

Small Screen: **Big Debate** Consultation

The Future of Public Service Media



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1. Summary

In this consultation we share findings from our extensive Small Screen: Big Debate research and analysis. Our review looks at how to maintain and strengthen public service broadcasting across the next decade and beyond. We outline options for modernising the current framework in order to deliver public service media (PSM) for audiences watching broadcast TV and online.

The UK media sector is a success story, with public service broadcasting at its core.

- 1.1 **We have a unique broadcasting and media landscape in the UK;** a powerful mix of public and commercial firms, large and small, global platforms and streaming services alongside a vibrant independent production sector. Audiences have never enjoyed so much choice. They benefit from world class UK drama and entertainment, trusted and impartial news, outstanding current affairs and an unparalleled radio landscape which speak to – and reflect – the diverse communities, regions and nations of the UK. The UK’s national and regional media is central to its culture, creative economy and global voice.
- 1.2 **Public service broadcasting (PSB) sits at the heart of the UK’s creative industry and has shaped the system as it is today.** At its centre is a BBC with global reach and scale, providing distinctive content across a range of genres, for audiences across the UK. Channel 4 promotes a diversity of content and perspectives which appeals to younger audiences. The commercial public service broadcasters (PSBs), ITV, STV and Channel 5 provide plurality in news and significant investment in original programming, appealing to a broad range of audiences across the UK. S4C and MG ALBA ensure that varied and modern Welsh and Gaelic language content is available.
- 1.3 **No other country has this blend or breadth of public and commercial companies,** providing TV and radio which is widely available on multiple platforms, with an explicit remit to provide content that enriches the UK’s culture, society and democracy. This is underpinned by two key public policy interventions: a regulatory framework designed to secure positive outcomes for audiences and create incentives for commercial broadcasters to fulfill public service obligations; and public funding for the BBC through the licence fee.
- 1.4 **The success of our media sector has also been fuelled by private sector innovation and investment.** Companies such as Sky and Discovery operate outside the PSB system and commission and produce a wide range of high-quality UK content, including news, and invest in new technology that can benefit viewers and the market. Global content providers such as Netflix are also increasingly contributing to the UK creative economy.

Why public service broadcasting still matters

- 1.5 **Audiences have benefited over the past decade with the incredible growth in content and services available on TV and online.** With so much choice on offer, it’s important to ask whether there is still a case for public service broadcasting. We set out five main arguments.

- a) **Some types of programming rely heavily on the contribution made by public service broadcasters.** The increasing risk of misinformation has only served to underpin the value of news from long-standing and reliable sources. The audiences we spoke to identified “trusted and accurate” news as the most important feature of public service broadcasting. There is also only limited provision of UK children’s programmes, arts, formal education, religion and ethics from other broadcasters.
- b) **Public service broadcasting brings people together by creating shared national experiences.** Our research shows that audiences of all ages and demographics value what public service broadcasters bring, not only to them as individuals, but more broadly in connecting generations and society as a whole through coverage of events and programmes watched by many millions.
- c) **Public service broadcasting reflects the UK’s diversity across its nations and regions.** Despite increasing pressure on budgets, the regulatory requirements to show original content are one of the key reasons that the PSBs are still the largest investors in new UK programming. Our research showed how much audiences valued this authentic portrayal of life in the UK. They also expressed a sense of pride at seeing their own area on screen, which they simply couldn’t find elsewhere, and which connected them to others.
- d) **Vulnerable groups, as well as those who don’t have access to the internet, are able to enjoy a broad range of information and entertainment, through public service broadcasting.** The audiences who are most reliant on this sort of programming told us that it was a crucial part of their lives, as important for battling social isolation as it is for the information it offers.
- e) **Public service broadcasting underpins the UK’s creative economy.** It spends nearly £3 billion each year, ensuring the continued strength of the UK production sector, which is recognised and admired globally. It allows successful businesses to grow, by supporting a highly skilled workforce and helping develop new talent. Regulatory requirements through regional production quotas on all the PSBs ensure these benefits are widely shared across the UK.

Universal reach and relevance are essential to deliver the benefits of public service broadcasting

- 1.6 **The particular strength of public service broadcasting comes from its ability to appeal to people from all backgrounds,** attempting to reach and serve everyone in the UK. The audiences we spoke to emphasised that they looked to PSB for content which entertains, reflects life and values in the UK and helps them understand the world.

Technology and global competition are driving the need for change

- 1.7 **The rapidly changing media sector means the public service broadcasting system is at a critical juncture.** Audiences are increasingly turning away from broadcast TV and accessing content through a range of other services, making it harder for PSBs to reach and connect with them.

- 1.8 **Global content services and powerful platform operators are building new relationships with consumers**, spanning multiple services and providing increasingly personalised user interfaces. They have made a significant investment in vast libraries of content, largely developed to appeal to audiences across the world. This is supplemented by online video-sharing platforms, with an estimated 10 billion videos on YouTube alone. New streaming services are also investing in original UK content and increasingly contributing to our creative economy.
- 1.9 **Broadcast TV audiences are in decline, particularly younger viewers.** During 2019, broadcast content represented only 38% of total viewing for people aged 16-34, and 67% for all audiences (including live TV, recorded playback and catch-up). Our audience research shows that, while younger viewers do still watch and value public service programmes, they feel much less connection to the public service broadcasters. Some young people only discover content originally commissioned by PSBs, on streaming or online services.
- 1.10 **Global platforms wield increasing power as the access point between audiences and content** and also in their ability to strike worldwide deals. Services like Netflix are able to ensure they are front and centre across a wide range of TV platforms while the public service broadcasters find it increasingly difficult to secure similarly favourable terms for prominence. In a report commissioned for this review, Mediatique argued that no PSB, with the exception of the BBC, has the ‘must have’ characteristics, such as scale and brand engagement, needed to bargain with content aggregators.
- 1.11 **Other factors have also put significant pressure on the financial sustainability of the PSB system.** The traditional mass-market advertising revenues which have been the foundation of commercial PSB income are likely to be of less value as broadcast viewing declines. Over time, a shift to online viewing opens up new business models, including personalised, data-driven approaches to advertisers. Public service broadcasters are having to invest more to develop their online strategies, while at the same time maintaining their TV broadcasting services.

A new regulatory framework is urgently needed

- 1.12 **The current public service broadcasting system and regulatory regime has seen little change since 2003.** It remains focused on traditional broadcast television services. The benefits and obligations placed on ITV/STV, Channel 4, S4C and Channel 5 only apply to their main television channels. The obligations in the BBC’s Operating Licence mostly apply to its TV and radio output.
- 1.13 **There is now an urgent need for a new framework to support an effective transition to public service media (PSM), straddling online and broadcast TV.** This will need to be established by primary legislation. The framework needs to be flexible to stay effective and relevant in a world where the way in which PSBs deliver content, and the technology viewers use to view it, will change. It should be designed so it can adapt to these future changes.

- 1.14 **The new framework would establish clear goals for public service media providers, with greater choice over how they achieve them.** We recommend that PSM providers would be required to set out their PSM plans publicly, measure their delivery and report on the outcomes they've achieved. Ofcom would hold them to account with robust powers to step in if needed.
- 1.15 **The new system should ensure public service media remains prominent so audiences can readily find it.** There are now many more ways to choose what to watch with many people now accessing content via connected TVs. Last year we recommended that the government introduce new legislation to keep PSM content prominent in an online world. Recent conversations with industry have highlighted this remains an urgent priority for PSBs.
- 1.16 **We recommend that the new framework secures the availability of public service media on a range of platforms.** The wide availability of the current public service broadcasting channels is underpinned by regulation, 'must offer, must carry rules'. On-demand services do not have equivalent protections. With the rise of powerful global platforms, we think there is a real risk that PSBs may find it difficult to agree fair terms for their content and may not be available on certain TV platforms.
- 1.17 **We are also considering whether there may be areas of the existing public service broadcasting regulation that can and should be updated without new legislation** to support the evolution of PSB into PSM. In particular, we intend to review the relationship between PSB providers and the production sector early next year, to assess if our guidance on the terms on which independent productions are commissioned remains fit for purpose.

Securing the future sustainability of the public service media system

- 1.18 **For the sector to be effective, it needs to be financially resilient.** As broadcast TV advertising declines, commercial PSBs are looking for additional income streams, including online advertising, subscription services and revenues from production. As the licence fee revenue falls in real terms, the BBC's director general has emphasised the importance of building commercial income. Continued public funding will still be necessary and we commissioned research on international approaches to inform this review.
- 1.19 **Strategic partnerships may further secure the sustainability of the public service media system.** To better serve and reach audiences, the current PSBs are already collaborating, two examples being Freeview and BritBox. Deeper strategic relationships between PSBs and other key companies – particularly on platforms and distribution – could help PSM keep pace and compete effectively with global players. Shared research and development, performance data and back-office activities could reduce costs, improve efficiencies and innovation.

Reaching all audiences will need radical approaches

- 1.20 **Younger audiences are consuming different types of content,** including video games and short-form and user-generated videos. 16-24 year-olds spend nearly an hour and a half

each day on YouTube. They also spend more time watching content online, as well as global streaming services and social media.

- 1.21 **Existing public service broadcasters primarily deliver their on-demand content through their own players** such as BBC iPlayer or All 4. While PSBs continue to develop their online strategies, they could look at ways of reaching those audiences who wouldn't normally use their players. As audiences use a broader range of services, connection with these more traditional brands may decline to a point from which it is hard to rebuild.

New providers could strengthen public service media

- 1.22 **There are benefits to encouraging new providers, alongside existing public service broadcasters, to deliver public service media content in future.** Existing providers bring expertise and trusted brands. New providers could help drive innovation, by investing in different types of content or services to appeal to a wider range of online audiences. This would help safeguard reach of PSM and help strengthen plurality of choice for audiences.
- 1.23 **A more diverse set of providers and platforms, investing in UK production** and delivering a broad range of high-quality UK content, could support sustainability and further secure the future success of the UK media sector.

2. Small Screen: Big Debate – the future of public service broadcasting

Summary:

- We launched our Small Screen: Big Debate to inform our recommendations to Government on how the existing public service broadcasting system can transition to a public service media system fit for the future.
- The UK media sector is a success story, fuelled by public and private sector innovation and investment.
- The variety of content and services generated by this mixed system provides value to audiences across the UK and economic growth through the successful production sector.
- Commercial investment from UK-based and international content providers has increased substantially and the UK's production sector has grown to become a global success.

How Ofcom has approached Small Screen: Big Debate

- 2.1 In UK legislation, PSB is defined as a set of purposes and objectives that a specific list of TV channels must fulfil.¹ They must deliver high quality UK content, which informs, educates and entertains, as well as reflecting the wide ranging culture of the UK. In return, public service broadcasters (PSBs) receive certain privileges which are designed to ensure the prominence and availability of these services and support the effective delivery of PSB.
- 2.2 Ofcom's role is to monitor how well the system is working. This includes a review which we carry out every five years, reporting on its performance and explaining how we think PSB can be maintained and strengthened in future.
- 2.3 Public service broadcasting legislation was last updated significantly in 2003 and feels increasingly out of date, as the legislation and supporting regulatory framework are focused on broadcast TV channels only. Broadcast TV now accounts for only around half (53%) of the average person's daily viewing, with the remaining time spent on a wide range of on-demand and online content services.²
- 2.4 It is for this reason that, in addition to our detailed assessment of PSB performance between 2014-18 which we published at the beginning of the year,³ we launched Small Screen: Big Debate to take a much more wide-ranging look at the future of the PSB system. During 2020, we have spoken to audiences of all ages and backgrounds right across the UK to find out what they want, need and expect from PSB. We have met more than 70

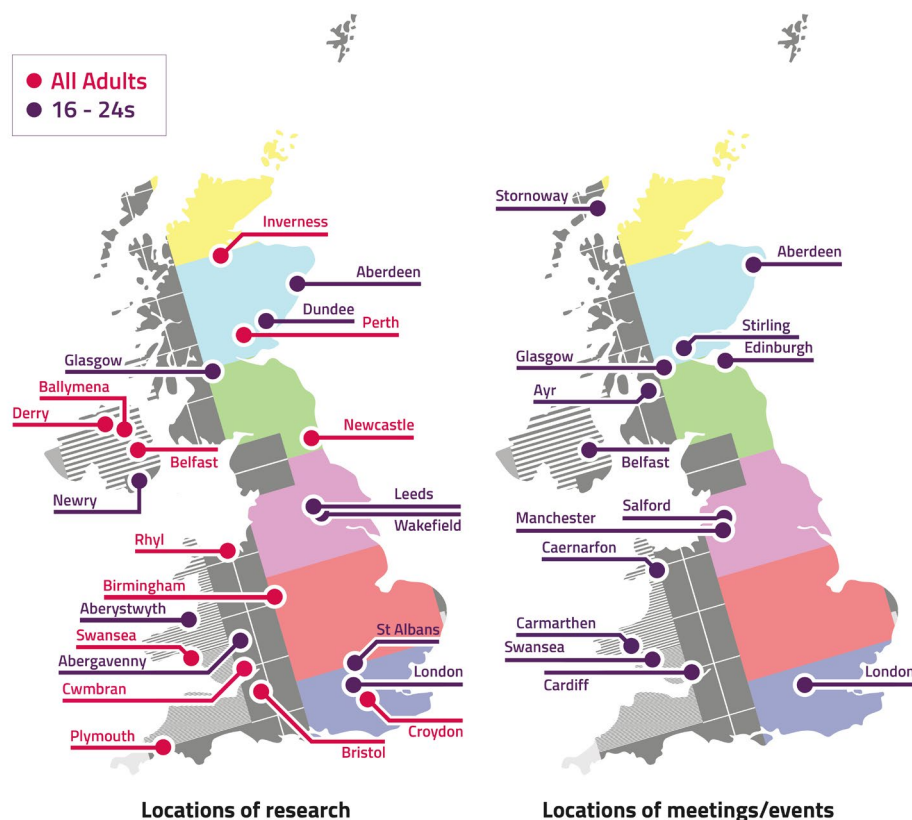
¹ BBC One, BBC Two, BBC Four, BBC ALBA, BBC Scotland, BBC News, CBBC, CBeebies, BBC Parliament, BBC Red Button, ITV, STV, Channel 4, S4C and Channel 5.

² All individuals aged 4+, 2019. Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

³ Ofcom, February 2020. [Small Screen: Big Debate – a five-year review of Public Service Broadcasting \(2014-2018\)](#).

stakeholders, including broadcasters, streaming services, academics and analysts in the UK and abroad and hosted virtual industry conferences and several stakeholder events across the UK.

Figure 1: Locations of Small Screen: Big Debate research groups and stakeholder engagement



As well as our Small Screen: Big Debate virtual conference, we also held a number of virtual meetings with stakeholders across the UK and internationally including with broadcasters, producers, academics and other interested parties

- 2.5 This report sets out our initial findings. We conclude that a new framework is required to deliver the objectives of public service broadcasting in an increasingly online world. This must be based on a broader concept, which recognises, supports and encourages the delivery of Public Service Media (PSM), across a range of broadcast and online services.
- 2.6 This consultation document marks the start of a new phase in this review. We welcome views in a number of areas, including the features of a new PSM framework, how it should be regulated and how it can be sustained. Our intention is to publish our findings and recommendations to Government next summer, to inform policy thinking about a new PSM system. In addition to this process, the Government has recently set up a panel to provide it with further advice on future changes and is also conducting a review into the Future of Radio and Audio, to which Ofcom is providing input. Any decisions about the future of the statutory framework are for Government and Parliament; we hope that this consultation and our final report next year, will provide useful evidence to inform those decisions.

The role of public service broadcasting within the wider media sector

- 2.7 The UK media sector in 2020 is more diverse than ever before. In addition to hundreds of television channels, an ever-increasing number of streaming services are delivered over the internet directly to TVs and other connected devices, from a huge range of companies including global giants such as Netflix, Amazon, Disney and Google’s YouTube. These services help to sustain around 450 production companies, from multi-national “super indies” to tiny specialists, with combined revenues estimated to have reached £3.3bn.⁴
- 2.8 The main five PSB channels (BBC One, BBC Two, ITV/STV, Channel 4 and Channel 5), S4C and the BBC’s other public service channels show around 32,000 hours of first-run original UK content per year. In addition to their main channel output, ITV, Channel 4⁵ and Channel 5 showed a further 2,056 hours of first-run original UK content on their commercial portfolio channels in 2018. To keep the country informed, the main services also showed more than 6,300 hours of UK and international news in 2019, as well as a substantial amount of content specifically made for the UK’s nations and regions: 10,887 hours of new original programming of this kind was made available to viewers in 2019.⁶
- 2.9 The PSB framework requires investment in content for UK audiences. As the biggest provider, the BBC spends the largest amount on first-run UK original programming (£1.2bn in 2019) across the broadest set of genres (it broadcast 1,768 hours of new ‘at-risk’ programming⁷ in 2019 compared to 1,026 across ITV, Channel 4 and Channel 5 combined).⁸ ITV spent over £790m on new original programming in 2019.⁹ As a publisher broadcaster, Channel 4 commissions content from a particularly diverse range of producers, with 43 new suppliers among the 274 producers it worked with in 2019.¹⁰ In recent years, Channel 5 has significantly increased its commitment to UK programming. Between 2013 and 2019, the amount of new UK-originated content shown during peak viewing times grew from 52% to 80% as a proportion of all peak-time content. In Wales, S4C ensures audiences continue to have access to original programming in the Welsh language, spending £73m on new content in 2019-20, up from £62m the year before. In Scotland, STV showed 523 hours of first-run original Scotland-specific content in 2019. MG ALBA, working in partnership with the BBC, showed 670 hours of first-run programming on the BBC ALBA service in 2019 to serve Gaelic speakers and learners.¹¹

⁴ Oliver & Ohlbaum report for Pact, August 2020. [UK Television Production Survey: Financial Census 2020](#) (‘Pact census 2020’), p. 3; Mediatique report for Ofcom, October 2020. [State of the markets in which BBC Studios operates](#), p.43.

⁵ As well as providing its PSB channel, Channel 4 Corporation is also responsible for carrying out a range of other statutory media content functions across its other services.

⁶ Ofcom analysis of broadcaster data. The news hours output figure refers only to the main five PSB channels.

⁷ Figures refer to first-run UK-originated at-risk programming (excluding repeats and acquired content), excluding content specifically made for UK nations and regions. Schedule 2 of the BBC Agreement identifies music, arts, religion, other specialist factual content, comedy and children’s programming as genres of programming which are underprovided or in decline.

⁸ Ofcom analysis of broadcaster data.

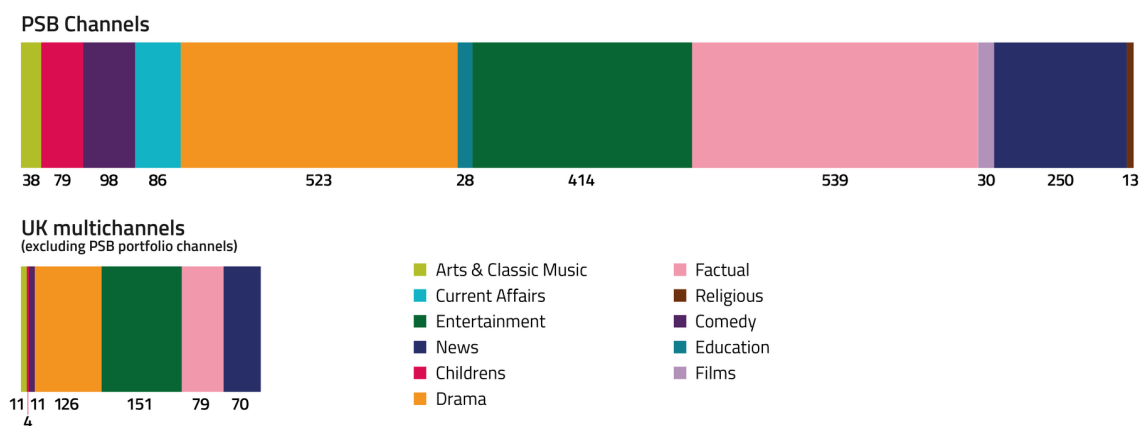
⁹ Ofcom analysis of broadcaster data.

