Written evidence submitted by Ofcom

DCMS Committee Inquiry into the Future of Public Service Broadcasting – May 2020

Introduction

1.1 Ofcom welcomes the opportunity to contribute to the Digital, Culture, Media and Sport Committee inquiry into the future of public service broadcasting ("PSB") in the context of the Covid-19 pandemic and its impact on the television, radio and production sectors.

1.2 The UK's system of public service broadcasting has been a success story for many decades. Public service channels have produced countless examples of high-quality content enjoyed and appreciated by audiences of all ages across the UK. Their news coverage plays an important role in informing us about events taking place both at home and abroad. It is often through programming made for and by our public service broadcasters that British culture is exported to nations across the globe.

1.3 However, even before the impact of Covid-19, PSB was at a crucial juncture. The landscape within which public service broadcasters operate is evolving, audience viewing habits continue to change rapidly and competition from global content providers is ever-increasing. In this changing environment, there is a significant challenge for UK broadcasters to adapt successfully to ensure audiences continue to receive the benefits of PSB.

1.4 In July 2019 Ofcom announced that its Small Screen: Big Debate ('SS:BD') programme of work would pose fundamental questions about PSB – what PSB should seek to achieve, how it should be delivered and funded, and what regulatory and policy tools may be required to ensure PSB content continues to meet audience needs. See The Future of Public Service Media. In February 2020 we published a review (document and accompanying interactive data report) of how PSB has delivered for UK audiences over a five-year period between 2014 and 2018 to help inform the SS:BD.

1.5 Since that publication, the coronavirus emergency has had wide-ranging effects on our lives and many aspects of the UK economy. Broadcasters' viewing has increased but revenues have fallen, and schedules have had to be hastily reworked. The situation has inevitable knock on effects for the UK's vibrant and diverse production industry. This exceptional historic moment is likely to produce interesting new evidence, with respect to the role that PSBs – as well as other media organisations – play in keeping the general public informed, conveying government instructions and advice, and providing a range of content including education and entertainment for UK audiences.

1.6 We understand broadcasters are currently focused on making sure they can continue to operate, support their employees and keep the public informed and entertained. So, we're reviewing our plan of external engagement and will look for different ways to have a national conversation about PSB when it is appropriate to do so.

1.7 The future of PSB continues to be a priority for Ofcom. Public, industry and stakeholder engagement will remain at the heart of this work. Our timings for this review will change and our consultation on recommendations will take place later in the year, though exact timings will depend on when we can fully reengage with audiences and industry.

1.8 This evidence submission will provide a short summary of Ofcom's duties in relation to PSB; an overview of our work on the Future of PSB, some initial insight on the significant impact that the current public health emergency is having on the broadcasting industry; an overview of our SS:BD; and how we are adapting the programme in response to Covid-19. The submission also includes as an annex, an overview of recent publications that we will use to inform our work on the future of PSB and may also be of use to the Committee.

Ofcom's role and responsibilities

1.9 Ofcom's duties in relation to PSB are set out in the Communications Act 2003 (the "2003 Act"), which sets out a series of purposes that the Public Service Broadcasters ('PSBs') – the BBC public service channels, Channel 3 (the main ITV and STV service), Channel 4, Channel 5, and S4C in Wales – are, together, responsible for delivering. The regulatory regime was designed to apply to linear TV services: content watched live on television at the point of broadcast. As a result, most PSB obligations apply only to the provision of linear television.

1.10 The Act requires Ofcom to report periodically on how the PSB channels have, when taken together, fulfilled the PSB purposes. We are required to conduct a review at least every five years. We must consider *how* the PSB purposes have been delivered by the PSB channels, with reference to objectives set out in the Act that promote economic, social, cultural and citizen benefits. Whilst not responsible for the delivery of the 'PSB remit', we do include in our report the contribution made by portfolio channels such as ITV2 and E4 to the PSB objectives, along with other commercial TV channels, radio and online media services.

1.11 In addition to the collective PSB remit, each broadcaster has a unique remit and obligations. For example, the BBC's mission and purposes are set out in the Charter and Agreement, with specific regulatory requirements in its Operating Licence. The Channel 4 Corporation has a broad media remit established in the Digital Economy Act 2010 and Ofcom periodically reviews how this remit has been fulfilled.

