A Future for Public Service Television

Submission from Robin Foster[1]

The next ten years will likely see a further major shift in digital media markets, which will undoubtedly bring many challenges for public service television (PST) in the UK. If it does not respond, PST risks losing public support, funding and impact. In determining the future of PST, therefore, we need to address head-on some critical questions about its relevance and funding. We also need to think through how PST can change to remain as or even more effective than it has been to date. In this submission, I argue that, with a new leaner and less centralised approach, PST should still be in a position to achieve many of its enduring public service aims and, in some cases, to do so better than in the past.

A changing market

Any examination of the future of PST needs to be grounded in current and likely future market developments. Those developments should inform our thinking about what PST is there to do, and how best it should be provided. The likely trends have been well rehearsed by many analysts, but some common themes are clear.

<u>The risks</u>

According to various Ofcom surveys, the share of all TV viewing taken by the PST channels (BBC portfolio, ITV, Channel 4 and Five) has dropped to 56.6% in 2014 compared with 75.8% in 2004. If non-TV audio-visual viewing is taken into account (e.g. YouTube clips and the like), PST almost certainly now accounts for less than half of all viewing. Within that total, there is a move away from linear channels to on-demand and catch-up. Live TV viewing now accounts for less than 70% of all viewing, according to Ofcom's Digital Day Diary research in 2014, which is eroding one of the traditional features of PST – that of the mixed schedule channel, capable of leading viewers to new and unexpected experiences. Around a third of drama viewing is now on-demand or time shifted, while arts, films, some documentaries and comedy programmes all experience above average non-linear viewing.

More competition makes it harder to attract some audiences to more challenging or serious programming. Looking at viewing across the main PST channels, around two-thirds is now accounted for by entertainment, films, dramas, soaps, leisure interest and sport. News makes up another 18% or so, with other genres feeling the squeeze.

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Younger audiences are drifting away from mainstream TV. Adults in the 16-24 age group spend only 50% of their viewing time watching traditional TV, and those who say they use the internet now devote 49 minutes a day to YouTube and similar short video content.

Reinforcing these trends is the emerging competition from non-traditional programme and audio-visual content providers – Netflix, Amazon, Vice, YouTube and so on – leading to further audience fragmentation, but also to cost inflation for some content rights. PST providers also face a challenge from new digital intermediaries, which are increasingly influencing how we find and access content.

As audiences fragment, and global competition increases, PST viewing risks a continuing decline, affecting the sustainability of our existing "PST ecology". Although some observers point to the apparent resilience of linear TV viewing as a sign that these risks have been overplayed, there are good reasons to think that we have been experiencing a (relative) calm before the storm.

Linear TV viewing has been protected to date by a mix of lower speed broadband, legacy TV receivers, consumer inertia and market entry barriers (for example the high costs faced by new entrants in building quality programme propositions to compete against the established broadcasters). Broadcasters, too, have responded successfully to external threats with a renewed focus on live and event programming on their main channels and occupying shelf-space on digital TV platforms with their spin-off portfolio channels.

But these factors are only delaying the inevitable change. 4 in 5 UK households now have fixed broadband, and 30% have superfast connections. 66% of households own a smartphone, and phones are already the main means of accessing the internet. Relatively low cost subscriptions offer on-demand access to a wide range of films and US TV programming. In many ways, the immense forces which have already affected other media sectors such as music and print media to date, transforming consumption and destroying old business models, are yet to impact fully on the audio-visual world.

<u>The opportunities</u>

There is also a potential upside. A future landscape characterised by such change also offers the chance for more effective delivery of PST and improved consumer choice.

- Commercial provision of long form "PST content" in some genres could increase as market entry costs are reduced and new distribution channels open up.

- New media offers the prospect of different types of public service content – as more content providers such as Vice and Buzzfeed emerge in news, for example, or community online services provide new sources of local content. Additionally, broadband access to a vast resource of information and content from public and private bodies in the UK and around the world.

- PST delivery could become more effective as people have access to on-demand and digital platforms bringing benefits from increased interactivity and user participation.

- Globalisation of the sector could bring more international funding into UK content, taking advantage of the established skills and resource base here in the UK.

Will PST remain relevant?

Against that background, do we still need PST and, even if we do, can it still work?