¹⁰ Channel 4 Annual Report 2019, p.17.

¹¹ Ofcom analysis of broadcaster data. S4C spend figures expressed in real terms.

- 2.10 Broadcasters other than the PSBs also invest in thousands of hours of new, original UK content a year. UK multichannel providers, including companies such as Sky and Discovery, collectively made around 22,900 hours of first-run UK content available in 2018, including 13,400 of sports coverage and 7,400 hours of news.¹² Streaming services such as Netflix and Amazon Prime provided a further 182 hours of UK-produced content in 2018.¹³
- 2.11 Both PSBs and other commercial broadcasters fund original UK TV content in a wide variety of genres, including substantial spending on drama, entertainment, factual and news programming, with large additional sums spent on sport. But, with the exclusion of sport, where spend is disproportionately the result of the cost of rights acquisition rather than content production, the PSBs’ funding of content on public service channels is more substantial and spread across a broader range of genres than those of other broadcasters.

Figure 2: PSB and UK multichannel spend by genre (excluding sport), 2018, £ millions



Figures expressed in nominal terms. Source: Broadcaster data submitted to Ofcom. Excludes sport spend (£488m by PSBs, £3,226m by multichannels) and spend figures of less than £1m.¹⁴

- 2.12 Audiences in 2020 have access to more original UK content than ever before from a combination of established providers and new entrants to the market, including subscription video-on-demand services (SVoDs) such as Netflix, Amazon Prime Video and Disney+. Users of Netflix and Amazon Prime Video had access to 105,569 hours of content in April 2020, of which 9% consisted of UK-produced content hours.¹⁵ The UK content on these streaming services tends to be in a narrower range of genres (predominantly comedy and drama) than that offered by the PSB channels.
- 2.13 The UK production sector’s scale, skillset and proven creative track record make it highly attractive to commercial investors from within the UK and abroad. The result has been a

¹² Ofcom analysis of broadcaster data.

¹³ Ampere Analysis, December 2018. Includes hours of Netflix Originals and Amazon Originals where primary production country is the UK.

¹⁴ PSB figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC ALBA, BBC HD, nations’ and regions’ programming, and third-party spend. UK multichannel first-run UK originations for AETN UK, AMC Networks, BT, Columbia Pictures, Discovery, Disney/Fox Networks Group, Sky UK/NBC Universal International, Talking Pictures TV, Turner, UKTV and Viacom.

¹⁵ Ampere Analysis, April 2020, UK hours.

substantial increase in commercial spending on new UK content over the past two decades: total spending on UK original TV content is estimated to have increased from £2.6bn in 2004 to between £4.5bn and £5bn in 2018.¹⁶ Spending on new independent production commissions from UK-based commercial providers (including Sky and UKTV) reached £390 million in 2019, while streaming services such as Netflix and Amazon Prime spent a total of £337m.¹⁷ In 2019, Sky announced plans to double its investment in UK original content by 2024. It is developing a new studio complex at Elstree which it estimates will add £3 billion to the creative economy during its first five years of operation.¹⁸ Netflix also announced plans for a new UK production hub at Shepperton Film Studios, including 14 sound stages, workshops and office space.¹⁹

- 2.14 However, PSB commissioning still accounts for the majority of production investment in the UK, and in 2019 total PSB spend on new UK TV content was £2.8bn.²⁰ PSBs have spent between £1.2bn and £1.3bn on new independent UK productions each year since 2012, with a total spend in 2019 of just under £1.3bn.²¹ This consistent investment has laid a foundation for strong growth in total independent production sector revenues, which have increased more than 30% since 2014.²²
- 2.15 The economic impact of the UK’s successful TV production sector can be felt across the UK’s nations and regions. Figure 3 below shows how the total spending by PSBs and commercial providers on independent UK productions is spread across the country. Independent production outside London generated more than £1 billion of revenue in 2019, of which commissioning for the main five UK PSB channels accounted for 61% (over £600m).²³ The PSBs also support the economies of the nations and regions through their own internal operations. Over half (52%) of the BBC’s workforce is based outside of London; as is nearly half of ITV’s.²⁴ In autumn 2019, Channel 4 opened its new national HQ in Leeds and creative hubs in Glasgow and Bristol.²⁵

¹⁶ Ofcom (2006) estimated first-run commissioning spend on UK productions to be about £2.6bn in 2004. Using Ofcom spend data on the PSB network, regional, and portfolio channels, Enders Analysis estimates of SVOD spend, and COBA estimates of multichannel spend we estimate first-run commissioning spend on UK productions was between £4.5bn and £5bn in 2018.

¹⁷ [Pact census 2020](#), p.15; p. 23-24. Pact defines “independent producers” as production companies which are not wholly owned by UK broadcasters. From our conversations with independent producers, we are aware that streaming services tend to pay for more rights to exploit content than PSBs do – meaning that Netflix and Amazon are likely to pay more per item of original content they commission from independent producers than PSBs will.

¹⁸ Sky, 2020. [Submission to the Digital Media and Sport Committee Inquiry into the future of public service broadcasting](#).

¹⁹ Netflix, 3 July 2019, [press release](#).

²⁰ Ofcom analysis of broadcaster data. The main PSB channels invested £2.5bn in first-run UK originations in 2019. In addition, the BBC, ITV and STV spent £316m on first-run UK content in the nations and regions.

²¹ [Pact census 2020](#), p.16.

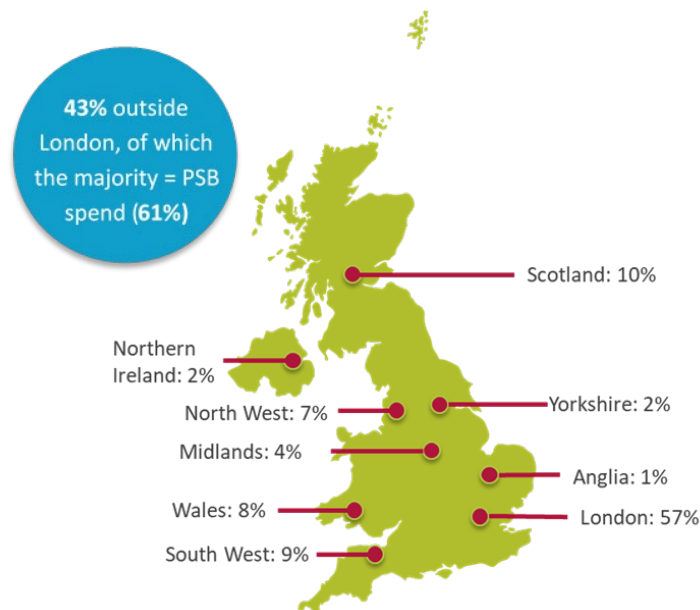
²² [Pact census 2020](#), p.8.

²³ Oliver & Ohlbaum for Pact. 2020. [UK Television Production Survey Financial Census 2020 – Nations & Regions Annex](#), p.7.

²⁴ BBC, 2020. [BBC Annual Report 2019/20](#), p.31. The BBC has announced that it intends to grow this share to two-thirds by 2027: see BBC, 2020. [BBC Annual Plan 2020/21](#), p.46; ITV, 2020. [Submission to the Digital Media and Sport Committee Inquiry into the future of public service broadcasting](#), p.8.

²⁵ Channel 4, 2020. [Channel Four Television Corporation Report and Financial Statements 2019](#), p.14.

Figure 3: Share of total independent commissioning spend on UK productions by PSBs and non-PSBs, by region of production, 2019



Source: *Pact census 2020, Nations and Regions Annex, slides 7-8. This excludes those companies wholly owned by PSBs (eg ITV Studios and BBC Studios).*²⁶

2.16 The UK is also a major exporter of content, with total UK TV international exports estimated at £1.48bn in 2019-20,²⁷ the highest ever. UK TV programmes and formats such as *Gogglebox*, *X-Factor*, *Strictly Come Dancing* and *Killing Eve* are exported around the world. Oliver & Ohlbaum report that the value added by the sector is greater than in any other European country and revenues generated by the TV and film sector, relative to GDP per capita, are higher in the UK than in any other country apart from the USA.²⁸

²⁶ Pact uses a regional classification based on the location of production, which is different from the Ofcom ‘made outside London’ criteria which consider the location of production spend, producers’ substantive bases, and where talent used is employed. Oliver & Ohlbaum for Pact, *Pact census 2020 Nations and Regions Annex*.

²⁷ 3Vision. 2020. *Pact UK TV Export Report 2019-20*. p.3.

²⁸ Oliver & Ohlbaum, September 2018. *The contribution of the UK-based film, TV and TV-related industries to the UK economy, and growth prospects to 2025*, p.9.

3. Why public service broadcasting still matters

Summary:

- There are now more providers than ever delivering high quality content that can inform, educate and entertain, so it is important to consider whether public policy intervention is still needed.
- Our research and analysis shows that there is still a clear case for intervention to support public service broadcasting, as it plays a key role in securing types of programming which are important to society, creating shared national experiences and reflecting the UK back to itself in all its diversity. Public service broadcasting also ensures that no audiences are left behind by the pace of technological change, while also making a vital contribution to the creative economy.
- We consider that public service broadcasting must continue to be universal if it is to deliver these benefits in future.

3.1 As the previous section highlighted, UK audiences are enjoying more high quality content than ever before. It is therefore important to ask whether we still need public policy interventions to secure the benefits that our PSBs provide.

3.2 To inform our assessment, we asked audiences, broadcasters and policy makers, in the UK and abroad, to tell us why PSB matters to them. We have not undertaken a full quantitative assessment of costs and benefits for PSB, although we have looked at the output and economic impact of the PSB system on the wider industry and creative economy across the country.

Figure 4: Research, analysis and discussions which have informed this review²⁹



²⁹ Full reports and videos providing insight into the research and analysis which contributed to this review can be found on our [website](#). In addition to material directly commissioned by Ofcom, we also participated in an online citizens' assembly

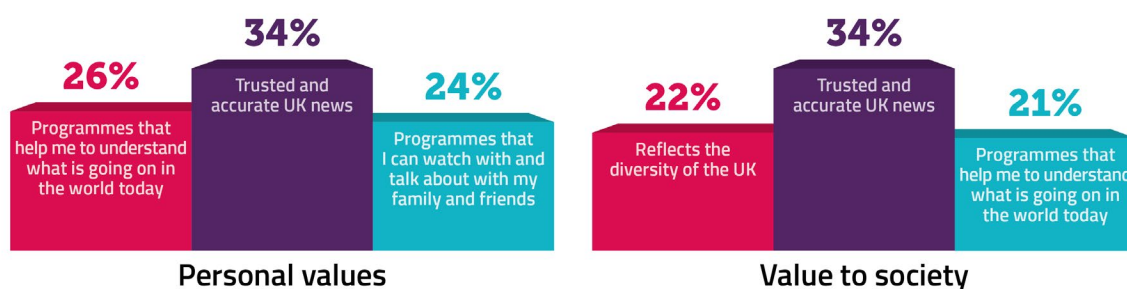
3.3 The stakeholders we talked to and the analysis we have undertaken indicate that – despite the increased choice that is now available – there are five core reasons why PSB still offers significant benefits.

Some types of programming rely heavily on the contribution of public service broadcasters

3.4 Provision of high-quality trusted and accurate news has always been a core part of our PSB system. Evidence from our news consumption survey suggests it continues to be highly valued by UK audiences. Services offered by the existing public service broadcasters account for nine of the top 20 sources of news in the UK. Bulletins on the two largest public service channels, BBC One and ITV/STV, consistently take the top two spots, while Radio 2, Radio 1 and Radio 4 are, respectively, the three most popular radio stations for news in the UK.³⁰ The continued importance that people place on PSB news was vividly demonstrated at the start of the coronavirus pandemic in March 2020, when over 80% of people in the UK turned to the BBC for news and information about the developing situation.³¹

3.5 Every year, from 2006 to 2019 people told us that they considered the delivery of “trustworthy” news programmes and content which “helps me understand what’s going on in the world today” to be the most important goals of PSB.³² In research carried out in March 2020, just ahead of the UK-wide lockdown, the people we spoke to identified “trusted and accurate news” as the aspect of PSB that they valued most highly, both on a personal and societal level.³³

Figure 5: Personal and societal value – most valuable public service broadcasting benefits to audiences Source: *Small Screen: Big Debate Research 2020*.³⁴



about the future of public service media carried out independently by Dr Lee Edwards of the London School of Economics and Dr Giles Moss of the University of Leeds. [A copy of their summary report can be found on our website](#) .

³⁰ [Ofcom News Consumption Survey 2020](#), p.19.

³¹ [Ofcom Covid-19 news and information: consumption and attitudes research 2020](#).

³² Ofcom PSB Tracker. For 2014-2019 data, see [Ofcom, 2020. Small Screen: Big Debate – a five-year review of Public Service Broadcasting \(2014-18\) interactive data report](#). Details of years before 2014 available in Ofcom [PSB annual reports](#).

³³ Ofcom, July 2020. [Public Service Broadcasting: omnibus survey findings](#), p.1

³⁴ Q5a. The following list describes the range of benefits that public service broadcasting is broadly designed to deliver. Could you please review the list of potential benefits in full before telling me which three you consider to be the most valuable for you personally? Base: All respondents (n=1851) Q7a. What three benefits do you think are most valuable to society overall? Base: All respondents (n=1851)

“Having a non-biased broadcaster is so important and we don’t want to be in a country where you are being pedalled out lies.” - **Female, 22-24, Abergavenny**

3.6 In 2019 the UK’s PSB channels collectively spent £586m on news and current affairs programming for the UK as a whole as well as the individual nations and regions, providing a range of news services aimed at different groups in the population.³⁵ Audiences have access to a wide range of other news sources, with Sky News and commercial radio both used by one in four people.³⁶ Unlike PSB provision, services such as Sky News, which 77% of its regular users consider to be important to them,³⁷ ultimately depend on continued commercial viability. Choice in news is unlikely, in the foreseeable future, to be supplemented by streaming providers.³⁸ A recent Reuters Institute report has also identified an increasing trend among online publishers to place news content behind paywalls.³⁹

“If you are scrolling through your Facebook news feed or something, you never really know what to trust and which are the reliable sources if people are sharing news articles and things. You just take it with a pinch of salt. I think the BBC is a lot more reliable.” - **Female, 25-39, Swansea**

3.7 The PSBs are particularly important for dedicated regional news, where contribution of the non-PSBs is minimal. But we know audiences continue to value it and that public service television is by far the most common source used.⁴⁰ Our research has highlighted the recent importance of accurate and regionally-specific information about Covid-19 to audiences, given varying restrictions in different parts of the UK.⁴¹ People told our researchers it has been essential for ensuring they have access to accurate and personally relevant information.

“Yeah definitely it's more influential in my life at the minute... in terms of local news, I appreciate it and I have value having it.” - **Male, 18-21, Belfast**

3.8 Beyond news, many commercial services offer a wide range of valuable programmes which contribute to UK culture. However, inevitably much of the focus of that investment has been on areas more likely to generate commercial returns. Sport, for example, accounted for just under 60% of all original UK programming on non-PSB channels in 2018.⁴²

³⁵ Ofcom analysis of broadcaster data. Figure includes network spend of £354m and nations and regions spend of £232m.

³⁶ [Ofcom News Consumption Survey 2020](#), p.19; p.30.

³⁷ [Ofcom News Consumption Survey 2020](#), p.73.

³⁸ Speaking to the Digital, Culture, Media and Sport Select Committee in September 2020, Benjamin King, Netflix’s Director of Public Policy, UK & Ireland, stated that: “To move into news or current affairs would require a very different kind of business and mindset and we believe it would be a distraction from the things that we know that we can do.” See [Oral evidence: The Future of Public Service Broadcasting, Tuesday 15 September 2020](#), response to Q261.

³⁹ Reuters Institute, 2020. [Digital News Report 2020](#), p.22

⁴⁰ [Ofcom 2020 News Consumption Survey](#), p.81-92.

⁴¹ Jigsaw research report for Ofcom, December 2020. [The impact of lockdown on audiences’ relationship with PSB](#), p.7.

⁴² Figure refers to UK multichannels, i.e. excluding PSB commercial portfolio channels. Source: Ofcom analysis of broadcaster data.

- 3.9 Data submitted by broadcasters for our recent five-year review of PSB suggests that there was no original UK content spend in religious and education programming in 2018 by any major UK channel other than the PSBs. The PSBs spent over £40m in that year. Similarly, the PSBs spent £79m in a wide variety of new UK-produced children’s programming that year, compared to £4m from the multichannel sector.⁴³
- 3.10 Streaming services and commercial broadcasters have however invested heavily in drama and comedy programming that can be viewed over an extended time period. These two genres alone accounted for 79% and 53% of content available on Netflix and Amazon Prime Video in April 2020 compared to 7% of first-run (non-news) programming shown on the UK’s public service TV channels in 2019.⁴⁴ Our most recent five year review showed that factual, arts and children’s content combined accounted for no more than 3% of the first-run originated programming made by the multichannel broadcast sector in 2018.⁴⁵

Public service broadcasting brings people together by creating shared national experiences

- 3.11 People we spoke to in our research identified a particular value in shared viewing experiences. They associated this to a large extent with PSB, as opposed to streaming services which younger viewers in particular tended to watch on their own, or sports content, a high proportion of which is only available to those willing or able to pay for access. For example, the first episode of Channel 4’s *Great British Bake Off* this year was watched by more than 10.8m viewers, including 2.8 million 16-34 year-olds.⁴⁶ Individual high-profile series remain able to attract audiences that other commercial providers are unable to match. An average of 11.4 million people tuned into watch the first series of BBC One’s *His Dark Materials* across all devices, compared to just under 5 million who watched the finale of Sky Atlantic’s *Game of Thrones*.⁴⁷ 24% of people we surveyed in March 2020 identified “programmes that I can watch with and talk about with my family and friends” as one of the three most valuable personal benefits of PSB, the highest scoring after the news-related reasons.⁴⁸

⁴³ Ofcom analysis of broadcaster data.

⁴⁴ SVoD: Ampere Analysis, content hours, UK, April 2020; Ofcom analysis of broadcaster data.

⁴⁵ Ofcom, 2020. [Small Screen: Big Debate – a five-year review of Public Service Broadcasting](#) (2014-18), p.47. Source: Ofcom analysis of broadcaster data.

⁴⁶ BARB, includes time-shifted viewing +7 days.

⁴⁷ BBC, 2020. [BBC Annual Report 2019/20](#), p.11 and BARB, 2020. [The Viewing Report: May 2020](#), p.19.

⁴⁸ Ofcom, July 2020. [Public Service Broadcasting: omnibus survey findings](#), p.4

“It might sound cheesy, but it does kind of bring us together, as a family, or as a country, whatever shows are on there... there’s more things that are British that we can relate to.” **Male, 22-24, St Albans**

“I think it’s maybe it is a sense of community again, like talking about all these things in work or with friends, or even like strangers like you’ve got something in common straightaway” **Female, 22-24, Glasgow**

- 3.12 Alongside the personal value which audiences derive from these most popular shows, people we spoke to readily identified the ability of public service broadcasting to bring audiences together across the country. The fact that the most popular shows like *Gavin and Stacey* or *I’m a Celebrity...* were watched by people all over the UK at the same time made them feel like events in themselves. The value of these shared experiences has been felt particularly strongly during the coronavirus pandemic. In September 2020, 18% of people identified “programmes that bring the nation together for a shared viewing experience” as a key societal benefit of public service programming.⁴⁹ This included shows like *This Morning* and *The One Show* whose formats were required to adapt as a result of the crisis, offering comfort to viewers whose own lives had been significantly affected.

