

SUBMISSION BY VIACOM INTERNATIONAL MEDIA NETWORKS (VIMN) TO THE FUTURE FOR PUBLIC SERVICE TELEVISION INQUIRY

Viacom International Media Networks (VIMN) is pleased to have the opportunity to submit this short paper to the independent inquiry into the future of public service television.

In 2014 VIMN bought Channel 5, which has been an integral part of the system of public service broadcasting (PSB) since its launch 19 years ago. VIMN recognises the important role PSB plays at the heart of the UK television industry; and is committed to Channel 5 playing a full role in the PSB system.

One of the great strengths of the PSB system is that it comprises a range of different broadcasters with different ownership, funding and programming characteristics: the BBC, the national broadcaster, publicly owned and publicly funded; Channel 4, with its unique remit, publicly owned but commercially funded; privately owned ITV, the most popular commercial channel; and Channel 5, like ITV privately owned with public obligations, the youngest of the main PSB channels with its own distinct identity.

This combination of broadcasters, competing against each other for audiences while playing complementary roles, generates a rich mix of predominately British quality programmes - delivered free of charge to all television viewers in the UK. The PSB system also serves the wider creative industries through its investment in UK content and commissioning of independent producers.

Channel 5's PSB status derives from its licence, which sets out the obligations it must fulfil and the benefits it derives. Because the obligations are balanced by the benefits, the licence ensures Channel 5 delivers both public value and commercial returns. In practice Channel 5 exceeds its licence obligations on nearly every front. It satisfies the high level remit to deliver a range of high quality and diverse programming; exceeds the commitments to original UK programming, both in peak time and outside; broadcasts a popular daily news programme; and over delivers on the voluntary commitment on original children's programmes.

The PSB system has remained remarkably robust in recent years, despite increased competition from the switchover from analogue to digital, the growth of pay platforms and over the top services, and the impact of the economic recession on advertising revenues. In 2015 well over half of all TV viewing was to the five main terrestrial channels; while together, the PSBs' families of free-to-air channels accounted for 70% of all viewing. Through launching complementary channels and catch-up services, investing in ambitious new programmes, effective scheduling and curating of their content, the public service broadcasters have remained relevant to and valued by their audiences.

Viewers have had the best of all worlds. They enjoy a bedrock of free-to-view channels from the PSBs; have the opportunity to choose additional pay TV services from companies like VIMN, which have also been increasing investment in original UK content; benefit from catch-up services so they can watch their favourite programmes when and where they want to; and are offered additional content from new provider such as Netflix and Amazon.

Over the medium term there is a risk that changes in the economic climate and in viewers' behaviour will start to undermine the bases for a thriving free-to-air PSB system. Among the challenges the PSB system faces are a reduction in salience as viewers, especially younger viewers, reduce the time they devote to PSB channels; the PSBs not having the sort of universality and prominence in the on-line and on-demand environment that they enjoy in the linear world; and a sudden reduction in the sources of PSB funding, most acutely from a continuing erosion of the value of the licence fee.

These risks were outlined in some detail in VIMN's submission to last year's Ofcom PSB Review¹. That document also suggested some policy initiatives that could be taken to ameliorate the risks to the PSB system and safeguard its future. These proposals included guaranteeing prominence for PSB services on on-demand platforms; rebalancing the relationship between PSBs and pay platforms, so the latter make a financial contribution to the PSB channels rather than benefitting from carrying them free; considering new tax breaks for certain genres; exempting PSBs from spectrum pricing (AIP); and targeting the regulatory regime governing independent producers more clearly at small scale producers.

Viacom International Media Networks

April 2016

¹ *Response of Viacom International Media Networks (VIMN) to Ofcom's Consultation on its Third Review of Public Service Broadcasting, March 2015*