

## Written evidence submitted by ITV plc

### SUBMISSION TO THE DIGITAL MEDIA AND SPORT COMMITTEE INQUIRY INTO THE FUTURE OF PUBLIC SERVICE BROADCASTING

#### INTRODUCTION

1. ITV has changed rapidly as a business in the last few years, modernising at pace. We have invested substantially in our online services, ITV Hub and in launching our SVOD offer, BritBox, in partnership with the BBC. Our production business ITV Studios is producing innovative shows – from ‘Bodyguard’ to ‘Queer Eye’ – for streamers, broadcasters and cable companies globally. And as an ad-funded, free to air broadcaster, we are offering our brand partners, through investments in technology, more data-rich, targeted advertising, including via our online ad serving platform Planet V.
2. But one thing remains unchanged which is our defining purpose as a public service broadcaster. Some might think the notion of public service broadcasting is simply a cobweb of analogue idealism in a digital age. Certainly, the name will need to change because PSB won’t just be about broadcasting in future. Content from the PSBs is already being delivered at scale through a combination of broadcasting and online streaming and on-demand distribution.
3. As we set out in this submission, ITV delivers very significant public value to citizens and consumers in the UK. To sustain this public value contribution will require an intervention in the rapidly consolidating world of TV distribution which is increasingly dominated by a few colossal global players, some of whom already dominate the internet or e-commerce worldwide.
4. The job of making programmes with a public purpose, available genuinely free to everyone wherever they are in the UK, will continue to be essential in the 21st Century. For ITV, this means continuing to offer:
  - A gold standard of trusted, accurate and impartial national and local journalism amidst the anarchy of the unregulated worldwide web, offering plurality at every level to the BBC and reaching different audiences.
  - The production of unifying national moments in good and bad times, and a mirror held up to our society helping us to better understand our country and our fellow citizens, whatever their background or identity.
  - Real, meaningful investment in diverse talent and production across the whole country, a crucial underpinning of the creative industries, particularly in northern England, not just in London and the south-east.
  - A reliable and trusted broadcast platform to ensure effective communication to the public at times of crisis.
5. All of this is achieved by harnessing ITV’s unique ability to reach the public at scale, with an avowed social purpose, creating distinctively British shows that reflect and shape the world

we live in and enhance our country's soft power, as British PSB programmes are exported around the world showcasing the creative talents and diverse culture of the UK.

6. The recent experience of the Covid-19 crisis has been clarifying. It has been the Public Service Broadcasters who have been in the lead in informing, entertaining and supporting the UK public with programmes and information reflecting the specific UK experience of the crisis. Such services with a UK specific focus are important for us as a nation in normal times, but crucial in a crisis. We believe that the past few months have illustrated, better than any submission, the role of public service broadcasting in the 21st Century. The PSBs have proved themselves to be a key part of the UK's infrastructure for national resilience.
7. The public appears to agree with this. In recent research by Freeview, almost 8 in 10 people (79%) felt that it was important for them to have easy access to content delivered by the PSBs at times of national crisis (three quarters of those aged 16-34 agreed with that too). 80% of people in the same survey agreed that the PSBs kept them informed about what was going on in the UK again with three quarters of 16-34 year-olds agreeing. Nearly three quarters of the survey claimed they mostly relied on PSBs to give them free and easy access to news and information. This at a time when, as a recent Press Gazette investigation found:

*"YouTube is broadcasting Covid-19 conspiracy theory videos to millions of people, and in some cases running adverts alongside them"<sup>1</sup>*

8. But for future generations of viewers to go on enjoying the benefits offered by the PSBs, we need changes in how the British broadcasting sector is regulated. There is now a serious risk that the rapid globalisation of TV production and distribution leaves us, potentially quite rapidly, with mainly global TV services and platforms in the UK, marginalising and undermining national content and services, embodied in the UK in the PSB system.
9. For many years intervention in the UK TV market has been designed to create more competition to dominant analogue PSBs. That objective has been achieved. The policy problem now is almost the opposite, namely the risk to a UK focussed TV ecology from global platforms and content providers with formidable resources and scale. We need both the national and the global to flourish in the UK but that is not the likely market outcome absent intervention. PSB is actually a 21<sup>st</sup> Century solution to 21<sup>st</sup> century challenges.
10. It is within the power of the UK government and parliament to safeguard a balance between national PSB and global TV offers in this new world. But as the UK begins discussions around a trade deal with the US, we need to make sure that, as a country, we safeguard our ability to continue to exercise that discretion in different ways as the world changes in the years to come.
11. We explore these two key themes – that public service broadcasting in the UK has a key role and an exciting future; and that we must act now to guarantee that bright future – in more depth in this submission.