“[PSBs] are the unifying channels that everyone watches.” **Female, 22-24, Aberystwyth**

“There’s just something nice about watching it live... because everyone is watching it... I don’t get that excited about watching a series on Netflix because I can watch it any time” **Female, 25-39, Belfast**

“The programme that I was watching in the morning on BBC One... I think it did make you kind of unite as you know we were all in it together.” **Female, 40-59, Birmingham**

Public service broadcasting reflects the diversity of the UK’s nations and regions

- 3.13 The PSBs continue to be the largest investors in new UK-made content for UK audiences. As well as contributing to the creative economy, which we discuss below, this contributes to the country’s culture in a way that viewers still value highly. 72% of the people surveyed in our 2019 PSB tracker study considered it important that public service broadcasting “shows new programmes made in the UK”.⁵⁰
- 3.14 Many of the people we spoke to highlighted the value they attach to content which feels authentic to their own experience of living in the UK. Public service broadcasting produced programmes like *This Country*, *The Inbetweeners* and *White House Farm* which were appreciated as being genuine and relatable, in a way that many programmes on alternative services were not. When we asked people in September 2020 to compare PSB and

⁴⁹ Ofcom, December 2020. [Public service broadcasting: quantitative research findings](#), p.7.

⁵⁰ Ofcom PSB tracker 2019.

streaming services, 65% of those who use both felt PSBs were better than streaming services at “providing programmes which reflect UK life and values”.⁵¹

“Netflix is easy, when I want a quick show I can watch it and then it's done, like chicken nuggets... The main channels you have shows like *Gavin and Stacey*, where it's like a hot meal and you're going to get that enjoyment.” **Female, 22-24, Abergavenny**

- 3.15 Soap operas make a particularly significant contribution in representing the UK back to itself. In 2019, the PSBs spent £304m on them,⁵² investing heavily in UK production with shows like *Emmerdale*, *River City* and *Hollyoaks*. *Coronation Street* and *EastEnders* continue to be among the popular shows on broadcast TV. They attract huge audiences of all ages, tackling some of the most challenging societal issues such as domestic abuse, addiction and most recently, the Covid pandemic.
- 3.16 Unlike other content providers, public service channels face obligations on both the volume of, and spending on programmes produced in different parts of the UK. As a result, the proportion of broadcasting hours and spending outside of London has risen in the last decade. In 2019, 48% of total spending on new programmes by PSBs was allocated to areas outside London, compared to 38% in 2010. The volume of content qualifying as being made outside London also increased over this period from 39% to 51%.⁵³
- 3.17 The geographic spread in PSB production required by the regulatory framework helps to encourage a range of programmes showing different parts of the UK, which was viewed as important by 69% of people surveyed for the PSB Tracker in 2019.⁵⁴ *Gavin and Stacey*, *Derry Girls* and *Still Game* were each among the most watched programmes that year in the nations where they were set, with many people we spoke to in our research expressing pride in seeing their own area represented.

⁵¹ Ofcom, December 2020. [Public service broadcasting: quantitative research findings](#), p.2.

⁵² Ofcom analysis of broadcaster data.

⁵³ Ofcom analysis of qualifying broadcaster data submitted in relation to the Made-out-of-London regulations. See the [Ofcom website](#) for more information.

⁵⁴ Ofcom PSB Tracker 2019.

“It is always nice to watch a British programme because they are close to home and they are from a different point of view that you can relate to.” **Male, 22-24, Leeds**

“I think the whole style I just enjoy more... Even just the language, the way things are presented, I don’t know it’s just an almost kind of homely feeling that you get around it that you might not necessarily get to recognise through a big American production. Maybe it just feels a bit more rustic and real...” **Female, 25-39, Belfast**

Vulnerable groups and those who don’t have access to the internet are able to enjoy a broad range of information and entertainment, through public service broadcasting

- 3.18 Broadcast TV continues to be the most popular way for audiences to watch content. Even as viewing behaviour changes, with increasing numbers watching on a variety of different devices, around 85% of people continue to watch broadcast content every week and we expect digital terrestrial broadcasting to continue to play a significant role for at least the next decade.⁵⁵ Different audiences are embracing new technology at different speeds. Ofcom’s research suggests that around one in eight adults (13%) do not use the internet at home. This includes not only older people, but also 15% of working-age adults in the lowest (DE) socio-economic groups.⁵⁶ Those without regular internet access, or the confidence to use the necessary technologies, may be excluded from online content.
- 3.19 Well-resourced and high quality PSB channels lie at the “core” of free-to-view television used by millions,⁵⁷ including 1.5 million homes, 5.3% of the UK total, that do not have access to pay-TV, subscription streaming services, home broadband or smartphones.⁵⁸ The risk that vulnerable groups, including elderly and disabled audiences, might lose access to a range of informative and entertaining content without public service broadcasting, was highlighted both in our audience research and by speakers at our [Small Screen: Big Debate conference](#):

⁵⁵ BARB, Total TV, all individuals (4+). Reach criteria is 15+ minutes.

⁵⁶ Ofcom Technology Tracker 2020.

⁵⁷ Digital UK, 2020. [Submission to the Digital Media and Sport Committee Inquiry into the future of public service broadcasting](#), p.1

⁵⁸ BARB Establishment Survey Q3 2020.

“It’s company for me because I am on my own.” **Male, 60+, Swansea**

“Everything is moving online and become digitised – if we lost these main channels it would really isolate and leave behind an older group of people” **Female, 22-24, Leeds**

“I’m also conscious that, whilst a large proportion of the population has access to Sky and to Netflix and to Amazon and Disney, there is still quite a significant proportion that doesn’t, and that relies on Freeview. And therefore the importance that public service broadcasters play in providing entertainment, as well as education and information, remains still very, very strong.” **Rt Hon John Whittingdale OBE MP, Small Screen: Big Debate Conference**

Public service broadcasting underpins the UK’s creative economy

3.20 The UK TV production sector is diverse, competitive and internationally successful. Commissioning spending has increased from around £2.6bn in 2004 to between £4.5bn and £5bn in 2018.⁵⁹ These shows also earn valuable export revenue (UK TV exports were £1.48bn in 2019-20),⁶⁰ and showcase the UK, with PSB commissioned programmes playing a leading role in projecting the UK positively across the globe.

“The UK’s global strength is rooted in its PSBs’ track record of producing distinctly British content that is loved by audiences around the world.” **Heaton Dyer, CBC/Radio Canada**

3.21 In 2004, the PSBs accounted for around 87% of all UK commissions, with more than half of content produced in-house.⁶¹ While PSBs now only commission slightly more than half of all programmes made in the UK in spending terms,⁶² this is largely due to a significant increase in international and UK multichannel spending.⁶³ For example, independent producers have increased international commissioning revenues from around £160m in 2008 to nearly £1bn in 2019 (an 18% year on year average growth rate)⁶⁴ and UK multichannel spending has more than tripled since 2004.⁶⁵

⁵⁹ Ofcom (2006) estimated first-run commissioning spend on UK productions to be about £2.6bn in 2004. Using Ofcom spend data on the PSB network, regional, and portfolio channels, Enders Analysis estimates of SVOD spend, and COBA estimates of multichannel spend we estimate first-run commissioning spend on UK productions was between £4.5bn and £5bn in 2018.

⁶⁰ 3Vision, 2020. [Pact UK TV Export Report 2019-20](#). Slide 3.

⁶¹ Ofcom, 2006. [Review of the television production sector consultation](#), p.19 and p.48.

⁶² This share is intended to be indicative only and estimated based on the total commissioning value of UK productions described in footnote 59.

⁶³ PSB spending has been slowly decreasing in real terms by 2% per annum from its peak in 2006 to 2019, largely due to real decreases in licence fee income and pressures on advertising revenues.

⁶⁴ [Pact census 2020](#), p.10.

⁶⁵ Ofcom estimated UK multichannel spend on UK primary commissions to be 123m in total in 2004. Source: Ofcom, 2006. [Review of the television production sector consultation](#), p.48. Pact estimates UK multichannel spend on primary commissions reached £390m in 2019. [Pact census 2020](#), p.16.

“I am attracted to the UK because of the talent, the creative industries, the skills that we have here. The facilities and infrastructure we have are attractive. I think UK creatives continually punch above their weight.” **Georgia Brown, Director of European Originals at Amazon Studios, oral evidence given to the DCMS Select Committee’s inquiry into The Future of Public Service Broadcasting**

- 3.22 Public service broadcasters still spend about £2.8bn each year on new UK programmes and remain the largest commissioners of UK content.⁶⁶ Since 2004, the framework under which standard terms of trade are agreed by each public service broadcaster with PACT (the independent producers’ trade body) has meant that when the PSBs commission content, the underlying rights generally remain with the independent producer. If programmes are successful, this can give production companies a valuable income source and is in contrast to streaming services, from which producers often receive greater upfront payments instead of secondary rights.⁶⁷ In addition, the stable level of investment from PSBs, secured in large part through the regulatory structure, has enabled not only the growth of a creative independent production sector, but also a highly skilled workforce that is a key factor in attracting international investment.

“The UK PSBs and the terms of trade have helped the UK production sector to grow its revenues and become a powerhouse globally. This has driven a virtuous circle in terms of talent, attracting more investment.” **Media expert from a multinational media company**

“The PSBs are the backbone of the screen industries, creative industries, everywhere in the UK.” **Richard Williams, Northern Ireland Screen**

- 3.23 The benefits of that content investment have been shared across the nations and regions of the UK. In 2019, almost half (48%) of spend by PSBs was outside of London (up from 38% in 2009)⁶⁸ and they made up 61% (c.£600m) of commissioning revenue for independent producers in these areas.⁶⁹ While other broadcasters and streaming services have also commissioned some programmes outside of the capital, there is no obligation on them to keep doing so in future. Some major players are investing in their own studio facilities, mostly located in the South East of England.⁷⁰
- 3.24 In addition, PSBs are required to ensure 25% of their original programming is made by qualifying UK independent producers.⁷¹ The BBC and Channel 4 alone worked with 354 and 274 respectively last year. As discussed above, the PSBs commission across a broad range

⁶⁶ Ofcom analysis of broadcaster data. The main PSB channels invested £2.5bn in first-run UK originations in 2019. In addition, the BBC, ITV and STV spent £316m on first-run UK content in the nations and regions.

⁶⁷ Mediatique report for Ofcom, October 2020. [State of the markets in which BBC Studios operates](#), footnote 102.

⁶⁸ Ofcom analysis of qualifying broadcaster spend data submitted in relation to the Made-out-of-London regulations. See the [Ofcom website](#) for more information.

⁶⁹ Ofcom analysis of broadcaster data; [Pact census 2020, Nations and Regions Annex](#), p.4, p.7.

⁷⁰ Sky has made a significant investment in Studio space in Elstree, Netflix is creating a UK production hub in Shepperton and Pinewood Studios in Buckinghamshire has a long-term contract with Disney.

⁷¹ See Annex 8: [PSB regulatory framework](#), paragraphs A8.24-A8.25.

of genres, helping new voices and talent to emerge. We estimate that the majority of money spent on UK commissioned programmes is now with the independent sector.⁷²

Universality will still be necessary to deliver the benefits of public service broadcasting in future

- 3.25 This analysis suggests that PSB can continue to provide valuable benefits to people and to society for years to come. The huge growth in new sources of content for UK viewers is providing more choice than ever before, but the balance of programming, and the distribution of activity across the country, means it does not bring the same public policy benefits as the provision of the PSBs.
- 3.26 The discussions we have had as part of *Small Screen: Big Debate*, have shown a broad consensus that universality – the ability of people of all backgrounds to access content which is valuable to them, through which they are connected to others across the UK – remains a vital component of public service delivery. We consider there are essentially three aspects to universality – availability, relevance and public accountability – which will continue to lie at the heart of effective PSB for the next decade.
- 3.27 It is clear many of the key societal benefits of PSB derive from the fact that essentially all citizens are able to receive PSB via commonly available technology. This ensures not only that everyone has ready access to a reliable source of news and information, but also to a range of differing opinions and cultural experiences of life in the UK. This was identified as crucial to PSB by both the industry stakeholders we have spoken to during this review and the audiences we met during our research. Younger age groups in particular saw the provision of “services that are available to all” as a high priority,⁷³ a point brought home to many by the lockdown period in spring/summer 2020.⁷⁴

“I think it has been really important that there has been some media that everyone has been able to access, because [of] everything that has been taken away.”

Female, 22-24, Aberdeen

“I don’t know where I’d be if I didn’t have [PSB] TV now... it just seems like a morale booster, a sense of normality.” **Female, 25-39, Belfast**

- 3.28 Availability by itself is not sufficient. If PSB is to connect with all, content must be sufficiently attractive to everyone. Our research is clear that the PSB system needs to produce a large amount of high quality and diverse UK content, which is authentic and meaningful to audiences. High levels of personal engagement are crucial in ensuring that public service broadcasting continues to deliver its objectives across generations and

⁷² Ofcom estimates – see Annex 7, [The role of PSBs in the UK TV production sector](#), paragraphs A7.24-A7.27.

⁷³ Ofcom July 2020, [Public Service Broadcasting: omnibus survey findings](#), p.5; Ofcom, December 2020. [Public service broadcasting: quantitative research findings](#), p.7. In our research *services which are available to everyone* were seen as high priority for society, with one in five (20% in March, 19% in September) placing this in their top three out of a list of 15 potential PSB benefits.

⁷⁴ Jigsaw research report for Ofcom, December 2020. [The impact of lockdown on audiences’ relationship with PSB](#), p.14.

backgrounds and it is therefore important, as we discuss in section 5, that the right features are in place to make this possible.

“It’s got to be available for everyone. It’s been such an important feature of my life – I use it for entertainment, I use it for education, I use it for information.” – **Male, 60+, Swansea**

“I just feel alone on Netflix, because it is escapism and then when I am on the normal channels I feel like I am part of a community because I am watching real people do real things, I am learning stuff, my brain is going.” **Female, 25-39, Swansea**

- 3.29 The benefits of universal availability and reach are further reinforced by the fact that a PSB system is one in which everyone has a stake. The provision of PSB comes at a cost and relies on a direct or indirect financial contribution from everyone in the country. This helps to ensure that audiences are treated not only as individual customers, but as members of a diverse society to which, through the delivery of its purposes, public service broadcasting contributes and helps to support. This unique aspect of public service broadcasting was highlighted by a number of the international experts we spoke to for this review.

“PSBs operate in a mission driven way. Whether they are commercially funded or publicly funded, there is a higher sense of purpose and mission, which ultimately leads PSBs to make decisions around how to serve audiences best” **Heaton Dyer, CBC/Radio-Canada**

“Media usage is so fragmented that there are fewer things that bind people together. Public service media can bind people together to create shared experiences and traditions.” – **Ulrika Von Celsing, Sveriges Television**⁷⁵

- 3.30 However, the challenges to public service broadcasting are increasing. An ever-broader range of providers are producing high quality content that can inform, educate and entertain audiences. People are increasingly willing to pay for access to some material. As the former Director-General of the BBC, Mark Thompson explained at our Small Screen: Big Debate virtual conference in October 2020,

“I think that we’re heading, hurtling towards a post-broadcast world... the fundamental need for collective, universally-funded, high-quality news and culture and education and so on is as great as ever, but it’s no longer really going to be broadcasting.”

- 3.31 The universality of PSB in the future cannot be taken for granted.

⁷⁵ EY report for Ofcom, 2020. [International perspectives on public service broadcasting](#), p.17; p.15.

4. Technology and global competition are driving the need for change

Summary:

- Technological developments have led to a greater range of services competing for audience's attention. These new services tend to be online and are often global in scale.
- The public service broadcasting system, which was founded on broadcast TV, is now operating in a much more competitive global environment.
- This has had an impact on the content business model and the negotiating power of the public service broadcasters, on viewers' expectations and behaviours, and on the financial stability of the broadcast sector.
- Collectively, this presents challenges which may threaten the public service broadcasting system's ability to continue to thrive in the future.

A wealth of new services now compete for viewers' attention

- 4.1 Over the past two decades, technology has enabled content to be distributed in new ways. Innovations such as digital terrestrial television introduced new TV channels, while the introduction of personal video recorders such as Sky+ meant that audiences were no longer constrained by broadcast TV schedules, giving them much more choice and flexibility in what they watched and when.⁷⁶ Subsequently, faster broadband has enabled access to content beyond broadcast TV channels on TV sets, delivering services over the internet and in direct competition with traditional broadcasters. Many households now have connected television sets, either through owning a smart TV set or by using another device such as a streaming stick or games console.⁷⁷ As a result, half of all viewing to non-broadcast video content now happens via a TV set.⁷⁸
- 4.2 Faster broadband has enabled the launch of a wealth of on-demand global subscription services in the UK, such as Netflix, Amazon Prime, Now TV, Apple TV and Disney+. In the third quarter of 2020, 60% of homes (17 million) subscribed to at least one SVoD service.⁷⁹ In addition, online video sharing platforms have made further new content available, often free at the point of use, with an estimated 10 billion videos on YouTube alone.⁸⁰

⁷⁶ 17% of households had a digital video recorder in 2007 compared to 50% of households in 2020. Ofcom Technology Tracker 2007 and 2020.

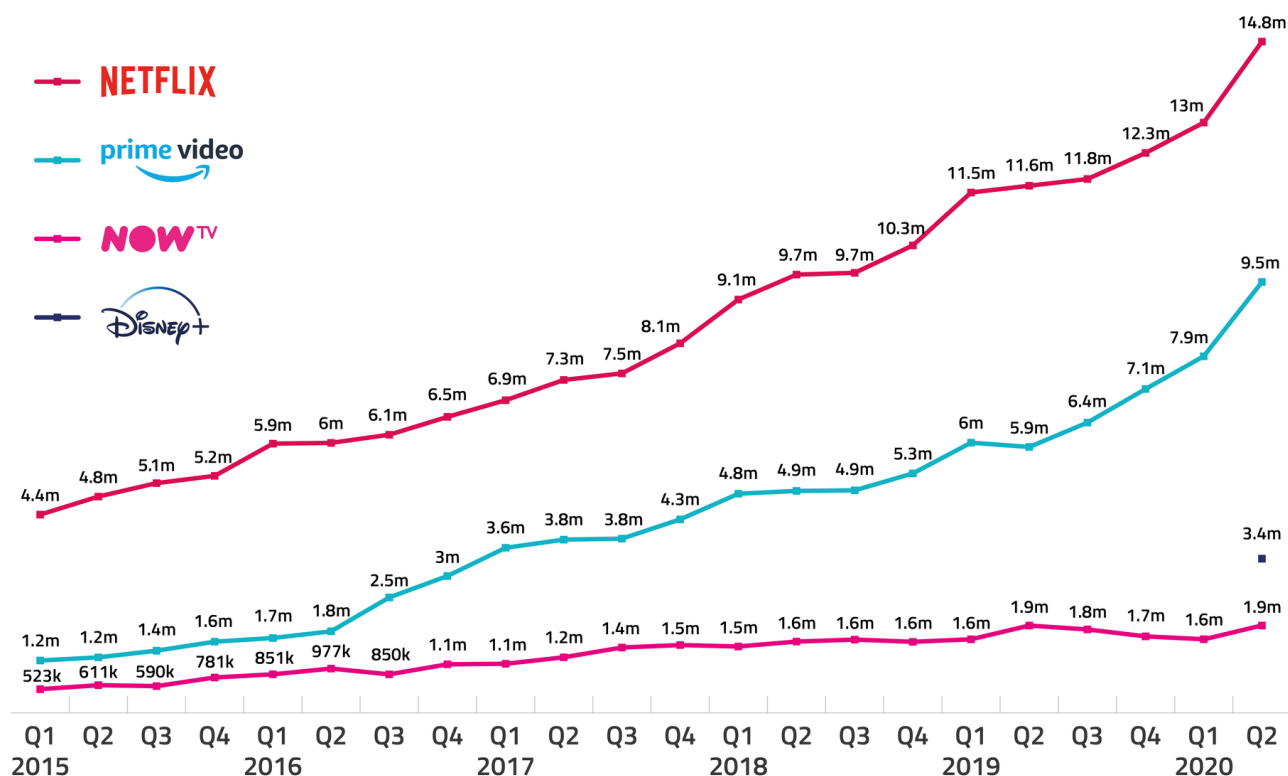
⁷⁷ 63% of households have a TV connected to the internet (that is their TV is either a Smart TV connected to the internet or a TV connected to the internet in another way e.g. via a streaming stick). Ofcom Technology Tracker 2020.

