

Convergence Think Tank – Seminar 4

11 June 2008

Welcome and Introduction

Jon Zeff

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I. Background

Good morning, everyone. Before I hand over to the Secretary of State to start this morning's proceedings, I thought it would be helpful to give a brief reminder as to why we are here and about the Convergence Think Tank programme. The Convergence Think Tank (CTT) is a joint programme being run by the DCMS and BERR. It looks at the implications of convergence for the media and communications markets. The overall purpose of the programme is for us to provide advice to ministers on whether and how the overall policy and regulatory framework needs to be changed in order to ensure that the communications sector, businesses and audiences can get the maximum benefits from convergence in the future. We aim to publish an interim report later this year. This will draw together, among other things, the key points that come out of this programme of seminars. A final report will come out at the beginning of next year.

II. Key Issues for Discussion

We have four independent advisers who act as critical friends in the work of the CTT. They help us to gather evidence. They will be chairing and moderating the sessions that we have later today. This seminar is part of their evidence-gathering process.

The key issue we are looking at today is around the future of public service broadcasting and public service content. This plays into one of the key themes of the CTT around universal access to high quality, diverse content and how we sustain that in the future. There are two panels today. The first looks particularly at audiences, including audience expectations, changing audience behaviours, and the implications that that has for the future provision of public service content. The second panel will look more at the more overall public service broadcasting and public service content landscape, including how that will develop and how it will look in 10 years.

We are hoping today to look at the broad picture and the big issues of principle around the nature of public service broadcasting and content in the future; the importance of plurality and plurality of provision, and how we secure it. I hope that, in the debate

today, we can focus on those broad issues of principle rather than focus on the details of specific funding solutions.

III. Introduction to Andy Burnham

In order to allow time for the Secretary of State to address us, we have contracted the first session slightly. The BBC Trust will not be represented in the first panel. This is the first seminar we are planning to have on public service and content issues. We plan to have a second one in the autumn, after the publication of Ofcom's report on public service broadcasting, and the BBC Trust will be represented in that.

Before we start the panel sessions, I would like to introduce the Secretary of State for Culture, Media and Sport, Andy Burnham. He is going to set out for us what he sees are some of the key principles which the CTT needs to focus on.

Universal Access to High Quality, Public Service Content in a Converged Environment

Andy Burnham

Secretary of State for Culture, Media and Sport

I've been doing something dangerous for a politician in recent weeks – I've been thinking. And rather than keep these thoughts to myself, I thought the right thing to do in these unusual circumstances I find myself in was to come and share this thinking with our think tank and, hopefully, add something to your important deliberations.

What has surprised me since I started this job some four months ago is rawness and the fierceness of this clash between the old and the new worlds, and the sense of fear about it. When I look at the issues across my department – not just in broadcasting and media but in music and indeed all of the creative industries – I don't see a path of smooth transition to the future but something of a cliff edge. And faced with this, I worry that people are beginning to take decisions that, as a society, we may regret in the long term.

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So that is why I now felt this was the right time to lay out some of my thinking, to challenge some of the assumptions on which these decisions are being made and are taking root at the moment.

We all know this country has been very lucky to benefit from creative content produced to high standards. The question before you, this think tank, is how we carry forward the best of what we have currently got, what we have traditionally enjoyed, in a changing world?

So today I want to make an argument. It felt right to lay some of this thinking out now as there are big questions looming that will require important decisions –I want you to know the context in which I am making these decisions and the instincts I bring to these deliberations.

My theme today is standards – and in some ways I want to rehabilitate the word. Call me old-fashioned, but for me standards are absolutely vital to everything we are considering – not just looking backwards but looking forwards as well.

I will begin with broadcasting but will then apply some of the same thinking, same tests to the online world.

What do I mean by standards? I'm thinking of guiding principles like impartiality and accuracy in TV and radio news, the integrity of programme making and the 9pm watershed, protecting against harm and offence that have stood us in good stead for years. These are principles that have stood us in good stead over the years.

Why are these important? Standards are what have kept British broadcasting valued, celebrated and trusted in the UK and around the world. And I think they are becoming more, not less, important to traditional print and broadcast media as we look to the future.

Being trusted has never been more important. People are still relying heavily on TV news – despite the explosion in information sources. And trust is what people value most, particularly in news, as the Ofcom phase 1 PSB review recently found.

People, both at home and abroad, look to British programming because they understand that it is produced to high standards, meaning they know they can trust what they are seeing and hearing.

There is a reason why bbc.co.uk is the third most visited website in the UK. There is a reason why hotels around the world buy in Sky News and the BBC. Why Morse is sold to 200 countries around the world, Prime Suspect winning a clutch of Golden Globe awards.

Taken together, this creates a powerful economic argument in support of standards. Standards are part of Britain's brand when it comes to world markets. If we chip away at

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these standards in response to short-term pressures, we risk changing forever how people at home and abroad think and feel about original British programming.

The growth of the internet has been so fast and furious that I appreciate it has generated a real pressure on people working in traditional media, and I accept that some may say in response to the arguments I'm putting forward today that it's easy for someone like me to talk about standards when I'm not faced with the reality on balance sheets and feeling real pressure that brings. I can see how some people feel there is no alternative but to chip away at existing standards on the assumption that they are in fact old world baggage – ballast that's hampering progress in the new world.

I worry that the online world will simply wash away all of the standards that have built up over time so we may as well surrender, do it now, and have a chance of surviving.

This feeling has spread to policy-makers too. Not to make an overly political point but it did surprise me recently when the Conservative Party proposed the removal of the impartiality requirements for non-PSB TV news. There is an argument that the distinction between online newspaper sites and TV news is blurring and that we should embrace the future and indeed allow it to proceed with more pace.

I accept that attitudes and perspectives are changing very fast and that if I were to look again at this issue in five years time I may feel differently about it but for now I take directly the opposite view in response to this point put forward by the Shadow Minister. With so much of the online world untrusted, I feel we should preserve standards of accuracy, impartiality and trustworthiness, rather than dismantle them. People still use the internet and TV for different reasons and with different expectations and we mustn't forget that.

Lower standards and you lose the trust and the public support that goes with it. Lose trust and you lower the quality, you lose innovation, you lose the ability of programme makers to take risks, you lose new possibilities, new talent goes undiscovered, and high quality programming is compromised.

This is the context in which we must consider the recent phone voting scandals and it is why it is a very significant issue. In my view, this has holed broadcasters just above the waterline in terms of public trust – damaging but not fatal. It has made it easier for critics of public service broadcasting. Look, they can say, the vaunted high standards of PSB are a myth. They are no more likely to uphold standards of integrity than anyone else.

Another test of standards that is coming round the corner is product placement. As you know the Government is obliged to consider this as part of the implementation of the new Audio Visual Media Services Directive.

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I can see the arguments and benefits of product placement and understand why people feel it is an inevitability given the pressures they are under. But applying the same test, I can also see the cost and the very high costs that might be paid in the long term. I feel there is a risk that product placement exacerbates this decline in trust and contaminates our programmes. There is a risk that, at the very moment when television needs to do all it can to show it can be trusted, that we elide the distinction between programmes and adverts.

As a viewer, I don't want to feel the script has been written by the commercial marketing director.

If Jim Royle gets out of his chair for a Kit Kat, I want to think, 'he fancies a Kit Kat' – not, 'Kit Kat my arse!'

If I thought it was because someone has paid for him to eat one it would change the way I felt about the programme.

We will be consulting shortly, and I am ready to listen to the arguments on both sides. But I come today to give my instinctive view on how I'm feeling about how we respond. And, again, like impartiality in TV news, I accept that this issue may look different if I were to look at it in five years time. But here and now I do want to signal that I think there are some lines that we should not cross – one of which is that you can buy the space between the programmes on commercial channels, but not the space within them.

British programming has an integrity that is revered around the world and I don't think we should put that hard-won reputation up for sale.

These standards that essential to the success of broadcasting, in this converging world – there is a view that standards have no place online, but I don't believe that's right.

In its infancy, the internet was out on the fringes and some of the pioneers saw it as the "wild west", a lawless frontier country.

For some of the early internet pioneers, it was a means of subverting and bypassing the regulatory systems of the old world.

Can I just quote to you from Barlow from something called, *A Declaration of the Independence of Cyberspace* (by John Perry Barlow, February 8, 1996)

"You have no sovereignty where we gather. We have no elected government, nor are we likely to have one, so I address you with no greater authority than that with which liberty itself always speaks. I declare the global social space we are building to be naturally independent of the tyrannies you seek to impose on us. You have no moral right to rule us nor do you possess any methods of enforcement we have true reason to fear.

Governments derive their just powers from the consent of the governed. You have neither solicited nor received ours. We did not invite you. You do not know us, nor do you know our world. Cyberspace does not lie within your borders. Do not think that you can build

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it, as though it were a public construction project. You cannot. It is an act of nature and it grows itself through our collective actions."

"Your legal concepts of property, expression, identity, movement, and context do not apply to us. They are all based on matter, and there is no matter here."

That was then. Twelve years on the internet is mainstream and affecting the professional lives of everyone in this room. It is in everyone's office, most people's homes, it's essential to the global economy. It has brought huge benefits, let me stress that – access to information, communication, democracy – and the World is a much more interesting place for it.

But the penetration of the internet to all of our lives, means that I think that people don't want it to feel like the wild west. Things some people accept as inevitable in terms of governance, I believe we should question.

Why? Because as, for example, Tanya Byron finds in her report there is a climate of anxiety, as well as opportunity that surrounds new technology.

You do have to stop and think when you read a quote from a nine-year old boy in Tanya's report about whether we are sufficiently controlling this online world in which our children are roaming. It's funny but it does make a very important point. He said: "I'm worried I'll get lost on the internet and find I've suddenly got a job in the army or something."

It made me laugh and I'm glad it made you laugh too but I think it makes an important point.

To that though, do we need to be helping and educating people more, finding the online standards equivalent of the 9pm watershed for television? So that, for example, parents can make informed choices about what their children see? These are big issues that will require Government to work with industry to find the right balance.

Why? Because what is unacceptable offline should not be acceptable online – for example, child pornography and other crimes like fraud or theft. This equally applies to the music industry.

The music industry has been the canary in the internet coalmine in terms of the consequences of piracy and illegal file-sharing. There is a lot of thinking yet to be done on this question. But we have signalled in our creative economy programme that if the policy and creative industry insiders don't solve this problem, we will bring the same values of the real world – the values that say shoplifting of a CD is unacceptable - to the internet.

But there is also a challenge to industry to develop new business models so they benefit from changing consumer behaviour.

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Of course, some of the way the new world is currently operating is defended by saying it is really all about the consumer. It is tremendously empowering for the consumer and in many ways a good thing, but there does come a point when you have to question and ask where what is good for the consumer can be bad for the citizen.

Of course, I am not saying there are not already some rules.

Most of cyberspace isn't free of rules. Innovative systems of governance have sprung up spontaneously – rules of etiquette and usage that help people navigate, negotiate and do business with confidence online.

And as you will have seen from the Prime Minister's speech to the Google conference, it is not this Government's policy to react to the challenge of the change the internet presents by retreating to a position of protectionism or heavy regulation.

But, it is the time to ask ourselves some fundamental questions and challenge some of the assumptions of the consensus on which it is operating before it takes root.

The questions in my mind are these:

Have we said content should be free?

How do we use the power of the internet to democratise creativity and maximise economic benefits for the UK?

How do we maintain standards in media and give citizens information sources they can trust?

How do we modernise and adapt systems of law - copyright and intellectual property – that have protected British creative talent over the decades so that we can maintain high creative standards in the future?

How do we maximise the empowering and democratic benefits of the digital age without criminalising an entire generation?

Questions, which I hope that we can begin to explore through the convergence think tank and questions which I wanted to bring to you and add to the debate.

Four months into this job and I am not ready with the answers yet. We have yet to see the second Ofcom report and the programme of the outcome of the Convergence Think Tank.

There is still a lot of work to be done. But I want to end where I began – the question of trust and standards.

I want to see us carrying forward the best of the past in a way that is realistic about the future. The internet shouldn't and mustn't sweep away all the values and standards that have served us well in the past. What we have through the fast but gradual process of

convergence is the chance to re-evaluate standards and values and update them for the future, and I would welcome your advice on how we might best achieve that.

Questions and Answers

Jon Zeff

We now have some time for questions. I will take the questions in groups of three. Please keep your points to the themes of the Secretary of State's speech.

Becky Hogge, Open Rights Group

You referred to the government's intention to legislate around issues of piracy. We have been expecting a consultation on that legislation for two months. Do you know when the consultation document will be available? Also, there is growing speculation that the government might go back on its decision not to extend copyright protection to sound recordings beyond its current 50 years. Can you confirm on the basis of that speculation?

Peter Williams, Peter Williams Television

I notice in the structure of the panel after the tea-break that the big five broadcasters are represented. Does the Secretary of State feel that local television – as distinct from regional television – has a part to play in the universal delivery of public service broadcasting?

Nick Toon, Channel 4

In order to make legislation for high standards, how important do you think competition and plurality and supply of high quality content is in order to maintain high standards?