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<sup>1</sup> <https://www.pressgazette.co.uk/youtube-conspiracy-theory-videos/>

## THE ROLE OF ITV AS A PSB TODAY

13. The key benefits of public service broadcasting can be divided into three categories: social, democratic and economic.

### The social role of ITV as a PSB

14. ITV creates content that reflects the UK in all its geographic and social diversity. TV programmes that are made by, for and about people from across the UK available to everyone for free.
15. Take a well-known example. 'Coronation Street' might not be the first thing that springs to mind when you hear public service broadcasting. In December, Coronation Street will mark 60 years portraying the lives of a fictional community in urban Manchester and it's still the UK's most popular all-round show. The stories it tells, and the accent it tells them in, are not much seen or heard elsewhere on British TV. This is not the shiny world of an American streaming box set. It is unapologetically about our lives, our culture, our issues and concerns. It tackles important, sometimes controversial, social issues: from childhood vaccinations to money-lending or coercive abuse. It sustains a set of national conversations, and fuels informed debate online. It is emblematic of how ITV works across not just the soaps but also many of our dramas, which are set across the UK and predominantly tell stories of particular resonance to our viewers using voices that are familiar to people in the UK.
16. And there is another way of doing it. The Netflix hit *Sex Education* is terrific. It is filmed in Wales and employs British talent. But it is designed to look like a US high school, with American footballs thrown around the playground. As one of the stars put it:  
  

*"There is a bit of both worlds, decidedly, in the series, and the aim and the hope is that Americans won't notice"* Gillian Anderson
17. It is an intriguing blend and we make no criticisms of it. But our offer is very different. We don't try to create a fictitious nowhere to please a global audience. We set out to show a very recognisable picture of life in this country in all its range and diversity. Soaps and dramas, set and produced across the UK. Live magazine programmes every morning, which reach nearly 10% of the population each day.
18. ITV is also the home of big-ticket entertainment shows and sporting events showcasing British talent and bringing the country together. In the past year alone, the "all life is here" entertainment of *Britain's Got Talent* has seen peak audiences of over 10m people, we've seen similar audiences for dramas such as *Quiz*, *Manhunt* or *Cheat*, or for the *Rugby World Cup*.
19. ITV offers sport that brings the UK's nations together: universally available, free-to-air PSB channels deliver audiences in another league to Pay-TV. So, for instance, a large majority of the population of Wales watched some of the 2019 *Six Nations* rugby with matches making up 3 of the top 5 programmes last year. Or in football across the UK, 24m watched ITV's live coverage of England's *World Cup* semi-final against Croatia in 2018, around 40% of the entire population of the UK. This is in stark contrast to the audience for England's Nations League semi-final with the same opponents just two months later which saw an audience of

