



department for
**culture, media
and sport**

Sustainable independent and impartial news; in the Nations, locally and in the regions

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Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Introduction

1. The Digital Britain White Paper confirms the Government's view that the wide availability of high quality UK-produced content across a range of areas – from news and current affairs to children's programming and drama – is essential to the cultural, social and democratic life of the United Kingdom. And there has long been a significant public intervention to fund and secure such content.

2. In recent years provision by the market has expanded across a wide range of original content, including light entertainment, performing arts, science, natural history and history documentaries, and news at the UK-wide and international level. These developments are welcome. There are however certain types of content which have significant social value but which appear increasingly uneconomic for the market, unaided, to provide. There is thus a growing risk that, in the future, such types of content will be provided in many places only by the BBC.

3. The Digital Britain White Paper proposed a rebalancing of the public intervention better to reflect these changing market realities. The Government sees an enduring role for the BBC at the centre of this rebalanced framework, allowing it to evolve as a public service content partner and enabler of Digital Britain; providing a modernised and recast remit for Channel 4 that balances its public service remit alongside the BBC's; and changing roles for other public service content institutions and the prospect of greater innovation and content provision by the commercial market as well.

4. The question remains whether this rebalanced framework on its own is sufficient or whether there is a case for additional public intervention. The evidence suggests that there is limited public appetite for any significant increase in the overall amount of public funding for original public service content.

5. It is necessary to distinguish between where plurality is desirable and where it is essential. The priority for the Government is to focus on what is essential, and for most people it is news. For a significant, but smaller group, plural provision of original UK content for children, particularly older children who are under-served by the market, is also seen as important.

Section 1: Securing plural sources of news in the Nations, locally and in the regions

6. Studies and research show that news at all levels is the priority for audiences and the most important public service content for society. News remains an integral part of democracy which helps hold public institutions to account, informs all of us and gives a particular voice to the Nations in the UK and to regions across the country. Having plurality of news allows different perspectives, provides choice for the public and drives a diverse and vibrant news industry.

7. The Government believes that it is this plurality in news, a range of editorially independent voices, that remains important. It is vital that audiences have a range of trusted, independent and impartial sources of news from and about the Nations (i.e. Northern Ireland, Scotland and Wales), locally and in the English regions.

The current market

8. At the national and international level, there are plural sources and competition between broadcasters providing impartial news (such as ITN, Sky and the BBC for example), print providers (both the national press and periodicals) and increasing online sources, that all attract significant audiences across the UK. Even where, as in the case of broadcast news, the self-standing commercial case is not strong, UK and international news is provided because it is seen as adding wider value to their brand or consumer proposition.

9. The importance of news extends right the way to the local level and it is equally essential that there are plural sources of news providers and editorial voices focused on local issues, local and regional democracy and decision making that affects people's everyday lives. This is especially true in the devolved nations where the national media may not sufficiently cover the UK's devolved democratic institutions. People in Scotland, Wales and Northern Ireland expect to have news on how their public institutions are meeting people's expectations in their respective nation. Research has shown that this is true in each of the Nations; similarly in the English regions, audiences want access to a choice of news that informs them of what is happening in their area and how it affects them, how their local institutions -hospitals, schools, police forces, and councils - are delivering. Research carried out by Ofcom, the independent communications regulator, showed that audiences particularly valued plurality of news provision: 86% of the audience thought news

was the area where plurality mattered most and 76% believed this mattered for nations and regional news^[1].

10. The market continues to offer to various degrees original and innovative content and there are many websites offering local news and community information. But the provision of impartial and accurate news sources is not guaranteed in the marketplace and there is increasing evidence that changes as a result of audience fragmentation and shift in commercial revenues is having an impact on commercially provided news in the Nations, locally and in the regions. At the same time, some forecasts are suggesting that the press advertising market could shrink by between £700m and £1.6bn by 2019 with the regional press worst hit.^[2] Television broadcasters of news in the Nations, locally and in the regions are also facing considerable pressure as is local news on commercial radio. Taken together, these changes all reflect the diminution of the traditional offline advertising surplus, which funded court reporting, investigative journalism, considered and impartial coverage of the devolved institutions and much else in the fabric of our democracy in its widest sense. The bulk of this evidence has been explored in the public service broadcasting reviews which Ofcom has carried out under the statutory duty entrusted to it by Parliament (section 264 of Communications Act 2003) to consider periodically how to maintain and strengthen public service TV broadcasting. The scope of this statutory review is currently limited to television, but we have acknowledged in the Digital Britain White Paper that this may need to change to allow a review of the wider delivery of public service content.