Andy Burnham

On the first question of when the consultation document will be made available, our preference, as a government, is not to legislate. It is not our firm intention to bring forward legislation. We would still prefer to see new business models and new solutions emerging without the government having to legislate. However, we made it very clear in our Creative Economy document that we were prepared to if those solutions were not forthcoming. I believe some progress has been made. We want to see urgent progress because the damage being done in the short term – particular to the music industry – is significant. It could have long-term implications as well. It is a typical government phrase to say, 'We will publish something shortly,' but it is the case that we are looking very seriously at the options. We will bring forward proposals if no acceptable progress is made.

In terms of the 50-year copyright term for sound recordings, this is an issue that does play into our debate. Some might say that it is an outdated notion; others might say it should be extended to 95 years, as it is for composers. I believe it is a question of balance. It is

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a question of encouraging the development of new music, investing in talent, while not trapping all our money in systems which are not rewarding or encouraging new talent. At the same time, we need to recognise that many musicians perhaps do their best work in their early twenties and thirties and their 50-year term will run out in their seventies, at the time when they might need the extra help. I do see the issues in the balance. Charlie McCreevy is going to bring proposals forward soon. We will consider them.

It is the classic case of the question of how we can carry forward these systems into the new age and not just have something that is hopelessly unrealistic when it comes to preserving a system of protecting creativity.

Peter, on your question with regards to whether local television has a part to play, I consider that it does have a part to play. I do not know if anyone noticed, but I did not use the word 'regional' once in my speech today. That is because I have more strings to my bow than being simply concerned about regional television. I do think it opens up the possibility. I am prepared to consider those possibilities. My worry is that, if we are not careful, the public may wonder what the switchover is all about or what the digital age is all about if they cannot see the steps forward or the preservation of things that they have considered to be important up to this point. That is a real concern for me. It could damage broadcasting if people cannot see the leap forward that it brings, and they simply see many more lower-standard offerings. That is a question that is very much in my mind.

I am prepared to believe that local television does have a role to play. I would be interested to know what you think the models might be to put forward to sustain a local television offering, and indeed if it could be sustained in a fiercely competitive world. I am open to the possibility.

That leads me to the last question. I believe it is incredibly important that we preserve plurality in the supply of public service broadcasting. What we have has stood us in good stead. It is not by accident that we have a fine reputation around the world for high quality programming. That is not down to any one piece of our broadcasting landscape. That is down to the ecology of everything working together and in the end producing content of high value and high quality. It is very important that we do not have a sense of a future where this is whittled away, shrinking everything down to a core offering.

Today I want to talk about how we can carry forward the breadth of quality that we have. We have to keep it sustainable. Where do we pitch the right balance so that it is sustainable? I do recognise that there are pressures on plurality. It is not easy to list all the ways in which we will sustain the quality. However, I do not want people to surrender and let the tide wash over them. We need to see that there is something worth preserving and we must be prepared to fight to save it, and indeed to make it better for the future.

Andy Duncan, Chief Executive, Channel 4

I think you will get much agreement to the points you raised about keeping standards and quality high, and not simply accepting the internet style where common standards and

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rules do not apply. My question is quite specific. In your speech, you said that, on the internet, interesting models of governance have sprung up. For example, users will mark unacceptable content.

In the advertising industry, in the UK, there is an incredibly successful several-decades old system of self-regulation where the advertisers themselves bring pressure to bear on agencies and other groups to keep standards up. I wonder whether you think self-regulation could be the answer, provided the government separates the context. Perhaps regulation could work from the wings.

Eve Salomon, Press Complaints Commission

We talked about standards on the internet. The UK press has agreed with you by voluntarily having an online presence, subject to the same self-regulatory code as its offline presence. Just looking at standards that go beyond legal requirements, what is the justification for considering that there should be government regulation when there is a clear reputation and economical advantage for the industry to self-regulate?

Dr Des Freedman, Goldsmiths, University of London

It was refreshing to hear your support for impartiality regulations. I am wondering if you have any advice for Ofcom to deal with, for example, the right of FOX News – which is available in this country to many millions of people, but which is hardly the beacon of impartiality – and how that problem might be confronted.

Andy Burnham

Normally I look to Ofcom for advice. I am glad you picked up on that point because I do feel very strongly about it. This comes into the issue of the trade-off between standards and costs; the costs of maintaining standards. Some may say that it is the only logical way to go in this world of technology, and that to have two people in the studio rather than one is an unacceptable cost. Impartiality needs two views so therefore it brings a cost with it. However, I would argue that it is a cost worth paying because it preserves a value related to our programming that is valued worldwide.

My worry of the creeping pressure is that it exerts a pressure on the whole system so everyone would feel the pressure of the arrival of a FOX News style of service. It would begin to erode some of the standards we have, even if we maintain impartiality for the public service broadcasters.

You have to accept that people will be able to access FOX News, and in some ways there is nothing wrong with that. However, at the same time, the reporting of events in this country by our broadcasters should maintain their systems of impartiality. They are not only good for society and citizens, but they are also good for the economic interests of the media industry in the long term. It is a horrible phrase, but they have a 'Unique Selling Point' (USP) in the world market. British news has that USP and we should keep it.

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With regards to the questions by Andy and Eve, one thing I thought was really striking about the work that the PCC did recently was in the agreement that was brokered with the press around Prince Harry in Afghanistan. The blackout lasted for several weeks. It was eventually broken by a website in the US. You are correct in saying that some of these standards do not have to be legislative. They do not have to have the traditional response of government setting a law in parliament. They can be done via voluntary means. I took great encouragement from the fact that the British press collectively was able to maintain that position for so long. That is exactly the kind of thing that I am talking about: maintaining standards into the online age. I congratulate the work that the PCC has done on that.

Andy also makes an important point about advertising. Advertising has an incredibly successful system of self-regulation. With regards to the music industry, self-regulation is probably the answer. It is the first place that should be searched for the answer. It is the solution I think that most people in this room would feel comfortable with. You have to maintain the possibility, however, that something will not operate in the public interest. Obviously public safety is the key issue that the government has to worry about. There are other issues, such as the economic wellbeing of the country and our competitiveness worldwide. These are key questions that the government cannot ignore if there is damage being done to those principles. The intervention always has to be proportionate. We should look to self-regulation first, but we cannot flinch from these questions. The worst thing to do at this particular moment in time would be to accept it as inevitable and flinch from the questions.

I was amazed when Tanya Byron was doing her report that there was a rule online about using YouTube. You had to be 13 years old to use YouTube. I had no idea whatsoever that that was the case. There are innovative systems of community self-regulation that do spring up online. However, I am a parent of young children, and I see that parents are not helped to navigate this world. If a video on YouTube has had one million hits, it is almost akin to broadcasting. It does not seem to me to be that difficult to have a system where you have an alert on that video – with regard to language, violence or sex – that before the download is done, people are alerted to the video's content. It does not appear to me to be overly intrusive or regulatory to encourage systems of that kind. It is broadly a question of navigation rather than banning or blocking. Navigation is the point, rather than coming in strongly with the government jackboots and banning things.

Jackie Devereux, Community Media Association

I have a question about public service broadcasters and whether the government will consider widening out the definition of who is a public service broadcaster to include, for example, where appropriate in maintaining standards that are required, community radio and groups that are performing public services for the communities they are in.

Sophie Chalk, International Broadcasting Trust

I believe there is an inherent clash between the values of a free market system and those of a public service broadcasting system. I wondered whether the Secretary of State had

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any comments as to how we reconcile these opposing forces in an increasingly competitive marketplace. I cannot reconcile them myself and I would be interested to hear if he has any thoughts on that.

Sarah Beyer, BPI

You mentioned the need to help and educate people with regards to online issues and particularly with regards to copyright issues and the music industry. I wondered if you could tell me how you propose to do that.

Andy Burnham

Jackie, on your question, I am encouraged by the development and the journey that community radio is on. It is most successful and is having an impact. I visited a station in Manchester recently and was very impressed. It is a question that I am prepared to consider. Obviously I think we are at the beginning rather than the end of the journey. It goes back to Peter's question regarding local television. We should see how it develops. In these bigger questions about regional content and local news, we do really collectively have to reach solutions that everybody can live with, including the media world and the political world. There is a difference of view at times that, in the end, we cannot reconcile and the public will end up losing. People do feel very passionate about regional news, as the Ofcom research showed. I know you are talking about even more local broadcasting material than that. I am prepared to consider these questions, but I will give a fair wind to what you are doing and we will see how it develops.

With regards to Sarah's question, it is important to highlight that. I mentioned in my speech about the democratising effect of the internet and the opening of new possibilities. We must not simply consider the internet as one great big threat, as perhaps some in the music industry have. It is a great thing that the talented people in my constituency can now put their output to the world without depending on a commissioning editor who does not believe or trust in anything produced outside the M25. That is a powerful thing that it has brought. However, we do have to educate people about the value of other people's creative property. We have to communicate to them simply. I do not think that they feel that getting music online is the same as shoplifting a CD, but in effect it is. We also have to educate people about their own creative value. If we are moving to a system where everything is put out there for free, creative people are not going to be protected or encouraged to protect their own creativity in the long term. We have to encourage young creative people today to understand the value of their own creativity and to give them appropriate help and support to protect it as they enter this competitive world.

With regards to Sophie's question on whether there is an inherent clash with tensions that are beyond reconciliation, I do not think they are. Until this point, we have managed to reconcile them. I am sure people could give examples of how PSBs have done things that have worked against the competitive interests of the country. The argument I was making was that some of that bedrock of standards is also good for everybody, economically, in the free market that is the global media world these days. I believe they

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can be reconciled. I understand the point that you are making: that there is an inherent tension between them.

It comes down to the question: are we talking about consumers or citizens? I think we must not fall into the trap of thinking about one or the other. We are always thinking about both. Something may be fantastic for you as a consumer, but it might not be good for you as a citizen who lives in this country who will have children, grandchildren and great-grandchildren who will depend on high standards in democratic society in terms of news, information and the protection of creative talent so that we can continue to enjoy it for the future. All these things include a trade-off of a complex balance to strike. However, broadly, I believe we have a success story on our hands in reconciling them in this country. I worry that we might wipe it away and seriously regret it in the long term.

Jon Zeff

Thank you very much.

Andy Burnham

Thank you for the opportunity to come and speak here today. I wanted to share some of the thinking with you. We are at a very important time. The work of this Think Tank will be crucial in shaping the bigger debate rather than just the political debate in the country about these issues. I accept there will be a difference of views to what I have said today. I have not come to be controversial, but to share how it seems from my perspective. I am sure there will be different views in the room. I hope we can continue the debate on some of the issues I have raised today.

Jon Zeff

Thank you. I think you have set out some clear principles to inform our session and some challenging questions to inform the debate and discussion that we are going to have, both today and as the Convergence Think Tank develops.

Introduction to Panel Session I

Tess Read

Consultant, AMR International

I. Overview

Good morning, everyone. Thanks to the minister for what was an interesting and stimulating speech. I am sure we will pick up on many of the issues that Andy has raised, and see what our panellists have to say about some of them.

Firstly, in this session, we will look at:



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- What we expect from public service content in the coming years.
- What we think public service content should look like in a converged world.
- How we expect demand and consumption of public service content to change.
- How will the ways in which audiences expect public service content to be delivered change?
- What range of platforms will audiences expect the content to operate upon?
- Will it matter to audiences what organisations and institutional frameworks deliver this?

In the second session, following this session, we will look at what mechanisms will be needed to deliver whatever outcomes we might consider to be desirable. However, for now, we will discuss what the desirable outcomes might be.

II. The Characteristics of Public Service Broadcasting

The characteristics of public service broadcasting which audiences expect, as Ofcom has set out, are that they should be:

- Of high quality.
- Original with home-grown content.
- Innovative with fresh new ideas.
- Challenging, making viewers think.
- Engaging.
- Interesting and accessible to viewers.
- Widely available; if content is to be publicly-funded, it should be able to be watched by a majority of the public.

III. Panellists

To discuss the future of public service content and how these issues fit within the context of these overarching ideas, we now have four leading figures from this world:

- Peter Phillips from Ofcom. Peter is responsible for strategy. He was previously head of Business Development at the BBC.
- Jocelyn Hay, Chairman and Founder of the Voice of the Listener and Viewer.
- Simon Terrington, Founder and Director of the consultancy Human Capital.
- Professor Patrick Barwise, London Business School

IV. Topic for Discussion

The challenge of the speakers is to talk for no longer than five minutes on the subject of: ‘What changes do you expect in audience needs and demands for public service content over the next 10 years, and what do you think are the implications of these changes for the scale, scope and form of public service content in 10 years’ time?’

Ofcom Research

Peter Phillips

Ofcom

I. Four Critical Areas

Over the last year, we have undertaken what I believe is the largest-ever programme of research into what audiences want from their public service broadcasting system in the UK. From that research, there are four areas which have emerged as being absolutely critical.

1. High Quality Content

Firstly, audiences continue to want a wide range of high quality content that meets the purposes of public service broadcasting:

- To inform ourselves.
- To stimulate knowledge and learning.
- To reflect the UK’s national and local cultures.
- To make us aware of diversity in lives and viewpoints.

2. An Emphasis on UK-Origination

The second thing that has emerged from the research is an emphasis from the audience on UK-origination. Although international content does have a role to play in public service broadcasting, content that reflects UK perspectives and that is originated in the UK is essential to meeting all of those four purposes that I just set out.

3. A Variety of Perspectives and Approaches from Different Providers

The third point is that audiences very clearly value the variety of perspectives and approaches which a range of different providers of public service broadcasting bring to the system. That is true in almost every area of programming; it is not just true in terms of news and current affairs.