1.12 Our most recent five year review of PSB was published in February 2020 alongside a review of the Channel 4 Corporation (both cover the period 2014 to 2018). Our statutory duties also require us to consider how the quality of PSB may be maintained and strengthened and to promote the fulfilment of the PSB purposes, which forms the basis of our SS:BD programme of work. The final chapter of the PSB review document sets out the work we are doing to answer this section of the review.

1.13 Further information on the legislative framework for this review can be found in this annex to the review and further information on our related broadcasting duties and powers can be found in our submission to the Lords Communications Committee inquiry.

Key findings from our five-year review of Public Service Broadcasting (2014 to 2018)

1.14 The PSBs, commercial broadcasters and wider media industry provided us with a range of data on their performance over the review period – 2014 to 2018. We analysed this, along with other relevant evidence, to identify key themes in how the PSB remit was delivered over the review period. Only the headline messages from the report are set out below, but more detail, analysis and evidence can be found in the report and on the SS:BD website which hosts the interactive data report.

1.15 The report finds that broadly speaking, PSB has been successful in delivering a wide range of high-quality content that caters to diverse audiences. However, with viewing of live broadcast TV in decline – especially amongst younger people – it is becoming increasingly challenging for the broadcasters to deliver a full range of content to all audiences. Despite this, audiences continue to highly value the purposes and objectives of PSB, including trustworthy news and programmes that show different aspects of UK life and culture.

1.16 Some commercial broadcasters, in particular Sky, and a few subscription VoD services, have increased their investment in high-quality original UK content, particularly scripted drama, and in the case of Sky, good quality news services. However, the PSB channels' provision of original UK content still far outweighs what is available on other services – we estimated that the main five PSB channels broadcast 32,200 hours in 2018 compared to approximately 210 hours on the SVoD services of Netflix and Amazon Prime; and about 22,900 hours across all other commercial broadcasters, such as Sky and UKTV. The PSB channels collectively invested £2.6bn in original UK content in 2018, although this has reduced significantly over the five-year period under review and may continue to decline due to pressure on broadcaster revenues and increased production costs in some key programme areas, such as drama.

1.17 The PSB channels still however, account for most of the UK's total production revenues. The production sector continues to grow and thrive, as they build new partnerships with an increasingly wide range of broadcast, on-demand and online services. But PSBs remain central to the sustainability of the industry through their investment in original content and sourcing of programming from a range of producers all around the UK (supported by regulatory requirements on independent production and outside London programming).

Coronavirus (Covid-19) Impact on Broadcasting

1.18 Recently, we have prioritised work to support the broadcast industry during the coronavirus pandemic. This has included expediting broadcasting standards cases that relate to any potential misinformation on the public health response and working closely with industry to take a pragmatic and flexible approach to other regulatory matters, such as programming commitments.

1.19 The coronavirus pandemic has had a momentous impact on all aspects of the broadcasting sector. We can already see that the emergency has had significant and potentially long-term negative effects on the operation and financial sustainability of PSB services and the evolving picture means that broadcasting, like many other sectors, faces considerable uncertainty.

1.20 Advertising supported broadcasters are experiencing a significant drop in advertising revenues during the public health emergency, something that looks likely to continue as sectors such as travel and retail reduce spend. Broadcasters are also affected by the need to compensate for the loss of live sport (e.g. Olympics, Paralympics, Wimbledon) and cultural events (e.g. Glastonbury) during the summer months as well as social distancing measures and staff sickness meaning that some programming commitments can't be met.

1.21 These factors are likely to lead to a significant decline in revenue for broadcasters, despite the surge in viewing. ITV , Channel 4 and Channel 5 have all announced significant cuts to their 2020 programming budgets as a result. Although the BBC is insulated from a shock to the UK advertising market, it has already announced a two-month delay to the introduction of licence fee charges for the over-75s, which will have a significant cost.

1.22 The production sector, made up almost entirely of freelancers, has been dealt a heavy economic blow. Several broadcasters have announced plans to support the sector and help tackle some of the short- and long-term uncertainty. The BBC announced a five point plan to support a pipeline of quality ideas and programmes, which includes doubling its Small Indie Fund and ITV announced a new £500k development fund for the independent sector to help producers during the crisis.

1.23 Despite fears that industry progress on diversity and inclusion may slow in this time of challenging competing demands, Channel 4 announced that at least 50% of its ringfenced £3million 2020 development fund will be prioritized for small, Nations & Regions and BAME-led producers. We hope that other broadcasters will continue to follow their own diversity and inclusion commissioning guidance despite the significant challenges around commissioning.

