m new signups to SVoD services.[17] Spotify says it gained six million subscribers in the first quarter of 2020.[18]

13. **News:** According to Ofcom broadcasters have been the most trusted source of news during the crisis, led by the BBC, with levels running from 72% to 82% across the corporation, ITV, Sky, Channel 4 and Channel 5.[19] These high approval ratings demonstrate the significant value of one of the most important aspects of PSB.

14. **Fake News:** Online platforms are not regulated for accuracy or impartiality which is of significant concern during a period in which the number of fake news stories has increased on social media platforms. Ofcom estimates that more than half of the UK population has been exposed to false claims about Coronavirus[20]. Independent fact-checkers have moved quickly to respond to the growing amount of misinformation around Covid-19; it's reported that the number of English-language fact-checks rose more than 900% from January

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11 https://www.ey.com/en_uk/tmt/7-impacts-of-covid-19-on-the-uk-digital-household
12 *Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18)* **(**Ofcom, 27 February 2020) p. 5
13 ITV plc Q1 Trading Update - 3 months to 31 March 2020
14 *COVID-19 TV impact: Permanent change without intervention* (Enders Analysis, 6 April 2020)
15 https://www.theguardian.com/media/2020/apr/08/channel-4-cuts-content-budget-virus-ad-revenues-programming-furlough
16 https://www.broadcastnow.co.uk/amazon/amazon-take-up-fuels-uk-svod-surge/5150173.article
17 https://www.theguardian.com/media/2020/may/15/streaming-services-uk-netflix-amazon-prime-video-disney-subscribers-coronavirus
18 bbc.co.uk/news/technology-52478708
19 https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/news-media/coronavirus-news-consumption-attitudes-behaviour
20 *https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/half-of-uk-adults-exposed-to-false-claims-about-coronavirus*

to March.[21] While it's reported that social media platforms have responded to the majority of false social media posts by removing them or attaching warnings, the response varies between companies. Reuters Institute research shows that 59% of posts rated as false in their sample remained up on Twitter, while 27% remained on YouTube and 24% remained on Facebook without warning labels.[22]

15. **Investment in content:** In response to reduced income and increased costs, due to the complexity of producing content under social-distancing rules, broadcasters will have to reduce content budgets during this period. This is likely to impact output which could disadvantage audiences.

16. Investment by the PSBs in new UK original content between 2006 and 2018 had already dropped by over 1bn a year.[23] ITV has announced at least a £100m reduction in its programme budget and confirmed that it has had to cancel its popular ITV2 series *Love Island* for this year. The BBC is deferring negotiations over pay rises until later in the year, putting a freeze on all but the most essential recruitment and reviewing major capital projects but this alone will not be enough to make up the shortfall, meaning there are likely to be cuts to some programmes. It has recently announced that the production of the Autumn run of regional series *Inside Out* has been halted.[24] Channel 4 has reportedly cut its programme budget by around a quarter.[25]

17. Content production which has had to be suspended or cancelled may still involve costs for broadcasters because some programmes may have already been largely paid for due to cash-flow obligations. Some of these programmes may never be aired if it is not possible to complete them because of social distancing rules or because they are out of date by the time they are completed. Additionally, some contractual obligations to independent suppliers or talent will have to be met regardless of whether a programme is actually delivered to the broadcaster. This means broadcasters may have to pay for content which will never be aired.

18. Broadcasters may be able to reduce costs in the short term by deferring payments to independent producers, but this is likely to impact disproportionately on smaller independent producers which do not have the resources to cashflow their own productions. In the short term it might be possible to commission quick-turnaround lower-budget content, but in the longer-term this is likely to have an impact on channel and brand reputation.

Q2: How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

19. VLV notes that a significant number of those working in the UK film and TV industries are self-employed and that many of them have been unable to claim financial support under the government's self-employment scheme

[21] https://reutersinstitute.politics.ox.ac.uk/types-sources-and-claims-covid-19-misinformation
[22] Ibid.
[23] *COVID-19 TV impact: Permanent change without intervention* (Enders Analysis, 6 April 2020)
[24] https://www.theguardian.com/media/2020/may/29/bbc-set-to-cut-regional-news-despite-high-audience-figures
[25] https://www.theguardian.com/media/2020/apr/08/channel-4-cuts-content-budget-virus-ad-revenues-programming-furlough

during the pandemic. This is of great concern. VLV notes comments made by the Committee's Chairman published on 5 June, urging the government to provide more support for those who work in the creative industries.[26]

20. VLV also notes that state-funded efforts to support the creative sectors in Europe are reported to have been more comprehensive.[27]

21. VLV understands that Ofcom is weighing up relaxation of PSB obligations, including those of the BBC, to help the PSBs navigate the coronavirus crisis. While VLV understands the necessity to provide greater flexibility for the PSBs under the current circumstances, they should be encouraged to do all they can to deliver their existing obligations.

Q3: What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

22. **Viewing habits**: As recent Enders Analysis research shows the rise in PSB live viewing seen in weeks 12-16 is unlikely to be retained after lockdown,[28] however it is possible there could be a general uplift in PSB consumption after lockdown finishes as a result of improved brand awareness or the acquisition of new digital skills among sectors of the audience.

23. **Challenges:** What is certain is that broadcasters and producers will face significant challenges in the coming months and years until an effective vaccine is available for the general public. Production costs will rise, there is a risk that future lockdowns will again prevent the completion of projects and production insurance is likely to be prohibitively expensive if available at all. These will all present a barrier to production and a heavy additional financial burden at a time when the sustainability of the PSBs is being undermined by a number of regulatory factors, as set out above in the introductory section of this submission.