Key purposes
First, we need to revisit what PST is for. In previous work, for example for Ofcom and the Social Market Foundation[2], I have summarised the different intellectual approaches to defining the role and purpose of PST. Ultimately, any such definition of PST cannot be entirely objective and, in many ways, it is still helpful to anchor the debate in terms of the long-recognised aims of informing, education and entertaining. These can be expanded as:

- Access to information: we have a right of access to impartial, accurate and independently provided news, information and analysis about the society we live in. It helps us engage properly in the democratic process and provides benefits to all citizens. Such information will help underpin the open and democratic discussion and debate we value in our society, must be available to all not just those that can afford to pay for it, and would be under-provided in a purely commercial market. Given the influence television has on our lives, it has a key role to play in the provision of such information.

- Knowledge building: TV arguably has an unparalleled ability to stimulate new interests and passions, to expand our knowledge of the arts, science, history, nature and the world beyond our shores. It can encourage an appetite for more learning among its viewers and help lead people to other sources of information. Again, the market is likely to under-supply such content, or provide it to subscribers only for a high price.

- Cultural contribution: television can also play a key role in shaping and reflecting our cultural identity, both at UK level and for individual communities. The best dramas and comedies, for example, help us understand ourselves, our relationships, and the country in which we live, and influence how we see ourselves and others. A market-led approach might fund less UK-produced TV than desirable, given the powerful influence of American popular culture across all media and its likely cost advantage.

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[2] See references at the end of this submission.

Relevance in future

Second, we need to consider whether these key PST goals remain as (or even more) relevant than in the past.

Access to information
PST has played a critical role in news for the past 50 years, and is associated with high levels of trust, accuracy, and independence. Far from a diminished role in future, it seems certain that PST news will remain of significant social value.

Traditional commercial news providers – both print and broadcast - are under pressure from challenges to revenue and profits. Although most news providers have advanced strategies for moving to online provision, the long term sustainability of such models is still unproven. Investment in journalism and news gathering is therefore at risk. As the sector looks to consolidation to secure its future, there will be a consequent adverse impact on plurality of news provision. While new media providers show some signs of offering alternative models of news, they as yet cannot match the level of investment in newsgathering and journalism associated with print and TV media. Further, they do not yet command the trust which users place in broadcast TV news.

PST therefore has a continuing and vital role to play in providing access for all to local, national and international news and current affairs. But it, too, faces challenges and will need to evolve. Younger audiences in particular are turning to alternative sources, such as social media, for their main news, and increasingly consume news on smartphones or tablets rather than via television. As a result, PST will need to find new ways of delivering news to its audiences. Traditional broadcast news bulletins may decline in importance and 24 hour news channels may have served their purpose as online provides more timely, convenient and in depth reporting.

Knowledge building
Here, also, there is a good case for the continuing relevance of PST, as long as it adapts and develops. TV has an ability to excite and stimulate the interest of its general audiences in a wide range of subjects – arts, science, music, history etc. - and can help prompt viewers into learning more about passions and interests which they perhaps did not initially know they had. Used intelligently alongside broadcast TV, digital media can provide new opportunities to lead audiences into more in-depth engagement and involvement with any chosen topic.

But PST now exists alongside many other sources of knowledge and learning. Pay TV provides an increased range of factual programming – but often across a relatively narrow range, and with a US/global perspective. Also, subscription funding means that those who might benefit most – the less well-off – are unable to access the content. Perhaps more importantly, the internet has opened access for all to a huge range of educational and general interest content from institutions and experts around the world. Many respected institutions and organisations have the resource and ability via the internet to reach out to audiences in this area, although they may yet lack the ability to engage with audiences as effectively as PST providers.

These developments call for a wider perspective on how this aspect of PST content can best be provided and in what form. PST provision in future will arguably add most value by using its creative and production skills to stimulate among viewers a sense of wonder and engagement in the world of knowledge and learning, while working closely with other providers who may be better placed to take the lead in widening and deepening the experience of those viewers who wish to explore each subject further.

Reflecting and shaping our culture and stories

Often regarded as the “entertain” part of “inform, educate and entertain”, this purpose encompasses drama, comedy, lifestyle, entertainment and sport.

At first glance much of this sort of programming is less obviously of enduring importance as a key constituent of PST. It is arguably provided in greater amounts than ever before by the commercial sector across a wide range of channels. And, some point to it being done better in the commercial sector – for example, innovative sport from Sky, exemplary drama from US suppliers like HBO. Moreover, younger audiences are turning away from conventional television to find their entertainment in different ways in new digital media, via YouTube and the like. These genres also contain the programmes that PST often finds hardest to justify, seen to be commissioned for audience ratings rather than their distinctive public value.