⁷⁸ Ofcom modelling (BARB, TouchPoints, Comscore), 2019. 'Non-broadcast video content' includes viewing to SVoDs, YouTube, DVDs, gaming and video content on social platforms such as Facebook. It excludes viewing to live TV, recorded TV and BVoDs.

⁷⁹ BARB Establishment Survey.

⁸⁰ Ofcom, 2019. [Media Nations: UK](#), p.11.

Figure 6: Number of UK SVoD Households, 2015-2020



Source: BARB Establishment Survey

Technological developments have also changed the ways in which audiences consume audio content

4.3 Digital listening has provided opportunities for many more stations to reach national audiences, while the internet has seen the launch of a huge array of on-demand and streaming services such as Apple Music and Spotify. On-demand listening is not just characterised by services focused on music; a wide range of organisations now create and distribute their own speech-based podcast content as well, which have been growing rapidly in popularity.

Technology is driving change across the sector

4.4 The PSBs are now operating in an increasingly global and online environment. As a result, their rivals are much larger in terms of their size and scale and have greater financial resources. This competition has brought significant benefits to audiences and has also changed the way in which the market operates and the PSBs' place within it.

4.5 The ability of these new players in the market to invest significantly in both their platforms and in new content, affects audience expectations and the dynamics of the production sector. They are able to offer their customers easy-to-use and intelligent, personalised user interfaces and tailored content recommendations, and have built strong relationships with audiences as a result of this. They are also able to offer their subscribers vast content libraries, increasing the choice available to consumers. In the audiovisual market, the

catalogues of Netflix and Amazon are largely designed to appeal to global audiences, but they are increasingly investing in high-quality UK-originated content as well.

- 4.6 This investment in UK content has provided welcome additional revenue for the UK's creative economies. However, at the same time, the cost of producing programmes appears to be increasing, particularly in genres such as drama, further impacting on the traditional broadcasters. This is likely as a result of the large budgets of these new players and the increase in demand for both talent and studio space, inflating tariffs.

“The average budget per hour for Channel 4’s commissioned drama was £1.5m in 2017 compared to £725k in 2013 (real terms). This is an increase of over 100%. This is particularly driven by an increase in costs of production crew, as a result of increased demand and high tariffs from other content producers.” **Channel 4 written response to the House of Lords Communications Committee inquiry on Public service broadcasting in the age of video on-demand**

- 4.7 These new players have had profound impacts on the commercial dynamics of media markets. Due to their scale and global appeal, content providers like Netflix and tech companies such as Google, Apple and Amazon have a stronger negotiating position and ability to influence than the public service broadcasters. Services like Netflix are able to strike worldwide deals to ensure their content is in favourable positions across a wide range of TV platforms, while the PSBs can find it difficult to secure similar terms.
- 4.8 Ofcom commissioned a report from media consultancy Mediatique to look into these commercial developments in more detail, including the value chains within the connected TV market. Mediatique believes that no PSB, with the exception of the BBC, has the ‘must have’ characteristics that are associated with leverage and bargaining power in relation to the global content aggregators.⁸¹ Whilst the PSBs may collectively have value in the UK, Mediatique believes that this is likely to diminish over time as these large global players continue to grow in scale.
- 4.9 However, despite this rapid technological evolution, the current PSB system and regulatory regime⁸² has seen little change since 2003 and remains focused on traditional broadcast television. The framework was created at a time before most of these developments had taken place and does not take into account the dynamics of the market in which the PSBs now operate. Without regulatory intervention, the challenges facing PSBs in this area may become acute.

⁸¹ Mediatique report for Ofcom, August 2020. [Connected TV gateways: review of market dynamics](#), p.42.

⁸² The legislative framework for PSB is described in Annex 8: [PSB regulatory framework](#).

“Audience behaviour and the technology around broadcasting has changed beyond all recognition. And somehow or other, to me the really big and troubling thing is that that policy framework is yet to catch up” **Mark Thompson, Small Screen: Big Debate virtual conference**

- 4.10 The PSBs themselves have been calling for the regulatory framework to be reformed to allow them to compete on a level playing field with global, online players. They highlight the risks to the PSB system if audiences lose opportunities to discover PSB content on aggregator platforms or don’t know where this content has come from.
- 4.11 Other platforms and content providers are more sceptical about how much change is needed specifically to support PSB. Commercial broadcasters in particular believe that any changes should not disproportionately disadvantage them. They face many of the same challenges as PSBs and play an important role in the market, adding to the plurality of content for UK audiences and bringing important additional investment into the UK’s creative economies. We discuss our proposals for how the regulatory framework could change in section 5.

“Our main concern is that measures should not be recommended in Ofcom’s PSB Review to support PSBs that would damage the ability of others to invest.” **COBA, Written response to the DCMS Select Committee’s inquiry into The Future of Public Service Broadcasting**

A public service broadcasting system founded on broadcast television now faces challenges in reaching and connecting with audiences

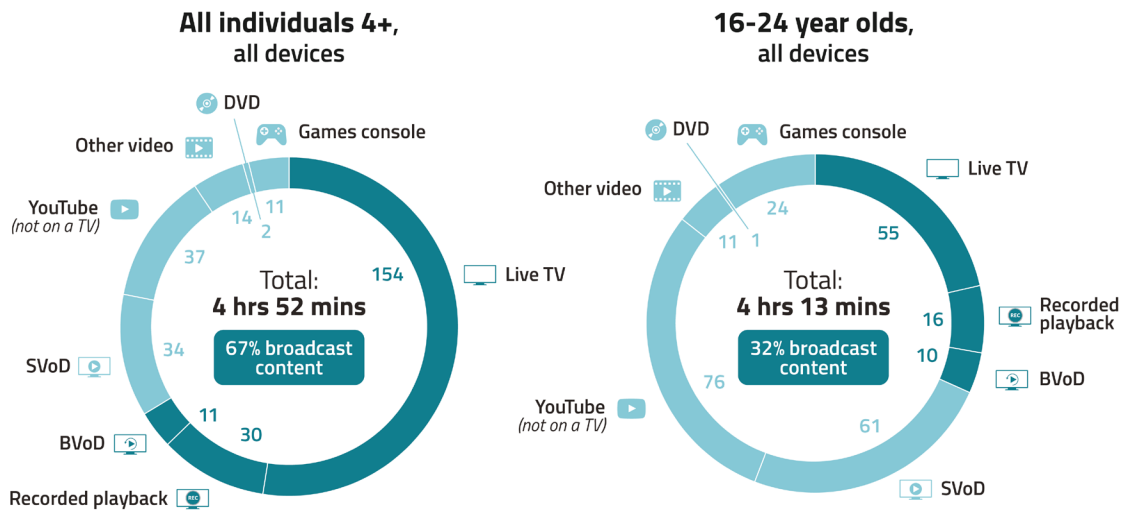
The increased competition for viewers’ attention has led to a reduction in broadcast viewing

- 4.12 In addition to the commercial challenges of negotiating in ever more global markets, UK broadcasters face increasing difficulty competing for audiences’ time, as choice increases.
- 4.13 Viewers - no longer bound by television schedules or television sets - are increasingly getting their content from a range of different providers and platforms. Overall, broadcast TV viewing has been steadily declining, from 3 hours, 41 minutes in 2014 to 3 hours, 3 minutes in 2019. This trend in declining broadcast TV viewing is most prominent among younger audiences. For those in the 16-34 age group, there was a 1 hour 6 minutes decline in daily TV viewing between 2014 and 2019.⁸³
- 4.14 In place of live broadcast TV, viewers are spending more time watching subscription on-demand and online services. For audiences aged between 16 and 24, these online services

⁸³ BARB. Individuals age 4+; individuals aged 16-34. Consolidated broadcast viewing up to 7 days. Measured as content which is viewed at the time of broadcast or within seven days afterwards on a TV set.

form a major part of total video viewing. They spent, on average, more than an hour a day on YouTube, and 61 minutes on SVoD services like Netflix last year. Similarly, in the audio market, live listening to a radio set accounted for just 24% of audio time in 2020 for listeners aged 15-24, as more of their time is now spent on music streaming services.⁸⁴

Figure 7: Total video viewing per person, per day – All viewers 4+ and aged 16-24 (2019)



Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data

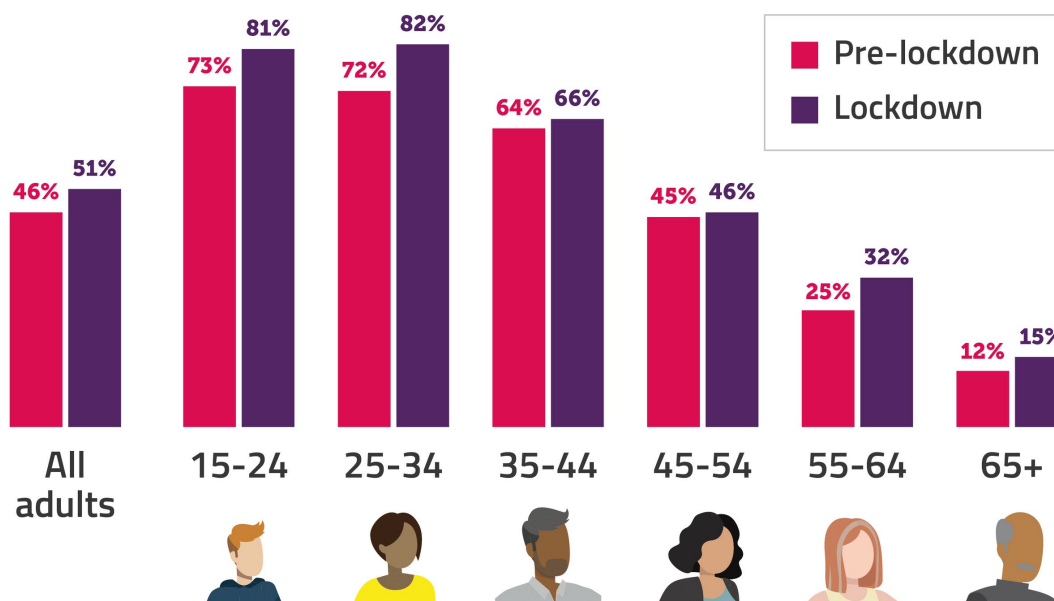
- 4.15 Changes in audience habits reflect the positive impact of having so much choice of content and services. These consumption habits are likely to accelerate. Indeed, in 2019, 43% of SVoD users said they can imagine not watching broadcast TV at all in five years’ time.⁸⁵
- 4.16 The coronavirus pandemic led to an initial spike in broadcast television viewing in March and early April, driven by increased news viewing. But the pandemic now appears to be accelerating the growth in viewing of online video, with older audiences migrating faster than previously forecast. The higher adoption of SVoD services looks set to continue with the vast majority of SVoD subscribers saying they intend to keep them, and more than half of people saying they intend to continue watching the same amount of streamed content in future as they did during lockdown.⁸⁶

⁸⁴ TouchPoints.

⁸⁵ Ampere Analysis Consumer, Q1 2019, UK, age: 18-65, online respondents.

⁸⁶ Ipsos Streaming360 online survey (5,000 UK adults 18+), 2020. See Ofcom, 2020. [Media Nations Report](#), p.22.

Figure 8: Reach of SVoD services, by age demographics: pre-lockdown and during lockdown, 2020



Source: TouchPoints 2020 pre-lockdown (15 January-23 March 2020) vs lockdown (24 March-16 April 2020). GB adults 15+

This has affected viewers’ relationships with the public service broadcasters and their attitudes towards them, especially for younger audiences

- 4.17 For audiences in general, satisfaction with PSB remains relatively high. However, this varies by audience group, and has started to fall slightly. Our PSB Tracker research has shown that over the last five years satisfaction with the PSBs has decreased from 79% claiming to be satisfied in 2014 to 73% in 2019. Audiences in Scotland (68%) tend to be less satisfied with the PSBs than those in the other UK nations (Northern Ireland 76%, Wales 75% and England 73%). Viewers from minority ethnic groups are also less satisfied than other viewers (68% compared to 74%).⁸⁷
- 4.18 Given younger audiences’ consumption habits have changed so starkly in recent years, it is not surprising that one of the main findings from our Small Screen: Big Debate qualitative research was that they lack the same depth of relationship with the PSBs as older generations.⁸⁸ While younger people recognise and value the important role PSB plays in society, some struggled to see the personal value they get from these channels and

⁸⁷ Ofcom PSB Tracker. For 2014-2019 data, see [Ofcom, 2020. Small Screen: Big Debate – a five-year review of Public Service Broadcasting \(2014-18\) interactive data report](#).

⁸⁸ Jigsaw audience research for Ofcom, July 2020. [An exploration of people’s relationship with PSB, with a particular focus on the views of young people](#), p.9.

services.⁸⁹ Recognition of the PSB brands and their content is also lower among the youngest viewers.⁹⁰

Traditional broadcasters have been responding to these changes in the market

4.19 Although these trends are accelerating, they are not new. All broadcasters – including the PSBs – are already responding and continue to develop and implement strategies to shift their services online.

There has been an increase in sourcing third-party funding to cover programming costs

4.20 In light of the increasing programming costs driven by new players in the market, traditional broadcasters have increasingly looked to third-party sources to share the costs of content production. This has included broadcasters such as the PSBs and Sky working together as well as with global content providers to co-produce programmes. Third-party spend on first-run PSB content (including co-productions, deficit financing and high-end TV tax credit relief) reached a record of £549m in 2019, and has more than doubled from £269m in 2014. Typically, third-party funding tends to be available for a limited range of genres, with drama being the genre which accounted for the greatest proportion of third-party spend in 2019 (68%).⁹¹

The launch and development of on-demand services have sought to capture audiences who have migrated online

4.21 Given changing audience needs and the transition to online viewing, traditional broadcasters have been evolving their content and distribution. Many are increasingly focusing on how they can meet audience needs not only via live broadcast TV, but also online.

4.22 When audiences first started to migrate online over a decade ago, each PSB launched its own on-demand service – BBC iPlayer for television and BBC Sounds for audio (previously BBC iPlayer Radio); ITV Hub; All 4 (previously 4OD); My5 (previously 5 on-demand); STV Player; and S4C's Clic. These began as catch-up services, providing content previously shown on broadcast TV schedules. But in more recent years, these services have developed further and most PSBs have sought to make them destinations in their own right.

4.23 Ofcom approved the BBC's request to increase the amount of content available on BBC iPlayer in August 2019⁹² and the BBC has since been adding more content to the platform, alongside updating its features and user interface. Programmes are now available to watch for at least 12 months; there is a wider selection of series boxsets; and in many cases, all

⁸⁹ Jigsaw audience research for Ofcom, July 2020. [An exploration of people's relationship with PSB, with a particular focus on the views of young people](#), p.9.

⁹⁰ Jigsaw audience research for Ofcom, July 2020. [An exploration of people's relationship with PSB, with a particular focus on the views of young people](#), p.27.

⁹¹ Source: Ofcom/broadcasters. Note: figures are expressed in real terms.

⁹² Ofcom, August 2019. [BBC iPlayer Competition Assessment: statement on Ofcom's final determination](#).

episodes for new series have been made available at the same time, resulting in 36% more hours available to view.⁹³ As a result, for the first time in 2019/20, growth in BBC iPlayer almost made up for the falls in broadcast TV viewing.⁹⁴

- 4.24 Other PSB players have also been improving their offerings. For example, ITV Hub grew its number of registered users by 9% to 32 million in the first half of 2020, reporting that this was supported by a process of continued improvement and investment which has included strengthening its content and enhancing the user experience with an extended catch-up window and a redesign of the user interface.⁹⁵ Similarly All 4 grew its number of registered users year-on-year by 13% to 22 million, and claims that 80% of all 16-34 year olds in the UK are now registered on the platform.⁹⁶ Channel 4 says it has increased its investment in the All 4 platform, made significant technical improvements, and that growth in viewing in 2019 came from both catch-up programming as well as archive programming.⁹⁷ Viewing to My5 also increased by 50% year-on-year.⁹⁸ As part of its strategy to drive more viewers to the platform, it has increased the range of content available including by partnering with third parties and striking content-sharing arrangements, such as with AMC Networks⁹⁹. It also carries Viacom CBS-owned Pluto TV.¹⁰⁰
- 4.25 Among the national PSBs, STV has also seen growth in its online viewing, reporting that September 2020 marked the platform's best performing month with 7 million streams, an increase of 99% on the previous year and total viewing up 88%.¹⁰¹ S4C announced that it has increased the number of subscribers to S4C Clic from fewer than 1000 at the end of 2018/19 to more than 100,000 at the end of March 2020. It attributed the increase to the improvements it has made to the functionality of the platform, the increased number of boxsets and amount of exclusive content now available, and the introduction of compulsory registration.¹⁰²
- 4.26 Outside of the PSB system, other traditional broadcasters and pay-TV platforms have also adapted their offerings. For example, Sky's Now TV service allows consumers to take out different monthly subscription packages to on-demand movies, entertainment and sports content. For its Pay-TV subscribers, it also offers the option of integrating consumers' Netflix accounts into the Sky Q platform.

The success and impact of these services has been mixed

- 4.27 As set out above, the PSBs' on-demand players have been growing in terms of their popularity and use. For some PSBs, these services have also provided them with additional revenues. In Channel 4's case, its digital revenues have grown from £82m in 2015 to

⁹³ BBC, 2020. [BBC Group Annual Report and Accounts 2019/20](#), p.25 and p.11.

⁹⁴ BBC, 2020. [BBC Group Annual Report and Accounts 2019/20](#), p.11.

⁹⁵ ITV plc, 2020. [Interim results for the period ending 30 June 2020](#), p. 1-2.

⁹⁶ Channel 4, 2020. [Channel Four Television Corporation Report and Financial Statements 2019](#), p.16 and p.14.

⁹⁷ Channel 4, 2020. [Channel Four Television Corporation Report and Financial Statements 2019](#), p.14 and p.29.

⁹⁸ Broadcast, 24 November 2020. [Maria Kyriacou sets out My5 focus](#).

⁹⁹ Broadcast, 1 October 2020. [AMC Networks shows head to My5](#).

¹⁰⁰ Broadcast, 27 June 2019. [My5 debuts trio of Pluto channels](#).

¹⁰¹ STV, 7 October 2020. [Strong ratings continue for STV and STV Player](#).

¹⁰² S4C, 24 September 2020. [Growth of S4C Clic – the message of channel's Chief Executive as Annual Report is published](#).