1.24 In Wales S4C announced a package of up to £6m support for the independent production sector in Wales, and Screen Scotland announced a fund worth £1.5m to support freelance or self-employed people working in Scotland's Screen Sector. These are offered in addition to the various government financial support schemes for small businesses, furloughed employees and the self-employed, many of which have been used by broadcasters across the UK.

Content during the Coronavirus (Covid-19) 'lockdown'

1.25 Broadcasters are also facing challenges in filling their schedules. In addition to the loss of live events, production of some of the UK's most popular, high volume shows, including EastEnders, Coronation Street and the Great British Bake Off, has stopped. All of the PSBs have reduced the number of episodes aired in a week of their popular soaps in order to ensure they can appear on screen for longer.

1.26 Although it is unclear how quickly the production sector will be able to recover, Enders Analysis has estimated that for many scripted shows it may take two years to overcome the disruption caused by the shutdown, as "options on talent, access to sound stages, and interrelated conditions for financing mean that delays can result in [projects] no longer being viable." Fundamental structural changes within the production sector may result. Smaller independent producers in particular could struggle to re-start productions, particularly if budgets are affected or their production requires summer lighting to be viable.

1.27 Despite this the PSBs are adapting, redeploying resources in order to fill schedules that viewers will find relevant, comforting and informative. We have written to broadcasters explaining we will be taking a practical approach to any assessment of their obligations, have agreed that for a minimum 12-week period those who cannot meet programming commitments will not be liable for enforcement action during this extraordinary period and that we will keep this under review to minimise the burden on industry.

1.28 We are in regular discussion with broadcasters and have seen the PSB broadcasters collaborate and innovate, on content sharing, production techniques and new programming. Much of the new programming by the PSBs including those on religious content, educational programming and news and current affairs are clearly focused on serving the public and maintaining connections with UK audiences. We have also seen this focus supported by some commercial broadcasters such as Sky.

1.29 We are also considering the different responses to the public health emergency from PSBs around the world, considering what support is being offered at a time when funding and finances are in the spotlight. Organisations such as the European Audiovisual Observatory are tracking Covid-19 responses to support the media sector.

Audience behaviour during the Coronavirus (Covid-19) 'lockdown'

1.30 We have already seen marked shifts in audience behaviour. On each of the four days over the Easter weekend this year, viewing to broadcast TV was around 30% higher than the Easter weekend in 2019. Average daily TV viewing in April has so far surpassed that of the last 5 years alongside similarly significant increases in viewing to non-broadcast content on the TV set that includes YouTube and subscription services such as Netflix and Amazon Prime.

1.31 News is also of vital importance for people at this time of crisis. Viewing of news programming has spiked, with the average viewer consuming nearly 50 minutes of news per day in mid-March, compared to around 20 minutes in previous years. With a sharp rise in fake news being circulated across a range of media platforms our latest research findings from our new weekly survey of 2,000 people on the Covid-19 impact found that 46% of respondents had come across false or misleading information about Covid-19 in the last week. The research also found that people are most likely to turn to the BBC's TV, radio and online services for the latest news on the pandemic (82%), followed by other broadcasters (56%). News viewing for 16-24s has also seen a considerable uplift from previous years, spiking to 20 minutes per person per day on 23 March 2020 compared to just three minutes for the same time last year.

1.32 Patterns in viewing and attitudes to broadcast media in the long-term, however, are harder to predict. Audiences are watching more of linear and online content now, but there may be longer lasting and potentially polarised shifts in attitudes. Some audiences are likely to have increased trust and will highly value PSB, while others may shift away from linear television more quickly if services are unable to offer new and different material later in the year, but they discover more alternative content on newly launched SVOD services. These changes in viewing and attitudes are important to understand and factor into our thinking on the future of PSB.

Small Screen: Big Debate – original programme outline

1.33 We are currently rescoping our programme of work on the Future of PSB. We want to take into account how the PSBs have responded to the public emergency, how the PSBs future sustainability and wider UK industry has been affected and crucially, how this may have changed audiences' views on the role of PSB in public life.

1.34 Given the challenges facing PSB, we decided last year that we should not only examine how PSB could be strengthened within the current statutory framework, but also think more broadly to recommend changes to the existing framework to government. The goal of the SS:BD programme is to stimulate new ideas about the future of PSB, provoke a broad and dynamic national conversation involving viewers, the broadcasting industry, Parliament, and regulators. We have been clear that we want to consider all options however radical and are working towards developing both recommendations and potential options for government to consider. In February we set out in our review document that our work would be focussed around the following themes.

