

**Submission to:**

**A Future for Public Service Television: Content and Platforms in a Digital World - A Public Inquiry: Chaired by Lord Puttnam**

*The contribution of the UK's commercial public service broadcasters to the public service television system*

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## **1. Introduction**

While the BBC is the UK's main public service broadcaster (PSB), the UK's commercial PSBs make an important contribution to the overall framework of public service television. While doing so, they receive considerable benefits which they gain from being part of the PSB framework, which directly leads to their significant revenues. This *quid pro quo*, however, must not be taken for granted, and the maintenance and the strengthening of the system is paramount for the continued health of a plural public service television system, the kind of which is vital within a democracy.

This paper will place a focus in particular on the quotas that the commercial PSBs are required to adhere to, in relation to 'first-run UK originations', programming which is originally produced or commissioned and intended for broadcast in the UK. The contribution of the commercial PSBs will be compared here to that of the non-PSB, multi-channel television sector, where a very large proportion of money spent on originations is on sport. The paper concludes by recommending: that the first-run originations quotas should be maintained and strengthened; that the contribution of the commercial public service broadcasters to the television system should be further highlighted; and that a future Communications Act should maintain the UK's plural public service television system with mixed-funding.

## **2. The UK's commercial Public Service Broadcasters**

The UK's commercial PSBs are: ITV, Channel 4, Channel 5 and S4C. The funding models and ownership structures of these broadcasters differ: ITV is a UK PLC and thus shareholder owned; Channel 5 is owned by the US global-national Viacom; Channel 4 is a publicly owned, statutory corporation, yet is one which is commercially

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funded. S4C, the Welsh-Language broadcaster, is mostly funded from the television licence fee and direct grant, though some 2 per cent of its income comes through commercial sources including advertising (S4C, 2015). Given this small proportion, S4C is not generally considered alongside the other commercial PSBs in the data that stems from, for example, Ofcom. In the case of ITV, Channel 4 and Channel 5, these are channels which are part of larger media organisations, with additional television channels and online provision. For example, the ITV ‘portfolio’ (an Ofcom term) of main channels on Digital Terrestrial Television is comprised of: ITV, ITV2, ITV Be, ITV 3, ITV 4, CITV.

### **3. The Role of Ofcom**

As the UK’s communications regulator, Ofcom has a range of regulatory functions that mostly stem from the *Communications Act 2003*. Under the terms of the Act, Ofcom was charged with carrying periodical reviews of the PSB system, the most recent of which was published as *Public Service Broadcasting in the Internet Age* (Ofcom, 2015a), and carrying out on-going reviews of PSB in the UK (Ofcom, 2015b). Ofcom has its own set of ‘PSB purposes and characteristics’ (Ofcom, 2015b: 4–5), the latter of which have been amended since Ofcom began its work over a decade ago. (The characteristic ‘trust’ was added in 2007, while the characteristic ‘distinctive’ was added in 2014.) Ofcom summarises the purposes of PSB that it regulates for as being: “to deal with a wide range of subjects; to cater for the widest possible range of audiences – across different times of day and through different types of programme; and to maintain high standards of programme-making” (Ofcom, 2015b: 4).

In order to achieve the characteristics of public service television that it seeks, the *Communications Act 2003* allows for separate public service remits for Channels 3 (ITV) and 5 licences, and Channel 4. For Channel 3 and 5, “The public service remit ... is the provision of a range of high quality and diverse programming” (Communications Act 2003: 265.2). Channel 4, distinct from Channels 3 and 5 as not being owned under market conditions, is set a more detailed and precise remit. Like 3 and 5 it must produce high quality and diverse programming, but in addition, it must produce programming which for example “demonstrates innovation, experiment and creativity in the form and content of programmes” (Communications Act 2003: 265.3.)

### **4. The Importance of first-run originations quotas**

The *Communications Act 2003* also allows for Ofcom to regulate on programming quotas for original productions, whereby the public service television channels are required to produce or commission certain levels of programming intended for broadcast in the UK, rather than importing ‘ready made’ television programmes from other markets (Ofcom, 2015c: 413). These quotas have fluctuated since they first became Ofcom’s responsibility in 2004, but remain broadly comparable to the 2013 figures shown in Figure 1.

**Figure 1. Ofcom set first-run UK originations quotas for the commercial PSBs (2013)**

<b>Channel</b>	<b>Quota</b>
ITV (London ITV)*	65 per cent ‘originally produced or commissioned’; 85 per cent during peak time hours
Channel 4	56 per cent ‘originally produced or commissioned’; 70 per cent during peak time hours
Channel 5	50 per cent ‘originally produced or commissioned’; 40 per cent during peak time hours

\* London ITV is used here as an example, as each ITV region has an individual licence

Sources: Ofcom, 2011a; Ofcom, 2011b; Ofcom, 2011c.