4. Content Availability across all Platforms

Finally, the fourth point emerging from the research is that audiences increasingly expect content to be available across all platforms, particularly online. The television will remain central, but it will become increasingly hard to predict how media usage and technologies will develop over the next 10 years. That is why we have argued strongly that the framework for PSB needs much greater flexibility in the future than it has had in the past.

II. The Current Model

What will the current model deliver? With television, some areas are already under pressure. We can see that in UK children's programming, especially for older children. In future, our modelling suggests that the provision of a wider range of UK-originated content could be threatened. In particular, commercial business models may not support original programming that is innovative and risky, for example, an edgy UK drama, a UK comedy, or, in some areas, a serious feature programme. As competition intensifies, and audiences continue to fragment, our modelling suggests we may see less investment by commercial broadcasters in UK content in general.

III. Online

With regards to online, there are many exciting new opportunities for audiences. The barriers to entry are lower, the opportunity for innovation is greater, and there is a huge range of providers who are putting out content which meets, to a greater or lesser extent, the purposes of public service broadcasting. We think that is going to continue to increase in the future.

It is important to recognise that online is not yet a true substitute for traditional television programming. Indeed, much of the most popular video content online is itself originated by the public service broadcasters, as we have seen most recently with the BBC's iPlayer. 40% of the population do not yet have broadband. As Tess was saying in her introduction, the question of wide availability is an important one.

IV. Models for the Future Delivery of Public Service Content

In our first stage of consultation on public service broadcasting we have set out four different models for the future delivery of public service content, along with a range of different funding options. Consultation does not close until the end of next week and I encourage anyone with an interest in this subject to let us know their views and any evidence they can put forward.

In our view, all of those options are credible and worthy of consideration. We are looking forward to continuing to work closely with the government, the Convergence Think Tank, and with others to try and resolve these kinds of complex questions over the coming months.

Tess Read

Thank you. I wonder if you could say anything in particular about Andy Burnham's speech or any of the questions that arose from it, with regards to Ofcom.

Peter Phillips

I think one of the clear linkages, from what Andy was saying in regards to the future models of public service broadcasting, is the question of: what approach might be taken to the regulation of content and standards regulation in the future? I absolutely agree with what he said: that self-regulation has to be an important element of that. If one looks to the internet, clearly there are limits on what statutory regulation can achieve. The kind of approaches which Tanya Byron set out in her review, of looking to the industry and providers to play an important role but in a self-regulatory way, is critical. To complement that, it is clear to me that public service broadcasters and organisations that are in receipt of public subsidy in order to produce their content will need to continue to achieve higher standards than are likely to be achieved through self-regulation. Therefore, we are likely to see a different kind of tiering of content regulation in the future than the kind we have seen in the past.

The Perspective of the Listener, Viewer and New Media User

Jocelyn Hay

Chairman and Founder of the Voice of the Listener and Viewer

I. Introduction

I have more or less rewritten my speech in the last few minutes because I was so impressed by the speech from the minister. I thought it was the best we have heard for a very long time. I was extremely encouraged by his emphasis on maintaining the standards which have led to the respect that British broadcasting has gained around the world. By that, I mean, in particular, standards to do with impartiality in news reporting, product placement and in the actual quality of production. I thought that one of the most refreshing things we have heard in a very long time. Also, his mention of the difficulty of 'Governing the Wild West' attitude towards the internet. The internet is an absolutely fantastic invention which is bringing wonderful benefits to all sorts of people. However, at the fringes, some sort of regulation would be helpful.

My presentation will be interleaved with comments both on Peter's presentation and the minister's presentation. I am delighted to be here to represent the Voice of the Listener and Viewer, and indeed, more and more, the new media user as various technologies converge, especially as I note I am the only consumer representative.

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Convergence is of immense importance and value to consumers and they should be involved in thinking about the future and working on it. It has immensely important social and democratic implications for viewers, listeners and new media users as citizens. For this reason, I believe it is essential that we ensure that the principle of universal service and access continues to be carried forward into the age of convergence.

is It was one of the great benefits of the 20th Century, to have that principle accepted, from broadcasting through to the National Health Service, and we should take it forward into the 21st Century.

II. Universal Access

Technology is making it possible, not only for broadcasting, but other public services to be delivered electronically: over the air, over the internet and by cable and broadband. The potential benefits are enormous. However there is already a significant divide between those who can access digital services and those who cannot. If we are not careful, that divide will grow as convergence proceeds. It is important for us to ensure universal access, in particular to our major public service broadcasters, their public service content, and to other public services which are now being increasingly provided, free at the point of use, by the government and many of its agencies – from Ofcom through to the local doctor’s surgery – and these new services are converging in technological ways, particularly over new interactive media.

There is a tendency to embrace the decline in linear television viewing too quickly. It may be declining, especially among the young, but not nearly as quickly as many predicted. Television is still the main source of news, information and entertainment for most people over the age of 50. That has huge implications for a democracy like ours, and that is why I welcome the Secretary of State’s emphasis on the importance of the role that impartial news plays in our democracy.

III. Public Service Broadcasters

It seems to me that the four public service broadcasters are the only services which, to any significant extent, provide the content which viewers really value and want. Although they do want the best of all worlds: they want to be able to access the best of overseas material, the best of Hollywood films, and the best sporting events, but they also want to have access to content that was made here in the UK, in their own interests and to meet their own needs. That includes a wide range of diverse content, from entertainment and comedy through to high quality drama and documentaries. The use of new platforms in its delivery is growing, but the four public service broadcasters still provide – and still will provide for a long time to come – the largest opportunity for audiences to enjoy that kind of content and the means for them to do so, to enjoy that shared experience which helps to reinforce our community and social cohesion. The ‘water cooler effect’ which only the major public service broadcasters have the reach to ensure for major public events and popular programmes which capture the imagination of the public. That is one reason why Voice of the Listener and Viewer fought hard to

keep the main listed national and sporting events in the public domain, free- to air on one of the universally-available PSB channels.

Some of the most valued content – which is very difficult to evaluate in economic terms – is ephemeral. It includes documentaries, current affairs programmes, light entertainment programmes, sometimes in the vernacular, and live programmes. It is often content which will not easily export overseas and which cannot make the same kind of return as a high quality drama such as Inspector Morse which is sold to hundreds of countries overseas. However, it is valued by the audience and it is important in our social, democratic and cultural lives. How in future it will be funded is a difficult question. I accept that. And I see a role here for subsidies on the main channels.

IV. We Must Not Get Carried Away Too Soon by New Technology

We must not get carried away too soon in looking ahead at the problems that may arise. Broadband is growing and so is the use of the internet. But broadband does not reach more than half of UK households, and the internet is unavailable in about one-third of all households. That leaves a huge number of people excluded - and they are probably the older and poorer members of society. It is mainly the young who are leading the way, the early adopters. They are seeking to get the video clips and news flashes on their mobile phones and so on. They are using the opportunities to participate in the enjoyment of voting at the end of programmes, joining in online games, and other interactive activities.

V. The Example of Ofcom

It is important - essential - that we recognise that there is still a huge demand for the traditional kind of storytelling and high quality programmes. We must continue to ensure that the benefits are available to all. It is very easy and dangerous to get carried away by the new technology. I will illustrate this by a story against Ofcom, in some ways, a perfect example of how easy it is to get carried away with the excitement. I regularly address a huge number of 'ordinary' audiences, from Rotary clubs to Women's Institutes. I was in Ofcom last week and wanted to pick up a handful of their very useful leaflets about how to complain; not just about broadcast programmes, but about the reception of television and radio, and about telecom services, and so on. However, I was told that the leaflets are no longer produced as the information is now on Ofcom's website, even though one-third of the people to whom I talk do not have access to the internet. A classic example of a regulator that is a bit out of touch with its audience. And typical of the dangers of increasing the digital divide, unless we address the problem of enabling all citizens to benefit from the wonderful opportunities that new technology makes possible.

VI. Media Literacy and Wise Regulation

Finally I would like to comment on another area that the Secretary of State mentioned today, an area in which Voice of Listener and Viewer is keen to help, that is media literacy. It is not enough now just to be able to afford the new technology and the costs that it will bring, we must also ensure that people are able to navigate through these

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wonderful new opportunities, that they have the knowledge to take charge of their own and their family's viewing. They will have to take much more responsibility for it in future. It will not be possible to regulate the new media as much as we do today. So VLV is looking for positive regulation which can support the continued supply of a wide range of high quality programmes that audiences want, and enable everyone to take advantage of this wonderful new world. It is a challenge, but media literacy and wise regulation, carried forward into the new world, are part of the way to achieve this.

Peter Phillips

We will get some leaflets back.

Jocelyn Hay

Thank you very much.

Tess Read

I agree with you, Jocelyn, that television has held up very robustly and many people have been surprised by how much it has held up. Can you say anything about radio and the future of radio?

Jocelyn Hay

One of the sad things about the PSB Review is that it does not actually cover radio. Radio is one of the media that just goes on serving its audience, providing it is of high quality. The BBC is in a privileged position because of its licence fee funding. It is able to spend money on quality, and it has also kept up the quality of its programming. The audience has increased and is more appreciative than ever. But we must also not forget the huge amount of patronage that BBC Radio bestows, particularly on the arts, both in commissioning live and new music and the spoken word, and in making them accessible to so many listeners.

Commercial radio audiences have fallen because the quality and the emphasis on the individual listener has fallen since the days a few years ago when commercial radio actually had a majority audience over the BBC. The demand for radio will continue so long as it meets the needs of its audience. It has its own strengths and flexibilities. People have written off Radio on many occasions before, but it is coming back to be delivered in a whole host of new ways. Basically, it is the same service that is now being delivered over new platforms, in the same way as it is much the same television content that is being delivered over new platforms and being appreciated by the audience. The delivery method is simply another way of receiving it.

Plurality

Simon Terrington

Founder and Director of the consultancy Human Capital

I. Introduction

Now that we have all fallen in love with Andy Burnham, we may have forgotten the previous incumbent, James Purnell. However, I have not forgotten James. He taught me an important lesson in a speech he gave. He said, ‘Like the tortoise, he only knew one thing: broadcasting is essential to democracy.’ I will follow his example and try to just say one thing in my speech.

II. Plurality

Quite rightly, plurality has emerged as a critical theme for discussion during the Ofcom PSB Review. We have been asked to look at the audience’s need and the likely demand for public service content over the next 10 years. It seems to us that another important theme emerges when we look at that, and that is the idea of impact and critical mass.

III. Education

Education is becoming more and more important to society as a whole. There is a shift from manufacturing to service business; there is globalisation; digital technology; and all of these pieces create an enormous amount of change and put a lot of pressure on different groups in society. Historically, the television has allowed PSBs to inspire audiences with the possibility of education and learning, but it has not so much allowed the delivery of education and learning. Digital television allows PSBs to go further; to actually deliver education. In a world of choice, there is polarisation. Children who have wealthier parents and who are better educated might have more access to educational material. Children who have less wealthy parents and might have less privileged backgrounds may not have as many benefits. There is therefore a risk of polarisation. PSBs must bring education to the whole population. That means ‘impact’ and ‘reach.’

IV. Scale

In the structure of the UK, immigration and devolution mean that society is becoming more multicultural, heterogeneous and some people see themselves as part of international communities or sub-UK communities. It is important to have a broadcaster that has scale; that can bring everyone together as a whole UK.

V. Democracy

In democracy, historically there has been a compact between politicians and the media. The deal is that politicians are exposed to a large audience of millions, but in exchange

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for that, they are open to scrutiny. The fear is that if broadcasters can no longer get the big audiences, the compact will break down. Politicians communicate through their websites and bloggers and journalists express their views, but we will not get the face to face cut and thrust of debate which is very important. It is important to get PSBs who can bring a big audience to political interviews.

VI. Transformation

Digital technology is transformative. It can change the society and the individual. It offers people employment opportunities, new ways to be involved as a citizen, new ways to shop, new ways to be educated and new ways to communicate. Again, there is a risk of a divide between those who have access and those who do not. A broadcaster must bring everyone together.

VII. Summary

In summary, there is the multi-channel television, the internet, migration, devolution, and the liberalisation of social norms. In many ways, that is creating a more interesting, a more creative and a more diverse society which is wonderful. However, it puts a premium on a broadcaster who can bring everyone back together again. The difficulty here is that scale might conflict with plurality. For fixed resources, there are areas where it does. The choice of how that balance is struck is very important to the future of the industry and the UK as a whole.

Tess Read

It seems to me that you are saying two things. On the one hand, you are saying that this is a fantastic new world of opportunities. On the other hand, you are echoing what the minister was saying about the fact that we need to ensure that we maintain standards.

Simon Terrington

That is it entirely. Andy Burnham talked about standards. You need someone with scale and size to impose standards.

The Customer

Professor Patrick Barwise

London Business School

I. Introduction

I am delighted that the CTT is at last including a session about the customer. That is a change! People watch television and they listen to the radio for an average of over six hours per day. They have been doing so for decades. We know a huge amount about

what they actually value. In the last 30 years, there have been only two really important new television technologies: multi-channel, which is now a mature technology in 90% of homes, and Personal Video Recorders (PVRs) which are a fast-growing technology in approximately 20% of homes. Both of these are successful because they create a huge amount of consumer value. However, neither of them, nor any other technology, has significantly impacted how much people watch, when people watch, where people watch, with whom people watch or – crucially - what people watch. Even in PVR homes, 85% of viewing is live.