However, a closer look at trends in the commercial market suggests that PST still has a role to play. The economics of commercial TV programme production seem likely to lead to an increasing polarisation of content between high cost, high production value programming (which can attract valued audiences, often globally) and a long tail of low budget shows. Higher cost drama and entertainment shows will increasingly require international co-production investment, which will in turn influence choice of stories, actors, location etc. Higher budget programming may increasingly be available only via subscription or pay per view. This means UK stories, topics and faces will be less evident on air, or only available to those who are able to pay for access. While the commercial sector is often prepared to take risks and innovate as part of the competitive process, the financial cost of failure means that there will be a tendency to fall back on familiar stories or talent to a greater degree than would be the case with PST provision. PST provision, moreover, has a conditioning effect on the commercial market, forcing the major commercial broadcasters to invest in UK content to retain audiences.

So, there is a continuing role for PST, but critical questions need to be asked about the added value which PST can bring (in distinctive and creative output) against the backdrop of expanding commercial provision, and changes in audience behaviour.

How much PST?

This takes us to the question of how much we should spend, as a nation, on PST. This is almost impossible to answer. The costs of PST are clear but the benefits are often difficult to value in monetary terms. Various surveys of the public's willingness to pay for the BBC have indicated that many would be prepared to pay more than the current licence fee to receive the BBC, although a significant 20 per cent or so consistently say they would only pay less. Moreover, such surveys may be misleading, as it is hard for respondents to know what the alternative would be – for example, some of the BBC's output would no doubt be provided commercially in its absence. BBC audience surveys show a reasonable positive level of support for the licence fee, although almost half say they would prefer either advertising or subscription instead.

Some pointers exist, however. TV overall still accounts for a significant share of media consumption (hours viewed have declined only gradually in recent years) and is likely to do so for some time yet. And its influence goes beyond simple viewing figures. TV content can still stimulate a national conversation, and often provides the topics for discussion and sharing across traditional print and in social media. TV still provides a very effective way of reaching large audiences quickly and with impact – as the keenness of international celebrities to appear on TV to promote their latest book or film demonstrates. TV can still provide a window on the world which stimulates further interest and use of other media and information. TV is still the most important source of news in the UK, and is seen to be more trustworthy than other news media. So, in a broader sense, PST and PST-related content still matter, at least for now, and TV still offers the best communications and cultural medium for realising key social goals.

Furthermore, an overarching role for PST to date has been to bring people together for shared experiences, and – in turn – to help create a more inclusive society. This latter aim is arguably particularly important at a time of social unease related to cultural, economic, regional and other differences. The value of such shared experiences will not diminish in future, but they may become harder to create, as viewing fragments and valuable rights are snapped up for exclusive distribution. PST must therefore still be given an opportunity to attract large audiences, to reflect the big national occasions, the major moments in history. PST must also be challenged to create those events itself, through major landmark factual series, break-out entertainment programmes and popular drama series.

These factors suggest we still need a sufficiently significant market intervention (and funding) to deliver PST impact and value. However, this does not automatically mean current levels of funding should be sustained or expanded. Contrary to the perception of an organisation under financial threat, the BBC's total income allocated to TV today of £2450m (including online but excluding funding for S4C) is broadly similar to that of 20 years ago, adjusted for inflation. While the licence fee has been pegged, the number of households paying it has risen over time. Moreover, the BBC has more commercial and co-production revenues to invest in programming alongside the licence fee than 20 years ago. The BBC has chosen to spread this money over a wider range of TV and online services, but it has not obviously suffered a major cutback in its total income. The BBC, as a result, still accounts for 35% of all UK spend on network TV programming (excluding sport and films), and the PST sector as whole accounts for 80% of the total.

Additionally, extrapolating from earlier Ofcom data, we still spend several hundreds of millions of pounds a year on public support for commercially-provided PST in the form of their privileged access to spectrum and favourable EPG positioning.

While talent costs have risen, technical advances and new production methods mean that there should have been scope for substantial efficiency savings, so the volume or quality of output capable of being funded from that income should be greater than it was 20 years ago. Alongside this, non-PST channels (which now number more than 200) account for a further £757m of content spend (again, excluding sports rights and films), which did not exist 20 years ago. Although much of this is spent on US programming, an increasing proportion is being invested in UK output. So, the UK is now spending more or less as much in real terms on PST as was ever the case, while at the same time, commercial provision of TV programming has risen substantially.

Looking ahead, positive factors include potentially more scope for efficiencies across PST output, and the opportunity offered by the move to on-demand to spend budgets in a more focused way, possibly reducing the investment needed to deliver a desired amount of public value.