£163m in 2019. It also saw its digital revenues increase more year-on-year (£25m) than the decline in television and sponsorship revenues (-£19m) in 2019.¹⁰³

- 4.28 These services have not yet been able to offset the overall decline in PSBs' broadcast TV viewing over a longer time period. Between 2014 and 2019, average daily viewing per person to the main five PSB channels fell by 24 minutes; yet total BVoD viewing (which includes not only viewing to PSB on-demand content but also the on-demand content of other commercial broadcasters such as Sky), currently only accounts for a total of 11 minutes of an adult's daily viewing time.¹⁰⁴ We acknowledge that, given the increased choice viewers now have, some displacement in viewing from the PSBs is inevitable.
- 4.29 And these services have not resonated with audiences as well as PSBs might have hoped, particularly younger audiences. Our research shows that viewers are more likely to use them to catch-up on programmes than to browse and discover new content.¹⁰⁵ Nor are they seen as being able to compete with the functionality of the global streaming services. Netflix in particular is often perceived as the 'best-in-class', which has a large catalogue of content, and offers a more personalised and curated service and a user-interface that is easy to navigate. In contrast, our research found that the PSBs' on-demand players tend to be viewed as being 'for everyone'. Viewers therefore do not have confidence in the PSB services being able to recommend relevant content or new programmes to them. This can be particularly off-putting for younger users.¹⁰⁶

“They should just copy Netflix. On iPlayer and ITV Hub it is alphabetised and that is so much harder to find new things to watch, you do not go on there to browse. You would go on there to find something you already know about and you have to know the name, or you won't find it...” **Female, 25-39, Aberystwyth, Ofcom Audience Research**

- 4.30 Our research also found that having to visit multiple platforms to access public service broadcasting content creates a challenge for the PSBs in engaging people with their on-demand players. In contrast, one of the reasons audiences say they like services such as Netflix is that content is all in one place, including a lot of their favourite PSB content.¹⁰⁷

An ongoing focus online will be a key part of the public service broadcasters' future priorities

- 4.31 Taking all of the above into account, it is not surprising that the PSBs are putting even greater emphasis on their online platforms and business models. Channel 4, which already

¹⁰³ Figures expressed in nominal terms. Channel 4, 2019. [Channel 4 Annual Report and Accounts 2019](#), p 134.

¹⁰⁴ Ofcom modelling of audio video viewing using BARB, TouchPoints and Comscore data.

¹⁰⁵ Jigsaw audience research for Ofcom, July 2020. [An exploration of people's relationship with PSB, with a particular focus on the views of young people](#), p.37.

¹⁰⁶ Jigsaw audience research for Ofcom, July 2020. [An exploration of people's relationship with PSB, with a particular focus on the views of young people](#), p.37.

¹⁰⁷ Jigsaw audience research for Ofcom, July 2020. [An exploration of people's relationship with PSB, with a particular focus on the views of young people](#), p.9.

- has duties to deliver for audiences across all of its services including online,¹⁰⁸ recently announced its new Future 4 strategy. A key component of this strategy is “to transform Channel 4 into a digital PSB”. As part of this, it has set new targets that it aims to achieve by 2025 including: doubling viewing to All 4; digital advertising to account for at least 30% of total revenue; and non-advertising to account for at least 10% of total revenue.¹⁰⁹
- 4.32 The BBC also recognises the need for change and Tim Davie, its Director-General, recently said it needs to focus more on reaching audiences in this fast moving world.¹¹⁰ In setting out his priorities, he said that accelerating digital transformation is essential to the BBC’s success and that the BBC’s online platforms “offer a big opportunity for us to connect deeper with audiences, helping them to find more, get information faster, and interact with us”.¹¹¹ In its Annual Plan for 2020/21, the BBC also said that its longer-term strategy is to develop a more multi-platform approach while shifting spend to BBC iPlayer to improve and grow its content availability and exclusivity, product developments, marketing and distribution. It also plans to continue growing BBC Sounds by evolving the user experience to make it easier to use and more personally relevant; innovating with new listening formats; developing new content; and incorporating third-party content.¹¹²
- 4.33 ITV has set out its ‘More Than TV’ strategy that aims to accelerate its digital transformation. The broadcaster is restructuring its Broadcast business to create a new Media and Entertainment Division to better reflect and serve changing viewing habits, as well as drive improvements in efficiency and reduce costs. It has also improved the design and functionality of the Hub and BritBox (a joint subscription on-demand player for archive content) has launched its first original commission, *Spitting Image*.
- 4.34 ViacomCBS has also set out its plans to enhance the My5 platform. Speaking at the Voice of the Listener and Viewer autumn conference, Maria Kyriacou said that it will become an “increasingly important delivery mechanism for Channel 5 content” over the next five years and that the platform, along with its other on-demand assets, will be a priority for the network.¹¹³
- 4.35 STV recently announced a significant increase in the amount of content that will be available on STV player, after ordering a wealth of new drama, sport, true crime and lifestyle titles from a range of distribution partners. This forms part of its strategy to focus on bolstering its STV Player-only offering. It has also reached a deal to extend the catch-up window on some network content, meaning some of the most successful shows will be available on the player for longer.¹¹⁴ S4C have recently invested in a new team of staff to develop its online services and said it would “continue to develop its digital strategy”.¹¹⁵

¹⁰⁸ See Annex 8: [PSB regulatory framework](#), paragraph A8.12.

¹⁰⁹ Channel 4, 2020. [Future 4](#).

¹¹⁰ BBC, 2020. [BBC Group Annual Report and Accounts 2019/20](#), p.8.

¹¹¹ BBC, 3 September 2020. [Tim Davie's introductory speech as BBC Director-General](#)

¹¹² BBC, May 2020. [Annual Plan 2020-21](#).

¹¹³ Broadcast Magazine, 24 November 2020. [Maria Kyriacou sets out My5 focus](#).

¹¹⁴ STV, 12 October 2020. [Over 250 hours of new content added to STV Player for autumn](#).

¹¹⁵ S4C, 24 September 2020. [Growth of S4C Clic – the message of channel’s Chief Executive as Annual Report is published](#).

“The important thing for us is that we’re not just a broadcaster. We need to in equal measure be, these days, a digital streamer; we need to be a producer; we need in our case, because we are small as you say, we need to break out from Scotland, whilst being proud of our heritage. We need to use the virtues of digital to be able to hit the whole of the UK.” **Simon Pitts, STV, Small Screen: Big Debate virtual conference**

The need to reach online audiences puts additional financial pressure on the system

- 4.36 The market disruption outlined above has already reduced the financial health of the current PSBs, both in terms of a downturn in the television advertising market for the commercial PSBs (which plays the most significant role in terms of revenue generation for them) alongside the reduction in licence fee revenue for the BBC.¹¹⁶
- 4.37 According to Mediatique in its report commissioned to look at possible future models for the delivery of public service broadcasting, live viewing will continue to decline as more people move away to online content consumption. Based on their estimates, the CAGR for broadcast TV net advertising revenues (real terms) is -2.1% between 2018 and 2024.¹¹⁷ There is a question about the extent to which the long-term decline in broadcast TV advertising revenue can be offset by increases in other sources of revenue. We discuss funding the future PSM system further in section 6.
- 4.38 While the current PSBs are working hard to adapt to the online world they now operate in, it is clear that they are going to need to invest more into the online sides of their businesses to be able to have the level of impact that is required to reach audiences and compete with the new players in the much larger market they now find themselves operating in.
- 4.39 This is difficult for the current PSBs to do when they still need to maintain investment in traditional broadcasting in order to serve all audiences, including those who continue to rely on broadcast television and to meet their PSB obligations which are currently focused on their broadcast TV services.

¹¹⁶ In real terms.

¹¹⁷ Mediatique report for Ofcom, 2020. [Future models for the delivery of public service broadcasting](#), p.31, Figure 26 (Total long-form viewing by type, in minutes) and Figure 27 (CAGR Revenue growth 2014-2024).

5. Proposals for a strong public service media system

Summary:

- A future public service media system will need four central features to be successful: a broad range of high-quality content that meets the needs of diverse audiences; widely available content that audiences can find easily; companies with sufficient scale to compete with global players and have broad appeal to audiences; and stable funding.
- To support these features the current regulatory framework urgently needs updating. This will require flexibility to support the evolution from a broadcast TV focused public service broadcasting to a public service media system.
- The new framework should support the delivery of public service media while also providing flexibility for public service media providers and holding them to account. As we recommended last year, the framework should also ensure public service media content remains prominent online.
- We also propose Government sets out new rules to ensure public service media content remains widely available online. We will be developing specific suggestions in this area as part of our final recommendations to Government.
- As well as proposals for Government to consider, where changes are within Ofcom's remit, we are considering whether there may be areas of the existing PSB regulation that can and should be updated.

A future public service media system will need certain features to thrive

- 5.1 As we discussed in section 2, a future framework must be based on a broader concept – Public Service Media or PSM – which more accurately reflects audience expectations. To maintain reach and relevance in the long term, and to continue to deliver the benefits set out in section 3, a future PSM system will need certain key features. Bringing together what we know about changes in the media sector, the enduring role of PSB within that competitive landscape and the strengths of PSB that audiences value, we believe these are as follows:
1. A broad range of high-quality content that meet the needs and interests of diverse audiences;
 2. Content that is widely available, and which audiences can find easily;
 3. Some companies with scale to compete and reach audiences;
 4. Financial stability to allow for innovation.

PSM feature 1: A broad range of high-quality content that meets the needs and interests of diverse audiences

- 5.2 The PSM system needs to be able to deliver a wide range of diverse and high quality, engaging and entertaining content, including but reaching beyond trusted and impartial news and current affairs, and which reflects the nations and regions of the UK. This content should appeal to audiences from a range of demographic groups, providing something for everyone and delivering societal benefits through shared experiences.
- 5.3 Investment in a thriving UK production sector comprised of PSB, commercial providers and both large and small independent producers from across the UK nations and regions, will best secure the production of this content. Continued diversity in what and how PSM is made will help to ensure content is made that represents the UK and tells its stories authentically. It will also help to encourage the economic benefits of the PSM system to be distributed effectively around the UK.

PSM feature 2: Content that is widely available, and which audiences can find easily

- 5.4 For at least the next decade, the PSM system will need to deliver for audiences who are still reliant on broadcast services. At the same time, it will also need to innovate to reach those audiences who prefer on-demand and streamed services.
- 5.5 PSM content, broadcast and online, should be made widely available and prominent to all audiences, so nobody is left behind, and everyone readily knows what PSM is available to them. The importance of guaranteed access to reliable and trusted information during times of uncertainty has been powerfully demonstrated during the coronavirus pandemic. Prominence helps to promote PSM so that audiences can benefit from the range of content provided.

PSM feature 3: Companies with scale to compete and reach audiences

- 5.6 The system needs to be underpinned by some organisations with size and scale and a broad range of content, to be able to attract audiences, across broadcast and online services, and compete in an increasingly competitive and global market. In a report which we commissioned for this review,¹¹⁸ Mediatique described how scale and recognised brands can help to strengthen PSB negotiating positions with digital platforms. Scale is particularly important in relation to news where trusted brands are needed to counter online inaccuracies and misinformation. Recognised companies are important to build trust and cultural benefits. Different companies can achieve this, but it takes time and investment to build up relationships with broad sets of audiences. For example, Sky has built a highly trusted news service, but this is the only major TV alternative to the PSBs' news services in the UK.

¹¹⁸ Mediatique report for Ofcom, 2020. [Future models for the delivery of public service broadcasting](#).

- 5.7 Having multiple companies in the PSM system can provide a plurality of voices and a range of brands that can collectively appeal to all. Core PSM services provided by a few bigger companies could be supplemented by other providers, including smaller players with a narrower focus, or larger companies that focus only part of their business on PSM content.

PSM feature 4: Financial stability to allow for innovation

- 5.8 The PSM system also needs a funding model that provides reasonable stability. The UK’s creative economic success has been in part built upon the stability provided by the PSBs’ financial and regulatory framework. Stability supports long term and inward investment and can in turn maximise societal benefits such as developing skills and employment across the UK.

There is a clear and urgent need to overhaul the regulatory framework

- 5.9 Many of the changes needed to ensure that the PSM system is fit for the future require action from the PSBs themselves, working with others in the sector. We discuss these issues in section 6. However, as audiences continue to migrate online, the effectiveness of the regulatory framework is declining. The privileged access to spectrum and prominent positions on electronic programme guides (EPGs) provided by the system, and which once ensured the PSBs were able to reach all audiences, will become less valuable.
- 5.10 A new regulatory framework is necessary. It should continue to have audience interests at its heart, to support delivery across platforms, and be designed so it can readily adapt to market changes and be flexible enough to accommodate potentially broader reform of PSM delivery in the longer term.¹¹⁹

“The UK’s public service broadcasting system emerged over fifty years ago in a time of relative stability in the television sector and has evolved gradually. But the scale, scope and pace of change in the sector today require a fundamental review of that system to ensure that it remains appropriate for the 21st Century.” Sky, submission to the DCMS Future of PSB Inquiry, 2020

- 5.11 The challenges posed by creating a new regulatory framework for PSM are not unique to the UK. Other countries are also in the process of considering or introducing new regulations which are designed to support the making and online distribution of public interest content.
- 5.12 In Canada, the government has proposed a bill empowering the regulator to require online platforms to make financial contributions to support Canadian content, and to impose

¹¹⁹ The implementation of most of our proposals would require new legislation and so we have not carried out a full assessment of the impact of these proposals. In principle, we would expect our proposals to have a positive impact on UK citizens and consumers, including all equality groups, and on the broadcasting sector.

obligations on platforms to make sure that content can be found by audiences.¹²⁰ In Germany, state media authorities recently ratified broadcasting legislation introducing a “must be found” rule for certain kinds of public interest content on media platforms.¹²¹ The Australian regulator has proposed introducing codified mandatory minimum standards giving publishers more control over how their content is displayed on digital platforms. It has also proposed mandatory minimum standards to force Google and Facebook to share information on the data they collect about online news audiences with news publishers.¹²²

- 5.13 In France, the regulator required Google to negotiate with news publishers to agree a compensation mechanism for use of news content.¹²³ National copyright law has been amended in Germany and Spain to give news publishers more control over how their content is used online, including mandated compensation for publishers.¹²⁴

A new regulatory framework would support the aims of public service media

Setting the scope of the framework

- 5.14 The starting point for a new regulatory framework is to define the benefits and scope of what a future PSM system should provide for audiences. It is ultimately for Government and Parliament to determine this and to ensure the interests of audiences, as both consumers and citizens, are protected.
- 5.15 In the rest of this section we focus on how a new regulatory framework would support PSM delivery and ensure effective accountability.
- 5.16 Whatever the overall scale and scope of a future system, we think that there would be audience benefits in establishing a more ‘service neutral’ approach to PSM delivery and regulation. The framework could give flexibility to PSM providers to decide which services are best suited to deliver their obligations. This would be a change from the current system, where obligations are tied to specific television broadcasting services.
- 5.17 In terms of obligations, we consider that a combination of qualitative outcome focused requirements and some quotas may be most effective. Quantitative requirements designed for broadcast schedules do not necessarily translate well to the online world. Broadcasters and audiences would benefit from a more flexible framework.
- 5.18 To create a PSM framework that is more outcomes focused, potentially with less quantitative, service specific requirements, it will be crucial that it is underpinned with robust and transparent accountability measures. We propose that:

¹²⁰ Broadcasting and Telecommunications Legislative Review Panel, January 2020. [Canada’s Communication Future: Time to Act.](#)

¹²¹ Medienstaatsvertrag (MStV), April 2020, [Bayerische Staatskanzlei website](#). For a summary, see Lexology, 10 November 2020, [New German State Media Treaty enters into force.](#)

¹²² ACCC, 31 July 2020. [News Media and Digital Platforms Mandatory Bargaining Code Bill 2020: Exposure draft explanatory materials.](#)

¹²³ Politico, 8 October 2020. [French court sides with press publishers in Google licence fee stand-off.](#)

¹²⁴ Dame Frances Cairncross, February 2019. [The Cairncross Review: a sustainable future for journalism](#), p. 69-70.

- a) PSM providers should be required to set out their plans for delivering PSM publicly, agree appropriate and clear metrics, and report on the outcomes they achieve.
- b) Ofcom would monitor delivery and hold the PSM providers to account, with powers for us to step in and set specific requirements as necessary.

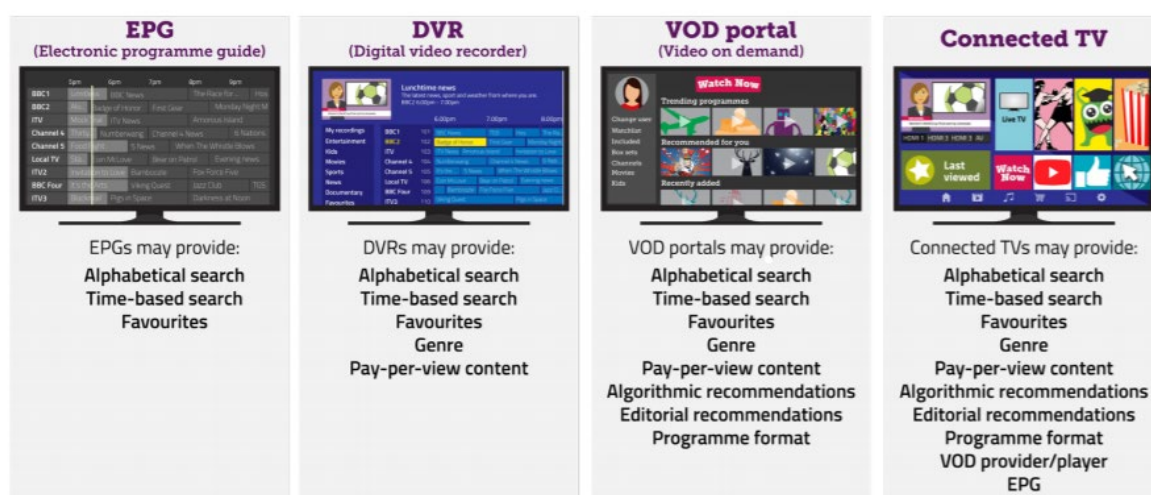
Consultation Question 1: Do you agree that a new regulatory framework for PSM delivery should support a more flexible ‘service neutral’ delivery approach that is more outcomes focused?

Consultation Question 2: Do you agree with our proposals for a clear accountability framework?

Ensuring public service media remains widely available and easy to find

5.19 All audiences should readily be able to find PSM and see the breadth of content available to them, in order to maximise its impact and value. Under the current PSB system this is achieved through rules on the prominence and availability of the PSB broadcast TV channels, but these rules do not extend to PSB content delivered on-demand. However, the line between broadcast TV and on-demand can seem increasingly blurred. Some ‘apps’ now include ‘live’ streams alongside on-demand programmes so viewers can move relatively seamlessly between them. Smart TVs and internet connected TV services can feature a mix of third-party apps and programmes, so the way audiences navigate and choose content is more varied than just via a TV guide (or ‘EPG’).

Figure 9: Different routes to content



5.20 Access to and prominence of the PSBs’ on-demand services on these newer platforms and devices is currently determined through negotiations, without any regulatory backstop. These negotiations are increasingly conducted at a multinational level, between global operators and suppliers. This reflects the changing dynamics not just in TV but in a range of other media markets too, including gaming, music and social media.

Ensuring public service media content remains prominent

5.21 In July 2019, we recommended that the government introduce legislation to ensure that existing PSBs' on-demand services and content – as well as their existing broadcast TV channels – were given prominence across connected TVs.¹²⁵ This would ensure that audiences can continue to benefit from expanded choice of services but not lose the benefits of having easy access to PSM. There are general benefits for audiences in choice and innovation in this market, so new rules would need to balance these considerations with ensuring PSM is given prominence. Alongside our PSB review, we are also taking a broader look at how these markets are developing and any policy issues arising.¹²⁶

Ensuring public service media content remains widely available

5.22 Building on our prominence recommendations, we set out here our emerging view on how a flexible framework for prominence should be supported by availability rules, to ensure that people can access PSM. This includes consideration of how PSM might be defined in the context of new regulatory requirements and benefits.

5.23 Online and on-demand services and content are more complex and diverse, and arguably harder to define, than broadcast channels. They can be provided as a broadcaster-specific player app, such as BBC iPlayer on a smart TV or pay-TV service, through to a short news clip on a social media feed. They are also underpinned by a more complex value chain, often with a number of different organisations retaining some control or interest in what is delivered to audiences.