- 1.6m people on Sky Sports. This is not a criticism of Sky but simply the reality of a business model based on subscriptions and paywalls.
20. Free-to-access public service broadcast television is part of our social fabric. 99% of people in TV-owning households watched ITV in 2019. 18 million viewers watched our main channel each day – on average nearly 37 million per week.
  21. In normal times we broadcast live to the nation each weekday between 6am and 2pm. Even during the Covid-19 crisis we have stayed live to the nation each morning informing and entertaining our viewers with content about the impact of Covid-19 on our lives with everything from a platform for Dr Hilary to answer viewers medical questions to Martin Lewis offering financial advice. But more than this, we've offered daily tips, from dance-alongs to stay-at-home gardening, ways to keep in touch to coping with anxiety, sharing stories and helping people to talk to their children about Covid. Throughout the crisis we've been making 10 hours of live TV every weekday.
  22. We've also brought the nation together with high quality drama and entertainment with everything from an innovative and well received *Virtual Grand National* to keeping *Ant and Dec's Saturday Night Takeaway* on air as long as we could, attracting nearly 10m viewers to shows. This led the Daily Telegraph's review of their show in late March to comment that "*Ant and Dec aren't quite Covid-19's version of the former Forces sweetheart [Dame Vera Lynn] but they come pretty close*".
  23. In all of this, we are fostering creativity and diversity – both on screen, making diversity mainstream across our programmes, and off screen by embedding our head of diversity in the heart of our commissioning operation and strengthening our internal apprenticeship, training and development, focusing on underrepresented groups.
  24. What does making diversity mainstream look like to our viewers? It's key talent from a range of backgrounds in our headline shows: Will.i.am on *The Voice*, Alesha Dixon on *Britain's Got Talent*, Ashley Banjo and John Barrowman on *Dancing on Ice*, Ken Jeong on *The Masked Singer*. It's Warwick Davis hosting *Tenable* in the heart of our afternoon schedule. It's Lost Voice Guy winning *Britain's Got Talent* in Saturday night primetime. It's Julie Etchingham, one of this country's most talented female journalists, hosting the highest profile leadership debate this country has seen.
  25. Putting diversity in the mainstream, at the heart of our schedule, allows us to explore important issues in an accessible and powerful way. For instance, *Coronation Street* has been exploring the differing experiences of, and views about, racism with a powerful and moving storyline centred on the Bailey family. Working with Baroness Doreen Lawrence, the storyline shines a light on the damaging effects of racist verbal abuse.
  26. Putting diversity in the mainstream also allows us to showcase the talents of people from all backgrounds. This year's *Dancing on Ice* featured our first same-sex skating partnership (a first for mainstream UK shiny floor shows), with Ian 'H' Watkins skating with Matt Evers. The same series featured blind Paralympian Libby Clegg. We showed our documentary *Riding a Dream* immediately after the Rugby World Cup final. It followed Khadijah Mellah, 18, from Peckham, who made history and global headlines this summer by becoming the first British Muslim woman to win at one of British horse racing's most prestigious festivals, Glorious Goodwood, barely four months after she had sat on a racehorse for the first time. Of course we recognise that there is more to be done – but we are proud of the diversity that is clear to see throughout our schedule and have strong foundations on which to build.

27. All TV channels have lost younger viewers to YouTube and streaming services. But young people still watch linear broadcast TV. ITV remains the most watched channel for 16-34 Adults, reaching around 7 million younger viewers with our main channel every single week and nearly 8.5 million younger viewers across our portfolio of channels. That's 60% of 16 to 34-year olds.
28. Younger people are harder to reach, and they cannot be taken for granted. But we have worked hard to make our content relevant and accessible – because it is vital that they get news coverage and other content that speaks to our country.
29. Our online portal ITV Hub has over 30 million registered users, including 80% of 16 to 34-year olds in the UK. This year we're bringing short form content to the ITV Hub, reflecting the evolving viewing habits of this younger demographic. When the country shares big TV moments – whether the final of *I'm a Celebrity...* or the *Rugby World Cup* – young viewers are there in their millions too.
30. The public service ethos that motivates us to speak to the whole country, whoever and wherever they are, also drives the social purpose of our organisation. We take that social purpose very seriously, using the scale of our audience to create positive change.
31. We've been encouraging better mental and physical health – by promoting the *Daily Mile* initiative that gets primary school pupils to run or walk a mile each or driving up healthier eating and changing kids' behaviour through our Veg campaign, *Eat Them To Defeat Them*. Prior to lockdown, well over a million additional children were doing the *Daily Mile* compared to the position before ITV began to promote it on air. The results from the first *Eat Them to Defeat Them* campaign showed a transformed perception of vegetables amongst many children and an increase in the sales of vegetables equivalent to an extra portion for every family with children in the UK. The second campaign reached nearly 9 out of 10 households with 4-9 year olds and was seen by a total of 46m people.
32. We've also launched a major 5-year ITV Mental Wellness campaign, supported by the charities Mind and YoungMinds. As the Archbishop of Canterbury has said:

*'Interrupting primetime Saturday night TV to think about mental health would have been unthinkable only a generation ago.'*
33. In the midst of the Covid crisis we relaunched our *Britain Get Talking* campaign ("*Apart. But never alone*") on air and on social media with huge impact. We've been supporting key workers through *Clap for Carers*, pausing our broadcasts for two minutes on a Thursday evening as well as through the *Million Claps* campaign and ITV's *NHS Day*. In addition, we've worked with Public Health England to deliver public health messaging campaigns on air targeting hard to reach groups.
34. We are reducing our impact on the environment – by promoting sustainability and responsible behaviour in our programming and de-carbonising our supply chain.
35. And we are giving back to our communities – internationally in our partnership with UNICEF, raising £38 million from *Soccer Aid*, and here at home, promoting volunteering and working with community projects through our regional newsrooms. These things are never a trade-off. For a commercial public service broadcaster – supported by sensible, targeted public

interventions and sympathetic regulation – there is no contradiction between serving the interests of our shareholders and acting in the public interest – the two are in lockstep. That’s why we’re delighted our Social Purpose team has just won Best CSR Team in the Third Sector Business Charity Awards – well-deserved recognition for the impact our campaigns have delivered.

