

## Written evidence submitted by the Advisory Committee for Scotland

### The Advisory Committee for Scotland (ACS) submission to the DCMS Committee inquiry into 'The Future of Public Service Broadcasting'

#### Introduction/role of the ACS

The Advisory Committee for Scotland (ACS) is one of a number of committees and advisory bodies, established under the Communications Act (2003) to inform the work of the Ofcom Board and Executive. The ACS is one of four committees representing each of the UK's nations, specifically to 'advise Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland.' This submission draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.

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#### Context

This inquiry was established before the current Covid-19 pandemic, which has highlighted the importance of Public Service Broadcasting to the UK at a time of national crisis, unprecedented in recent times. This submission must be placed in that wider context, whilst also reflecting on the specific areas outlined.

Current research commissioned by Ofcom has clearly shown the importance of accurate & impartial news and information during the pandemic, with the public instinctively turning towards the PSBs. By 22 April, daily TV viewing during April was the highest since 2015, with the share of all PSB channels at 58% of all viewing."<sup>1</sup>

And in relation to Scotland:

*"In the first four weeks of the 'lockdown', almost all of the online population in Scotland (97%) accessed news and information about COVID-19 at least once a day; BBC services are the most-used sources across the online population in Scotland (76%). The use of non-BBC broadcasters was higher in Scotland (59%) than England (52%) and Wales (54%) with nearly four in ten respondents (38%) using STV over this period."*<sup>2</sup>

The BBC's own news viewing figures also highlighted an increase in average daily audience figures of 74% to the News at Six (7.3m) & to 18.30 regional bulletins (including the nations' bulletins) an increase of 67% (7.7m)<sup>3</sup>

#### Regulation:

***i) Are the current regulations and obligations placed on PSBs, in return for benefits such as prominence and public funding, proportionate?***

In answering this question, the ACS believes it is important to consider the wider benefits of regulation alongside the proportionality of the benefits for the PSBs themselves. Ofcom's current model of regulation requires PSBs to meet various quotas (such as the amount of news & current

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<sup>1</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0023/194603/covid-19-news-consumption-week-four-barb.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0023/194603/covid-19-news-consumption-week-four-barb.pdf)

<sup>2</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0029/194609/covid-19-news-consumption-week-one-to-four-nations-results.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0029/194609/covid-19-news-consumption-week-one-to-four-nations-results.pdf)

<sup>3</sup> <https://twitter.com/BBCNewsPR/status/1251154374174203906>

affairs and Out of London productions) plus the provision of data by the industry to allow the regulator to assess delivery of the purposes of public service broadcasting. Without such obligations, such as the Out of London quota, Scotland would not have been able to grow its creative sector so effectively, with the resulting benefit to the economy. In addition, there are standards requirements that all Ofcom-licensed services must adhere to, as well as information requirement on diversity & inclusion in the broadcasting sector, which also benefit the viewing public & wider society.

Addressing the PSBs themselves, and the relative benefits they receive, it is important to differentiate between the different funding models for the BBC and the commercial PSBs. Because of the security of licence fee funding, the BBC remains the cornerstone of PSB, as the UK's primary provider of accurate news & information in an era of propaganda & disinformation. It is precisely *because of its current obligations* which cover specialist genres (=lower audiences), that the BBC has been able to respond so swiftly to the current pandemic in areas which would not be a priority for the commercial PSBs (or streaming services), such as dedicated Children's, Education and Religious programming. All these areas have had significant budget cuts over recent years but viewing figures during the pandemic have shown how valued they are by UK audiences:

- Over the course of one week (23-29 March), CBBC programming was requested a record 10.6m times and CBeebies 27.1m. For context, that is +94% more requests than CBBC has seen in an average week in the last 12 months, and +49% more for CBeebies.<sup>4</sup>
- New "lockdown learning" saw 3m children taking BBC Bitesize Daily lessons on its first day (21/4). The previous record for the Bitesize website was 1.3m on the first day of school closures last month (March 23).<sup>5</sup>

Funding for the commercial PSBs, on the other hand, comes from advertising revenues & other commercial activities. With the exception of Channel 4, they seek to deliver healthy annual profits and dividends to their shareholders. The "benefits" to the commercial channels can be assessed to a degree on their ability to deliver those annual profits; if being a PSB was not profitable, for example, STV could opt to hand back its licence and lower the obligations it faces. This is particularly relevant with the advent of the big streaming giants, where the former advantages of prominence have been called into question, leading to Ofcom recommending an expansion of the rules around prominence to include public service content on SVoD services last year.