Designing a new model

Against this backdrop, I believe that some of the main building blocks of a new model for PST for the future can be identified.

Scale and scope

First, although some suggest otherwise, there is still a significant future role for PST. A strong case can be made for a substantial, not just a marginal, intervention in the market. And that intervention should include content across all the purposes of PST identified in this paper: information, knowledge, and culture. Without PST investment, there would be fewer UK programmes available, and arguably less editorial innovation and risk taking. Shared experiences should continue to be an important part of PST, via the broadcast of major events but also through the creation of landmark popular programming.

However, reaffirmation of the need for a broad range of public service content should not be seen as underwriting ever-rising funding or as a licence for PS providers to produce just any type of content to attract viewers. While the case for PST's central role in the provision of impartial, independent and in-depth journalism is strong, PST news output will only be of value to audiences if it changes to reflect the opportunities presented by new media to better serve its users. While knowledge building remains a key role, PST must adapt to reflect the new market environment in which it operates, working with the many other expert resources available online. While drama, comedy and entertainment should remain part of the PST mix, there needs to be a renewed search for ambition and distinctiveness – not just across any particular service, but for each piece of content commissioned.

PST's future involvement in some types of content should be scrutinised carefully – for example, questions could be asked about the justification for PST investment in some of the more derivative types of lifestyle and light entertainment programming or online content. And programme volumes in some areas could be reduced, reflecting increased availability of high quality content elsewhere.

Beyond TV
While long-form TV programming will remain at the heart of PST, whether on linear channels or (see below) on-demand, the concept of "television" needs to be broadened to reflect new opportunities presented by digital media.

As noted, TV news already benefits from the increased convenience and depth offered by online. Having invested in public service newsgathering, it is in the public interest to ensure that audiences can access that resource via a range of different electronic media. Likewise, other genres can be enhanced by an extra online dimension and, in some cases online will largely replace conventional broadcast TV. PST purposes will endure, but the precise format and nature of content should be flexible enough to change over time to meet audience expectations.

On-demand
For long-form programming, PST should pro-actively rebalance its portfolio of services away from linear broadcasting channels to on-demand, leading audience behaviour not just responding to it. The advantages of on-demand will include:

- A longer shelf life for programmes which increases the chances of each piece of content being watched
- Improved reach among those audiences who are turning away from linear channels
- Potential to unlock access to the rich and varied programme archive
- Cost-effectiveness as, freed from the demands of a 24 hour schedule, less "filler" content needs to be made.

Quite soon, the ideal PST portfolio might well consist of one or at most two "premier" broadcast channels alongside a widening on-demand proposition. The main channels would be the home of live TV and appointment to view programming, while playing a key role in promoting other services and launching new programming.

In parallel, key PST services should be designed to work well with new devices such as smartphones and tablets. It would be anachronistic to restrict PST to conventional broadcast delivery when the audiences who pay for it demand access via new platforms.

Universality, in this world, should conceptually encompass platforms which are or seem likely to become mainstream methods of consumption, although the marginal benefits of extending access to such platforms need to be balanced against the costs of so doing.

The BBC at its heart

In this new model, should we focus on the BBC, or encourage a new more plural system, perhaps through some form of contestable funding?

Although contestable funding has many attractions, including testing the market for innovation and efficiency, it also faces significant practical problems in implementation, well-rehearsed elsewhere. At a time when PST funding is under pressure, and the commercial market is volatile, it would be counter-productive to tear up the current system completely and start again. A better approach would be to re-cast the way the BBC operates and is held to account, with more internal plurality of commissioning and production, and a greater diversity of programming sources used.

Over the next decade and beyond one might envisage the BBC as a new type of PST institution which is more open, diverse, and devolved in its approach to commissioning, production and distribution, and one which engages more actively and openly with content producers whoever they are – individuals, other institutions or commercial suppliers. Rather than simply commissioning individual programmes or series from external suppliers, this BBC might contract a completely new service from an external provider. Instead of one centralised editorial function for news, a number of independent and diverse news centres might be established to introduce more internal plurality. Local online services could be tendered from other local news sources, rather than set up inside the BBC – and so on.

This might involve the BBC:

- Tapping into new resources throughout the arts, science and humanities sectors
- Drawing on new talent from outside its traditional suppliers, including the internet
- Contracting out more content and services – more of a publisher than a producer.

The result would be more open and pluralistic commissioning, perhaps with many commissioning functions organised entirely independently from the main part of the BBC, to ensure a diverse range of views and perspectives is available via the BBC. This BBC would be a PST "hub", not a cultural monolith, distributing funding much more widely than now.