1.35 **What should PSB deliver?** Asking what PSB should aim to achieve in the future and considering what the diverse audiences across the UK consider to be personally valuable; the importance in a democratic society of access to a wide selection of information and viewpoints, as well as the function which the PSB system plays in contributing to, and being a part of, the culture of the UK; and the importance of maintaining a creatively and financially successful UK broadcasting sector, which promotes the UK to the world and contributes to the economy in all parts of the UK.

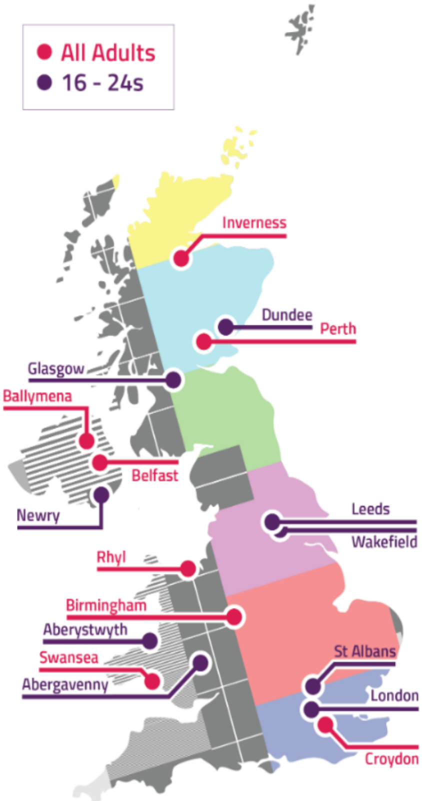
1.36 **How should PSB be delivered?** Given viewing trends and changing audience expectations, we are considering what options there are for who should deliver PSB to UK audiences, whether that be the existing institutions or a different model; how PSB content could be distributed so it is widely available and audiences can easily access it; what opportunities there may be for greater collaboration across the sector; what options are there for how PSB could be funded to enable the sector to attract sustainable investment and to innovate; and how to develop skills, talent and expertise to help showcase UK creativity and export it to the world.

1.37 **Policy and regulatory options** - We are also exploring how options for the future of PSB might best be supported under the current legislative and regulatory framework, as well as alternative approaches. As set out in our July 2019 recommendations to Government for creating new prominence rules for PSB on-demand (discussed below), as technology and viewing habits continue to change at pace, the UK needs a regulatory approach that is flexible and able to respond to future challenges. Whether any other new measures are needed will be informed by discussions on what the priorities for PSB should be and how it could be delivered in the future. If other measures are identified, we will consult on these to provide evidence to policy makers and legislators and inform their decisions on the future of PSB.

Small Screen: Big Debate – understanding audiences

1.38 **What we set out to do *(pre Covid-19)*** - Audiences are at the heart of our work and we want to understand what different groups might want and expect from PSB. To complement existing research, earlier this year we commissioned additional market research and analysis with a particular focus on those aged 16-24. This explores what types of content they particularly value, as well as asking them what they want from PSB, now and in the future.

1.39 **What have we learnt so far** - We completed all the field work for our initial research with audiences aged 16 to 24 and carried out additional research with audiences of a range of ages from across the UK. The map shows where the research sessions were held across the country to inform this national debate. We also commissioned a research survey on what audiences think PSB should deliver.



1.40 We are currently analysing the findings for both reports which we aim to publish later this year, alongside any new research we may consider to reflect the impact of the current situation. We have found that the changes in audience media consumption are most stark for those from younger age groups and will use these findings to inform our considerations for maintaining and strengthening PSB.

Small Screen: Big Debate – engaging with stakeholders

1.41 **What we set out to do *(pre Covid-19)*** – By February we had already been engaging with broadcasters and other interested parties through a series of panel and round-table events across the UK. We had also launched our dedicated SS:BD website where everyone can contribute to the conversation around the future of PSB. We intend to publish more information about SS:BD on this website as it becomes available, including links to both Ofcom and other relevant external research and papers. This will allow users to view previous events and share views, including via video clips and social media.

1.42 We had planned further engagement throughout the first half of this year, including an industry conference in May to examine future options for Public Service Broadcasting but this has been postponed as a result of Covid-19. We are currently scoping a virtual event for later in the year.