However, the Covid-19 lockdown has seen a marked increase in audiences to TV viewing, aided by EPG prominence (particularly relevant to older viewers), even though this has coincided with a sharp downturn in advertising revenue because of the economic uncertainty.

- STV News at Six is achieving audiences of over 500k people every night, a 30%+ share of viewing and STV's digital growth has accelerated further in the first quarter of the year, with digital viewing up 80%. Its current affairs programme, *Scotland Tonight*, recently achieved an audience of over 400,000 viewers at 7.30pm for a Coronavirus special.<sup>6</sup>

Over recent years, all the commercial PSB channels have used their main PSB channel as the platform from which to launch additional digital channels and/or increase their online presence through services like the STV Player, All4 & My5 to develop their businesses commercially, whilst still meeting audience needs and regulatory obligations.

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<sup>4</sup> <https://www.bbc.co.uk/mediacentre/latestnews/2020/coronavirus-childrens-viewing>

<sup>5</sup> <https://www.bbc.co.uk/mediacentre/latestnews/2020/bitesize-daily>

<sup>6</sup> <http://www.stvplc.tv/blog/2020/04/an-update-from-chief-exec-simon-pitts-stvs-response-to-covid19>

- All4 had its highest monthly, weekly and daily views in its history across Q1 2020. Views during the nation's first two weeks of lockdown increased by a significant 37% compared with the same period last year, whilst viewing of Channel 4 by the key 16-34 year old audience increased 29% in the first four weeks of lockdown, the biggest increase of any commercial PSB. Almost 80% of all 16-34s are now registered with All 4 in the UK.<sup>7</sup>

The ACS believes that the benefit of prominence is undoubtedly diminishing as viewers find different ways to access programmes, especially younger audiences & any new regulation that is introduced must be easily adaptable to encompass the ever-changing viewing habits and new viewing platforms. This might include new regulation of Smart TVs at manufacturing level, with the different UK "Players" featuring on all UK models.

Producing bespoke PSB content & other obligations does involve extra costs; what the pandemic has shown is the UK turns to its national broadcasters at a time of crisis. Given i) multi-national non-local competition and ii) the importance of PSB at such times eg. to raise public health awareness, the ACS believes that both updated regulation and adequate PSB funding models are required in order to meet the challenges of this new world we live in.

**ii) What (if any regulation) should be introduced for SVoDs and other streaming services?**

The ACS supports the recent recommendation to the government by ITV's Chairman, Sir Peter Bazalgette, to review primary legislation to force (the likes of) Apple and Amazon to promote public service broadcasters' content on their platforms<sup>8</sup>.

It is apparent from recent Ofcom public engagement events in Scotland that prominence & branding of content also need to be addressed on the different streaming services. UK viewers of streaming services often do not appreciate where content originated & by whom eg. that Peaky Blinders is made by the BBC, not by Netflix. ACS believes prominence and clear branding should apply to all streaming services where UK PSB content is available.

In addition, regulation could ensure that SVoD platforms which currently use bespoke algorithms around past viewing habits, to promote individual viewer suggestions, are required to give prominence to certain types of PSB programmes, for example, news & current affairs, or documentaries.

UK regulation of the global SVoDs is not going to be straightforward and the ACS thinks it is important, as with the Government's proposals on online harms, to work with the SVoDs in developing any regulatory regime, rather than simply imposing regulation and/or tax. There are potential pitfalls: Netflix, for example, is a significant investor in the UK creative sector, which itself produces economic benefits for the UK. If stringent UK regulatory burdens or, say, a "digital tax" were placed upon them, would they simply move that creative base to another jurisdiction? What is clear to the ACS is that the current situation is not a level playing field and it is the PSBs who are missing out.

**Representation:**

***How would representation be protected if changes were made to the PSB model? How would the nations and regions be affected by changes to the PSB model? Is the 'quota' system the most efficient way to maintain and improve representation in broadcasting?***

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<sup>7</sup> <https://www.channel4.com/press/news/all-4-scores-biggest-ever-quarterly-viewing-q1-2020>

<sup>8</sup> <https://www.theguardian.com/tv-and-radio/2020/may/13/bbc-has-huge-public-service-role-say-broadcasting-leaders>

Representation must be protected if there are changes to the PSB model. The quota system has been continually adapted and refined over the years and the ACS would expect some sort of quota system to continue. This ensures that targets are met and exceeded, as has been evident from the annual Ofcom reports on compliance. This not only applies to regional production quotas but also to sub-titles, signing etc. If there were no quotas, the risk of the majority of investment reverting to London/M25 is very high indeed. Another option, given the fragility of the production sector in different parts of the UK, might be to ring fence development money towards the Nations and Regions.