5.24 Currently, the 'must offer / must carry' provisions in the Communications Act 2003 are designed to ensure that PSBs offer a version of their PSB channels for carriage on the major UK platforms (digital terrestrial television or DTT, such as Freeview; cable; and satellite), and that major platform providers must carry them¹²⁷. These regulatory measures support the availability of the PSB channels. Government stated in 2016 that this exchange should be on a 'net zero basis', and that neither the PSB nor the platform service materially gains from the carriage of the channels.¹²⁸

5.25 Negotiations between the PSBs and platforms on the supply of their on-demand services and content can cover a broad range of issues. These issues include prominence; access to audience data; measures to ensure that audiences correctly attribute content to PSBs; and, – for commercial PSBs, – access to advertising inventory and/or a proportion of advertising

¹²⁵ Ofcom, July 2019. [Review of prominence for public service broadcasting: Recommendations to Government for a new framework to keep PSB TV prominent in an online world](#). Our recommendations proposed that PSB content would be afforded prominence on TV services, like Sky and connected TVs, smart TVs and streaming sticks, used by a significant number of viewers as a main way of watching TV. This definition is proposed so it targets key services proportionately and allows for change as technology and viewing habits evolve.

¹²⁶ We commissioned an independent report and invited comment on how connected TV market is evolving: Mediatique report for Ofcom, 2020, [Connected TV gateways: review of market dynamics](#).

¹²⁷ See Annex: [PSB regulatory framework](#), A8.32 – A8.34 and A8.43 – A8.46.

¹²⁸ Department for Culture Media & Sport, 5 July 2016. [The balance of payments between television platforms and public service broadcaster's consultation report, Government Response](#).

revenue earned from online services.¹²⁹ The availability of a PSB player, or content from a player, can also involve significant technical development costs for both PSBs and platforms.

- 5.26 Some PSBs argue that they are finding it more difficult to secure traction with platforms. They say this makes them more vulnerable to the risk of their on-demand services not being carried, or carried on unfavourable terms. As an example, Amazon’s Fire TV standard terms require 30% of advertising revenue in return for favourable positioning on the platform.¹³⁰ However, some manufacturers and platform providers have argued that, while consumers now expect PSB content on-demand, they need to combine this with other content choices. They say PSBs’ terms can be inflexible and hard to align with multinational or global requirements.
- 5.27 Crucially, where terms cannot be agreed between a PSB and a platform provider, the on-demand service may no longer be made available on the platform. This can be commercially damaging for the platform provider or manufacturer and impede the PSB’s ability to fulfil its remit. Most importantly, it can be frustrating and confusing for audiences. There have been several examples of this occurring in recent years. These include LG’s 2020 TV models launching in the UK in April without any of the PSB VoD apps (BBC iPlayer, ITV Hub, All 4 and My5). While BBC iPlayer became available in August, the other PSB VoD players continued to be unavailable beyond this point.¹³¹
- 5.28 New rules designed to secure the availability of PSM would ensure audiences can access PSM content online and provide a greater degree of certainty for PSM providers, manufacturers and TV platforms regarding the terms under which PSM on-demand services are delivered to audiences. These could be in line with our recommendations for new prominence rules, applying to TV services and platforms used by a significant number of people as a main way of viewing TV.

New requirements for public service media availability

- 5.29 New rules for PSM availability would need to:
- a) **provide clarity on what PSM providers must offer.** Clarity would be needed in terms of the content and how it is provided, for example whether the content would be provided only as an app and/or as separate programmes. There are costs for both PSM provider and platform service in providing content in different formats. There are also considerations around who controls how it is curated and presented in a way that is consistent with the PSM features.
 - b) **consider the terms on which PSM is made available.** If the ‘zero net fees’ principle were extended to PSM, it may lead to significant real or opportunity costs for PSM providers. This would in turn reduce their ability to invest in original content that reflects the PSM features. PSM providers would also potentially lose the ability to

¹²⁹ Mediatique report for Ofcom, 2020, [Connected TV gateways: review of market dynamics](#), p.29-32.

¹³⁰ Mediatique report for Ofcom, 2020, [Connected TV gateways: review of market dynamics](#), , p.29.

¹³¹ What Hi-Fi?, 24 August 2020, [LG’s 2020 TVs finally get iPlayer and other BBC streaming apps](#).

extract concessions from platforms on access to audience data and negatively impact on associated advertising deals. On the other hand, any new availability and prominence rules could inhibit commercial choices and opportunities for platform providers and manufacturers.

Breadth of stakeholder views on how this should be designed

- 5.30 We have heard a wide range of views on this matter so far. As a demonstration of this, alongside this consultation we have published two stakeholder submissions – one joint submission¹³² from the BBC, ITV, Channel 4, Channel 5, STV and S4C; and a submission from techUK¹³³, an industry body representing a number of major TV and digital content platforms and manufacturers.
- 5.31 The joint PSB submission proposes that commercial PSBs would be required to provide a “regulated offer” to all major TV platforms. The “regulated offer” would consist of a “core” form of the PSB VoD service, offering only content which had been originally transmitted on a PSB channel. It would be offered to platforms on a set of standardised contractual terms. This approach would preserve the possibility of commercial negotiations between PSBs and platforms. PSBs would be able to offer enhanced forms of their services to platforms in return for commercial value,¹³⁴ while guaranteeing that audiences would always be able to receive the “core” service should those negotiations break down. The “regulated offer” arrangement would not apply to the BBC, which would be required to offer – and platforms would be required to accept – the full BBC iPlayer service, on the terms set out in the BBC’s existing Distribution Policy.¹³⁵
- 5.32 The submission from techUK argues that PSBs should not be allowed to impose “unilaterally defined” contractual terms on connected TV platforms. According to techUK, in order to have access to PSB VoD services, TV manufacturers currently have no option but to accept terms defined by PSBs which are often technically onerous, imposing costs and limiting the potential for innovation. Instead, techUK argues that there should be a regulated set of terms and conditions overseen by an independent regulator. As part of these terms, PSBs should be required to provide their players according to international technical standards and should freely provide metadata.¹³⁶

¹³² [Joint PSB submission on prominence, inclusion and fair value](#)

¹³³ [techUK submission on the role of PSBs in the TV receiver market](#)

¹³⁴ For example, PSBs could seek to gain commercial revenue from platforms in return for additional content, or for enabling additional functionality that platforms might wish to offer – such as allowing users to download PSB content to their mobile device, recording or ad-skipping PSB content, accessing PSB metadata, or enabling PSB content to be accessed outside of their player app i.e. on a disaggregated basis. See p. 6 of [Joint PSB submission on prominence, inclusion and fair value](#).

¹³⁵ BBC, June 2018. [BBC Distribution Policy](#).

¹³⁶ The term ‘metadata’ refers to key information associated with a TV programme (e.g. title, description, keywords related to genre or actors involved in the programme, etc.) that supports how effectively the programme is presented across a platform, such as recommended within the correct content genre or within search query results. techUK also argues that PSBs should provide content in HD format, and that they should provide manufacturers with assurances that they will continue to support legacy versions of their player apps so that owners of older TV devices do not lose access to PSB VoD services over time. In addition, techUK believes that the BBC should not require manufacturers to submit to its own in-

- 5.33 TV user interfaces are typically moving to ones that are increasingly based on programmes or pieces of content rather than around apps, with more personalised options available. Any new framework must effectively balance the promotion and sustainability of PSM, against the general benefits of consumer choice and the regulatory impact on others, such as platform operators, device manufacturers and commercial content providers.
- 5.34 We welcome views on the nature of the services that PSM providers would be required to offer to platforms under any new availability regulations and the terms under which platforms would be required to carry them. In particular, we welcome evidence on costs involved and relevant audience impact research, as new availability rules would have to take into account technical feasibility, proportionality (including cost impacts) and consumer expectations. We welcome written submissions on these aspects and also plan to host further stakeholder discussions in the New Year to inform our final recommendations.

Consultation Question 3: What do you think should be included in the PSM ‘offer’?

Consultation Question 4: What options do you think we should consider on the terms of PSM availability?

We will also review whether existing regulation needs updating to better support public service media delivery

- 5.35 As we have set out above, establishing a new framework for PSM requires new legislation. Alongside this, in the light of market changes there may be other areas of existing regulation that can and should be updated to:
- ensure that PSBs continue to deliver their obligations in line with audience expectations; and
 - ensure that wider regulation continues to reflect the right balance between PSM and the wider market.

Securing existing public service obligations in line with audience expectations

- 5.36 Alongside the development of our recommendations on the future PSM system, we will also continue our work to evolve our regulation of the BBC and of Channel 4 Corporation¹³⁷ and provide advice to the Secretary of State on upcoming licence renewals. This work is consistent with, and relevant to, the approach we have outlined in this consultation.
- 5.37 Ofcom is required to set an Operating Licence for the BBC’s UK Public Services, including its online services. This Licence sets the regulatory conditions we consider appropriate for the

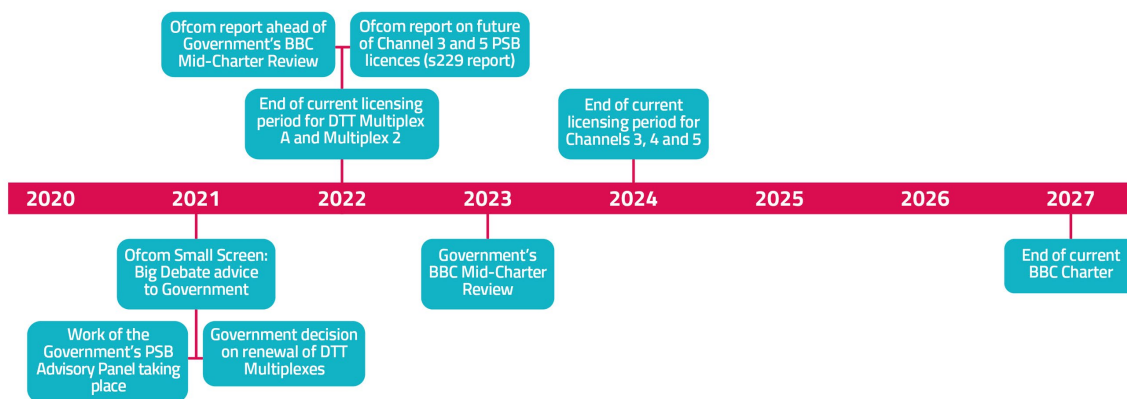
house device testing in order to gain approval to carry BBC services, as this process imposes unnecessary delays and costs on manufacturers. Instead, the BBC should allow manufacturers to self-certify that they have met the BBC’s technical standards. [techUK submission on the role of PSBs in the TV receiver market](#)

¹³⁷ See Annex 8: [PSB regulatory framework](#) for an overview of the regulation of the BBC and Channel 4 Corporation.

BBC to deliver its Mission and Public Purposes. We also set measures to assess the wider performance of the BBC. Currently, both the Operating Licence and our performance measures focus on the BBC’s broadcast television and radio services. As set out in our recent Annual Report on the BBC, in the year ahead we will consider how to evolve the Licence so that it better reflects the BBC’s transition to online delivery while at the same time protecting audience interests. Any changes we may propose to the Operating Licence will be informed by our final recommendations to Government as a result of this review and will themselves be subject to a separate public consultation.¹³⁸

- 5.38 Channel 4 Corporation has been given a range of media content duties by Parliament which it must deliver across all of its services, including online and on-demand services.¹³⁹ The broadcaster produces an annual statement setting out how it delivered its duties over the course of the previous year and how it plans to do so in the coming year. In preparing the statement, Channel 4 must have regard to guidance issued by Ofcom and consult with us. In view of market changes, we will consider how we might continue to develop our regulatory approach so it takes greater account of Channel 4’s performance in reaching and engaging audiences on multiple platforms.
- 5.39 We will also be working with the Department for Digital, Culture, Media and Sport (DCMS) on the future of the DTT platform and the renewal of the PSB broadcasting licences. Online viewing will continue to grow in popularity but DTT is still a valued service in the majority of UK homes. We are providing technical advice to Government on their plans for the future of multiplexes as two of the national multiplex licences are due to expire at the end of 2022, including one that carries PSB channels. We will also commence our work on licence renewals for Channels 3, 4 and 5 over the coming year. We have summarised below how some of these key events intersect over the next decade.

Figure 10: Upcoming regulatory and Government milestones related to the PSB system



¹³⁸ Ofcom, 2020. [Ofcom’s Annual Report on the BBC 2019/20](#), p.15.

¹³⁹ See Annex: [PSB regulatory framework](#), A8.12.

Reviewing the relationship between public service broadcasters and the production sector

- 5.40 We recognise the valuable and growing role a wide range of media services play in delivering original content to UK audiences and investing in our creative economy. As we summarised in section 2, these services include other commercial broadcasters, TV platform services, manufacturers and tech firms, a diverse production industry and a thriving broadcast and digital advertising market. In recommending a new regulatory framework, we are mindful that PSM must co-exist and, as much as possible, act as a positive catalyst within this broader marketplace.
- 5.41 We last conducted a review of the UK production industry in 2015. At that time, we found the industry remained vibrant and diverse and the regulation of the sector continued to meet the objectives set by Parliament.
- 5.42 As we set out at section 3, over the last five years, UK production has continued to grow and commissioning now comes from a range of sources. UK producers are exploiting intellectual property rights overseas for the shows the PSBs commission from them, helping these producers to grow in scale, and global players such as international broadcasters and SVoDs are prepared to pay significant amounts for premium UK content. Unlike the PSBs, these global companies have no obligation to protect the residual intellectual property rights of commissioned producers and typically seek to reach global deals for all rights in all windows.
- 5.43 In view of these market changes, in the new year we will review the effectiveness of the current production sector rules, including the independent production quota¹⁴⁰ and the arrangements that frame the terms of trade between independent producers and the PSBs.¹⁴¹ We will consider what the implications would be of potential changes to these rules for audiences, for the financial sustainability of producers and commissioners and the dynamism and attractiveness of the UK production sector.

Wider sector policy issues and regulatory review

- 5.44 Beyond the PSM regulatory framework, Ofcom also has a role in the discussion and development of other regulatory matters that are relevant to the debate on the future of PSM.
- 5.45 Last year, Dame Frances Cairncross conducted a review for the Government on a sustainable future for journalism in the UK, which included an examination of the role and impact of digital search engines and social media platforms and the role of digital advertising.¹⁴² An expert panel chaired by Professor Jason Furman also conducted a review

¹⁴⁰ See Annex: [PSB regulatory framework](#), A8.22.

¹⁴¹ Under the Communication Act, Ofcom must ensure that the provider of every licensed PSB channel draws up, and from time to time revises, a code of practice setting out the principles it will apply when agreeing terms for the commissioning of independent productions. Terms of Trade with independent producers are typically then negotiated within the framework set out by these codes. See Annex: [PSB regulatory framework](#), A8.26-A8.29.

¹⁴² Dame Frances Cairncross, February 2019. [The Cairncross Review: a sustainable future for journalism.](#)

on competition in digital markets, which reported last year.¹⁴³ In March 2020, the Government commissioned a Digital Markets Taskforce – led by the Competition and Markets Authority (CMA) and including input from Ofcom – to consider how to implement the Furman review’s recommendations and provide advice to the Government by the end of the year.¹⁴⁴

- 5.46 The CMA has also conducted a market study into online platforms and digital advertising.¹⁴⁵ Its final report, published in July 2020, identified several concerns in the digital advertising market including that weak competition could have a negative impact on the quality of journalism, which was in line with the findings of the Cairncross review. In its recent response to the CMA report, the Government has announced it will set up a Digital Markets Unit to oversee a pro-competition regime for digital platforms.¹⁴⁶ Meanwhile, the Government has also been consulting on proposals to introduce a new regulatory regime to protect users from harmful content online.¹⁴⁷
- 5.47 We have a number of relevant duties to these debates, including promoting media literacy, reviewing the operation of media ownership rules and in our role as a competition regulator in the communications sector. Ofcom has also, this year, taken on a new role in regulating UK-based video sharing platforms and the Government has said that it is minded to appoint us as the new online harms regulator.¹⁴⁸
- 5.48 Changes in the wider regulatory environment may have an impact on PSBs and the future framework for PSM. For example, as part of its advice to Government, the CMA taskforce is considering the Cairncross Review’s recommendations, including new codes of conduct to rebalance the relationship between platforms and publishers. We note relevant international developments in this area. These include the Australian Government’s announcement of a mandatory code, aimed at addressing bargaining power imbalances between Australia’s news media businesses and Google and Facebook. The code would require news outlets to achieve “appropriate remuneration”, including through sharing advertising revenue. We will continue to factor these debates and emerging recommendations into our consideration of PSM and on our broader work programme.

¹⁴³ Digital Competition Expert Panel, March 2019. [Unlocking digital competition, Report of the Digital Competition Expert Panel.](#)

¹⁴⁴ UK Government, 11 March 2020. [Digital markets taskforce: terms of reference.](#)

¹⁴⁵ CMA, 1 July 2020. [Online platforms and digital advertising Market study final report.](#)

¹⁴⁶ UK Government, 27 November 2020. [New competition regime for tech giants to give consumers more choice and control over their data, and ensure businesses are fairly treated.](#)

¹⁴⁷ UK Government, 12 February 2020. [Online Harms White Paper - Initial consultation response.](#)

¹⁴⁸ UK Government, 12 February 2020. [Government minded to appoint Ofcom as online harms regulator.](#)

6. Securing the future sustainability of the public service media system

Summary:

- There are other opportunities for sustaining the public service media system in future, including through greater financial sustainability and collaboration.
- The existing public service broadcasters are supported by different funding models which face challenges in the long term. There are international examples that could help to tackle those challenges.
- Strategic partnerships between public service broadcasters and other companies could help to support long term sustainability in the public service media system. Existing collaboration could be strengthened or extended in distribution, knowledge sharing and content.

Introduction

- 6.1 As set out in section 5, reforms to the regulatory framework are an important part of making it commercially viable for all of the current PSBs to continue to play a role within the future PSM system. Reforms will be particularly important for the commercial PSBs, who operate without public funding.
- 6.2 However, beyond these reforms, there are also wider questions about the business models that will work in the future, within an increasingly global and competitive media environment.