The BBC channels and the other main commercial PSBs spent £2.45bn on first-run UK originations in 2013 (see Figure 2). By contrast, the non-PSB channels spent £1.96bn on first-run UK originations in 2013. When sport is examined within the figures, the contrast between the PSB and non-PSB channels is stark. While sport dominates this figure for the non-PSBs, only 16.29 per cent of the all of the PSBs goes on sports (see Figure 2). The figure for the PSBs excluding the BBC cannot be ascertained precisely, as it is not known exactly what percentage of the BBC’s spend goes on sport, due to spending being divided across multiple services. However, when comparing the non-PSBs to the PSBs, the 17.86 per cent that remains on other programme genres in the first-run originations category is paltry in comparison to the 83.71 per cent spent by the PSBs on other programme genres.

**Figure 2. Broadcaster spending first-run UK originations (2013)**

<b>Broadcaster</b>	<b>Spend</b>	<b>Percentage Spent on Sport</b>
All PSBs	£2.45bn	16.29%
Commercial PSBs (excluding BBC)	£1.24bn	-
Non-PSBs	£1.96bn	82.14%

Source: Ofcom, 2015d.

## 5. Recommendations

### **R1. The first-run originations quotas should be maintained and strengthened**

The first-run UK originations quotas ensure that the market can make a significant contribution to delivering the public service remit of the UK media system. Harnessing this market provision allows for greater plurality in public service provision than would be the case if only BBC television had a public service remit. Here the three commercially-funded PSBs function successfully while delivering their programming quotas, highlighting the positive role that the market can play. However, it ought not to be taken for granted that this system will be maintained in perpetuity.

The next *Communications Act* under a majority Conservative government could revise this current system. Under the previous Coalition government, the then Culture Secretary Jeremy Hunt set out in September 2011 his priorities for what would have been a Communications Bill in that Parliament, which never materialised. Acknowledging that prominence in the Electronic Programme Guide was still an important “lever”, Hunt stated: “...we will need a lighter-touch model which, in particular, means that ministers and regulators will have to move away from micromanaging programme outcomes” (Hunt, 2011). While it is unclear precisely what Hunt was referring to at this point, the originations quotas could easily be encompassed within this. If such thinking was applied by this Government, quotas for first-run UK originations that apply to the commercial PSBs be reduced.

### **R2. The contribution of the commercial public service broadcasters to the television system should be further highlighted**

The debate over BBC Charter renewal is largely preoccupied with the fact that the corporation is publicly funded, and the type of programming that should be funded publicly, rather than the idea of the public service remit *per se*. While the current government review process focuses on a wider set of issues than these alone, the debate over PSB often seems to discount the fact that the commercial PSBs play a vital role within public service television outside of the BBC. While Ofcom suggest that the BBC is “the cornerstone of the PSB system and is the key driver of investment across the system” (Ofcom, 2015a: 3), it is a system that would be dramatically reduced without ITV, Channel 4 and Channel 5. The contribution that these broadcasters make should be further highlighted, with researchers playing an important role in helping to draw attention to data from organisations like Ofcom that is already in the public domain.

**R3. A future Communications Act should maintain the UK's plural public service television system with mixed-funding**

If it transpires that the government seeks to scale back the BBC in its size and its scope during the current Charter renewal process, in addition to the licence fee cuts already imposed, the Government would face two choices, among others, in a future Communications Act, in relation to the commercial PSBs: first, to maintain the current commercial PSB regulatory framework, continuing to require the market to deliver a public service remit, to ensure that the UK public services taken collectively do not shrink too much; or second, to reduce the regulatory burden upon ITV, Channel 4 and Channel 5, to allow for a much smaller public service television system as a share of the market. The second approach would be largely ideological, given the relative success of the current system, when measured either in market terms or terms of public value. Ofcom consistently shows this to be the case through the data it collects, and the government must take account of this evidence. As calls to privatise Channel 4 continue, something which the current government may yet enact, lessening the regulations on it to make it more attractive to potential bidders is an issue that may become part of the wider planning. However, Channel 4 remains an important counterweight to a publicly funded and owned BBC, and an ITV and Channel 5 funded and owned under market conditions. Its current status as a publicly owned, statutory corporation ought to be maintained.

**Summary of Recommendations**

- R1. The first-run originations quotas should be maintained and strengthened**
- R2. The contribution of the commercial public service broadcasters to the television system should be further highlighted**
- R4. A future Communications Act should maintain the UK's plural public service television system with mixed-funding**

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