However, the current quota system is still not meeting Scottish viewers' needs. Ofcom research<sup>9</sup> highlighted that viewers in Scotland were calling for more programmes which reflect their local identity. It highlighted *the connection between authentic portrayal of the area or community on screen and the people off screen*, who were involved in making the programme. This supports further research by the Creative Industries Policy and Evidence Centre which shows that the profile of the workforce looks dramatically different to the UK population<sup>10</sup>. It suggests a diverse workforce acts to maximise the "personalisation" or "identification" potential of the audience with those working in the sector, and hence enhances the relevance or appeal of the "product".

There has been progress in this area in the UK in the last five years with various individual initiatives being established, such as "Channel 4's vision for Inclusion & Diversity",<sup>11</sup> which has its own internal targets. And the ACS welcomes Channel 4's new creative hubs across the UK. However, the ACS believes a broader, more interconnected, cross sector approach needs to be taken to avoid a 'tick box' exercise, which has happened in the past in relation to quotas. This sort of approach would embrace social, cultural, economic and regional diversity and could include eg. educational or specific skills initiatives or grants, each tailored to the needs of each nation & reflected in official government policy.

#### **Accessibility:**

***i) How would changes to the PSB model affect the accessibility of services? How would a wholly internet-based service compare to the current PSB model?***

The PSB model ensures that UK viewers have free access to a wide range of quality TV programmes that reflect the diverse age groups and communities across the UK. Whether this is news, current affairs, drama, entertainment or the arts, it is highly unlikely this would be available without some sort of public funding. The global streaming companies produce programmes that are intended to appeal to global audiences; without the PSBs, a lot of programming covering specialist genres would simply not be made, as it would not be financially viable.

In relation to Scotland, a wholly-internet based service is quite simply not feasible at this time, with just under half of premises (48%) in Scotland able to take up a superfast broadband service in 2019.<sup>12</sup> There are particular challenges in more rural parts of the country in terms of providing a reliable internet connection, with only 78% of premises in Argyll & Bute having superfast coverage last year, with figures lower still across Scotland's island communities. And in central Scotland, there are numerous examples of internet speeds being advertised at, say, 52 MB/s, whereas the reality is around 20 MB/s. With more & more people working from home, creating a wholly internet TV

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<sup>9</sup> Ofcom (2018), Representation and Portrayal on BBC television, Thematic Review

<sup>10</sup> Creative Industries, Policy and Evidence Centre (2019) Skills, talent and diversity in the creative industries Evidence synthesis and scoping: summary report

<sup>11</sup> [https://assets-corporate.channel4.com/\\_flysystem/s3/2019-11/Channel%204%20-%20Inclusion%20and%20Diversity%20Strategy%202019\\_7.pdf](https://assets-corporate.channel4.com/_flysystem/s3/2019-11/Channel%204%20-%20Inclusion%20and%20Diversity%20Strategy%202019_7.pdf)

<sup>12</sup> Connected Nations 2019 [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0028/186409/connected-nations-2019-scotland-report.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0028/186409/connected-nations-2019-scotland-report.pdf)

service which consumed even more working bandwidth, would create more problems than it solved.

Lastly, this is also an age and demographic issue, with older generations and vulnerable consumers typically less likely to use online services, such as BBC iPlayer or Netflix to view programmes, as shown in Ofcom's Media Nations report<sup>13</sup>. PSB should still be inclusive and this is one of the trade-offs for public funding.

#### **Impact:**

***What value, if any, do PSBs bring to the UK in terms of economic (local and national), cultural and societal impact?***

All PSBs are free to anyone with a TV Licence and easily accessible to the 66 million people living in the UK. PSBs are one of the few mechanisms that bind people in disparate parts of the UK together, as has been so evident during the Covid-19 pandemic. PSB programmes inform, educate and entertain the nation every day, 24 hours a day, with memorable occasions such as the Olympics or the Queen's recent Covid broadcast, which attracted 24 million viewers, serving to bind the Nations together.