1.43 As the regulator our focus is on being as flexible as we can to support industry during the immediate pressures on their business and to keep in touch with broadcasters, which we have continued to do regularly. Our ongoing conversations with broadcasters and industry have understandably focused on the impact of Covid-19 rather than SS:BD. We will resume discussions on SS:BD later in the year, when it is appropriate to do so.

1.44 **What we have learnt so far** – Through our discussions with stakeholders so far we have heard that PSB remains relevant as an important source of media, though it is no longer the first place all audiences ago with young people in particular seeing Netflix, YouTube and Spotify as equally important if not more so. Audiences place high importance on programmes that reflect the UK and there is a recognition of the important role PSBs play in providing trusted, impartial and independent news services. We also heard from industry that PSB has a significant impact on the wider UK creative economy and driving high quality content and promoting production and talent across the UK. However, many believe the structure of the current system does not adequately reflect media consumption habits today and we have received suggestions as to how the system could be strengthened and improved.

How we're adapting the Small Screen Big Debate in response to Covid-19

1.45 This work is now more important than ever: the current crisis highlights the importance of high quality and reliable content that works for audiences right across the UK but might also accelerate structural changes in that market. We are now rescoping our work to reflect the changes and public, industry and stakeholder engagement will remain at the heart of this work.

1.46 Currently, we think the core questions remain the same as set out in SS:BD – what should PSB deliver, how should it be delivered including its sustainability and future funding considerations and what policy and regulatory options will be needed to make that happen.

1.47 There are however aspects of the programme that will need to be thought about differently. The situation may accelerate existing trends such as changes in viewer habits and declining advertising revenues. On the other hand, public attitudes towards PSB may have strengthened.

1.48 There is a range of new information to consider. The societal function of PSB has been given an increased focus as has the need for PSB to have the scale to be able to respond to public emergencies. There will be a question of how well broadcasters have done this and whether public service content is something that audiences have also found online, on social media and on subscription services or from commercial broadcasters.

1.49 The implications for the UK's creative economy are central to the future of PSB, in the production industry in particular we will need to consider whether this leads to further consolidation and whether PSB investment is enough to retain a diverse production sector across the UK or if the sector would benefit from further regulatory intervention.

1.50 As a key part of our programme of work is facilitating a national debate on the future of PSB so we'll be looking for different ways to do that when it is appropriate to do so. We're working out how best to reflect the significant changes taking place but want to allow broadcasters the space to focus on what is business critical.

Annex: Published Ofcom reports and reviews informing our Small Screen: Big Debate

1.51 In addition to our SS:BD and five-year review of PSB, PSB is an important part of Ofcom's wider programme of work and we will be relying on the conclusions of several reports published over the last couple of years to inform our recommendations on maintaining and strengthening PSB.

Review of prominence for public service broadcasting 2019

1.52 Our recommendations on the prominence or the ease of finding and accessing PSB content is an important part of our PSB work. Prominence regulation currently only applies to PSB channels within an electronic programme guide (EPG). There are no rules that protect the prominence of PSB on-demand content or the prominence of PSB content beyond the EPG, for example accessing PSB from the homepage of a connected or Smart TV.

1.53 The Digital Economy Act 2017 required Ofcom to review the prominence of the PSB linear channels and on-demand services. We published a report and consulted on options in 2018, before making a set of recommendations for new legislation in July 2019. We concluded that a new regulatory framework was desirable to ensure that viewers can continue to find and access PSB linear and on-demand services, across a range of connected devices (smart TVs, set-top boxes and streaming sticks). We proposed that new rules would need to be flexible to adapt to continued audience and technological changes, and that a proportionate and principles-based approach could achieve both PSB prominence and support continued product and service innovation. We also set out our view that on demand content to be given prominence would need to meet new obligations that reflect the PSB purposes and objectives.

1.54 Since last summer, we have continued to work with industry – broadcasters, TV manufacturers and TV platform services – and DCMS to work through how our recommendations for PSB prominence 'beyond the EPG' could work in practice. This work has also sparked discussion with industry on the terms on which PSB content is made available. Currently, there are 'must carry, must offer' rules that apply to the provision and carriage of PSB linear channels. However, the availability or inclusion of the PSBs' on-demand content is currently a matter for complex commercial negotiation. We will consider whether there should be new rules on PSB availability and the effect this may have on transfer of value between the broadcaster and the service provider as part of SS:BD.