### **The democratic role of ITV as a PSB**

36. The second great benefit of public service broadcasting is the contribution it makes to the health of our **democracy**. At the core of that is our news offering.
37. All the evidence from Ofcom shows that TV news is consistently amongst the most trusted and impartial of all news sources. Nationally, ITV is the lynchpin of competition to the BBC and Comcast-Sky in news and on Ofcom data is the most trustworthy of all the major UK news services. Regionally, more people think ITV is good for local news than any other broadcaster, according to OFCOM data.
38. ITV is the only alternative to the BBC in nations and regions TV news in the UK. We are also particularly valued and watched by audiences in the north and in the nations as well as amongst older viewers and those in social classes C2DE, complementing the core audience of the BBC’s news services.
39. In a world of filter bubbles and costly subscription services, a free, universal, accurate and impartial TV news offering is essential. Public Service Broadcasting guarantees this delivery in a news world in which little else is guaranteed. We spend £120 million each year on news and employ over 500 highly trained journalists. Even in normal times we reached over 19 million people each week through our news bulletins. In contrast, Sky News, excellent though it is, reached 4.5 million people each week, despite being on air 24/7.
40. It is to broadcast news that audiences have turned in the current Covid crisis. In the weeks since the lockdown ITV News has reached 22.8m viewers each week – 38% of the TV population of the UK a significant increase on the first 11 weeks of the year. This increase has come from across the population, in the weeks since the lockdown ITV News has reached 2.8m people aged 16-34 a week, a 20% increase on the first 11 weeks.
41. Nations and regions news in particular has been of particular importance. The feedback we have had on those programmes has suggested that an understanding of what is happening close to home has been a particular public priority, given the clarity and regularity of daily government briefings about the national position which are generally well covered.
42. Even before the audience spike caused by the crisis, the number of people watching our regional news programme at 6pm had increased by nearly 10% since 2015 and the number watching our national news programme at 6.30pm had grown by nearly 5%. This is instructive in a world where the assumption is that only online viewing is increasing. Perhaps one of the key roles of reliable PSB news services in an online era is as a check to the truth (or otherwise) of the rumours that people encounter on the internet.
43. Every day, teams across the UK report on local issues. They provide an essential service for our democracy; indeed, democracy cannot function effectively without citizens who are well-informed. In this context, ITV regional news and political programmes provided platforms for over 6,500 appearances by MPs in the last year. Of course, nations and

regions TV news is often now the only fixed point in local and regional news markets which are under acute strain.

44. What was perhaps most striking about our general election coverage last year was the way that we as a commercial public service broadcaster could deliver huge peak time audiences for the TV leaders' debates off the back of *Emmerdale* and *I'm a Celebrity*.... An average of over 6.1 million people (almost 1 million of whom were aged 16-34) watched live as Boris Johnson went head to head with Jeremy Corbyn on ITV. A further 1.2 million people watched on catch up soon after. That shows the power and potential of a public service broadcasting which combines a popular mission to entertain with a duty to inform and engage.
45. Or consider the set piece statements by the Prime Minister during the Covid-19 crisis which directly reached a large proportion of the UK population in one go across the different audiences of the PSBs. The PSBs are the natural home for such moments in our national life being free, universally accessible, reliable and highly trusted. It is very hard to see a plausible online alternative to broadcasts on digital terrestrial TV from the PSBs at critical national moments such as these for a long time to come.
46. In addition to our broadcast output, we deliver large audiences for news online and via social media with 4.5m followers on Facebook and 3.7m on Twitter and with around 350m views each year for the ITV News website. We have also launched the 'Rundown,' a news service for 14 to 17-year olds delivered primarily via Facebook, Instagram and Snapchat. This has attracted a big audience gathering over 17m views in April alone and winning best launch of the year at the recent Drum awards.