Tess mentioned that many people were surprised by the robustness of the television viewing.. Those of us who actually research consumers have not been surprised. It has been the technophiles who have been surprised, again and again.

II. Ofcom's Research

If you want to know what public service content people will watch in a converging world, it is mostly the same as they have always wanted: great programmes. Ofcom's Phase I report includes some terrific research. I would urge anyone involved in policymaking or commenting on these issues to read the research summary. Peter has just talked about it briefly. He said there were four issues:

- A wide range of high quality public service content.
- UK-origination.
- Plurality
- A wide range of platforms. . In other words, TV plus other media as add-ons.

It is very robust research which has put those as the priorities. This is not simply an academic point. The first three seminars of this CTT have been totally about the supply side. The second session today is also about the supply side. It is only this session which is actually about what it is that the public wants, which is mostly about content, with platforms as a secondary issue.

We have a *de facto* policy at present, which is steadily cutting the licence fee. If you take out the cost of digital switch-over, it is at approximately RPI minus 2-3% per annum. This is not as fast as to produce a public outcry, but it is steadily chipping away at the BBC's ability to create high-quality content. This is at the same time as the commercial PSBs are under pressure because television advertising is a mature market. It is not a declining market, but it is a mature market. Again, in Peter's report, we can see that the Ofcom analysis of those pressures is extremely clear.

III. The Public will Lose with the Current Strategy

The current strategy – to reduce the source going to the BBC at the same time as the commercial PSBs are under pressure – is guaranteed, if we carry on at present, to give the public less of what it wants. This is pretty much guaranteed and this is really what we should be talking about. There are many other questions and uncertainties and a great

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deal of demonstrable nonsense about convergence and new technologies. I am seriously interested in a lot of these technologies, but in this session, as it is the only CTT session to take a consumer perspective, I hope we will focus on what actually matters to viewers and listeners, which is primarily the quality of programmes, especially UK-produced programmes, which is seriously under threat.

Like Jocelyn, I was happily surprised by what the Secretary of State had to say: that he put so much emphasis on standards and on the precautionary principle in his speech. If we lose our wonderful PSB ecology, which in the medium term, the current policy is going to guarantee, we will not be able to get it back.

IV. No Tension between Consumers and Citizens

By the way, there is one thing which I disagreed with in the minister's presentation. He sees a tension between what is good for consumers and what is good for citizens. Actually, because of the specific economics of broadcasting – because it is a public good and so on, in terms of zero incremental cost of consumption, as well as because of the rather clever way we manage it, including that the public sector is only 30% of a very competitive market – actually, from a pure consumer perspective, what we have at present is extraordinarily good value for money as well. There is no trade-off between what is right for the consumer and what is right for the citizen in terms of roughly where we are at present. At the moment, we are sleepwalking towards a situation where we are going to lose it unless we change the policy.

Summary

Tess Read

Consultant, AMR International

I. Themes for Discussion

Just before we open it out to the floor, I would like to pick up on a couple of the themes we have had so far:

- To what extent is public service content deliverable by the market in the coming years?
- Is there scope for cutting back on public service broadcasting without necessarily cutting back on public service content?
- How do we ensure there is sufficient access to this public service in the coming years?

Discussion

Tess Read

I know Robin wanted to talk about the first of those areas.

Robin Foster

I think I know what Patrick's view is on this. I would like to ask a question to the other three speakers. We have had a strong message from the Secretary of State that we should not throw away the quality and the standards which have evolved over time in the UK. There was also a strong message about public service broadcasting. However, there clearly is a legitimate question to ask about how much we need to spend on public service broadcasting in five or 10 years time, given the way that the market might change. Perhaps more high value content will be provided in the marketplace, not just in traditional broadcasting but across the internet as well. Also, there may be opportunities that new media and on-demand access might give to traditional broadcasters to do things better and more efficiently. There seems to be a question that we should be asking about the long-term view about how much public investment we spend in this area.

I will turn to Peter first because I understand that the Ofcom view is that we ought to try to maintain current levels of support, either directly or indirectly, as we go forward. If that is correct, how much will be needed in the future?

Peter Phillips

There are a number of different elements to that question. One of the questions about how much we need to spend is related to the importance of plurality. What our analysis suggest is that, in addition to the areas that I touched on – of children's and nation-enrichment programming, where we already see problems in delivery under the current system – there are a number of other areas where it will be increasingly commercially unattractive for providers other than the BBC to have programming in those areas.

The audience is clearly telling us that they do not want the BBC to be the only provider of that kind of programming. They value the BBC hugely, and we have stressed in our report that the role of the BBC is as the cornerstone of public service broadcasting. However, the audience believe that there are powerful reasons for wanting to have provision in addition to the BBC. Therefore, our belief is that there needs to be sufficient intervention in order to continue to provide that.

This does not to be in every single area. One of the things we have also said in our report is that you do not need intervention to secure every element of UK-origination. There are clearly things such as Coronation Street which, commercially, are extremely attractive. It would be madness for a broadcaster with these sorts of programmes not to make the most of it. This is not an argument which says that all UK production needs to be subsidised in order to be commercially viable. What we have said is that in particular areas where innovation and risk-taking are important, and where the underlying economics are fragile,

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there should be intervention or there will not be the range of plurality in the future that there has been in the past. That is the key element which is behind the argument that we set out and that we are keen to get people's views on: about wanting to maintain the level of intervention at current levels.

Robin Foster

However, before talking about plurality, is there not a prior question about what the size of the cake should be before you decide how it should be cut up? That must include a complicated set of issues about effectiveness, future of delivery, public willingness to pay for public service broadcasting and so on. Is there not a debate to be had around that before we start to think about how it should be provided?

Peter Phillips

Clearly those are good questions to ask. The research we have done so far is in this area, and we will do more research in the second phase as well. The research suggests that there is no lack of willingness to pay at the current levels. Whether that is for the BBC or to support the commercial provision of PSB, clearly that is a difficult question to research effectively. It is why we are going to be doing more research in that area in our second phase. The evidence that I have seen so far shows no lack of audience commitment to that aspect of the current system.

Simon Terrington

I have things to say about this as well. If the question is 'to what extent will the market deliver public service in the future?' this can be split into three separate questions. The first question is: will the market deliver content that meets the purposes? The second question is: will the market deliver public service services? Will Wyatt, who was our chairman for six years, always said, 'Do not talk about public service programmes, but about public service services.' Also, will the services be provided by an organisation whose governance is impartial, independent and non-commercial?

If we look at the example of Sky, Sky creates lots of public service content: Sky News, Sky Arts, and much of the content on Sky One is public service content. Sky Arts and Sky News are public service services. It is hard to deny that. The governance of Sky does not pretend to be anti-commercial or independent. If we look at *The Guardian*, it ticks all three boxes. Its governance is an impartial trust. Its contents and its services could well be described as public service.

We do some work for the Wellcome Trust and the Science Museum, and various people like that. They are very excited about carrying out their purposes in the digital world. The Wellcome Trust wants to create very strong and rigorous science content. The governance of the Wellcome Trust is independent and impartial. The standards of content are incredibly high. However, then you have a problem in the middle which is that the services do not really bring a large audience. That must be cracked. Therefore, a three-level analysis is called for.

Jocelyn Hay

As Peter was saying, there is no actual evidence showing a huge resistance by the public against what they are paying at the moment, despite campaigns by the newspapers. There are a few people who are disaffected, but the majority of people do not complain. They are perfectly happy and satisfied with paying the BBC licence fees for what they get for it. They are very pleased with what they get for it. There is a huge danger here if you are going to set the cake arbitrarily, as Robin was suggesting. What criteria will you use? How will you judge it?

Robin Foster

The cake has been set arbitrarily so far, has it not? I am not sure what we base the current levels on.

Jocelyn Hay

If you leave it entirely to the market, you will get what they have in many overseas countries, such as in America, where you get some good programmes and some poor programmes. When people come here, they always admire what we have which is unique and includes the best from a publicly-funded BBC and a commercially-funded but well-regulated commercial sector. This seems to bring the best of both worlds. Channel 4, which is a commercially-funded public service broadcaster, is almost unique and very valuable.

If you start fragmenting and leaving it to the market, as Simon was saying earlier, you lose the value of scale. If you have 1,000 flowers blooming they will end up like weeds in the garden. You need a well-tended garden. You need some large players who have the resources to continue to cross-subsidise something which seems to be such a dirty word these days. There used to be a time when businesses would have a highly popular programme like Coronation Street, which would bring in loads of money, and use it to cross-subsidise something else that didn't. That presumably is what Channel 4 does at the moment. Why not let that continue?

Patrick Barwise

You may have gathered that Robin and I have discussed some of these matters before. The question that he asked is a fundamentalist question. He talks about intervention. It is not a neutral way of talking about these things. He asks, 'How much public investment should we justify?'

It depends what we mean by 'public investment.' The people who pay the licence fee are the customers of the BBC. It provides demonstrably better value for money than pay-TV, by which I mean that in those homes that have chosen pay-TV, the cost per viewer per hour in those homes is less than half of the cost per viewer per hour that they are paying for pay-TV. I am absolutely not saying that they should not be allowed to have pay-TV; I am saying we need to protect the universally available public service broadcasting which is for everyone, and then top it up with a deregulated or lightly-regulated market.

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On the issue of the licence fee, the BBC has very powerful enemies who, for decades, have tried to persuade the public to resent the licence fee. They have failed. This is one piece of the market where the people who complain about the licence fee are the competitors and not the customers. It is not for want of trying.

If you want to get into a deeper level about Robin's main question, 'how, other than arbitrarily, could you decide?' I think there are two ways to answer that. The first answer is the minister's way. This is to say, 'We have the best public service broadcasting in the world; perhaps we should be a little bit cautious before we throw it away on theoretical grounds. We do not understand why the bumble bee flies so we will pull its wings off.' The other answer is to say: 'Let us start from the other end. Let us ask what UK broadcasting would be like if we had no BBC at all or if we had a joke BBC such as PBS in America. It is an embarrassment.' Of course the market will expand somewhat to fill the vacated space.

PwC is looking at one version of this in its current work for the BBC Trust. It is looking specifically at the commercial impact. What would be helpful would be to take a much broader counterfactual like that. You can argue about the details, but I believe there is no version of 'what the UK be like if we had no BBC' which is not awful for consumers, for producers and for citizens. We therefore have a situation that we have inherited – perhaps by good luck – which is clearly very good by international standards. We have a counterfactual which is – by almost any standards – awful. As an implicit policy, we have the view that somewhere there is an optimum between where we are and the 'awful scenario.' My comment back to Robin, and people who share his economist views about this, is that any intervention of the free market needs to be justified in order to get through simple microeconomics criteria. My answer back to him is: why, Robin, do you believe the optimum is between where we are and the 'awful' scenario?

Robin Foster

That is certainly not what I think is necessarily the outcome. The question is: how do we get to that better sense of what it is we should be investing in? Perhaps I should have phrased the point differently: should it be less, more or the same? I think the approach to Patrick's suggestion is a good one as a way of getting an answer to that.

Jason Hall, Screen West Midlands

My question is mostly for Peter Phillips. Is there an inherent danger in assuming that the BBC is the very model of plurality and diversity? We currently have effective quotas for production outside the M25, for example. Is it conceivable that, in the future, there may be quotas for production outside a Manchester postcode?

Peter Phillips

On this issue we have said that, within the BBC – because it is one institution with one Editor in Chief – there is a limit to how much plurality it, as an institution, can provide however it is structured. Clearly there is a broader issue which has both an industrial

policy dimension to it and an audience perspective to it, which is what you are saying. That is: to what extent should the BBC be mandated to have its production spread more widely around the UK? That industrial policy question is primarily one for the government and for the BBC Trust.

As far as the audience question is concerned, which is much closer to the heart of the themes we are trying to get to in this section, the BBC, like all public service broadcasters, if it is to achieve the public purposes that I set out, has got to reflect the full range of diversity, opinions and lives of the people throughout the UK. Whether it does that through locating its production in different places or whether it does it through the editorial perspective is not important. It is the end result for the audience that really matters. It is clear, from the research we have done, that audiences really care about the sense of the reflection of their own parts of the UK on their screens. It is an area where broadcasters, generally, can do better.

Diane Coyle, BBC Trustee

I would like to follow-up on this question. We have done a lot of audience research, asking licence fee payers how they think the BBC is performing against its purposes. The most significant underperformance by far, shown by last year's research, was in the area of reflecting nations and regions, and reflecting people's communities in the UK. As a result, we have been working very hard to improve how the BBC is doing on this front. We have a BBC North project. It has much more ambition in terms of production and commissioning outside the M25. This will change substantially over future years. We have also commissioned Tony King's report on impartiality reporting on the nations and regions with further audience research on that.

Although there has been much consensus about what public service values and characteristics are, in this morning's debate, given that there is a clear audience message in our research and Ofcom's research – that audiences currently feel that public service is not delivering as much as it should in this particular area – I would like to ask the panel what they feel should be done outside the BBC? We are taking a lot of action on it. What else do they think could be done in terms of more and better public service output reflecting nations and regions?