PSB news programmes deliver high quality, impartial journalism at a time when people are inundated with fake news online and through social media. And even those under 35 have been turning back to traditional broadcasters for news during this pandemic. News viewing by younger age groups has grown fastest, with all groups between ages 4-44 seeing more than 100% growth. Adults aged 25-34 have seen the highest increase; their news viewing is 133% higher in these three weeks compared to earlier in the year.<sup>14</sup>

According to last year's House of Lords Select Committee Report on PSB:<sup>15</sup>

*"The UK production sector is a national success story. In 2018 the independent TV production sector's total revenue was £3 billion, which represents a 10 per cent growth since 2017 and is the highest figure to date. The UK is the world's second biggest exporter of TV and in 2018 the independent production sector (companies not owned by public service broadcasters) received £962 million in international revenue, an increase of 90 per cent over the last five years. The Office for National Statistics found that the Film and TV industry was the sub-sector of the service sector which had made the biggest contribution to GDP growth between June and August 2019".*

It is important to recognise how the BBC's licence obligations underpin each of the creative economies of the UK's four nations. It is estimated that £223m was spent by UK broadcasters in Scotland in 2017 and the BBC is the largest commissioner of programmes and content in Scotland by a significant margin.<sup>16</sup>

#### **Looking ahead:**

***What should a PSB look like in a digital age? What services should they provide, and to whom? In what way, and to whom, should they be accountable? Is the term 'public service broadcasting' still relevant and, if not, what is a suitable alternative?***

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<sup>13</sup> Ofcom "Media Nations" report 2019 <https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/media-nations-2019>

<sup>14</sup> <https://www.barb.co.uk/news/what-people-watch-edition-4/>

<sup>15</sup> <https://publications.parliament.uk/pa/ld201919/ldselect/ldcomuni/16/16.pdf>

<sup>16</sup> Ofcom's Made Outside London register: <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/public-service-broadcasting-annual-report-2019>

The ACS believes that the need to “inform, educate & entertain” is as pertinent today as it was when Lord Reith first coined the phrase. However, producing genuinely “public service content” through purely commercial models is never going to be financially viable. The PSB model is under threat like never before: on top of proposed cuts, the BBC is predicting a further reduction in income of £125m this year, due to the drop in licence fee income, coupled with the decision to delay the introduction of the licence fee for most over-75s, due to Covid-19.<sup>17</sup>

Commercial PSBs face the volatility of the advertising market, with many advertisers cutting or cancelling budgets due to Covid-19, despite increased audiences.<sup>18</sup> Channel 4 has been hit even more disproportionately, as it is a publicly owned not-for-profit corporation. It faces an advertising revenue slump of 50% over the next two months & has recently cut its programming budget by £150m and furloughed almost 100 staff.<sup>19</sup> This will hit Scotland’s independent production sector hard.

The ACS thinks there needs to be a rebranding of both the term “Public Service Broadcasting/Broadcaster” and “TV Licence”. The latter is a misnomer, given that a) content can now be viewed on other devices and b) the licence fee also pays for the BBC’s Radio & Online services, which are very popular with audiences across the UK. UK audiences need to understand what is meant by “public service content” so they can understand what they are paying for & can immediately recognise it as a quality trusted product, perhaps along the lines of “Approved UK Quality Broadcast” or recognised “UK Broadcasting Kitemark”.

Younger people in particular seem to prefer a subscription model, rather than the universal licence fee, which offers the flexibility to cancel if dissatisfied with the “product”. PSBs must find ways to appeal to younger viewers: perhaps a “free” streamed, youth version of Britbox, which aggregates relevant content from the PSBs, to cater to their preferences for on demand content? This would also allow for different formats, rather than being tied to the broadcast schedules.

There is, however, an inherent danger in adopting a subscription model because only some sort of compulsory levy can guarantee the services that make the BBC stand out from its competitors eg. dedicated specialist programming & high quality, independent journalism from across the world through its network of foreign correspondents.

Either way, the ACS believes that UK PSB programming should continue to be regulated by an independent regulatory body, which may or may not be Ofcom, and which is accountable to the UK Government through a set of quality standards, rules and obligations.

**Advisory Committee for Scotland**  
**27<sup>th</sup> May 2020**

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<sup>17</sup> <https://www.theguardian.com/media/2020/apr/29/bbc-likely-to-make-cuts-to-output-after-income-forecast-to-drop-125m>

<sup>18</sup> <https://www.theguardian.com/media/2020/apr/17/how-covid-19-turned-the-uk-news-and-entertainment-industry-upside-down>

<sup>19</sup> <https://www.theguardian.com/media/2020/apr/08/channel-4-cuts-content-budget-virus-ad-revenues-programming-furlough>