

## Plurality and the Future of PSB

By Robin Foster

Plurality remains at the heart of the long-standing debate about public service broadcasting (PSB) in the UK. Do we need to continue to legislate for several different public service broadcasters alongside the BBC and, if so, how wide-ranging should their public service content requirements be? In parallel with the Communications Review, Ofcom has just reported to the Secretary of State on the options and timetable for renewing (or otherwise) the Channel 3 and 5 PSB licences for a further 10 years from 2015.

In this note I suggest that the Review should tackle this question head-on. It is unlikely to be the case that the old commercial PSB model will still be fit-for-purpose and sustainable in 2025, so we should start preparing the ground now. This means a combination of a new approach alongside a more limited “deal” with ITV (and the other Channel 3 licensees) for at least the next decade, to ensure that the BBC and Channel 4 are not left to shoulder on their own the entire PSB burden during that period.

In 2011, we still have a PSB system which incorporates not only a publicly-funded BBC, but also a not-for-profit Channel 4, licensed commercial broadcasters ITV<sup>25</sup> and Channel 5, and Welsh and Gaelic language channels. In any other modern society this would be considered an embarrassment of riches, especially as the market is delivering more than ever before. There are increasing examples of quality and innovation in the non-PSB sector of the UK broadcasting market. New digital media provide an extra dimension. The case for extensive PSB plurality is self-evidently weaker than at the time of the last Communications Act.

In parallel, the value which purely commercial broadcasters bring to the UK is becoming increasingly important. Commercial broadcasters will likely account for an increasing share of UK media consumption and investment in future (as public funding is squeezed), and play a key role in driving economic growth. Strong UK commercial broadcasters are an essential component of a healthy and dynamic TV sector overall, with the potential to support growth at home and expand overseas.

There is therefore a great opportunity for the Communications Review to refocus the debate about the future of commercial broadcasting in the UK. It can afford to pay less attention to the imposition of PSB obligations on commercial broadcasters and look more ambitiously at what can be done to help commercial players thrive and deliver good programmes to their viewers.

Nevertheless, for at least the next decade, there are arguably three important and remaining PSB “plurality” concerns:

- The universal provision of well-resourced regional, national and international news
- The overall level of investment in original UK content
- Ensuring effective regulation of content standards across a reasonable range of mainstream broadcasters.

---

<sup>25</sup> With STV in Scotland, UTV in N. Ireland

News remains a key PSB priority. Although Channel 4 and Sky each provide valuable news services, it is ITV News which has the highest audience reach outside of the BBC. But news provision across all media faces difficult economic challenges. There is therefore be a case for using available policy levers to help secure the continued provision on Channel 3 of news which is sufficiently resourced to sustain a high quality service. Given that it is probably in the interest of ITV to include high quality news in its schedules, at least for national/international news, policy here would be working with the “commercial grain” rather than against it.

Original production is also of huge cultural and economic value to the UK. Ensuring that there is significant investment in UK programming from the commercial TV sector alongside the BBC and Channel 4 therefore remains an important objective. This is a tougher regulatory “ask”, but again is a desirable plurality goal. It cannot be achieved, however, by imposing original production quotas on broadcasters in isolation from their market position or financial capacity. If broadcasters cannot afford high programme budgets, original production quotas simply result in the commissioning of lots of low-cost, low-quality programming to meet the quotas. Production commitments are easier both to make and meet if a broadcaster already has a large and loyal audience, well-tested returning series, significant existing production budgets and a popular brand.

Thirdly, PSBs collectively in the past have provided the vehicle through which an effective content standards regime has been implemented, satisfying audience expectations and setting benchmarks for the rest of the sector. There is an opportunity to secure a similar approach for the future cross-media world – perhaps through co-regulation – by retaining at least some elements of the current regulatory system for a redefined PSB “family”.

How best can we achieve these objectives?

Some would argue that we should move immediately to a world in which we no longer have so-called commercial PSBs. The Channel 3 and 5 licences would not be renewed. ITV and Channel 5 would be expected to acquire distribution capacity in competition with all other commercial broadcasters. Commercial broadcasters would be given full freedom to develop their businesses unhindered by regulation. In many ways, this seems likely to be the best outcome for 2025 and beyond, but risks losing some of the valuable elements of the old system if adopted too precipitately.

Another option, which has the merit of greater transparency than the current system, would involve using proceeds from spectrum pricing or auctions to pay for any “public service” output, such as news or perhaps children’s programming, which it was felt desirable to secure on any of the commercial channels. The best channel for the job could be selected on the basis of tenders invited. Decisions about commissioning of public service content would be completely separate from any process of allocating DTT spectrum. The risk here is that PSB content ends up on channels which cannot achieve high reach or fully universal coverage.

A third approach, of course, would be to require Channel 3 and 5 licensees to continue more or less as currently, but with minor adjustments to their obligations. While this might encourage short term stability, it surely is unsustainable in the longer term – especially for regional programming - and

arguably encourages over-provision of “PSB” in a world which no longer needs it. Do we really need both Channel 3 and 5 as commercial PSBs in future?

As always, the most difficult challenge is mapping a course from where we are now to where we want to get to. There is no perfect approach, but there is an opportunity to trial a new model alongside the old.

First, Ofcom could secure a limited number of “public service” outcomes from existing Channel 3 licensees for at least the next decade. ITV and other Channel 3 licensees are still well-placed to reach large audiences and hence deliver effectively on the three remaining plurality objectives identified above – news, original production, and content standards. If ITV and other Channel 3 licensees are keen to continue to meet these obligations and are prepared to make clear commitments which match the benefits in kind they would receive, then a deal should be done. An open tender for the Channel 3 licences would be unnecessarily disruptive at this stage, especially if they are unlikely to exist in the post-2025 world.

Second, rather than renewing or re-tendering the Channel 5 licence, Ofcom could in parallel prepare for the future by trialling a version of the more transparent tender approach described above – allocating a small amount of funding each year to broadcasters with the best PSB content ideas. Proceeds from the anticipated introduction of spectrum pricing, alongside any value in the DTT spectrum that would otherwise have been allocated to Channel 5, could be used to fund the trial.

In so doing we could get the best of all worlds: PSB commitments of continuing value and impact from ITV/Channel 3, an opportunity to pilot a more transparent tender-based system for PSB, and a new flexibility for Channel 5 to pursue a fully commercial strategy.

Rather than preserving PSB plurality in aspic, this would signal a new approach with a greater emphasis on the importance to the UK of the commercial broadcasting sector, and a clearer and more transparent sense of what PSB is all about and who we expect to provide it. It could help test approaches for post-2025. Ofcom’s licence renewal decisions will need to be made with such clear long term goals and the transition path in mind.

*Note: the author is currently working for several clients on Communications Review issues, but the ideas expressed in this note are his personal views.*