11. These pressures across the market place mean that news provided in the Nations, locally and in the regions is diminishing or risks significant decrease. The Government does not consider this would be in the public interest and proposes therefore that, as news at the national and international level is delivered through a range of providers, so too should news in the Nations, locally and at the regional level.

Consultation questions:

Do you agree that securing plural sources of impartial news for the Nations, locally and in the regions should be a key priority?

The Government's proposal: Independently Funded News Consortia

12. In the Digital Britain White Paper, the Government proposed the introduction of independently funded news consortia (IFNCs). These would involve organisations such as (but not restricted to):

^[1] Ofcom second PSB Review, phase 1, figure 10 "the public's attitude towards plurality", p. 34

^[2] Advertising Association forecast, P.6, *From riches to rags: prospect for local newspapers*, PriceWaterhouseCoopers, 2009

- ⇒ regional and local broadcasters;
- ⇒ online news content providers;
- ⇒ news aggregators;
- ⇒ local newspapers, radio stations;
- ⇒ investors joining together to offer an ambitious and cross-media news proposition.

IFNCs would provide regional news which would be broadcast and syndicated more widely within the regional and local news environment. While multiplatform regional news will be a crucial feature, the Government envisages that in the medium term at least, it would make sense to take advantage of the window provided in the Channel 3 licence schedule for news across each Nation, locally and regionally to build on the existing reach and scale of access to audiences.

13. Contracts for IFNCs would be awarded following competition against a range of key criteria, including: the ability to achieve reach and impact; high production and editorial standards to sustain accuracy and impartiality; and the financial stamina to sustain the service at quality throughout the period of the award. Criteria for desirable outcomes could include the ability to raise the proportion of total activity devoted to journalism; commitments to distinctiveness and original/investigative journalism; commitments to multi-media training and willingness to be involved in arrangements for syndication of news stories to other news organisations, whether nationally, regionally or locally.

14. The Government intends to trial this proposal first on a pilot basis in Scotland, Wales and an English region. During the pilot stage, the Government will review the effectiveness of the IFNCs and test the use of public funding and scope of commercial revenue opportunities.

15. We expect IFNCs to be run commercially. But the concept recognises the market reality that commercial funding might not necessarily be able to support all the costs of sustainable independent news in the Nations, locally and in the regions; nor yet commercial provision supplemented by wholesale access to the BBC's news facilities building on the welcome partnership proposals which the Corporation has developed. A key aim of the pilots will be to test the level of "top-up" public funding required to provide high-quality news provision. At UK-wide level, the BBC, Sky News, ITN, and news aggregators such as PA and Reuters all provide key benchmarks of quality of impartial and accurate news that the Government wishes to see replicated sustainably at the level of the Nations, locally and regionally. Estimates of the costs of required top-up public funding vary considerably. In their statutory review, Ofcom place the cost at between £65m and £100m a year. The cost of the BBC's (fully-publicly funded) television news for the Nations and English regions is at the top end of this range and significantly more if radio and online/ multi-media news provision is included. These are useful indicators in the public policy debate. Pilot projects would help refine this figure. But for pilots to work, those participating need to have some certainty at the beginning of what will happen beyond the pilot stage if they are to risk commercial investment.

16. It will be important that the award and management of IFNC contracts is carried out objectively and independently from Government, in order to ensure that editorial independence is guaranteed and seen to be so. Further work will be required on the

necessary governance arrangements (which could involve one or more existing institutions or a new body), subject in part to final decisions on top-up funding.