The current public service broadcasters are funded in a number of different ways

- 6.3 Within the current system, the BBC and S4C are primarily funded by public funds collected via the licence fee, although they also obtain some revenues through commercial sources.¹⁴⁹ Channel 4, ITV, Channel 5 and STV are all funded by commercial revenues. ITV, Channel 5 and STV are fully commercial companies, whereas Channel 4 is publicly-owned and not-for-profit.
- 6.4 For each of the commercial PSBs, broadcast TV advertising revenues are the single biggest source of funding. In addition, there has been diversification into newer revenue streams. ITV (alongside Channel 5, STV and the BBC) has broadened into in-house production (and the associated IP rights) as a revenue stream. ITV Studios is now the largest commercial

¹⁴⁹ The BBC PSB Group derives ~92% of its revenues from the licence fee. Approximately 90% of S4C's funding is from the TV licence fee (excluding additional grant in aid). Ofcom calculations based on income data from: S4C, 2020. [Annual Report and Statement of Accounts for the 12 month period to 31 March 2020](#), p.129 and p.155; and BBC, 2020. [BBC Group Annual Report and Accounts 2019/20](#), p.175.

producer in the UK and accounted for just under 50% of ITV's revenues in 2019.¹⁵⁰ Alongside production, rights income from licensing, and distributing programmes and formats have helped diversify revenues further. ITV and Channel 4 have also introduced subscription services to their portfolios, although these are currently small.¹⁵¹

- 6.5 The BBC's income is also diversified beyond the licence fee. BBC Group's commercial activities aim to generate profits that are distributed back to the BBC's Public Service. Between 2010/11 and 2019/20, the average dividend paid by BBC Commercial Holdings to the BBC's public services was £66 million¹⁵² (in 2010/11 prices)¹⁵³
- 6.6 The commercial operations and non-PSB services of each of the PSBs, which sit alongside their PSB obligations, allows them not only to build financial resilience through the diversification of their portfolios, but also provides them with increased scale which strengthens their ability to compete within the market.
- 6.7 As discussed in section 4, across the PSBs, strategic approaches continue to evolve, and revenue diversification is an ongoing process. Channel 4 has recently announced new targets to deliver 30% of its revenues from digital advertising, and 10% from non-advertising by 2025.¹⁵⁴ The BBC Director-General Tim Davie has established building on commercial income as one of the BBC's priority areas of focus.¹⁵⁵

Sector trends mean these models may face increasing challenges in the future

- 6.8 Diversification of PSB revenues has supported the PSBs' financial resilience to-date. However, each of the models faces challenges for the future.
- 6.9 For the commercial PSBs, advertising revenues are susceptible to the effects of economic cycles and short-term shocks. For example, in April-May 2020, Channel 4 broadcast TV advertising revenues declined nearly 50% year-on-year as a result of the impact of Covid-19¹⁵⁶ and ITV reported a 42% decline in its advertising revenue for April 2020.¹⁵⁷
- 6.10 More broadly, as live TV broadcast viewing declines, so too do broadcast TV advertising revenues. These advertising revenues have been falling since 2015; a trend which is set to continue as broadcast viewing continues to decline further. Between 2015 and 2019, the PSBs saw a real-term collective decline of 16% (£510m) in broadcast TV advertising revenue across their UK channels (including commercial PSB portfolio channels).¹⁵⁸

¹⁵⁰ Ofcom calculations, based on ITV, 2020. [ITV's Annual Report 2019](#), p. 168. Considering only external revenue, this share falls to 38% (p.169).

¹⁵¹ Subscriptions revenues account for less than 2.5% for ITV. Figure includes all direct-to-consumer revenue: interactive sales from competitions, ITV Hub+, Britbox UK, gaming, live events and merchandise. ITV, 2020. [ITV's Annual Report 2019](#), p.168 and p.170.

¹⁵² In 2019/20, the BBC Commercial Group dividend £3 million (nominal) was significantly lower due to Covid-19 (2018/19: £73 million - nominal). BBC, 2020. [BBC Group Annual Report and Accounts 2019/20](#).

¹⁵³ Numbers shown in 2010/11 real terms using financial year average Consumer Price Index from the Office for National Statistics (ONS).

¹⁵⁴ Channel 4, Nov 26 2020. [Press release](#).

¹⁵⁵ BBC, 3 Sep 2020. [Tim Davie's introductory speech as BBC Director-General](#).

¹⁵⁶ Channel 4, 2020. [Channel Four Television Corporation Report and Financial Statements 2019](#), p.11.

¹⁵⁷ ITV, 2020. [ITV plc Q1 Trading Update – 3 months to 31 March 2020](#), p.1.

¹⁵⁸ Ofcom/broadcasters. Figures exclude BVoD advertising revenues.

- 6.11 For the BBC, the licence fee provides more stability, although in the short-term, Covid-19 is likely to reduce revenue from commercial activities. BBC Commercial Holdings expects Covid-19 will significantly affect the Group’s ability to deliver revenues in 2020/21.¹⁵⁹
- 6.12 More broadly, public funding for the longer term is also under pressure. The licence fee has been used to fund more activities, including the World Service (formerly funded by the Foreign Office), S4C and licence fees for the over 75s.¹⁶⁰ It is also required to provide services that meet the increasingly different needs of specific audience groups.

Research and international examples suggest a range of approaches could help address these challenges

- 6.13 Our Review does not aim to answer questions about the future funding of the BBC: these are matters for Government and Parliament as part of the next Charter Review.
- 6.14 However, we consider that some public funding of the PSB system will continue to be necessary in the future and we have commissioned research and considered international examples ourselves, in order to help inform the debate about how commercial and publicly funded PSM models could evolve. A report by Mediatique¹⁶¹ considers future models for the delivery of PSB, while a report by EY considers international perspectives on the existing UK PSB system.¹⁶²
- 6.15 In the UK, commercial companies operate as PSBs without public funding, but compared to international models, this is unusual. Comparing international models, the EY report states: *“The UK is seen to be unusual in supporting three different funding models for public service broadcasting (licence fee, commercial not-for-profit and fully commercial) within the same market”,* and within this *“Fully commercially funded PSBs, like ITV and Channel 4, are relatively unusual; most commercial funding models are hybrid and have an element of public funding too”*.¹⁶³
- 6.16 This partly explains why the UK system offers good value for money, compared to international models. Total public funding via the BBC licence fee amounts to £56 per capita, but as the EY report says:¹⁶⁴

¹⁵⁹ BBC Commercial Holdings Limited, 2020. [Annual Reports and Consolidated Financial Statements for the year ended 31 March 2020](#).

¹⁶⁰ The BBC World Service has been funded from the licence fee since 2014 and the BBC has budgeted £310m funding for it in 2020/21, with the government continuing to provide additional funding. Since 2013, 90% of S4C’s income comes from the licence fee in agreement, with most of the remainder (8%) coming from the DCMS. From 2022, all of S4C’s income will be derived from the licence fee; the BBC has budgeted for £22m to fund S4C in 2020/21. Government funding for free TV licences for the over-75s was phased out in June 2020; it funded free licences for all over-75 until August 2020, when it reduced the concession to cover over-75s receiving pension credit at an annual cost estimated by the BBC of £250 million.

¹⁶¹ Mediatique report for Ofcom, 2020. [Future models for the delivery of public service broadcasting](#).

¹⁶² EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#).

¹⁶³ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), p.16.

¹⁶⁴ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), p.1.

“Although the UK ranks broadly in the middle of the countries considered in our analysis in terms of public funding for PSBs per head of population, the UK PSBs’ content is recognised globally for being among the best in the world in terms of quality.” **EY**

- 6.17 In addressing the challenges that PSBs across different countries face, EY noted that “*there is no ‘one-size-fits-all’ approach to funding*”:¹⁶⁵

“The most appropriate funding method will vary between countries depending on cultural, historical and commercial factors, and so a bespoke approach needs to be taken to designing funding for public service broadcasting in each country.” **EY**

- 6.18 Some of the commercial options considered by Mediatique have already been adopted by some of the PSBs – such as diversifying into production and increasing focus on digital advertising (see section 4). Other options may be considered in the near-term – for example, as part of our review of current production sector rules discussed in section 5, we will consider whether the existing rules on IP rights for PSBs remain appropriate, noting the need to consider the balance between benefits to PSBs against impact on the production sector.
- 6.19 UK and international stakeholders were positive about certain attributes of the current UK approach to public funding:¹⁶⁶

“The huge benefit for the BBC of the licence fee is that, as tough as negotiations are, BBC gets certainty for 10 years which enables them to do things that no other PSB – no other business of that size – would be able to do” **Senior broadcast lead, multinational media company**

“The licence fee funding enables the BBC to make decisions that are tougher to make if you’re a purely commercial organisation – investing in certain types of content that aren’t commercially valuable, investing in new talent on screen and off screen” **Commercial Director, multinational media company**

International experience of public funding models

- 6.20 Where public funding is provided, the European Broadcasting Union¹⁶⁷ has previously provided guidance on the features that matter:¹⁶⁸
- a) **Stable and adequate:** A stable and predictable source of funding enabling full coverage of the public service remit in the digital media age

¹⁶⁵ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), p.1.

¹⁶⁶ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), p.17.

¹⁶⁷ The EBU is an alliance of public service media organisations, established in 1950.

¹⁶⁸ EBU, 2017. [Legal focus: public funding principles for public service media](#), p.3.

- b) **Independent from political interference:** Not reliant on political favour, thereby promoting public trust in PSM and its role as a truly indispensable service
- c) **Fair and justifiable:** Fair and objectively justifiable to the public and the market (e.g. perceived as fair by viewers and fits their world, rather than appearing to be linked to past technology and practice.)
- d) **Transparent and accountable:** An open and clear funding mechanism holding PSM accountable to its audience

6.21 Many countries are facing the same challenges and questions about public funding for PSM as in the UK. In some countries, alternative revenue streams are used to support PSM funding. Industry levies on telecoms companies are used in both France and Spain. In Germany and France, levies on streaming services have been introduced, on the basis that while SVoDs are becoming an increasingly important part of national broadcasting systems, they are not required to support wider broadcasting objectives within respective PSM systems.

6.22 In other cases, the public funding mechanisms themselves have been updated in response to the challenges faced. In Italy, the licence fee has been collected alongside electricity bills since 2016 – a change which has seen evasion rates fall from 30% to 6%,¹⁶⁹ and which subsequently enabled a reduction in the licence fee.¹⁷⁰

6.23 Meanwhile, in Germany, Sweden, Denmark and Finland TV-ownership based licence fees have been replaced with variants of a tax-based approach.¹⁷¹

“Funding PSBs through taxation was seen to be more future proof and progressive if the funding is agreed for a long-term period and is ringfenced for the PSBs. However, government funding brings a risk of political interference and loss of independence of the PSB. Robust measures need to be in place to protect the independence of PSBs and to prevent the funding being influenced by short-term political considerations each year or when it is renewed.” **EY**

“Everything hinges on the governance structure. Changes to funding PSBs in Finland and Denmark are promising –they retain the independence and remit of public service media.” **Rasmus Nielsen, Director of the Reuters Institute for the Study of Journalism**

Subscription models

6.24 The role of subscription for PSM has also been raised, although there are no examples internationally which currently use a subscription-based model to fund public service media organisations.

¹⁶⁹ Advanced Television, 30 January 2018. [RAI licence fee boosts Italian TV sector revenues.](#)

¹⁷⁰ Italian Solicitor, 5 May 2016. [Italian supreme court approves adding TV licence to household electricity bills.](#)

¹⁷¹ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), pages 5-6.

- 6.25 For most of the UK PSBs, subscription already forms a limited part of their business model to supplement income. The BBC and ITV have partnered to develop Britbox, while ITV Hub+ is a subscription service which allows audiences to skip ads, and Channel 4 has introduced an equivalent subscription service through All 4+.
- 6.26 In the future, any move towards greater use of subscription for the existing PSBs would need to be balanced with the need to preserve the fundamental PSM principle of universality. While there may be options for new hybrid models involving subscription in the future, these approaches raise questions about what should be widely available. For all or much of PSM to be delivered behind a paywall would be hard to reconcile with its core aim to provide services for all that bring the nation together.
- 6.27 In addition, there are practical considerations about the role of subscription for PSM. Analysis by Mediatique estimates that, under its best-case most credible scenario for introducing a BBC subscription, in which 75% of households take-up a monthly £10 subscription, £2.07bn would be raised – a shortfall of £1.62bn against licence fee revenues raised in 2019.¹⁷² Furthermore, technical and operational challenges mean it is not possible in the short term to offer a subscription model over the Freeview platform.
- 6.28 As we have set out above, the BBC licence fee is a matter for Government and Parliament. Our research, together with reports from Mediatique and EY have provided useful information on funding models in other countries.

Consultation Question 5: What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches?

Strategic partnerships may further secure the sustainability of the public service media system

- 6.29 As discussed in section 4, the PSBs have been adapting their strategies to compete with the growing challenges of audience fragmentation and increased competition from global competitors. But the global scale of the SVoDs and other platforms raises questions as to whether collaboration through strategic partnerships, amongst public service broadcasters and with other organisations, will be needed for them to remain sustainable.
- 6.30 It would be important for any competition assessment of new partnerships to take into account changing market dynamics and global competition.

Collaboration could help increase efficiencies and reduce costs

- 6.31 The growth of large global players with substantial technological resources has made it more difficult for PSBs to maintain pace in research and development. Pooling resources

¹⁷² Ofcom calculations: based on BBC's licence fee income for 2018/19, and potential subscription revenue of £2.07 billion (based on a subscription fee of £10/per month and a 75% household penetration) as included in Mediatique report for Ofcom, 2020. [Future models for the delivery of public service broadcasting](#), figures 34 and 36.

and investment in this area may be one way to make cost savings, remove duplication and produce more innovative services for audiences.

- 6.32 PSBs jointly collect and share audience data through the audience measurement service BARB. PSBs also gather audience data from their own on-demand players and through existing PSB partnerships, such as Freeview, Freesat and Youview. Sharing this wealth of data could provide greater insights into viewer behaviours and provide opportunities for shared market research to inform content production, search algorithms and more personalised advertising. Enders Analysis suggested that there could be significant gains to the PSBs if they acted to share their data about their end viewers and for the commercial PSBs, their advertising customers.¹⁷³ Sharing insights on how PSBs are managing to reach audiences through less traditional platforms, such as social media and what has and hasn't worked in those spaces may help to pool knowledge and reach younger audiences in particular.

Deeper strategic relationships could help the public service media system better connect with specific audiences

- 6.33 Although there are several examples of where the PSBs already collaborate on distribution, such as Britbox, a joint subscription on-demand player for archive content¹⁷⁴ and the digital TV service Freeview, our research has found that viewers still find it challenging to navigate multiple different platforms to find PSB on-demand content. They value SVoD services such as Netflix, where they say all the content is under one roof, including what they feel is the best of the PSB content.¹⁷⁵

“I would say Netflix is quite easy to use, it's simple, you can search easily. Whereas I think, sometimes, some of the catch-up services, they're quite difficult...Say you don't know the name of something, you could go the genres on Netflix, but on catch-up you're searching for something you're not going to find.” **Female, 22-24, Dundee**

‘At some point, you have to question whether the UK needs five BVoD [broadcaster video-on-demand] PSB services. At what point do you get together and create a PSB super-brand for BVoD services to take on the multinational streaming services? This might undermine the PSBs' different remits and purposes and also presents challenges if the PSBs do not complement each other. However, it's a key question – will PSBs need to collaborate to compete in the long-term?’ - **Media expert, multinational media company**

- 6.34 Audiences could benefit significantly if PSM content were to be made available through a combined service, distributed widely. This could be achieved through a single PSM service or through strategic partnerships with other content aggregating companies. Such strategic

¹⁷³ Enders Analysis, 30 October 2018. [PSB Solidarity and Collaboration](#).

¹⁷⁴ BritBox is a commercial service.

¹⁷⁵ EY report for Ofcom, October 2020. [International perspectives on public service broadcasting](#), p. 11.

relationships could help ensure that PSM reaches all audiences, is easily discoverable and could support the delivery of PSM in the global market.

There may be benefits to further collaboration in content production

- 6.35 PSBs have already been involved in many successful co-productions, both within the PSB system and with fully commercial companies. This is useful for sharing costs, especially in expensive genres such as drama and could also extend to joint bidding for expensive content such as sports rights, as ITV and the BBC currently do for the Rugby Six Nations. PSBs sharing content with smaller companies can also provide benefits for audiences and support a thriving media sector. For example, during the Covid-19 pandemic the BBC shared its news content with local media services that may have been struggling with the impact at a time when news was of particular societal value.¹⁷⁶
- 6.36 Strategic partnerships and co-commissions with new partners in the production sector, could be effective in delivering genres that tend to be underserved. During the first UK lockdown, the Royal Shakespeare company partnered with the BBC to make six plays from its archive available on BBC iPlayer.¹⁷⁷ There may also be further opportunities for strategic partnerships with commercial organisations. In January 2019, Channel 4 News partnered with Facebook to produce “Uncovered”, a weekly news show launched on Facebook Watch.¹⁷⁸

Consultation Question 6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven’t identified?

¹⁷⁶ Ofcom, 2020. [Ofcom’s Annual Report on the BBC 2019/20](#), p.9.

¹⁷⁷ Royal Shakespeare Company, 2020. [Six Shakespeares now on BBC iPlayer](#).

¹⁷⁸ Channel 4, 12 November 2018. [Channel 4 News to launch news show on Facebook Watch](#).

7. Opportunities for the longer term

Summary:

- Public service broadcasters are innovating and adapting their services to remain relevant to audiences.
- But there's a risk that younger audiences in particular, who value different services and types of content, won't engage with public service broadcasters.
- We set out some of the new approaches being adopted to meet longer term challenges and consider how additional public service media provision could complement the services of public service broadcasters.

Public service broadcasting content is still highly valued, but audience engagement with the public service broadcasters is declining

- 7.1 More than a third (35%) of adults can see themselves no longer watching the main TV channels (BBC, ITV, Channel 4 and Channel 5) within the next three years, rising to more than half (51%) among 16-34-year-olds.¹⁷⁹ Engagement with the BBC has continued to fall across nearly all BBC services and at a faster rate among young people, with adult reach falling by 5.2 percentage points between 2018 and 2020, and by 8.5 percentage points for 15-24 year olds.¹⁸⁰
- 7.2 In 2019, we found that one in four children do not watch live broadcast TV at all.¹⁸¹ Audiences aged 16-24 spent an average of 2 hours 17 minutes a day on YouTube¹⁸² and SVoDs, compared to 55 minutes per day on live TV. This compares to the population average (all individuals aged 4+) of 2 hrs 34 minutes watching live TV, and only 1 hours 11 minutes on YouTube and SVoDs.¹⁸³
- 7.3 Audiences also told us they spent increasing amounts of time alone on devices, gaming and watching short-form and user-generated content. Our Adults Media Lives research found a long-term trend of increasing fragmentation and personalisation of participants' viewing behaviour, with more viewing on mobile devices.¹⁸⁴
- 7.4 Today's younger people will grow to form a larger portion of tomorrow's total UK audience. In 10 years, people born after 1996 (the earliest that someone in the 16-24 age bracket today could have been born) will represent 41% of the UK population.¹⁸⁵ Older

¹⁷⁹ Ofcom Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Online adults aged 16+.

¹⁸⁰ TouchPoints 15+ and 15-24 audience weekly reach of all BBC services.

¹⁸¹ Ofcom, 2019. [Children's media use and attitudes report](#), p.9.

¹⁸² Figures for YouTube refer to viewing not on a TV set – i.e. on mobile devices, laptops and tablets.

¹⁸³ Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

¹⁸⁴ Knowledge Agency report for Ofcom, [Adults' Media Lives, Wave 15: 2020](#), p. 16.

¹⁸⁵ Ofcom estimates based on [Office for National Statistics population projection figures](#), 2018-based.

audiences are also spending less time watching broadcast TV and more time online. In 2019, people aged over 55 spent 2 hours and 39 minutes online every day;¹⁸⁶ and 44% of over 55s now own an internet connected TV.¹⁸⁷ Those aged 55-64 watched nearly 37 minutes (or 12%) less broadcast TV in 2019 than in 2010.¹⁸⁸

Public service broadcasters predominantly make their content available on their own players

- 7.5 PSBs have strong, recognisable brands which resonate with audiences. Given changing audience habits, the PSBs have increasingly been focusing on how to reach their audiences online, as well as retaining their broadcast TV audiences.
- 7.6 PSBs predominantly provide their on-demand content on their own branded players. As well as on smart TVs and devices, they also make it (or a version of it) available on other platforms such as Sky and Virgin Media. Their focus has been on traditional “long-form” content, which is particularly suited to broadcast TV schedules and gaining commercial returns (for PSBs supported by advertising revenues).
- 7.7 This strategy enables public service broadcasters to curate their content offering and decide how it is presented and tailored to audiences. It allows them to cross promote other content and collect rich data on the content audiences watch, which is important for commissioning decisions and meeting their objectives and regulatory requirements. In addition, by watching content on PSBs’ players, audiences are more likely to associate the content with the PSB brand. This attribution is important to the BBC for example, as audiences are more likely to feel they gain value for money from the licence fee if they recognise BBC programmes.
- 7.8 For many audiences, the PSBs’ players have become a destination to watch their favourite shows. For example, two popular dramas helped the BBC achieve its highest-ever monthly total of 570 million programme requests during the COVID-19 lockdown period in May 2020 (72% higher than in May 2019): *Normal People* had received 54 million requests by the end of June, while the third season of *Killing Eve* had received 35 million.¹⁸⁹ But while audiences may choose to go to PSBs to watch specific content, younger audiences in particular are more likely to use Netflix or Amazon Prime as destinations to browse for content.¹⁹⁰ Netflix reaches many more young people than BBC iPlayer. At the beginning of 2020, 66% of 15-24 year olds used it each week, compared to 28% using BBC iPlayer.¹⁹¹
- 7.9 The PSBs’ on-demand strategy relies on audiences coming to their players at a time when there is a much wider choice of VoD services presenting content to audiences in different ways. There will therefore be some audience groups that do not use the players, although

¹⁸⁶ Comscore MMX Multi-Platform, Total Internet, Age: 18+, Nov 2019, UK.