Discoverability

In parallel with this development, the BBC would be asked to place more emphasis on expert curation of diverse content sources. Audiences increasingly need help to find and navigate their way to interesting content. This is particularly the case for on-demand programming and content on the internet. It is a non-trivial task to do this well, especially in a world where search and sharing are dominated by major US corporations like Google and Facebook, backed by huge investment and R&D budgets. If it is to be of value, this almost certainly requires special executive commitment and substantial new investment to make it happen. Government can help, too, by ensuring that the regulatory framework is updated to secure continuing prominence for PST content on major on-demand gateways (not just the main broadcast EPGs).

Sense of ownership

Given the risk that audiences increasingly lose touch with PST, another key building block should be to increase the connection between licence payers and the BBC, with the aim of enhancing a sense of real public ownership of PST and its accountability to audiences. At present, the licence fee is in effect a tax paid by anyone owning a TV receiver. In future, it would make more sense to link the payment explicitly to the provision of BBC services, and use the licence fee contract to build a mutually reinforcing relationship between the BBC and its users. Many commercial companies now encourage their customers to join loyalty schemes which provide benefits to users in return for frequent purchases and information given to the company. Likewise, many charities operate like membership clubs, in which donors are made to feel part of the organisation and have a say in its operations (through annual meetings, voting rights etc.).

There is huge potential for the BBC to borrow the best of these ideas and create a membership or even shareholding scheme for all licence payers, which would ideally help create a closer relationship between the institution and its beneficiaries. Rather than inventing another version of the BBC Trust to “represent” the licence payer, this would have the effect of directly involving licence payers without an intermediary appointed from among the ranks of the great and the good.

Funding flexibility

Based on the admittedly impressionistic analysis of the previous section, there seems little evidence that PST in the UK is significantly under-funded at present. In any event, whatever the real funding needs for PST, given the likely economic outlook for the next decade, uncertainties about public support for the licence fee, and the arguments over decriminalisation, it seems unlikely that there will be much potential in future for any significant real increase in the amount of public funding available for PST beyond the current settlement.

For this reason, and also because it is in many ways unhealthy for an institution to rely solely on guaranteed public funding, there is a good case for introducing some elements of voluntary funding into the mix over the next decade. Alongside the core licence fee, users of some of the BBC’s peripheral services could be expected to pay for access to those services. For example, it would be possible for access to the iPlayer via mobile devices and PCs to be encrypted, and made available only on payment of a small annual charge. All

BBC content would remain universally available, free to air, on the broadcast channels, but added convenience would be available for a modest fee. Alternatively, any BBC membership scheme could have different levels attached to it – again with a comprehensive basic level, but some higher levels for enhanced services.

The trade-off obviously is between creating some financial upside for the BBC, and retaining absolute universality for all. It does not seem unrealistic for such choices to be made in the interest of enhancing overall investment in content while retaining an affordable core fee.

A dynamic and competitive UK commercial sector,
Last but not least, the importance of a competitive UK commercial sector must be recognised. The focus of my paper has been on PST provision, and largely on publicly funded provision. However, UK PST has only been so effective to date because it has operated successfully in a wider commercial market (part of which was also regulated). The obligations imposed on the commercial PST sector are now more limited, than before. Existing commercial PSBs like ITV and Five now have a key role to play in helping drive commercial market developments rather than in the delivery of narrowly defined public service goals, although their significance as alternative news providers should not be ignored. More widely, open markets, with their decentralised decision-making, free exchange, scope for trial and error, and speedy ability to exploit technological change, will in future have a key role to play in delivering high quality programming to audiences and in doing so supplementing the effects of PST investment.

Although commercial provision will not replace the need for PST, competition even for narrowly defined PST- type content will be sustained in both traditional broadcasting and new media. Not all of it will be free, and not all will be available to everyone, but it will act as a competitive spur for the BBC to continue to deliver high quality programming which attracts audiences. There will also be economic benefits in encouraging further development of the UK commercial media sector, building on successes so far, especially in TV production.

PST interventions of course can have a significant effect – both positive and negative – on the health of the creative sector of the UK. A pro-active industrial policy for the sector must recognise this, and reach a sensible accommodation between support for PST, and support for the creative sector as a whole. Strong public support for PST must therefore go along with clear responsibilities for the PST sector to take fully into account any long term effect on the competitive dynamics of the wider marketplace of its existing and new services.

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