### **The economic role of ITV as a PSB**

47. The UK's creative industries are growing rapidly: they contribute over £112bn to the UK economy and are growing faster than the wider economy (a 43% increase in real terms since 2010). The ONS in October last year singled out the film and TV sectors as helping the UK economy avoid a recession. The ONS said that film and TV revenues had risen by 40% since 2008 and was a major driver of growth in the services sector<sup>2</sup>.
48. Within that, the UK's broadcasting ecosystem is second only to that of Hollywood for scale, diversity and success. We punch well above our weight – and our public service broadcasting regime enables us to do so, helping to underpin the domestic cultural architecture of the UK.
49. We invest in UK content at a scale unmatched by commercial multichannel television channels or the SVODs. Ofcom figures show ITV invested over £750m in first run UK originations for its main channel alone in 2018, compared to under £500m for the entire multichannel sector<sup>3</sup>. PACT figures show SVODs invested £328m<sup>4</sup>.
50. ITV's investment is crucial to the success of our brilliant independent production sector. As public service broadcasters, we are obliged to commission 25% of our programming from independent producers. Independent producers also benefit from regulated terms of trade that ensure they can develop businesses based on the intellectual property they create. Pact

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<sup>2</sup> <https://www.bbc.co.uk/news/business-49998074>

<sup>3</sup> <https://www.smallscreenbigdebate.co.uk/what-is-ssbd/ssbd-five-year-review> (multichannel figure excludes spend on sport)

<sup>4</sup> <http://www.pact.co.uk/news-detail.html?id=pact-uk-television-census-2019>

figures show that the PSBs spent around £1.3bn with indie producers in 2018 vs £321m by the multichannel sector. Competitors like Netflix or Comcast-Sky are not obliged to do this. The fact that we are is one of the reasons the UK broadcasting ecosystem is so dynamic.

51. Of course, the UK has been very successful in attracting inward investment into our screen sector, reflecting the deep pool of talent, attractive tax incentives and full access to the EU market amongst other things. Netflix themselves have acknowledged that the depth and quality of the on- and off-screen skills based nurtured and maintained by the PSBs was one of the key factors in their decisions to invest at scale in the UK. We welcome this inward investment and we have been successful in making programmes for the new entrants.
52. But look closely and you see that investment is concentrated overwhelmingly in London and the south east of England. Netflix has recently made a major commitment to Shepperton, Comcast-Sky to production at Elstree and major new film and TV studios have been announced in Ashford, Kent with interest from both Netflix and Amazon. All are in the Home Counties. This is good for the UK economy, but these investments help to solidify the existing bias in the UK creative industries to London and the south east. By contrast, the studio operator Pinewood withdrew from its Pinewood Studio Wales in March after 5 years despite the nearly £10m that had been spent by the Welsh government on buying and fitting out the studio building they were operating in<sup>5</sup>.
53. Public service broadcasters operate differently. In ITV's case 35% of our spend on programmes and of our broadcast hours must be made up of programmes made outside the M25. As a result, ITV is a major investor in regional creative economies. Nearly half of our UK employees are based outside London, with an extensive network of offices across the UK. We spend £300 million each year on programme making outside London – the same as the entire multichannel sector and PSB portfolio channels put together<sup>6</sup>). That sustains big operations in Cardiff, Leeds and MediaCityUK in Salford and Trafford – enriching the economic lifeblood of those cities.
54. PSB investment has helped create a genuine creative industries hub across the north of England, with major, permanent investments by ITV, the BBC and Channel 4 as part of their public service remit sustaining viable, well-paid and stimulating career paths in the regions.
55. ITV is a major investor in development and training in the creative industries. Particularly because of our two drama hubs in Leeds and Salford (making the approximate equivalent of more than 150 feature films per year), we have a strong and constant demand for a wide range of on and off screen talent. This includes on screen acting talent where we have a very strong programme of talent spotting across drama schools and theatre across the north of England. It includes writers and storyliners where we have on-going and active programmes of recruitment and training with a particular focus on diversity given the breadth of our audience. It also includes off screen craft talent.
56. There are too many programmes and initiatives to set out in this response. But, for example, we have a number of entry level and apprenticeship initiatives where we are particularly looking to attract emerging talent from underrepresented backgrounds with a strong commitment to social mobility. Some 27% of our 2018/19 apprentices came from BAME backgrounds; 10% disclosed a disability and 82% of that group was female. 70% of our apprentices go on to get permanent jobs at ITV and a further 10% go on to get jobs with

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<sup>5</sup> <https://www.walesonline.co.uk/news/wales-news/pinewood-studios-cardiff-pulling-out-17165392>

<sup>6</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0015/130911/Review-of-Regional-TV-Production-and-Programming-Guidance.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0015/130911/Review-of-Regional-TV-Production-and-Programming-Guidance.pdf)

other media organisations or decide to go back to further education. Our apprentices are paid living wage in line with the Living Wage Foundation guidelines.