Patrick Barwise

This unfortunately is one of those areas where there is a tension between the consumer and economics aspect and the citizen aspect, particularly for television. It is hard to make good local television which people will watch on a significant scale. As citizens, people will say they would like it. They may not realise just how difficult it is to get the cost per viewer down to something that you can justify.

In the case of radio, we have had some questions about local radio and community radio this morning. The costs of radio are enormously lower so there is more scope. More of the opportunities exist within radio than within television.

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If you had a higher licence fee – and I think people would pay for a higher one – you can certainly then, from that, require the BBC to put more resource into this area. You may also want to use other mechanisms as well. You may want to do a deal with ITV to continue, for example, producing regional news and perhaps some other regional content.

Unlike the big issue, where we have created the problem for ideological reasons and reasons of over-excitement about technology at the national level, at the regional and local levels, you genuinely have to make tough choices about putting in extra resources, particularly for television, because the cost per viewer per hour are so high. The smaller the geographical audience base, the tougher it gets, unfortunately.

Simon Terrington

Patrick makes a very good point about the cost per viewer per hour. We have just interviewed the 35 people who run the biggest production companies in the country. What is interesting is that the strength of the production economy varies greatly around the country. If the production economy is relatively weak, then if you force stuff to happen there, you might help that area to build up an economy, but then obviously that is an inefficient way to create content for consumers. You therefore have a call to make about that.

Jocelyn Hay

This is a point which comes up with Voice of the Listener and Viewer. We usually hold annual conferences in Scotland and Wales, and we have had one in Northern Ireland. This issue comes up because people do want programmes that reflect their own locality, their own nation or their own region. At the same time, it is interesting that they also feel that many of the television programmes reflecting their own nation are centred on their own particular capital. For example, one of the complaints in Cardiff was that there were too many Cardiff-centric programmes and not enough about North Wales and Aberystwyth. In Scotland the central cities of Glasgow and Edinburgh dominate. There are different regions within Scotland that also want to be represented on Scottish television.

There is a demand for local programming but it is difficult to satisfy the demand. People want to see programmes that reflect their own localities but at VLV's conference in Edinburgh in May this year, someone said that they also wanted to hear what is happening in Westminster and London. We all want the best of both worlds, but it is very difficult to provide it.

Also, I think you will find that the citizens of Scotland, Wales and Northern Ireland also want to see their interests and localities reflected in UK-wide broadcasting as well. One of the biggest complaints, for example, is that there are not enough Scottish or Welsh programmes on our national networks. It is a problem because of cost, as Patrick has said. In Scotland where you have a regional programme it is difficult to get advertising to fund it. It is just not there because it is easier for an advertiser to go for a slot that is going to be shown across the whole of the UK as the economies of scale are better. I

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believe perhaps only the BBC has the resources to deliver in this area which contributes to the social cohesion of the United Kingdom as a whole. It will be important in the future that we have programmes that reflect the local community to itself, but also reflect it to the wider UK.

Becky Hogge, Open Rights Group

I would be interested in hearing the panel's reaction to the proposal that, in the future, audiences would like to interact with content more. Is there a public service element in allowing that to happen?

Simon Terrington

My idea is that interaction is important and valuable. Lots of the big technological advances which have surprised us have tended to be more about communication than interaction. If one looks at Instant Messaging, text messaging, social networking and even email, all of these things are about new ways in which we can actually talk to each other. It's interesting. Interaction is good. Its impact on television has been reasonably limited, although good. It is more helpful to think about the power of communication as a better guide.

Jackie Devereux, Community Media Association

There are already existing successful community and commercial local television stations in this country. There are not very many as there has not been the opportunity. I believe people want both. You are correct in saying that they want national news. We have major broadcasters sitting in this room who are well-equipped to provide that kind of news service. However, people also want local content. I am not talking about community radio, but on a bigger scale.

I live in Sheffield. South Yorkshire is barely ever mentioned. People do want more local news and information, and arts programmes made by local artists, for example. It can work; it just needs the political will. If the political will is not there it cannot exist. It already does exist with very successful business models in community-based and commercial television. We would like to see that extended across the country so that people can enjoy it, and leave the BBC, ITV and Channel 4 to what they are good at. They are not good at local.

Tess Read

It is a fair point. I do not think that anyone could doubt that Andy Burnham has a lack of political will about the regions. As he said today, it is possibly the first time he has ever spoken when he did not mention the word 'regions.'

Magnus Brooke, ITV

I wanted to pick up on the nations and regions point. This is an area that is deep in paradox. One of the interesting things about the consultation today should highlight the

fact that more than half of the programmes that are made in London do not represent areas out of London. Conversely, in ITV's case, programmes represent areas of the UK which are not often found on screen. We need to have a look at this if what we are interested in are the interests of viewers as opposed to the industry.

Nick Toon, Channel 4

I want to make some observations. It is interesting that the 'nations and regions' has come up so much this morning. Robin had the comment on whether we have too much public service broadcasting and we should be setting a different benchmark. We were recently called to give evidence to the Scottish Broadcasting Commission and the Welsh Assembly's equivalent. The sense is that there is dissatisfaction with the current levels. People want more, certainly in those places, as people have been articulating. There is real concern about the low levels of origination that is coming out of Scotland, Wales and Northern Ireland, not to mention the English regions. My question to the panel is: do you really think that reducing intervention is likely to lead to the market providing more of that content in those places or not? It seems to be an increasingly important public service objective from those locations.

The other observation to make is with Diana's point. The BBC is clearly making big steps in this area. That is partly as a result of the pressure in those places. It is also very clear, when giving evidence to those organisations that they are not satisfied with a BBC-only solution. They want plurality and diversity in their parts of the country, just as much as we want that for the UK as a whole.

Patrick Barwise

We have a very significant issue here. It is made worse by the fact that the main regional and local media at present – which are local newspapers – are haemorrhaging revenue because, slightly later than some of us expected, the internet is killing classified advertising and they are particularly dependent on classified advertising. Most of the growth of internet advertising is 'search' and 'classified.' In other words, it is pull and not push. It is not directly competing against ITV; it is particularly competing against classifieds, direct mail, and so on.

We have a real problem. There is definitely a demand for plurality, and I do not think the market will provide it because the economics are very tough, particularly through the television media. That citizenship demand is a little over-hyped, I have to say. The actual desire to watch locally-made arts programmes as opposed to the desire to create locally-made arts programmes is small. There is a middle path, but if we are going to do that we are going to have to pay for it, and not just through the licence fee and the BBC, but through another route. That may even be a case for genuine public funding, as opposed to from the customers because I do not think that the customers will pay.

Jocelyn Hay

I agree. I do think there is a demand and dissatisfaction with the current vision. People do want more content that reflects their own countries and the nation, but also in the regions and localities. However, I do think that people want plurality as well. I agree with Patrick that it is a question of funding. People also want quality programmes. People get bored if programmes are not up to the standard that they see on television normally. That is one of the problems. I think there is a demand for local community media and television. My fear is where the funding is coming from to sustain it to the quality that is needed.

There are some places where they are run. For example, Salford is an excellent one. I do not know much about Sheffield as I have not been to see what they are doing there, but I take your word for it. I know that Salford is one that is being run with the university, with the department that is doing journalism. They have an excellent local service and it is very popular.

On the broader question of the issue of nations and regions, people do want plurality. They want more and they are not totally satisfied. The problem is: where is it going to come from?

Simon Albury, Royal Television Society

I do not think it is a burning issue for anyone in this room because of course ethnic minority people are not represented in this room or in this debate. I have a very simple question. Are the needs of ethnic minority audiences on the agenda in any part of the work of the Convergence Think Tank?

Jocelyn Hay

There are not many represented here today.

Simon Terrington

I would like to talk about the importance of scale. What is interesting is whether or not you want broadcasters to deliver different scale in relation to different purposes. It is kind of almost obvious to everyone, but I think Channel 4's record of bringing together ethnic groups in the country in a positive way is a very good record. The best example of this is with Big Brother. If you look at the voting record on Big Brother – who has won and who has not won – it has been a real celebration of tolerance in this country. It has been a really good story. It is interesting and Channel 4 are important in that regard.

Tess Read

In the second session, we will focus more on the issues of plurality and how we can secure the provision that we want. Thank you to everyone for this first session.

PSC and Convergence: The Providers' Point of View

Robin Foster

Moderator

I. Overview

1. Securing the Provision

Welcome to the second session. In the first of the panels, we focused on what audiences expect from public service broadcasting over the next five to 10 years. In this session, we turn to the critical question of how that provision can be secured. What sort of public service providers will we need? How will they be organised and funded? Who will hold them to account? What will the new PSB landscape look like?

2. Ofcom's Four Different Models of PSB Provision

Ofcom has set the scene. It has proposed four different models of PSB provision, as Peter mentioned in the first session. It is an evolution from the current situation. The models include a model in which it is all left to the BBC; a BBC/Channel 4 duopoly; finally, a much wider and more contestable market for public service broadcasting. No doubt we will be discussing some or all of those models as we go through the session this morning. Ofcom has also suggested some options for funding, ranging from the use of 'regulatory assets' through to a share of the licence fee.

The starting point for the debate, from Ofcom's perspective, is that the value of today's implicit subsidy for commercial public service broadcasting needs to be replaced with some new source of funding. Ofcom places significant value on having a plurality of suppliers in any future landscape, and not just the BBC.

3. Panellists

To discuss these proposals with us and the wider audience today, we are fortunate to have five leading figures from the sector:

- John Tate, BBC Executive
- Carolyn Fairbairn, ITV
- Andy Duncan, Channel 4
- Sue Robertson, Five
- Graham McWilliam, BSkyB

As Tess said in the first session, the challenge each speaker has been set is to speak for no more than five minutes on the following topic: 'What do you think the overall PSB landscape should look like in 10 years time, with an emphasis on the overall system

rather than your own organisation's role in it?' We will see whether any or all of our speakers stick to that brief.

The BBC's Perspective

John Tate

BBC Executive

I. Introduction

I'm new to broadcasting, having joined the BBC only late last year. Already though I've noticed that the forces reshaping this industry are familiar to many industries—— with globalisation, digitisation, the erosion of old regulatory certainties, and market fragmentation. Sometimes a lot of experimentation is needed to let them play out. In our sister industry of music, as was referred to earlier, much of that is taking place to see the emergence of new business models. Much of it is still to happen.

II. A Flexible Approach

The good news for us is that if we respond flexibly to the forces at work on this industry, I believe we can succeed. There are certain elements in our research in this debate that lead me to that conclusion. We have undertaken a detailed study of three months' worth of output and listener behaviour that shows that PSB output was 16% of output hours, yet accounted for about 70% of all viewing. Therefore, then, a crisis is not quite upon us.

Another data point I found interesting was that an internet survey found that 62% of online adults, who have accessed or downloaded video content, say that their favourite videos are not those that are 'professionally' produced. The iPlayer meanwhile has busted some myths about people's capacity for or interest in watching long-form content on PCs, as well as the demographics prepared to.

So the attractiveness of our content *can* survive and carry over from the linear world into the new fully-digital world. I would echo the Secretary of State's point that the more ubiquitous and the more diverse content becomes, in a way, the stronger the need for trusted guides and quality content to carry on stimulating the market from PSBs.

We need to adjust the obligations on PSBs to fit new market realities, making full use of regulatory assets to support broadcasters in their attempts to meet the forces at work on their industry. That could mean recognising that new media over time could play a greater role in the fulfilment of PSB obligations, whether in regional news or children's and educational content. It could mean re-examining advertising rules, if that is what commercially-funded PSBs seek to do.

Overall, the test of a sustainable settlement for PSB is one in which commercially-funded broadcasters can make flexible decisions in response to the forces shaping their industry.

I was pleased to hear Peter Phillips saying that flexibility would be a hallmark of a new arrangement.

III. Globalisation

I would like to consider just one of the forces I mentioned: globalisation. National approaches will always loom very large in our approach to broadcasting in the UK, but it is clear, on the other side of that coin, that best in class of the international content will increasingly set quality expectations across borders. This will not be true in all programme areas, but it will be true in many. Many leading UK programmes already take their spur for quality and innovation as much from best-in-class international content. That is quite normal and should not surprise us. It is increasingly a two-way street. If I were a broadcaster in America, I might feel it is a one-way street, due to the success of our formats in America—but overall it is a perfectly natural phenomenon.

Producing best-in-class content in many programme areas will increasingly require taking risks that necessitate global returns. For example, making landmark natural history has been uneconomic, if made for the UK alone, for nearly 30 years. Many programme areas have yet to reach this point, but there are some reasons to suggest that many soon could.

In its review of PSB, Ofcom is rightly concerned with the spur to quality and innovation being maintained. But this spur needs, in an increasingly digitised and globalised world, needs to be re-imagined somewhat. I think the well from which plurality now draws is a much deeper one. A world in which the spur of innovation and quality is now increasingly cross-platform, cross-genre, cross-border—perfectly natural developments that we should not be afraid of.

IV. A Rich and Varied Diet of Content

Related to this evolution in plurality, and contrary to much-received wisdom, our research is showing us that the public appetite for a rich and varied diet of content is going up and not down. So you get Five producing leading documentaries such as *Paul Merton in China* or children's programmes such as *Milkshake*, or Sky doing *Ross Kemp in Afghanistan*. They are not producing these programmes because they are made to, but because they are responding to a genuine public demand for a richer mix of high quality output. I believe that this is a welcome trend and one that will rise. It is also a note for more optimism.