24. **Costs:** Production budgets will need to be increased to cover additional costs to ensure the health and safety of production teams until an effective vaccination is available.

25. **Insurance:** The cost of buying production insurance is likely to be prohibitive if policies are available at all. This will limit the range and scope of content on screen.

Q4: What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

26. VLV believes it is too early to draw lessons from how the DCMS and arms-length bodies have dealt with Covid-19. However, the Covid-19 crisis has made it more apparent how dependent the creative industries have become

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[26] https://committees.parliament.uk/committee/378/digital-culture-media-and-sport-committee/news/146748/government-needs-to-do-more-to-help-creative-industries-sector-says-chair-of-dcms-committee/

[27] https://www.broadcastnow.co.uk/indies/enders-production-sector-on-its-stomach/5150071.article

[28] *Broadcast television: Troubling trends in lockdown* (Enders Analysis, 10 June 2020)

on those who are self-employed. The insecurity of those who provide much of the high quality content PSB depends upon needs to be addressed if the creative industries are to weather potential future outbreaks of Covid-19.

27. It is clear that the PSBs have dealt admirably with the immediate need to provide audiences with relevant, engaging and informative content. Trust in broadcast news and increased viewing of PSB content are a clear demonstration of the valuable role PSB plays in informing citizens, bringing the nations of the UK together and entertaining us, especially when we need it most.

28. It should be noted that the BBC has played an especially important role globally in informing those in other countries around the world, some of which have no access to reliable news sources, about developments during the Covid-19 crisis. This is an important aspect of the BBC's delivery of its benefit to the UK, reinforcing the UK's soft power globally.

29. VLV notes that Ofcom intends to suspend its PSB Tracker quantitative research in 2020 because it says it is impractical to conduct it under lockdown conditions and the data will be anomalous because of the rise in viewing due to lockdown. VLV is concerned about this proposal because continuing the PSB tracker research provides an opportunity to collect data which, although anomalous with previous research, will enhance our understanding of public appreciation of PSB at a time when it has been critical for the welfare of the nations of the UK. The statement Ofcom released does not provide enough detail on the research it plans to carry out in place of the PSB Tracker to allay VLV concerns because the research it proposes is predominantly qualitative and mostly focused on the 16-24 year old age group which is not representative of the UK population.

30. In the longer term, the PSBs will continue to feel the impact of Covid-19 with significantly lower advertising income this year and possibly in future years. Under these circumstances it is essential the government addresses the inadequacy of current advertising and PSB prominence regulation so that PSB in the UK does not die a slow death.

Q5: How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

31. As has already been seen from the pan-industry guidelines adopted by UK broadcasters, the sector has rapidly responded to the challenge of how to produce television and radio content safely. A great deal of innovation will be required to ensure the safety of production teams until an effective vaccine is available. However, VLV believes the greatest challenge for the UK broadcasting sector will be in surviving in the current market context whereby broadcast advertising revenue and reach are reduced by the SVoDs and online services. As stated above, VLV considers the best way to support the broadcast sector is to ensure that regulation is updated to promote and support PSB.

32. Separately, if the BBC is to continue to deliver its mission, as set out in the 2016 Charter, it is crucial that its next financial settlement in 2022 maintains

the budget available for UK services. The process of deciding BBC funding needs to be reformed so that it is more transparent and ensures adequate funding for the corporation. The last two BBC funding settlements have been wholly unsatisfactory - conducted behind closed doors and resulting in a 30% cut in the funding available for BBC UK services since 2010[29]. They have not been open to parliamentary scrutiny and VLV believes this not only undermines the BBC's independence from government, but it also deprives licence fee payers of services they expect to receive having paid the TV Licence. This cannot happen again. VLV holds that TV Licence income should be used solely to fund BBC services and the BBC should not be forced to take on other responsibilities, such as providing free TV licences for the over 75's.

33. VLV is also concerned that the government's mid-term Review of the BBC, due in 2022, should not go beyond its remit, as set out in the Charter, which is to examine BBC governance.

34. As well as reforming regulation, VLV believes the DCMS needs to explore what additional support it can provide to the broadcasting sector until the threats posed by Covid-19 are resolved. As mentioned above, VLV considers one of the most important of these to be insurance underwriting to ensure that production can continue. VLV notes that France has set up a Temporary Indemnity Fund of £47.3m[30] for its production sector and we also note the proposal for a pan-industry fund to reassure producers in case of a second lockdown.[31]

35. VLV understands that Ofcom is in negotiations with all the PSBs regarding the delivery of their PSB obligations.[32] While VLV would not want audiences to be deprived of important PSB content, we recognise that the impact of Covid-19 may mean that it may not be possible for the PSBs to meet these obligations fully until an effective vaccine is available but they should be encouraged to do so.

36. VLV understands that Ofcom has had to delay work on its PSB Review which we understand, however we are concerned by the news that it is temporarily suspending its Public Service Broadcasting (PSB) Tracker Survey for the remainder of 2020. VLV does not believe this is necessary and this important research should be continued throughout the pandemic period. This research could provide very useful insights into views about PSB at a time when it has been particularly valuable to audiences.

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[29] https://www.vlv.org.uk/news/vlv-research-shows-a-30-decline-in-bbc-public-funding-since-2010/
[30] https://www.screendaily.com/news/pact-uk-should-copy-french-insurance-fund/5149722.article
[31] https://www.broadcastnow.co.uk/indies/dcms-urged-to-set-up-coronavirus-safety-net/5150218.article
[32] https://www.ofcom.org.uk/about-ofcom/policies-and-guidelines/coronavirus-information