Consultation question:

Do you agree that sustainable, impartial news in the Nations, locally and in the regions is likely to require some top-up public funding?

Section 2: Funding options – a contestable element of the Television licence fee

Potential sources of top-up funding

17. The Television Licence Fee is an existing, transparent, large scale funding mechanism designed to support the provision of public service content. It is a levy on a particular set of devices - ones capable of receiving or recording television content. It has a wide pedigree in its various forms across European and wider markets. The source of the Television Licence Fee is the audiences who buy those devices. It is already closely aligned, in its use by the BBC, to core public purposes in respect of value for money, sustaining citizenship and civil society; and representing the UK, its Nations, regions and communities^[3]. The Government believes that if top-up public funding is required to secure news in the Nations, locally and in the regions, then the Television Licence Fee revenue can be shared for these purposes.

18. The Television Licence Fee is not the “BBC” licence fee. In principle the BBC has no exclusive right to the Television Licence Fee. This is a matter of historical practice. This device levy is paid into the Consolidated Fund like any other tax, for the government of the day to determine how it should be used. Successive governments have chosen since the 1960s to allocate 100% of Television Licence Fee revenue to the BBC, but have always reserved the right to allocate less than 100%. This fact is reflected in the Agreement between the Government and the BBC published alongside each BBC Charter. The Television Licence Fee has already been used to support broadcasting policy objectives beyond the BBC’s core services. An example is the ring-fencing of broadly 3.5% of the Television Licence Fee revenue in the current Television Licence Fee settlement to meet the cost of the Digital Switchover Help Scheme and Digital UK’s marketing and communications costs.

19. That is the reason why in the Digital Britain White Paper, the Government has presented the idea of a “contained contestable element” within the Television Licence Fee from the beginning of the next Television Licence Fee settlement period in 2013. We envisage that this would be broadly equivalent to the 3.5% currently ring-fenced for Digital TV Switchover, but would be independent of the overall level at which the Television Licence Fee is set.

^[3] Royal Charter for the continuance of the British Broadcasting Corporation Section, 2006, Cm 6925 Section 4 (d)

20. This element would be used primarily to top-up fund independent, alternative providers of news (the IFNCs). However it could also potentially be used to sustain other essential public service content priorities (e.g. the provision of plural original content for children) if the independent provision of Nations, local and regional news should require less than the contestable sum set aside.

21. The Government recognises that this is a departure from current practice whereby the BBC has been the sole recipient of the Television Licence Fee, but it must be a key option in the absence of other solutions.

22. The Government recognises that there is an argument that the Television Licence Fee has become associated in many people's minds with the BBC alone and that this association is a core reason for the wider public acceptability of the Television Licence Fee. The Government is therefore keen to understand people's perceptions and views on the use of the Television Licence Fee for securing plural news in the Nations, locally and in the regions and potentially for other essential public service content. In addition to this consultation we will carry out specific research into the views of audiences for that purpose, and will engage specifically with those who represent them. We will also seek specifically the views of the organisations entrusted with special responsibilities in relation to plural public service content provision: the BBC Trust and Ofcom.

23. Subject to the outcome of this consultation the Government proposes that the public funding required for the pilot phase should come from the expected underspend from funds set aside in the current Television Licence Fee settlement to meet the costs of the Digital Switchover Help Scheme. We will discuss with the BBC Trust how that can be achieved.

24. As stated in the White Paper, the Government is open to alternative proposals that would to the same extent deliver its objectives of maintaining a strong, independent BBC funded by the Television Licence Fee; and providing a sufficiency of sustainable contestable funding to support public service content from other sources than the BBC, primarily in news for the Nations, locally and in the regions.

Consultation questions:

Do you agree that the Television Licence Fee should be used to support impartial news in the Nations, locally and in the regions in addition to BBC services?

Do you agree that any funding within a contained contestable element of the television licence fee not required for impartial news should potentially be available to fund other forms of essential public service content, or should such funding be limited to news?

Are there alternative funding mechanisms that you believe would deliver the above objectives more effectively?