The BBC of course must do its part. If we are producing original high quality UK content, we can help stimulate the market around that. We can help to create the audience expectation that will continue, and therefore make it more viable for others to provide as well.

There will of course be areas where it is uneconomic for anyone else to provide certain content and the BBC will end up being a dominant or even sole player. However, I do not think we can rush to the easy conclusion those areas, lacking formal PSB plurality, will want for quality and impact. This is simply not the case, as any fan of Radio 3 or

Radio 4 or the BBC's natural history output, or a whole series of other areas of BBC output, will know.

V. Plurality

I do not take from this that plurality is not important. I believe it is. However, it is one consideration amongst many; it is a means and not an end. It should not crowd out, in this debate, considerations such as efficiency, quality, range, impact, making the best of new technology, both for creativity and for efficiency gains.

VI. Summary

In summary, there are two main areas around which a secure, sustainable future for PSB could settle. The first is a BBC able to carry on conditioning the market around high quality UK content. Increasingly, I hope, we will work with the rest of the sector to help it work with, and not against the forces at work on broadcasting.

The second is the flexible, strategic, regulatory settlement that Peter mentioned. It is one in which the real solutions for the pressures faced don't lie in rearranging elements of the old ecology or handing out bits of the BBC here and there, any more than they lie in more detailed regulation. Those options for me conjure up the image of Xerxes whipping the sea. It might satisfy an immediate need, but it does not do anything in the long term to combat the opposing force.

VII. Conclusion

The real solutions lie in working with and not against the forces shaping the industry; capturing digital opportunities, securing reach and quality impact. Here the BBC has a role to play, and I hope more as a partner to change in the future—of which more in our formal submission to Ofcom at the end of this month.

Robin Foster

Thank you very much. I have a question of clarification. You spoke about the use of regulatory assets, flexibility and the obligations in the commercial sector. Does that mean that you would expect, over time, for there to be fewer obligations placed on the commercial PSBs as we go forward? That feels rather contrary to the sort of discussion that the first panel was having about the need for more intervention in some areas. Perhaps you would like to add a few words about that.

John Tate

I am merely saying that we should maximise the potential for regulatory assets to support broadcasters as they have to face these forces. That seems to me to be one of the default options in the debate. There could be scope for less intervention, over time, if we have a sustainable strategic regulatory settlement, and one in which we can carry on playing our part conditioning the market. That is a big 'if' and it also depends on the amount of plurality that can be provided by new media. Closing the digital divide has added new

urgency in this debate. That is an area in which I hope the BBC can assist in with a content-led approach.

ITV's Commercial PSB Perspective

Carolyn Fairbairn

ITV

I. Introduction

It requires clairvoyance to look so far ahead to the future PSB landscape. I will not try to describe anything in great and glorious detail. There are three objectives that stand out for me. If we achieve these in this PSB Review, it will be really something.

II. A Strong BBC

The first objective is: a strong BBC. This is for many of the reasons that John gives. It is interesting to think how, in the last decade, the debate has moved on to a real acceptance. We, at ITV, absolutely accept that there is a tremendously important role for a publicly-funded broadcaster that is only trying to serve the interests of citizens and not commercial need. There was a time when everyone thought that the digital revolution would absolutely undermine that, but it has not happened. We have seen it time and time again. Examples include the fact that original children's production has largely fallen to the BBC now and the success of the iPlayer. One of the things that this PSB Review should be seeking to deliver is an ongoing strong and capable well-funded BBC. Any consideration of funding mechanisms needs to bear in mind that objective.

III. A Strong Commercial Broadcast Sector

The second objective must also be: a strong, thriving and profitable commercial broadcast sector. One of the things that came out of the Ofcom review is that 90% of investment in original content in this country still comes from the large terrestrial broadcasters. More than half of that comes from the commercial PSBs. It is very easy to take that for granted. It is like the air that we breathe. We turn on the television and there is content that reflects our culture, our society and our values. It will not necessarily always be there.

I was in the US last week, talking to Jeff Zucker who runs NBC. He had his head in his hands because he is having to withdraw from investing from only three hours a night of content to two hours a night of content. It is like the Amazon rainforest in the US: the investment in content is falling, particularly for NBC, and people are saying it may no longer exist in a few years time. It cannot be taken for granted. Andy has also made quite clear it is about the economics of commercial broadcasting. It is because of the withdrawal of the subsidy and the fact that the analogue spectrum is no longer worth

what it was but also because of the fragmentation of the audiences and viewers. It is having a very serious effect and we must not take it for granted.

The answers to this are very different to the answers for the BBC. They are about deregulation. If you look at the interaction of four different regulatory regimes on commercial broadcasting – industrial policy, competition law – ITV has price regulation of its advertising. This is a regulated regime that is depressing the profitability and the ability of commercial broadcasting to invest in PSB content of all sorts. One of the things this PSB Review should address with real urgency is this regime. It should enable a thriving commercial broadcast sector in this country.

IV. An Identification of Where Plurality Matters

The third and final objective is: an identification of where plurality matters. What else do you need if you have a thriving commercial sector and a thriving BBC? It comes back to the issue of plurality. We would like to see a laser-sharp identification of where plurality matters and where it does not matter. Ofcom has been very proactive on this. It has been trying to work out where it really matters and where people care. The research shows that people do not care too much about arts; they do not need to have the plurality of vision in arts. However, in news it is certainly vital. Therefore, let us have an intervention that recognises where plurality matters, where extra funding and extra interventions matter. For everywhere else, it should be either commercially provided or it is left to the BBC, which is, after all, there to serve exactly those needs.

V. Conclusion

Therefore, there are three principles. Goodness knows, there are many shapes of future structure that could deliver them, but at the very least we should aim to deliver those three things.

Robin Foster

Being laser-sharp is probably a good recommendation for CTT as well. Following-up on your point about deregulation, in your view, does that mean that ITV will be a fully commercial broadcaster in five to 10 years time? Will it not be part of what we have always thought of as being the PSB ecology or did I misunderstand what you were saying there?

Carolyn Fairbairn

We feel that there is an opportunity for zero-base public service broadcasting obligations on the commercial sector. We should start with that as a premise. You would have an ITV that is fundamentally there to invest in British content and to make a commercial return on it. That will, in and of itself, deliver terrific public value. Over and above that, let us have the debate about what we can do, that perhaps no one else can do, for which some form of regulatory asset could be traded; some kind of intellectual property could

be traded. Rather than peeling back from this ‘onion’ of public service regulation, let us start again. Let us zero base it and build up to something that makes sense.

Robin Foster

Do you have your own view about what that trade might be?

Carolyn Fairbairn

In a funny way, we do not feel it is up to us to define it. We think it is up to the representatives of the citizens’ interests. Perhaps that is Ofcom. They can then have the debate with us about what we can economically provide. Of course we have ideas, but actually I do not think it is our job to define those things.

The Perspective from Channel 4

Andy Duncan

Channel 4

I. Introduction

We are not a commercial PSB. We are a public-purpose corporation with public objectives, but we happen to earn most of our money commercially. In the context of that, the direct question is in terms of where the system might get to in 10 years time. I believe it is all to play for. It is by no means certain that what Andy Burnham talked about this morning will actually be in place. I believe there are some very real threats that have not yet been seen off. There are threats about quality; there are threats about investment in British content and the economics of how you can invest in British content; and standards, taste, decency, harm, and some of those wider issues. These are very serious threats.

II. The Future

In these discussions about the future, people get quite confused about pipes, technology, distribution and all of that world, and then the stuff that people will be watching, seeing, using and listening to. I am quite reassured that today we have been focusing on the content side of that equation. It seems to me that, on the pipes, distribution and technology side, the future is broadly optimistic. There has been deregulation; there is more competition; there are many powerful companies fighting it out; there is, by and large, more choice for the consumer. You can see that, in 10 years from now, Britain will be well-placed as a digitally-capable nation. There will probably be other countries in the world, such as South Korea and Sweden, who will be ahead of us. We will be ahead of other countries. It is a basic feature of a modern country.

The very unclear question to me is: in 10 years time, will we still have a system that sustains the brilliant choice and plurality of content? It is here where I slightly take issue with the point that John made. I believe that plurality is not a means to an end, but part of the end. We have a brilliant system in this country of choice and quality from more than one provider. That is what we all appreciate. The research that we did for ‘Next on 4’ clearly showed that audiences liked that. The BBC’s research, when I was there, also showed that audiences like that. As citizens and consumers, we all enjoy that choice and breadth of quality. That is what is being threatened.

III. The Market

I am a great believer in the market, and to some extent the market does an awful lot, but it is by no means clear that it will actually sustain high quality investment. It is quite the opposite in fact. If you are ultimately there to serve shareholders and maximise your profit, it is very difficult to justify spending in certain areas. ITV has withdrawn from children’s programming because it cannot be justified economically. A deal will be struck. I believe ITV will remain a public service broadcaster firebrand because the deal that we struck has the benefits of spectrum and the Electronic Programme Guide (EPG) position – which is actually still very valuable for a long time to come – is worth something. A deal will be struck where, in exchange for that, some diminished contribution compared to what has been done historically will still be given, but not as much as it has been.

If we look at all the new entrants, and organisations such as Google, we can see that they are making huge sums of money in the UK. It is at well over £1 billion. By some distance, it is the next biggest market outside the US in terms of global income for them. It is massively important. Hardly any of that is reinvested back in the form of content.

I am a huge admirer of BSkyB. It has been a highly successful company, making huge profits. As a sports fan, I thoroughly admire the sports content. However, 20 years on, it is a highly successful company but it has done very little beyond sports acquisition – where they have been very innovative – and American acquisitions. It does not invest a huge amount in original British content.

IV. A World Class Broadcasting System

One of the brilliant things that Britain did last century was to create a world class broadcasting system. It was achieved through a balance of market forces – an open market in the future and welcoming global companies is part of it – and enlightened intervention; the BBC, ITV, Channel 4, and Five. Without sensible intervention going forward, the market alone will not provide. The evidence of the last few years has clearly demonstrated that. It will get worse, and it will get worse very quickly.

V. Achieving a High Quality System with Plurality

1. More than the BBC

In order to have a high quality system with plurality, you need three things. Firstly, you need more than just the BBC in terms of public purpose. We happen to have an outstanding organisation called Channel 4 that has a very important role to play in that, going forward.

2. The Role Must Fit the End Purpose

Secondly, ITV, Five and Sky and other organisations can also play a role, but we need to recognise, increasingly, that they can only play that role where it also fits with their end purposes. People have been clear about that. Where public service British content aligns with shareholder interests, it can be done, but where it does not there is a problem. We have to recognise that.

3. Reach, Impact and High Quality Content

Thirdly, do not forget reach and impact, and a system of high quality content for all. This is something that is often overlooked. People believe that there is much competition, many new entrants on the internet, and everything will be fine. First of all, a user-generated content clip on YouTube is not the same as a high quality programme looking at religion or science or the news, or a drama that is tackling a difficult contemporary issue. We have a principle in this country that everyone gets a high quality level of broadcasting. You can then choose to pay over and above that. If we let that principle drop, it will be a travesty. Quite specifically, Sky does fantastic stuff, but in most cases you have to pay for it. That is fine. However it is not the principle we have in the health service in this country and it is not the principle we have in the broadcasting system in this country.

VI. Conclusion

I am cautiously optimistic that the Ofcom process and the Convergence Think Tank is putting us on the right lines, but let us be completely clear: we do not have the system we have today through some arbitrary way. We have it because our predecessors have been farsighted and enlightened in getting the balance right between intervention and market forces. We are the current incumbents and we have the responsibility, particularly those of us who work for public purpose organisations, to make sure that that legacy is left for future generations. The market will play a role, but it will not get us the whole way there. I would absolutely say that it is all up for grabs. If the Ofcom process and the Convergence Think Tank do not fundamentally answer the question of how we can get high quality plurality in a way that can be guaranteed for the medium to long term then it will be very damaging.

Robin Foster

Thank you for the idea about enlightened intervention. I would like to ask one question. Carolyn mentioned the idea of looking at plurality where it matters. From the Channel 4 perspective, does that mean across all genres, or do you also have a fairly clear view of where you can really add value into the system in terms of plurality?

Andy Duncan

We have laid out extremely clearly in our 'Next on 4' document a wide range of areas where we believe we can play an important role. I happen to think that, in most areas, plurality matters. There are exceptions to this rule, but in most areas plurality matters. You could argue in the area of sport, for example, where the market benefits from organisations such as Sky and Setanta and has provided the competition, and thus increased the quality and innovation. In reality, Channel 4 is hardly in sport at the moment.

In most areas plurality matters. It certainly matters in news, in regional news, in drama, in comedy, in entertainment, in factual documentaries, in more serious factual documentaries, in children's content, in older children's content, and so on. In most areas it is an essential part of the mix that we have had, historically. The audience enjoy and appreciate choice and quality. I agree with Carolyn, but all the evidence that I have seen from the BBC and in my own life, it is in most areas.