57. We run a so-called *First Break* Initiative which includes open door events and later bootcamps at Coronation Street and Emmerdale with attendees battling it out for the opportunity to spend 3 weeks at Emmerdale or Coronation Street. The final 20 placements have been selected and the first 6 joined in January. Recruitment is targeted people 18+ who may have studied for BTECs or NVQs, career changers or low wage earner/unemployed.
58. We run an *Original Voices* writing scheme. This launched in 2013 to tap into and connect with local BAME writing talent. Targeting the BAME and disabled community, applicants were asked to submit a script resulting in 109 applications. 21 applicants were shortlisted and then invited to Coronation Street for a workshop. They were then given a homework task following the workshop and the final 4 were later selected. Placements started in early 2020.
59. Of course, the Covid-19 crisis has created economic challenges for the whole UK audio visual sector. We set these out in our parallel submission to the Committee's Inquiry into the impact of Covid ITV's response to the crisis. However, despite the considerable financial pressure, one of our overriding priorities throughout has been to try to retain the skilled capacity in the creative industries across the UK for as long as we can in what we hope will only be a temporary interruption.
60. In this context, in the midst of the crisis we announced the creation of a £500,000 development fund for independent producers to accelerate the search for new ideas and content for ITV for the latter part of 2020 and into 2021. Our objective is to continue to help to fund the TV industry's equivalent of R&D even in a crisis so that we can emerge as rapidly and confidently as possible.

## THE GLOBAL CHALLENGE TO PSB

61. None of these benefits – the thriving UK broadcast ecosystem sustained by investment across the country, the social capital which that ecosystem accrues for our country, and the contribution that all makes to the health of our democracy – will, or indeed can, be delivered by the market alone.
62. The new world of streaming and online content, like the multichannel TV revolution before it has many benefits for consumers. The scale of content and technology spend amortised across the world has created very high quality online TV offers to the great benefit of consumers. ITV is proud to be a content supplier to these new players.
63. But these new services will not come close to replicating what public service broadcasting delivers both for us as consumers but also as citizens. Global players are exactly that – mostly global and not UK specific. Their content is designed first and foremost to travel well – rather than being tailored-made to suit audiences here. They provide their services to those who can afford both to subscribe, and to access a broadband connection. They have little, if any, obligation to independent producers and none to investing outside of London.
64. Finally, they do not invest in news – national or local. It is true that Comcast-Sky is bound by formal undertakings following the takeover to continue with Sky News until 2029, but there are no equivalent commitments to local or investigative journalism, and this is an anomaly rather than indicative of a broader market trend.
65. But the problem isn't just that global entrants won't deliver the nationally focussed content and broader public benefit of the PSBs. The truth is that the emerging global system of content distribution will endanger both the visibility and viability of the national PSB services and content that are a key part of a plural TV ecosystem.
66. Increasingly TV is being distributed globally online by a small number of major global distributors and aggregators. Increasingly the interfaces which people use to choose TV will be controlled by global companies, including Amazon, Google, Apple, Comcast/Sky/NBC as well as Samsung and LG. These platforms will increasingly have unbeatable scale, colossal technology and marketing budgets as well as having the capital to invest in content on a global basis.
67. The acute risk is that the TV content that UK audiences can access most easily on their TV sets and other devices will be determined by deals for inclusion and global prominence between a small number of global content providers – Netflix, Apple, Disney and these powerful global TV distributors such as Google and Amazon. The net result, absent intervention, will be:
  - That PSB channels and content gradually disappears from view on user interfaces and other ways of accessing TV content, in favour of global players with deep pockets and global commercial deals for the most prominent and visible positions on platforms; and
  - That the economics of commercial PSB are undermined by these powerful TV distribution platforms who demand so much value from those whose content they offer that it is not viable to make and distribute high quality PSB content of particular appeal to a national audience. Clearly this is a variation on the

commercial experience of the newspapers in seeking to deal with powerful global online distributors.