BBC Thematic Reviews

1.55 As part of Ofcom's regulation of the BBC we have conducted two thematic reviews into key areas of the broadcaster public service output – Representation and Portrayal, and News and Current Affairs. Both reviews focussed on audiences and gathered views from people across the country. We also commissioned new research in both reviews and met with a wider range of 50 media organisations, industry bodies and academics across the UK. While these reports focus on the BBC, the reviews also provide insights for PSB more generally.

Review of BBC news and current affairs 2019

1.56 Launched in March 2019, we gathered views from people across the country, commissioned research into how people get their news, and looked at the range and depth the BBC offers compared to other news providers. We spoke to around 50 media organisations, industry bodies and academics across the UK. Our main findings and recommendations to the BBC are set out below. Further evidence and analysis are available on the Ofcom website.

1.57 ***Accuracy****:* The BBC remains the UK's primary source for news. Despite an uncertain political environment, it has maintained its reputation among most people for trusted and accurate reporting. Accurate news provision must continue to be the main priority for the BBC. If people continue to turn to the BBC at important moments, it can attract and serve the broadest range of audiences.

1.58 ***Impartiality*****:** Journalists should feel able to challenge controversial viewpoints that have little support or are not backed up by facts, making this clear to viewers, listeners and readers. Our research shows that audiences have respect for the calibre of the BBC's journalism and expect its reporters to investigate, analyse and explain events.

1.59 ***Representation*****:** BBC News is seen by some as representing a white, middle class and London-centric point of view that is not relevant to their lives. The BBC should better represent the whole of the UK with authentic news and current affairs content that feels relevant and engaging to all audiences.

1.60 ***Engaging younger audiences online*****:** As more people rely on social media and aggregator platforms for news, the BBC's online content needs to do more to stand out – or risk losing its reputation and status as a trusted voice. The BBC should publish the steps it is taking to help all audiences – especially younger people – to understand and engage with the world around them.

Representation and Portrayal on BBC TV – Oct 2018

1.61 In this review we spoke extensively to viewers and people working off-screen, combining their insights with various data sources to build a multi-layered picture of how the BBC is representing and portraying UK society on television. Some of the people that we spoke to referred to content and services from other providers beyond the BBC as well. Our work therefore provides a detailed resource to help identify how the industry can better reflect UK society. Additional detail and insights, on the BBC and others, are published on Ofcom's website.

1.62 The review found that people feel that the BBC, and TV in general, is better at representing and portraying a wider mix of people than it used to be. While historically some groups were marginalised on TV, people feel that the situation has improved, and things are changing for the better – reflecting that diversity and inclusion is an increasingly core focus of the BBC's agenda, supported by a range of initiatives to support change.

1.63 However, the review also highlighted that some people still feel less visible on TV. Representation of older women is felt restricted to a subset of roles and genres, and some people feel BBC content reflects the lives of middle-class people more than those from other backgrounds. The BBC itself has previously identified room for improvement in these areas.

1.64 Others raised concerns about being presented in one-dimensional, inauthentic or stereotypical ways and 'Box-ticking' also stands out to audiences, who react against it, wary of 'tokenist' attempts to make a programme appear more diverse that they often find patronising. For example, some disabled people said the BBC, and TV in general, tends to focus on their difficulties and struggles, while some people from Black African and Black African-Caribbean backgrounds often feel portrayed negatively.

1.65 While the BBC is seen to compare well to others in representing and portraying the nations and regions, there is clear appetite to do more. People want to see representation of the UK outside of its major cities, and especially London.

1.66 There is no simple fix to ensuring people are represented and portrayed authentically on TV. Our findings advocated a more nuanced approach to understanding and measuring representation and portrayal, a need to consider how authenticity is influenced by those behind the scenes and that labels that group people together based on certain characteristics are not always helpful and can mask important details and differences.

Ofcom research reports

1.67 Ofcom produces several annual and ad-hoc data reports, several of which are used to provide an evidence base for our SS:BD. These include our Media Nations report; Online Nations report; Children's and Parents and Adults Media Use and Attitudes reports, the News Consumption Survey and our PSB tracker.

1.68 Ofcom's next annual Media Nations report which features some of the most relevant findings for the UK Broadcasting sector and the future of PSB, including versions for each of the devolved nations is due to be published in Q2 of this year.

1.69 We have also begun publishing weekly findings from an online survey of 2,000 people about how they are receiving and acting on news and information during the current coronavirus pandemic.