The Perspective from Five

Sue Robertson

Five

I. A Range of Viewing Services

We are moving to more diverse production, distribution and consumption. Like all broadcasters, Five has been busy occupying this new space with the development of our new digital channels through Five.tv, and shortly we will be engaging in a major expansion of our video on demand service. Of course the incredible range of new viewing services will have a significant impact on the way that people will consume television. I also believe that there will remain a demand and purpose for scheduled television for the foreseeable future. Broadband availability, as we have heard, will not be a reality in every British home for quite some time, and it is notable that, in spite of the take-up of new media, the amount of time people spend watching television is the same as it was 10 years ago. Authoritative predictions of future television viewing also suggests that, even among younger viewers, the average time spent watching television will fall only marginally. Whisper it quietly, but it is a fact: People actually enjoy watching television and will continue to do so.

There will also continue to be an appetite for public service content, as underlined by the Ofcom research for the PSB Review. This research confirmed that audience support for accessible and effective public service broadcasting remains strong. The viewers are also in no doubt of the virtue of the competition, saying they want to see plurality, particularly in areas such as news and current affairs.

II. Maintaining the Current System and Editorial Standards

I believe we must be really careful in our excitement about the new world. We should not just relax the current system of public service broadcasting and the editorial standards that go with it as though they are dead and not fit for purpose. We should not throw the baby out with the bathwater in exchange for some new, untried and untested system.

Five is proud to be a public service broadcaster. Since our launch, the channel has invested over £1 billion in UK production and commissioned programmes from over 1,000 independent production companies. We have become known for our arts, science and history programmes. We have constantly reinvented our peak-time news, and have a commitment to UK-made preschool programmes through Milkshake. If we did not, we would now be talking about a crisis in plurality in the supply of preschool programmes in addition to those for older children.

III. Funding

At Five we believe we can continue with this level of public service broadcasting. We are not asking for extra funding. As a broadcaster, we know we have to remain relevant to our audience. That means that our content, be it PSB or otherwise, has to be made available on our main channel, our secondary channels, and online. As technology develops and consumer behaviour changes, we will change with it. We must embrace it; it is in our interests to do so.

IV. Maintaining the Current Infrastructure

Of course there are issues that need to be addressed with future funding for some PSB genres particularly, in my view, regional news, and possibly the future of programming for older children. I would ask the government and regulators to build on the current infrastructure of a well-established, free-to-air mixture of channels, including Five, rather than to try to invent an entirely new funding system.

Robin Foster

Thank you. On that last point, three of the four Ofcom models I believe do not really include Five as part of the PSB framework going forward. I guess that one of the options envisaged is that the spectrum which you occupy could be sold off at whatever the market value is. That funding would then either go to the Treasury or would be used as some sort of pot to fund PSB elsewhere. How is Five responding to that? From a cursory read of the report, it would look as though you are more under threat than most of the other people at this table.

Sue Robertson

As I said, we are proud to be a public service broadcaster. We are not asking for any public intervention, in terms of funding. There will be some regulatory assistance that we believe would be helpful in terms of some small changes around the definition of origination. In terms of regulatory assistance, it is not so much regulatory assistance, but more the potential of regulatory changes, particularly around changes that might be made to advertising distribution or CRR.

Robin Foster

Can Five offer to do more?

Sue Robertson

We are a public service broadcaster. In many ways we have cut our cloth to survive within a multi-channel new media world, whereas the other broadcasters grew up with different traditions. For them, facing these new challenges has been a new and difficult experience.

I believe that Five's level of our factual programming, including our specialist factual programming around history, science, technology, and our arts programming, has been very well received and appreciated by audiences. Our Milkshake strand for preschool children has also been very well received and appreciated.

If Ofcom is looking for assurances that we will continue to provide PSB at these levels, we are happy to provide those assurances, particularly around our children's programming. At the moment our children's programming is a tier three requirement. We would be happy for this to become a tier two requirement as we are going to continue to do children's programmes..

The Perspective from BSkyB

Graham McWilliam

BSkyB

I. A Positive Future

I am absolutely optimistic about the future of this marketplace and this industry, both from the perspective of a consumer, a viewer, a citizen, and as a player in the marketplace. We see a great future. The reason for that is that if you look at the broad definition of public service content that Ofcom has set out, there is plainly more of that around today – range, quality, diversity, plurality – than there ever has been. The market is delivering more and more, and it will continue to deliver more and more. The trajectory we are on is a positive one and I believe it will continue.

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A large amount of that is provided by the commercial public service broadcasters. They provide that because it makes commercial sense. They earn advertising revenue against it because it is popular with viewers. They will continue to do that. Again, if you look at the multi-channel sector, there is a growing contribution there. Some of the other speakers today have been kind enough to mention some of the examples of some of the things that Sky provides, and we are certainly doing more.

II. Catering to Smaller Audiences

If you also look beyond the obvious places, there is also a vast number of channels catering to smaller audiences. There are something like 12 or 13 different news channels available in the UK, on the Sky platform, providing a range of different viewpoints. There are channels from Al Jazeera to FOX News, as well as the UK-focused channels that you all know. There are 12 or 13 channels dedicated to religion and faith. This is an area that is not well catered for on traditional channels. There are then over 50 channels available that are dedicated to ethnic and foreign audiences. It is a huge array of content that is being provided, and providing a strong public service. That is even before you get into what is available on the internet. As Ofcom has set out in its review, one cannot look at television in isolation. There is an infinite array of choice out there.

If you look at services that are specifically targeted to the UK audience, you can see what most of the national and regional newspapers are doing. These are providing high quality content in an online space. They are competing absolutely with services such as the BBC's website, but without a cent of public money. It is a dynamic marketplace out there.

III. Infinite Choice and Ultimate Plurality

From a consumer's perspective, that should be seen unequivocally as a good thing. We think about an era of infinite choice and ultimate plurality, and that is something that everyone should celebrate. It is the revolution in consumer empowerment that is driving that. The internet and the multi-channel sector are at the forefront of that. It is something that we should all see as a good thing. I do not share some of the concerns that the Secretary of State raised this morning: that somehow this empowerment is a bad thing. It is a wholly good thing.

IV. Challenges

Clearly some of those changes may present a challenge to the institutions and the system of public service broadcasting that is traditional in the UK. I think that is a good thing. Challenging the status quo and the way things have always been done is a great thing. Consumers are ultimately driving these changes.

The question was about the framework that we need to put in place, and what regulators and the government should do. I think it is simple. They should stand back where they can and let the market deliver. They should be facilitating and finding ways to accelerate these changes rather than standing in the way.

Robin Foster

Do you think we have anything to learn from the approach taken in some other European markets where they tend to be tougher in terms of European quota contents on some of the non-terrestrial channels? We will come onto the issue of funding in a moment, but one of the options that could be on the table could be looking at how you persuade many of these smaller channels to up the ante in terms of UK investment. How do you see that?

Graham McWilliam

Ultimately, you cannot force them to invest in something that there is not a demand for. All of these channels are looking to find an audience. Some of them are catering to very small audiences, but they are providing a great service. If you look at a lot of the services for ethnic groups in the UK, they are largely repurposing content that is made for a domestic market elsewhere, whether that is in India, Pakistan, Poland, and so on. There is a big audience in the UK which is served through the internet. I am not sure what purpose it would serve to try to compel those channels to basically create content from scratch when they have this available to them. I am not clear how that would work.

More mainstream channels, such as Sky One, are investing more and more in original production. We are doing that because we recognise that it is a key expectation of the audience. In the last year, any broadcaster who has relied on American programming has been forced to think again about this strategy due to the writers' strike. That has certainly prompted us to invest more. We have had some success in that. That will encourage us to do more. The trend will be in that direction. It does not require any form of quotas to drive it there.

Robin Foster

Thank you to all the panellists. I would like to divide the remaining time into a discussion of the two key issues. The first is plurality and the second is funding. John Willis is going to take a lead on the plurality discussion.

John Willis

I wanted to start by clarifying where the BBC stands on plurality. It sounds as though you were less convinced about the primacy of plurality. Deep down, given its scale and everything that is happening in the online space, and given what is happening in commercial PSBs, does the BBC feel that, with other developments happening, that within five years time the BBC will be enough to provide?

John Tate

Genuinely, I think it is one consideration amongst others. For it to become the only consideration in the debate would be a bad thing. I actually think that people do want it. If you ask people if they want diversity, the answer will be yes. The consideration is then whether they are willing to pay for it and what sort of interventions you do to secure it. I

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do not share the analysis of a 'let it rip' future for the market. For I do not think that the market will set its stall up in a PSB-light environment. If you are a restaurant in a fashionable suburb of Paris, you have to offer slightly better food than you would in 1980s England, for example.

In the UK broadcasting environment, the BBC and others are conditioning the market with high quality UK content. There are also powerful reasons to think that online will increasingly play its role in that. As I said, plurality is now drawing from a much deeper well, in that sense. It is important, but we need to re-imagine it somewhat. The spur to quality and innovation was drawn from competition between four or five channels is now over. We cannot simply recreate it.

John Willis

Do you value the competition and the plurality provided by the more commercial or public purposes sectors?

John Tate

It is written into the BBC's offer. Whether in news or the other parts of the BBC, the impact of that has been visible to BBC viewers in the formats we have used, the approaches we have used, and in the BBC's own approaches to encourage plurality to safeguard platforms for free-to-air UK high quality content, whether in Freeview or Freesat or our actions in the other parts of broadcasting.

John Willis

How much do the other panellists think will be delivered of PSC or PSB in the online space?

Andy Duncan

There is a pre-question in my mind, which is page 91 of the Ofcom report. It looks at the economics of this. It is dangerous to leave the impression that somehow the market will deliver high quality content. I will come onto the internet in a moment in that context. The facts of Ofcom's analysis are quite clear. The deal for Five works because the benefits of being a PSB slightly outweigh what they get back. This is what the Ofcom analysis says. There is a balance. Over the next five years, that will be fine. Whether it will be fine in 10 years time it remains to be seen.

It is not in balance at ITV. They need to be set free to some extent. The older deal, where winning franchises gave you a licence to print money, and you could then extract PSB obligations, no longer works. The direction over the last few years has been of less investment. I think this will carry on as it is correct.

When it comes to the internet, I think the same point. There is a huge amount of activity on the internet. There is more choice, although sometimes you have to pay for that, particularly with television channels. However, there is no real evidence so far that some of the most profitable companies that are running platforms – whether it is Yahoo or

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Google or Facebook – they are not actually investing in the content. Quite the opposite. They are often using and not properly paying for other people’s content.

The BBC is a real exception here. They have done some brilliant investment in internet content in a great way in this country. We aspire to do more than we can today. We have set up our ‘Channel 4 Innovation for the Public’ fund (4IP). There are two thoughts behind that. One is that we invest in genuine public purpose content for the internet. Secondly, that that has a real scale and impact. The danger is that there is a lot of stuff on the internet that is publicly valuable, but no one knows about it. It is not just about producing it; it is about giving it a real scale and reach, and connecting it to the British public.

I think there is relatively little evidence that the market will provide everything that the internet conceptually could bring. Again, I would argue for a balance. Let market forces have their place, but enlightened intervention will give you the right balance.

John Willis

What enlightened intervention would Channel 4 want for itself?

Andy Duncan

If you are talking just for Channel 4, we have embarked on an exciting experiment. We are investing £50 million over the next two or three years. We are funding half of this amount, and the other half is coming from regional agencies. It is about creating industry infrastructure. We have some exciting projects coming through. In whatever eventual settlement is agreed for Channel 4, I would hope that we are able to carry on with that on an ongoing basis, as well as doing some of the really interesting stuff we have already done.

We were the first in the world to launch an online service – 4oD – that has had over 100 million programme views already. We have things like FourDocs, Animation Online, and so on. There are interesting experiments going on about how you can use online in some of these public service areas.

We are absolutely financially constrained. Going forward, we would like to do more than we do today. I suspect it will always be complementary to the television side rather than instead of.

John Willis

In launching ‘Next on 4’ you talked about needing £150 million. You were still working through what the mechanism might be which would enable you to fulfil all the public purposes which you have just described. Have you had any further thoughts about where you might get the £150 million from?

Andy Duncan

We have many further thoughts on it, but we have not finalised that. An extremely important debate is to take place. Given that the old Channel 4 model has been predicated on a free analogue spectrum worth around £150 million a year, on average, under any new system, what is the best and most appropriate mechanic? It has to be a multimedia vision in the modern world.

That decision cannot be made in isolation. It has to be made as part of the wider set of decisions about the system as a whole. Quite appropriately, we are talking to Ofcom and other key stakeholders, but it needs to be decided as part of the wider context of the whole process. We are hoping to get to publicly stating our views on that in the autumn.

John Willis

I wonder what the other panellists thought about the enlightened intervention that Channel 4 needs.

Graham McWilliam

When you look at Channel 4 and the BBC as the two state-owned broadcasters, there is clearly something wrong with the system when, between the two of them, they are spending £250 million on American programming. Everyone seems to agree that original British content is the centrepiece of PSB). Then to have the two publicly-owned broadcasters basically lining the pockets of the Hollywood studios to the tune of £250 million per year, there is something wrong.

You have to look at where you start to make the current system more effective. That is a good starting place. I know that Channel 4 is committed to reducing its spend in that area. I think they are committed to reducing it by 20%. However, this was in a year where it went up by 16%. This would basically take it back to where it was a year before.

It is even more inexplicable in the BBC's case. In our case, we found ourselves outbid by a factor of more than 100% by the BBC for some repeats of Indiana Jones films. That cannot be a good use of public money.

