

Section III: Beyond the BBC

10. The system of public service broadcasting

Our policy

The BBC is only one part of a wider system of public service broadcasting. The value of that system is enhanced by the fact that different broadcasters offer complementary and competing services.

This plurality in PSB is worth sustaining if possible. But Ofcom suggests that, in television, as take-up of digital TV increases, there is a risk that the BBC may be left as a near-monopoly provider of some services, if the other major broadcasters adopt a more commercial strategy.

A variety of proposals have been put forward for ways in which plurality could be sustained in the longer term, including Ofcom's potentially exciting suggestion that there should be a new Public Service Publisher (PSP).

We want to consider Ofcom's report in more detail, and we are not yet in a position to make any decisions in this area. But to allow flexibility in funding decisions, we think there ought to be scope for an interim review, towards the end of the process of digital switchover, to consider whether additional funding might be given to broadcasters other than the BBC and whether that should prompt any change in the level of the licence fee.

The future of Public Service Broadcasting (PSB) beyond the BBC

- 10.1 The BBC is the cornerstone of PSB. But at present, at least in television, it is only one part of a wider PSB system. Other channels – ITV1, Channel 4 and Five – all provide different contributions to that system, both complementing each others' output and competing for viewers and for quality.
- 10.2 However, according to Ofcom's review of public service broadcasting, the existing system is likely to break down as digital TV spreads. The spectrum needed to broadcast will no longer be scarce – there will be room for many more channels. Fully commercial broadcasters will therefore be able to find ways of broadcasting that don't require them to accept licences that include obligations for PSB programming (in news, current affairs or the arts, for example). Ofcom fear that, in addition, increasing competition for advertising revenue will prevent Channel 4 from broadcasting as much PSB programming as it does now, since many serious and challenging PSB programmes are less attractive to advertisers.
- 10.3 If nothing is done to strengthen the PSB system, therefore, Ofcom suggest that the BBC may be left as a near-monopoly provider of PSB television. In Ofcom's estimation, that will

effectively mean losing around £400 million of funding for PSB from the screen. We agree we should examine ways to ensure that the viewer does not lose out. Plurality – the existence of a range of different broadcasters – has proved valuable to the existing PSB system. Different broadcasters tend to offer different styles of programming to different types of audiences. They compete to be the best in particular fields of PSB. The result is a better service for audiences.

Options to consider

- 10.4 A variety of models for the future of PSB have been put forward in response to Ofcom's diagnosis. Ofcom itself has suggested that a new entrant may be needed, and that there should be a competition for new public funding to run a Public Service Publisher (PSP) that would place greater emphasis on new digital technologies in making programmes available beyond traditional broadcasting. Others would prefer to address the specific concern that Channel 4 might face significant financial threats in future, by finding a way to offer the channel a direct stream of public funding. And the Independent Panel put forward a proposal that a newly constituted Public Service Broadcasting Commission might be given power to take funding away from the BBC in poorly-performing areas and to allow other broadcasters to compete for it instead. On the other hand, it has also been argued that, as the digital environment develops, commercial broadcasters will of their own accord increasingly produce and broadcast content that we would traditionally classify as PSB.

Next steps

- 10.5 The scenario that Ofcom describes is expected to develop only once digital penetration is significantly higher than it is today. Digital switchover will happen between 2008 and 2012 at the earliest. It is therefore impossible to predict with absolute certainty at this stage what the broadcasting market will look like, or what the Government response should be.
- 10.6 We are clear, however, that Channel 4 has a particularly important role to play, alongside the BBC, in the provision of PSB for the foreseeable future. Channel 4 is commercially funded but publicly owned. Its core purpose is to deliver high quality, diverse public service programming; we are clear that this should remain at its heart and welcome the commitment that the channel itself makes to this principle. Ofcom's Phase 3 PSB report identifies a range of options for potential regulatory support which might help Channel 4 sustain its PSB contribution in the period up to digital switchover, including the possibility of help with the transitional costs of switchover. We agree with Ofcom that this is worth exploring although it raises legal issues that will need to be considered carefully.
- 10.7 We are also clear that, despite the uncertainties, the future development of the wider PSB system is relevant to BBC Charter Review. First, because the health of the BBC is linked to the competition it receives from other providers of public service content. Secondly, because if the Government decides public funding is needed to subsidise broadcasters other than the BBC, the licence fee would be one possible source of funding to consider.
- 10.8 We welcome the debate that Ofcom's review has prompted. We do not believe that decisions about the wider Government response can or should be made now. However, they will need to

be made at some point during the next ten years. We therefore propose a review, to take place towards the end of the switchover process, of whether there is a case for public funding, including licence fee income, to be distributed more widely to recipients beyond the BBC. In the period running up to the review, we would welcome more detailed work from Ofcom on the possible form of a Public Service Publisher.

- 10.9 The Secretary of State will retain the power to order an earlier review of the options for maintaining plurality in public service broadcasting, if he or she deems it to be necessary at any point.