¹⁸⁷ Ofcom Technology Tracker 2020.

¹⁸⁸ BARB. This includes live viewing and catch-up/recorded up to seven days after broadcast.

¹⁸⁹ *Normal People* had received 54 million requests by the end of June, while the third season of *Killing Eve* had received 35 million. BBC, 30 June 2020. [BBC iPlayer sets new record for biggest month ever with 570m programmes requested.](#)

¹⁹⁰ Jigsaw audience research for Ofcom, July 2020. [An exploration of people’s relationship with PSB, with a particular focus on the views of young people.](#)

¹⁹¹ TouchPoints.

they may still access PSB commissioned content on other services such as Netflix, which have bought the secondary rights to this content.

“Yeah, we got the letter about the TV licence and I just said: we don’t need one because we just don’t watch live TV and now most of the excellent programmes on BBC iPlayer are also on Netflix as well.” **Male, 23, London**¹⁹²

Established online brands offer audiences a wide choice of content

- 7.10 Global VoD services provide large libraries of content, which particularly resonate with younger audiences. They often offer greater personalisation and have attractive user interfaces. In our research, audiences said it was easier to browse for content and rely on recommendations relevant to them than in some PSB players.¹⁹³
- 7.11 Younger audiences often don’t have the same brand association with the PSBs that many older audiences do and instead some feel more connection with particular online brands. Our research found that Netflix, Spotify and YouTube were most likely to be valued by younger audiences as ‘their brands’. While they said that PSB on-demand services, and ITV2, could also feel relevant and have content they valued, their use of these services was more occasional.¹⁹⁴

“More for older people ... programmes my mum would watch.” **16-18 year old describing the BBC brand, Belfast.**

- 7.12 Our research found that young audiences are often unaware that some of the programmes they are watching on global streaming services were originally made for and broadcast on, a PSB channel. Instead they tend to give credit for these programmes to the platform or service they are watching them on. *Peaky Blinders* was commonly cited as being watched on and associated with, Netflix rather than the BBC.¹⁹⁵ For children aged 12-15, brand awareness of Netflix and YouTube is higher than that for the BBC.¹⁹⁶

Reaching all audiences may need more radical approaches from the public service broadcasters in the longer term

- 7.13 Traditional broadcasters in the UK and abroad, who have historically provided their content on live broadcast TV and built their business models around live programming, have begun to consider fundamentally different ways of reaching audiences online. They

¹⁹² Knowledge Agency report for Ofcom, [Adults’ Media Lives, Wave 15: 2020](#), p.21.

¹⁹³ Jigsaw audience research for Ofcom, July 2020. [An exploration of people’s relationship with PSB, with a particular focus on the views of young people](#) p.8-9.

¹⁹⁴ Jigsaw audience research for Ofcom, July 2020. [An exploration of people’s relationship with PSB, with a particular focus on the views of young people](#), p.24.

¹⁹⁵ Jigsaw audience research for Ofcom, July 2020. [An exploration of people’s relationship with PSB, with a particular focus on the views of young people](#), p.27.

¹⁹⁶ Ofcom, 2017. [Children and Parents: Media Use and Attitudes Report 2017](#), p. 78.

have been looking at targeting specific demographic groups – both by providing individual pieces of content and by creating content specifically for online audiences.

- 7.14 PSBs already provide some content online outside of their branded players, e.g. through YouTube. But often this consists of short promotional clips designed to draw audiences back to the players, rather than full content. There are examples of PSBs providing content specifically tailored for online audiences, such as ‘The Rundown’, a daily news updated video for Instagram and Snapchat users introduced by ITV in 2019. The BBC also provides online content aimed at children, through its CBeebies, CBBC and BBC Bitesize brands. PSBs are starting to commission content specifically for online as well as traditional TV broadcasting. For example, Channel 4 formed a partnership with Snapchat in June 2020 and is using the photo and video sharing service to engage audiences with more than 300 short-form edits of Channel 4 content. Channel 4 has begun to post ‘cliffhanger’ clips from the soap *Hollyoaks* on Snapchat, encouraging fans to record their own endings alongside the show’s theme music.¹⁹⁷
- 7.15 There are also international examples of PSBs making individual programmes available outside their own players, on other services with large audience bases. For example, the Swiss public broadcaster SRF has begun making fiction content specifically for YouTube and Instagram. Finnish PSB Yle has said that it is open to using third-party platforms “if they enable us to reach audiences that we cannot reach through Yle’s platforms”.¹⁹⁸
- 7.16 PSBs could develop their online strategies to help them reach those audiences who would not otherwise come to their players, but there are potential downsides for broadcasters and audiences. Providing content outside their players, on other services used by audiences, is likely to increase fragmentation, potentially making it more difficult for audiences to find or associate with public service brands. The benefits of distributing content on PSBs’ players could be lost or reduced, with a potential negative impact on brand. There could also be commercial implications if the public service broadcasters have less control over how their content is used or situated on other platforms.
- 7.17 It may ultimately not be possible for the current public service broadcasters to connect with all audiences online and across broadcast TV services. Given this challenge, the future PSM system may benefit from including new providers offering additional content, alongside the breadth of content provided by existing PSBs.

New provision could strengthen public service media in the future

- 7.18 Broadening PSM to a wider range of providers could drive innovation, bringing different insights, experience and expertise to the PSM system. High quality UK content is already produced by commercial companies, for example by Sky and Discovery. Encouraging established or emerging brands, potentially those which already resonate with younger

¹⁹⁷ Channel 4, 4 June 2020. [Channel 4 partners with Snap Inc. to bring a raft of new shows to Discover.](#)

¹⁹⁸ SRF, 2020. [SRF 2024: Aufbruch in die digitale Zukunft](#); Yle, May 2020, [Yle’s strategy: for all of us, for each of us, Kioski In Things.](#)

online audiences, should help create an environment where risks can be taken for providing and distributing UK content for audiences of all ages.

- 7.19 The regulatory framework can play a role in supporting this greater shift to online, while still delivering services to broadcast TV audiences. A new PSM framework should promote innovation, adapt to audience and market changes and be flexible enough to accommodate broader provision of PSM. As set out in section 5, this would ensure that the prominence and availability, important to secure PSM goals, could be extended to new providers.
- 7.20 Other mechanisms have the potential to attract new provision of PSM. In the UK, tools such as tax relief and contestable funds are already used alongside regulatory requirements. These and other tools could be used to boost production and delivery of different types of TV and audio content with a national or local focus or to support increased UK content on SVODs and other platforms. New provision could be aligned with the features set out in section 5 and focused on the following areas:
- **PSM content aimed at specific audience segments** and particularly those that don't typically engage with the PSM system and use other services instead;
 - **Delivering different types of PSM content** such as short-form or user-generated content or making it available in other ways that resonate with young audiences; and
 - **Providing PSM content in specific content genres** such as those under-provided by the market or with particular value to society as a whole and/or content with specific characteristics such as a local focus or reflecting the diversity of UK society.
- 7.21 Incentives to encourage new provision could also support the development of strategic partnerships across the media sector and more innovative distribution to reach particular audiences. As an example, a local or regional media fund, supporting collaboration between TV, radio, online and press companies, could strengthen local investigative news provision. Sky has also suggested regional news could be delivered through a competitive franchise model.¹⁹⁹
- 7.22 The challenge to the UK media industry is not unique. Governments in other countries have used different approaches to securing PSM delivery and encouraging new provision of important content that has societal value.
- In **Ireland** contestable funding has been used since 2003 alongside, and in addition to, the existing PSBs.²⁰⁰ The fund has been viewed as successful in delivering content that would not otherwise have been made, and in encouraging creative risk and driving up standards.
 - **New Zealand** introduced contestable funding in 1989 and abolished its licence fee in 1999. NZ on Air, an independent funding agency, is responsible for funding public broadcasting content across platforms. It receives public funds for which producers apply.²⁰¹

¹⁹⁹ Sky, 2020. [Submission to the Digital Media and Sport Committee Inquiry into the future of public service broadcasting.](#)

²⁰⁰ Broadcasting Authority of Ireland, 2020. [Sound & Vision 4.](#)

²⁰¹ NZ On Air, 2020. [Our funding strategy.](#)

- **Canada** has a levy scheme to fund domestic production. Legislation has been proposed which would give new powers to the Canadian Radio-television and Telecommunications Commission, allowing them to require online services to make financial contributions to support content that reflects Canadian culture.²⁰²
- In **Australia** there are requirements to invest in domestic production. Proposals have been made to require all commercial content service providers (that meet scale thresholds), including SVoDs, to invest a percentage of their revenue in Australian scripted programming, and report their investment rate to the ACMA for approval.²⁰³
- **France** is using a provision in the AVMSD to impose a ‘levy’ on SVoDs to fund local production.²⁰⁴

7.23 In this section we have looked at how public service broadcasters are adapting to fundamental changes to audience viewing habits but have raised questions about whether they will be able to reach wide enough audiences in future. A more diverse set of providers and platforms, investing in UK production and delivering a broad range of high-quality UK content, could support sustainability and further secure the future success of the UK media sector.

Consultation Question 7: What are your views on the opportunities for new providers of PSM?

²⁰² Broadcasting and Telecommunications Legislative Review Panel, January 2020. [Canada’s Communication Future: Time to Act.](#)

²⁰³ Australian Government, September 2020. [Modernising Australian screen content settings.](#)

²⁰⁴ French Government, 12 July 2019. [Tax on digital services: an efficacious fiscal justice measure.](#)

8. Conclusion

- 8.1 We have highlighted the successful UK media industry, which has been built on public and private sector innovation and investment. Public service broadcasting sits at the heart of the UK's creative economy, ensuring the continued strength of the UK production sector, which is recognised and admired globally.
- 8.2 Audiences have never enjoyed so much choice, having access to more original UK content than ever before. They benefit from world class UK drama and entertainment, trusted and impartial news and outstanding current affairs.
- 8.3 There is still a clear case for intervention to support public service media, which appeals to people from all backgrounds. It delivers programming which is important to society, creating shared national experiences and reflecting the UK back to itself in all its diversity.
- 8.4 Technological disruption and global players have provided competition and broadened choice, but placed the existing broadcasters under significant pressure. The Covid pandemic has shown the continuing importance and resilience of PSM, but has also underlined its vulnerabilities.
- 8.5 There is increasing pressure on the financial sustainability of the current PSB system. Public service broadcasters are having to invest more to develop their online strategies, while at the same time maintaining their TV broadcasting services.
- 8.6 We have looked at the urgent need to reform regulation. A new framework must ensure both the prominence and availability of PSB for audiences online and those still on traditional broadcast TV services. It should set out clear goals but also provide flexibility for PSM providers while holding them to account.
- 8.7 Stronger strategic partnerships amongst the existing PSBs and other companies may further secure the sustainability of the system in an increasingly competitive global market. While PSBs continue to develop their online strategies, they could look at ways of reaching those audiences who wouldn't normally use their players.
- 8.8 There are also benefits to encouraging new providers to deliver PSM content. A more diverse set of providers, investing in UK production and delivering a broad range of high-quality UK content, could support sustainability and secure the future success of the UK media sector.

Next steps

- 8.9 We are asking for responses to this consultation to inform our final recommendations to Government in summer 2021.
- 8.10 Ahead of providing our recommendations to Government next year, we will review whether there may be areas of the existing PSB regulation that can and should be updated.
- 8.11 The consultation on the recommendations set out in this paper will be open for 14 weeks to 16 March 2021.

A1. Glossary

BARB: Broadcasters Audience Research Board.

BBC Operating Licence: Ofcom is required to set an Operating Licence for the BBC's UK Public Services, including its online services. This Licence sets the regulatory conditions we consider appropriate for the BBC to deliver its Mission and Public Purposes.

Broadcaster video on-demand (BVoD): Free video-on-demand services from the major broadcasters, including BBC iPlayer, ITV Hub, All 4, My5 (these services offer more than just on-demand but are referred to as BVoD for ease of reference).

Broadcast TV: Also known as linear TV - television programmes consumed in real time or at the time of broadcast.

Connected TV: TVs which are connected to the internet via either smart TV functionality, a set-top box, a streaming stick or a games console. A smart TV is not always connected if it has not been connected to the internet.

Content provider: Broadcasters and streaming services, which operate their own channels and/or applications.

Digital terrestrial television (DTT): The television technology that carries the Freeview service.

On-demand content: This is content available for people to access at a time of their own choosing, selected from a catalogue of programmes offered by a service provider (e.g. BBC iPlayer)

Platform: A network or service used to distribute and provide access to content. These include digital terrestrial, satellite and cable platforms, used to watch broadcast TV, and online platforms, which are used to access content via smart TVs or other internet-enabled devices.

Public service broadcasters (PSBs): The BBC, the Channel 3 licensees (ITV and STV), Channel 4, Channel 5 and S4C and the content those channels provide.

PSB players: BBC iPlayer, ITV Hub, All 4, My5, Clic and STV player.

Small Screen: Big Debate: The aim of Small Screen: Big Debate is to seek ideas and prompt discussion on how to make sure the UK has a resilient public service broadcasting system that continues to adapt to meet audience needs. More can be found on our dedicated [Small Screen:Big Debate website](#).

Smart TV: An internet connected TV set which offers access to free-to-air broadcast TV channels and third-party streaming apps.

Subscription video on-demand (SVoD): Paid-for subscription video-on-demand services such as Netflix, Amazon Prime Video and NOW TV. While these services offer more than just video-on-demand (e.g. streaming, broadcast pay-TV channels, as well as content to own or rent) they are categorised as SVoD in this report for ease of reference.

Video on-demand (VoD): Includes both paid for subscription video-on-demand (SVoD) and free broadcaster video-on-demand (BVoD) services, as described above.

A2. Responding to this consultation

How to respond

- A2.1 Ofcom would like to receive views and comments on the issues raised in this document, by 5pm on Tuesday 16 March 2021.
- A2.2 You can download a response form from www.smallscreenbigdebate.co.uk/consultation. You can return this by email to the address provided in the response form.
- A2.3 If your response is a large file, or has supporting charts, tables or other data, please email it to smallscreen.bigdebate@ofcom.org.uk, as an attachment in Microsoft Word format, together with the [cover sheet](#).
- A2.4 We welcome responses in formats other than print, for example an audio recording or a British Sign Language video. To respond in BSL:
- Send us a recording of you signing your response. This should be no longer than 5 minutes. Suitable file formats are DVDs, wmv or QuickTime files. Or
 - Upload a video of you signing your response directly to YouTube (or another hosting site) and send us the link.
- A2.5 We will publish a transcript of any audio or video responses we receive (unless your response is confidential)
- A2.6 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt if your response is submitted via the online web form, but not otherwise.
- A2.7 You do not have to answer all the questions in the consultation if you do not have a view; a short response on just one point is fine. We also welcome joint responses.
- A2.8 It would be helpful if your response could include direct answers to the questions asked in the consultation document. The questions are listed at Annex 5. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom's proposals would be.
- A2.9 If you want to discuss the issues and questions raised in this consultation, please contact the team by email to smallscreen.bigdebate@ofcom.org.uk.

Confidentiality

- A2.10 Consultations are more effective if we publish the responses before the consultation period closes. In particular, this can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish all responses on [the Ofcom website](#) as soon as we receive them.

- A2.11 If you think your response should be kept confidential, please specify which part(s) this applies to, and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.
- A2.12 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and try to respect it. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.
- A2.13 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further in our [Terms of Use](#).

Next steps

- A2.14 Following this consultation period, Ofcom plans to publish a statement in summer 2021.
- A2.15 If you wish, you can [register to receive mail updates](#) alerting you to new Ofcom publications.

Ofcom's consultation processes

- A2.16 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in Annex 3.
- A2.17 If you have any comments or suggestions on how we manage our consultations, please email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.
- A2.18 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact the corporation secretary:
Email: corporationsecretary@ofcom.org.uk

A3. Ofcom's consultation principles

Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

- A3.1 Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

- A3.2 We will be clear about whom we are consulting, why, on what questions and for how long.
- A3.3 We will make the consultation document as short and simple as possible, with a summary of no more than two pages. We will try to make it as easy as possible for people to give us a written response. If the consultation is complicated, we may provide a short Plain English / Cymraeg Clir guide, to help smaller organisations or individuals who would not otherwise be able to spare the time to share their views.
- A3.4 We will consult for up to ten weeks, depending on the potential impact of our proposals.
- A3.5 A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.
- A3.6 If we are not able to follow any of these seven principles, we will explain why.

After the consultation

- A3.7 We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish all the responses on our website as soon as we receive them. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

A4. Consultation coversheet

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing

Name/contact details/job title

Whole response

Organisation

Part of the response

If there is no separate annex, which parts? _____

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name

Signed (if hard copy)

A5. Consultation questions

Question 1: Do you agree that a new regulatory framework for PSM delivery should support a more flexible ‘service neutral’ delivery approach that is more outcomes focused? *p 39*

Question 2: Do you agree with our proposals for a clear accountability framework? *p 39*

Question 3: What do you think should be included in the PSM ‘offer’? *p 43*

Question 4: What options do you think we should consider on the terms of PSM availability? *p 43*

Question 5: What are the options for future funding of PSM and are there lessons we can learn from other countries’ approaches? *p 52*

Question 6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven’t identified? *p 54*

Question 7: What are your views on the opportunities for new providers of PSM? *p 60*

"I'm also conscious that whilst a large proportion of the population has access to Sky and to Netflix and to Amazon and Disney, there is still quite a significant proportion that doesn't, and that relies on Freeview and therefore the importance that public service broadcasters play in providing entertainment, as well as education and information, remains still very, very strong."

Right honourable John Whittingdale, MP, SS:BD Virtual Conference

"I am attracted to the UK because of the talent, the creative industries, the skills that we have here. The facilities and infrastructure we have are attractive. I think UK creatives continually punch above their weight."

Georgia Brown, Amazon Studios, Oral written evidence to DCMS inquiry into the Future of Public Service Broadcasting

"I think in order to stay relevant we have to embrace the platforms where people want to watch content and continue to innovate."

Anna Mallett, ITN, SS:BD Virtual Conference

"Audience behaviour and the technology around broadcasting has changed beyond all recognition. And somehow or other, to me the really big and troubling thing is that that policy framework is yet to catch up."

Mark Thompson, SS:BD Virtual Conference

"...the heart of public service broadcasting is universally available, free-to-air, high quality content that reflects UK audiences, and in our case reflects Scottish audiences. We think that is still highly relevant - is worth fighting for."

Simon Pitts, STV, SS:BD Virtual Conference

"News is the big one – political shows or anything political that happens. They can tell you what is going on locally in your area. You don't get that from anywhere else"

Male, 18-21, Glasgow

"It's got to be available for everyone. It's been such an important feature of my life – I use it for entertainment, I use it for education, I use it for information."

Male, 60+, Swansea

"I just feel alone on Netflix, because it is escapism and then when I am on the normal channels I feel like I am part of a community because I am watching real people do real things, I am learning stuff, my brain is going."

Female, 25-39, Swansea

"It might sound cheesy, but it does kind of bring us together, as a family, or as a country, whatever shows are on there... there's more things that are British that we can relate to."

Male, 22-24, St Albans