Sue Robertson

There could be some issues around governance if Channel 4 was to receive funding over and above the advertising revenue that it already receives. When I was working at Channel 4 several years ago, we very much valued our independence. We were careful not to ask for extra public funding. Having said that, there are possible ways of looking at enlightened intervention to help certain PSB programming on Channel 4 that they might find it otherwise difficult to do. That would not necessarily be a straight hand-out. Maggie Brown came up with some thoughts around possible cooperation with the BBC around the cross-promotion of public service programmes on Channel 4. For example, the BBC would have Panorama on one day and could cross promote a Dispatches looking at a similar sort of issue.

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When I worked at Channel 4 several years ago, ITV did cross-promote Channel 4's programming. When they stopped that, at the end of the funding formula, that was a valuable asset that Channel 4 lost at that point. This included approximately £30-40 million so it would not be insignificant. More sensitivity amongst all the broadcasters around cross-scheduling PSB genres might be another activity that we could look at.

Those sorts of creative ways of looking at enlightened intervention would be a better route to go to, not least because of some of the other governance and independence issues that Channel 4 might face if it was to suddenly receive a large amount of public money, particularly BBC licence fee money.

Carolyn Fairbairn

There is nothing wrong with Channel 4 having some additional enlightened intervention. Once you accept, as I think we do, that there are some issues of loss of plurality, it guarantees the plurality. The commercial sector, completely unfettered, might provide a degree of plurality but it would not be guaranteed. Once you go down that route, you have to make the next step. Intervention is warranted. The only thing that is absolutely vital in this is accountability and governance. You would need to have some kind of accountability framework, possibly such as the BBC's. There should be public value tests, market impact tests, and so on. Once there is a direct support of that type, then an accountability framework would need to be part of that.

John Tate

I think the fact of the content being American or entertaining is not a sin. The BBC's schedule of content must include elements of entertainment and, very often, the best in class of entertainment is American. An element of that is fine. I add that the old idea that the Americans can do the glamour and the explosions but they cannot do the writing quality of the UK is long gone. The BBC's best in class American output hopefully realises that.

There certainly is a strong role for Channel 4. We welcome its strategy document. Many of the ideas within its role for children's content are growing potentially. It has a strong part to play in the ecology. Should they benefit from enlightenment intervention? Yes, I think they should. The maximum use of regulatory assets to support them as appropriate is worthwhile. That is certainly going to be the BBC's position. There are duties that go along with that. Carolyn has mentioned a few of them. However, in general, the willingness and the will is there.

Andy Duncan

I would just like to come back on the acquisitions' point. Graham raises a fair point. Nearly every decent American show at the moment would be bought by someone and shown in Britain. For the next charter, some consideration about what the BBC's role is in buying American programming is a valid question. For us, it has changed very dramatically. For the first 20 years of Channel 4's existence it was, by some considerable

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margin, the biggest source of profit. We had free analogue spectrum. By buying American shows and showing them, we made huge amounts of money. That was the way in which we invested in a lot of the British content. Five is now a competitor; Sky is a competitor. There is still a role for us because where we can make profit out of American programming – which is different to the BBC – is still a valid thing for us to do. It is still something our audiences expect.

Our direction is clear. We are genuinely looking to cut by approximately one-third over five years. This is part of the way that we will fund extra money into PSB programming and part of the way that we will fund things like the 4IP fund. As a direction, we are trying to protect PSB British investment. I do not think that Channel 4 or BBC are primarily looking to invest in American programming.

On the broader points that were raised there, I do like Maggie Brown's idea. Channel 4, if it could, would prefer to keep the system as it is. It has worked rather brilliantly for 26 years. However, the point is: that system has broken down. Actually, we are looking for a balance. On the one hand, without some solution, there is a problem. We cannot continue to be that key source of plurality. On the other hand, in the way you solve it, you have to be very careful that you do not damage other things in the process.

We have laid down some criteria. Whatever happens, you want Channel 4 to remain independent. By this, I mean, that we should be independent from politics and the government. We can run Gordon Brown documentaries or whatever it might be. We also need to be independent creatively so that we can continue to take risks. The audience appreciates Channel 4's risk-taking capability as much as anything.

We agree with issues of transparency and accountability. We have put forward some very strong ideas about that in the 'Next on 4' document about public value frameworks and evolved governance models. We are open to that. At the same time, it needs to be proportionate. If we are still going to be 85% commercially self-funded, it needs to be a system that is not necessarily exactly the same as the BBC system, but we are not for a minute saying that there should not be appropriate governance, transparency and accountability about it. In fact, we have to do more of that anyway. In the modern world, with audiences, there is a responsibility to do more of that.

There is a sweet spot that we can hit, which gets the right balance of accountability and governance which competitors will be worried about, but which also allows us creatively to take the sorts of risks that you are underpinning us in the first place to try to do. There is a principle that any solution should not make us any more commercially competitive than we are today. We will be commercially competitive. We compete with Five and ITV for advertising. We compete with talent or whatever it might be. The purpose of any solution is not to make us any more competitive, but about underpinning our ability to do current affairs, news, one-off dramas that tackle contemporary issues, and all the things that economically do not pay.

I am encouraged by the balance that is coming through in the debate. It feels different even in the last few weeks than it felt a few months ago.

Robin Foster

I would like to bring in Chris Earnshaw. He is a fellow CTT advisor. He is going to pick up the more 'radical' of Ofcom's models, which we have yet to talk about.

Chris Earnshaw

We have not yet touched on perhaps some of the more radical alternatives. We focused on ways of using the licence fee to support the wider public service content. We talked about the possibility that there might be some central public funding. However, there are other models, particularly in the online world, that could be seen to be applicable. In the online world particularly, there are other players in the value chain that are not in linear broadcasting. I would be interested to know views from the panel about whether or not the government should be thinking about incentivising those other players, in the online world, to contribute to the cost of public service content. I do stress 'public service content' because, depending whether you are arguing from the commercial end of the spectrum or the BBC end, it is possible to mix up public service content with simply the diversity of content and they are not the same. We are talking about making sure there is public service content both nationally and locally.

What role should other players in the value chain play in the funding of public service content in the new world?

John Tate

What do you mean by other players?

Chris Earnshaw

We have touched on search engines, for example. They are making a lot of money in the role they play. Do you think that this is something that government has to address? Should the government be looking at those other players?

John Tate

They certainly will be looking at those. I imagine they will be a consideration. I do not think it sits well in the BBC's mouth to comment on potential levies of commercial operators to pay for PSB ecology directly.

Carolyn Fairbairn

I do not see how it would work. It is an interesting idea, but could you imagine taxing Google to pay for public service content? Good luck! What would be a real mistake would be to fund them to make public service content. That is kind of the world that we live in. We have a huge subsidy coming to us through spectrum. We know that it has to compensate for the opportunity costs of lost advertising revenues. It is a massively complex thing and you end up with a mix of objectives within one organisation. It will be a disaster. I do not see this as being fruitful.

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Andy Duncan

I tend to agree with both John and Carolyn, but I make a different point. Google makes a huge amount of money in the UK. Some of the other ISPs and telecommunication companies also do. There are two things that they should be required to do. Firstly, they should have to properly pay for the content that they make some of their money from. At the moment there are huge amounts of Channel 4 clips on YouTube for which we get no payment. There is a proper value there. They are generating huge amounts of money, but is the value being properly shared out with the content creators and commissioners of that content? This is a big issue.

Secondly, to pick up Andy Burnham's point, there is a real responsibility that organisations have to ensure proper protection around harm and offence, coding and navigation. I would get them to put some money into that as a better route than taxing them to pay for ITV or us to do an arts programme, for example.

Sue Robertson

I agree with much of what the others have said. I do not think there is an issue around funding public service content on the internet. I do think there are some issues around navigation and finding of that content. There are some particular issues, linked with navigation, around local activities and cultural activities. The internet is a global force. Because of the way the search engines are designed to give priority to websites with the greatest amount of hits or links, it can be difficult for those websites delivering at a more local level.

Robin Foster

Graham, what do you think about the idea of taxing Google or even platform operators?

Graham McWilliam

I think it is a stupid idea. A more important point to make is that if you look at what is available on the internet, there is also a huge amount of public service content that comes from other publicly-funded institutions, such as government departments, local governments, universities, museums, and so on. There is a vast array of content out there and it is funded in all sorts of different ways, including by the government or other public institutions. I am not sure that there is a particular issue here.

Robin Foster

I have time for two or three questions. Does anyone have any related issues to plurality and funding that they would like to raise with any of the panel members?

Maggie Brown

I have a question for Carolyn. In your laser-sharp plea for funding for plurality, you mentioned that the key area was news, and that that would need extra funding. Is ITV going to be asking for public funds to continue doing its regional news programming?

Carolyn Fairbairn

No. The future for ITV is that we will continue to provide the services that we provide at the moment for as long as we can afford to do so. What disappears in this new world is a guarantee. If there is a wish – and again I do not think it is for us to define that – by public policymakers for a guarantee from ITV, then they need some kind of intervention. We have however also said, and we say it again today, that we do not want direct public funding of any sort. We think it will confuse our objectives.

Holly Aylett, Global Policy Institute

I wondered where the panellists would place film in their vision of the next 10 years of public service provision, and where that fits in with the objectives for pluralism, particularly in the context of the way in which the BBC responded to the importance of film as a sector in the last century and Channel 4's radical initiatives at the outset of contributing to co-production and also having showcases of non-American material.

Andy Duncan

We have laid out clearly, with 'Next on 4,' that we see film as a very important part of our future. We have a proud track record at FilmFour over the last 26 years. We very much want to continue with that. There are three dimensions. One is: simple investment in British film projects. This remains very strong. We have a few very good films out there, including Mike Leigh's 'Happy Go Lucky,' 'In Bruges,' and we have also had 'Hunger' which recently picked up a top prize at Cannes. It is an outstanding film that would not have been made through any normal market economic.

The second dimension is with talent. There has been a fantastic array of onscreen and off-screen talent that has been encouraged and developed over that period of time. We believe that is a very important part of our role.

Thirdly, there is less competition for European and world cinema than there is for some of the Hollywood products. FilmFour will become a free-to-air channel available to every home in Britain in 2012. 45-50% of the content on that channel is foreign and British films. It is therefore a mechanism for which we are actually showcasing the content. We are very committed to continuing this. It is clearly one of the areas that is not economic.

John Tate

Film is a very important part of the BBC schedule, both domestic and international films. It is an important part of what the BBC does. We are subject to different considerations, in terms of the plurality and economics of it. It is not something we would consider absolutely for the BBC to do primarily, but certainly we have it as a key feature in our schedules.

Graham McWilliam

When thinking about film, it is important not to assume that everything that is brought from a Hollywood studio is American. There is a huge amount of investment by the major studios in British films. They are films with British actors, British authors, and so on. Those films, from an audience perspective, are every bit as much about reflecting British values and British life as an originated piece of television programming. When talking about definitions of original production, it is very important not to get caught in a very narrow sense of believing that if it is commissioned for television then it is original, but if it is a film about Britain it somehow does not count.

Sophie Chalk, International Broadcasting Trust

I have a question for Andy and John. Do either of you have any comments to make about the reports this week that perhaps the solution to the funding crisis at Channel 4 could be to take some stake in BBC Worldwide?

John Tate

In terms of joint ventures to help monetise the Channel 4 rights or brand worldwide, there are ongoing discussions. In terms of moving on that and the value of BBC Worldwide, it is important to recognise that the value created by BBC Worldwide is invested directly back into BBC content. The talk now of receiving the excess licence fee will also go straight back into BBC content. In some ways it is a more direct hit for us. We are not being dogmatic in this debate.

Andy Duncan

It is one of the options that is being considered amongst many. There is clearly room for more collaboration. Project Kangaroo would be a good live example of where doing something together would be in the public interest. There would be strong consumer logic to that, as well as being economically valuable. There are clearly other areas in which some collaboration and cooperation may make sense.

Robin Foster

I would like to thank all our panellists and for everyone for contributing to a very lively debate.

Closing Address

Jon Zeff

Director, Broadcasting, Department of Culture, Media and Sport

I. Summary of the Debates

Today has been a fascinating and interesting session. We heard this morning, both from the Secretary of State and the first panel, much about the values that audiences continue to play in television, the standards of quality and the diversity of provision that our system provides. There were also a variety of views about how we go about trying to sustain that in the future; the respective rules of the market and public investment involved in doing that.

The second debate has also been very interesting. We have been hearing from the current public service broadcasters and how they see their roles in the future. All of this will certainly influence the thinking in the Convergence Think Tank, and I am sure at Ofcom as well, as we take this debate forward. We will return to the issues around the future of public service content in the autumn, after Ofcom has published its second report.

II. Future Outlook

The next seminar, before then, will be around the broad theme of challenges and opportunities for consumers and citizens in the converged environment. We will no doubt pick up on some of the themes that Andy Burnham raised this morning about the future of standards and content online, and communication online in the digital world. We do not have a set date for that yet. There will be updates on the future programme and seminars on the Convergence Think Tank website within the next few weeks.

There will be a full transcript of today's session on the website within the next couple of weeks and a transcript of the Secretary of State's speech this morning will be on the DCMS website immediately.

III. Acknowledgements

All that remains for me to do is to thank all of our experts and advisors for helping us with this process, and drawing out the debate. I thank all the participants in the panels and I thank all of you for coming along and taking part in today's discussion.