Protecting the BBC's funding

25. In order to protect the BBC's security and independence, the Digital Britain White Paper proposed that the BBC Agreement should be amended to set out an agreed maximum percentage of the Television Licence Fee income that could be set aside as a contestable element. The Government is open to discussing with the BBC Trust other options for containment.

26. It will be important to ensure that appropriate governance arrangements are in place to guarantee proper scrutiny of any contestable fund. All Television Licence Fee expenditure, whether by the BBC or a third party, must meet high standards of transparency, public accountability and be in the public interest. The BBC's Royal Charter already contains a set of Public Purposes which govern the BBC's use of the Television Licence Fee. These are:

- *sustaining citizenship and civil society;*
- *promoting education and learning;*
- *stimulating creativity and cultural excellence;*
- *representing the UK, its nations, regions and communities;*
- *bringing the UK to the world and the world to the UK;*
- *in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television.*

The Government proposes that the use of any contained contestable element should be required to fall within these purposes too. The Government would work the BBC Trust and Ofcom to ensure that the governance model for IFNCs and any wider contestable expenditure delivers these guarantees so as to continue to protect the interests of the Television Licence Fee payer.

Consultation questions:

Do you agree with the proposal to set a maximum percentage of Television Licence Fee revenue which could be set aside as a contained contestable element?

Do you agree that amending the BBC Agreement could provide the necessary protection to the BBC's future funding and independence?

Do you agree that the use of any contained contestable element within the Television Licence Fee should be restricted to the public purposes set out in the BBC Charter?

Section 3: Responding to this consultation and consultation principles

27. The purpose of this consultation exercise, which will run for 12 weeks until 22 September 2009, is to secure the widest possible range of views from the public and the media industries on the issues that the consultation addresses.

28. This will inform Government's views and decisions on the funding of plurality of local, regional and Nations news.

29. This consultation document is available in hard copy on request and online (see below). It is also available in the Welsh language.

30. Submissions should be sent by 22 September 2009 (at the latest) to:

Maria Schlee
Media Team,
Department for Culture, Media and Sport,
5th Floor,
2-4 Cockspur Street
London SW1Y 5DH

or by e-mail to CCEConsultation@culture.gsi.gov.uk

31. Responses to the questions posed in this document can also be completed online at <http://www.bis.gov.uk/digitalbritainconsultation>.

32. We can also provide documents to meet the specific requirements of people with disabilities. If you need assistance please email Maria.Schlee@culture.gsi.gov.uk

33. This consultation is guided by the Government's Code of Practice on Consultation which is available at: <http://www.berr.gov.uk/files/file47158.pdf>

34. Respondents are asked to note that all information in responses, including personal information, may be subject to publication or disclosure under the Freedom of Information

Act 2000. Confidentiality cannot be guaranteed to any respondents, and will only be possible if considered appropriate under the legislation.

35. A summary of responses will be published after the closing date.

36. Respondents' attention is also drawn to the *Digital Britain* website on which further background material is available

http://www.culture.gov.uk/what_we_do/broadcasting/5631.aspx

Appendix A: List of consultation questions

1. *Do you agree that securing plural sources of impartial news for the Nations, locally and in the regions should be a key priority?*
2. *Do you agree that sustainable, impartial news in the Nations, locally and in the regions is likely to require some top-up public funding?*
3. *Do you agree that the Television Licence Fee should be used to support impartial news in the Nations, locally and in the regions in addition to BBC services?*
4. *Do you agree that any funding within a contained contestable element of the television licence fee not required for impartial news should potentially be available to fund other forms of essential public service content, or should such funding be limited to news?*
5. *Are there alternative funding mechanisms that you believe would deliver the above objectives more effectively?*
6. *Do you agree with the proposal to set a maximum percentage of Television Licence Fee revenue which could be set aside as a contained contestable element?*
7. *Do you agree that amending the BBC Agreement could provide the necessary protection to the BBC's future funding and independence?*
8. *Do you agree that the use of any contained contestable element within the Television Licence Fee should be restricted to the public purposes set out in the BBC Charter?*



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