68. We see both of these trends already.
69. The simple issue is not that PSB content isn't popular or that people don't still want to find it but that the economics of free to view national content vs global pay-tv content is asymmetric in a world which will be increasingly dominated by global distributors.
70. The example of the difficulties that newspapers and even online players such as BuzzFeed have had at the hands on the platforms should be instructive in this context. As ViceMedia's CEO observed when announcing a raft of job cuts recently:

*"...we aren't seeing the return from the platforms benefiting and making money from our hard work. Now, after many years of this, the squeeze is becoming a chokehold. Platforms are not just taking a larger slice of the pie, but almost the whole pie... 36,000+ lost jobs in journalism is enough to take your breath away..."*<sup>7</sup>

71. ITV is doing everything in its power to modernise its business for the online era but we also need the policy framework to move at pace too to recognise the new realities and market power of global platform operators.
72. If PSB is to survive and flourish, the government will need to take action rapidly and decisively to ensure that future generations can continue to enjoy the benefits of a flourishing national PSB ecology, in parallel with all the choice of content that a global TV market can offer. The two can and should co-exist in the UK in the long term without either imperilling the other. But for that to happen will require intervention otherwise the global will crowd out the national.
73. In the context of global platform businesses with powerful market positions and colossal revenues the scale of intervention required is actually quite modest as we set out below. So, for instance, putting popular programmes in prominent positions and paying fairly for them ought to be seen as an inevitable and acceptable cost of doing business for a platform. It would be most implausible for players with colossal revenue, who in many cases are already lightly regulated, to portray this as impossibly burdensome regulation and there is certainly no reason why it should impede innovation.
74. To put it starkly, absent significant reform to the PSB regime, we will gradually see failures in a range of PSB outcomes – diminishing investment in original UK focussed content available universally for free, less focus on sustaining free, mass reach accurate news, stagnating long terms investment in in the UK's regional creative economies and decreasing support for independent producers. Furthermore, we will continue to see value flow out of the UK economy into the hands of US technology and platform companies. By contrast, although we have substantial operations outside the UK too, ITV is a UK company, based in the UK, listed on the Stock Exchange here and paying substantial tax in the UK.

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<sup>7</sup> <https://www.cnn.com/2020/05/15/vice-media-ceo-slams-big-tech-as-great-threat-to-journalism.html>

## **HOW THE FRAMEWORK FOR PSB NEEDS TO CHANGE**

76. If the policy and regulatory framework that public service broadcasters in the UK operate in does not change at a similar pace to the rapidly changing global media market then the big international players will reach such an unassailable position of dominance that UK audiences will lose the choice and diversity of content we today take for granted.
77. The Act of Parliament which regulates the broadcast sector – the Communications Act 2003 – is, in parts, a relic of a bygone era. When the Bill was passed, the majority of UK households still had only analogue TV – a choice of only 5 TV channels. Facebook was known as ‘Facemash’ and existed only on Mark Zuckerberg’s Harvard desktop.
78. One job that the 2003 Act was put in place to do – to encourage greater competition against all-dominant public service broadcasters like ITV and the BBC through regulatory intervention – is precisely the opposite of what is required today. The challenge now is to create a regulatory framework that allows the public service broadcasters to continue to thrive in a market dominated by colossal global competitors and distributors. Increasingly PSB will be delivered online as well as via more traditional broadcast services, something entirely outside the current regime for PSB.
79. Ultimately the established mass reach of the PSBs and the positive outcomes that delivers for the UK are very hard to recreate, reflecting a complex mix of audience brand and trust, familiarity of programming and talent, understanding of audiences, expertise in talent management and creative culture to name but a few. In this context, the experiment with Local TV is instructive. DTT spectrum and prominent EPG positions (the same regulatory benefits also granted to ITV in return for delivery of PSB obligations) did not enable these newly-created institutions to deliver mass reach, impact or substantial investment in programming.
80. To maintain a thriving sector which benefits UK consumers we need five things:

### **Prominence for content from the PSBs - ensuring viewers can find content easily**

81. First, we need to make sure public service programming maintains its prominence in the digital, online, on-demand era.
82. The current PSB prominence rules apply only to linear TV channels. In an era of streaming and on-demand viewing this is clearly no longer sufficient to ensure the result Parliament intended. If people cannot easily find ITV or BBC content on their smart TVs because prominence on the home page – or even the remote control – has been sold to the highest bidder, then we will not be able to compete for viewers.
83. The 2003 regulation of prominence helped ensure that the PSB services had the top buttons on the digital TV guide. We now need to carry that principle across into the online era, via a new and effective legislative intervention.
84. To be clear, though, neither the national PSBs, nor the global TV services such as Netflix or Amazon, ought to have a monopoly on prominent positions on TVs and other devices – consumers value both sets of services highly and should be able to access both easily.

### **A right of inclusion for the products and services of the PSBs**

85. Second, we need a right for the products and services of public service broadcasters to be included on TV platforms, subject to that updated PSB prominence regime.
86. Very simply, there is no point in a new prominence regime unless PSBs also have an ability to get onto those TV platforms in the first place. So, for instance, unless a PSB channel or app is actually included and available on your smart TV or tablet, a theoretical right of prominence is meaningless.
87. Without such a right of inclusion, a new PSB prominence regime could have the opposite effect to that intended – disincentivising global TV platforms from including services from the public service broadcasters at all if to include them means disrupting the paid-for prominence of their major global content partners.

#### **Fair value for PSBs from the TV platforms for PSB investment in content – ensuring PSBs get paid fairly for their content**

88. Third, we must ensure that public service broadcasters receive fair value from TV platforms for their investment in content.
89. There is also no point in a new prominence and inclusion regime if platforms can then use their global muscle to squeeze much of the value out of public service broadcasters' content in return for merely allowing it to appear on their platforms. So, for instance, standard terms from the likes of Amazon and Samsung globally require on-demand players to give up 30% of their advertising inventory in return for inclusion on their User Interface.
90. Recording and ad skipping content on a huge scale undermines our ability to pay for content, particularly for drama, and simply transfers value to the major pay-TV platforms – a subsidy from the PSBs to the global platforms. Typically, 40-50% of viewing of ITV dramas in Pay-TV households are via recordings on PVR with most of the advertising skipped. ITV does not get paid for that viewing because no advertising impacts are registered. In addition, however, the large home storage capacity of the pay-TV PVRs rented to their subscribers enable the build up of virtual libraries of content that compete with PSB catch up services and make it harder to build services such as BritBox offering a British SVOD alternative to Netflix or Amazon.
91. We are not asking for subsidy but simply that commercial PSBs should be able to continue to make a reasonable return on the risky investment we make in popular and successful content for UK audiences.

#### **An updated PSB compact for the Channel 3 Licence**

92. Fourth we need an updated PSB compact for the Channel 3 licence that ITV operates, which ensures that the benefits of delivering the licences continue to match the cost of delivering our public service obligations.
93. Ofcom took a lot of time and effort in the run up to the renewal of our public service broadcasting licences in 2014 to make sure that ITV was providing public value to justify the benefits we receive. That is entirely proper. But in truth the value of the benefits of the PSB licences have been in decline in recent years and if anything the costs of being a PSB have risen.

94. So it will be important, in the public interest, to continue to maintain the value in the Channel 3 licences to enable ITV to continue to meet the many obligations that do not apply to any other of our non-public service broadcast commercial competitors.
95. These are by no means the only things that must change if we are to modernise a PSB system for the digital age, but they are the most pressing.

#### **A level regulatory playing field between broadcasters and online platforms**

96. Finally, in everything from tax to online advertising regulation, the online platform operators have significant advantages in competing for advertising revenue with commercial PSBs. There is a need for a systematic programme to create a level regulatory playing field between the online platforms and players such as ITV.
97. This might best begin with the introduction of an effective statutory backed regime for online advertising regulation both to properly protect consumers and the vulnerable from harmful online advertising but also to ensure a more effective level playing field between the regulation of TV advertising and the current self-regulatory regime online. The differences between the two regimes currently create significant advantages for online platforms in competing for advertising versus television. We welcome the fact that the government is looking at this issue in the context of its current review of online advertising regulation and would urge them to put in place an effective statutory regime as a priority.

## CONCLUSION

99. We live in a world of change and broadcast TV has changed – and is changing – fast. ITV has embraced that change. Our business today is unrecognisable from the ITV of 2003, or indeed 2013.
100. We have a clear vision and investment plan to be a digitally-led, 21<sup>st</sup> century media and entertainment company that is proudly British with a strong global footprint. The future of commercial public service media can encompass all the benefits British consumers enjoy today – economic, social and democratic delivered in ways and on platforms that suit each viewer. But the market by itself will not deliver this outcome, indeed, it will increasingly prevent it from being realised. This was the original insight which led to the creation of PSB and it is one which is as relevant today as it always was.
101. With the right support for the right policy and regulatory decisions, we can have the best of all worlds – a flourishing national PSB system creating social, democratic and economic value for the UK, together with the best global streaming services that are available.
102. But more than this, the output of a flourishing UK TV industry will act as a beacon of UK culture and creativity, a calling card for the UK across the world as we embark on a new set of global trade deals and other major international challenges.