

Response of Channel 5 Broadcasting Ltd (Five) to the DCMS consultation on “Sustainable independent and impartial news for the Nations, locally and in the regions”

INTRODUCTION

Five welcomes the opportunity to respond to this consultation. However, we believe it is presented in a somewhat disingenuous way. Although the consultation is ostensibly about funding news in the nations and regions, the most important issue it addresses is the proposal for part of the Licence Fee to be allocated to broadcasters other than the BBC.

In proposing this, the government is putting forward a substantial change in the funding arrangements for the whole of UK broadcasting. The proposition raises a number of serious questions about the purpose of the Licence Fee, the accountability of the BBC and the potential creation of a mixed economy in broadcast funding – issues that ought to be discussed in the round, not as an incidental element in a discussion of news funding.

Five recognises the importance viewers attach to news in the nations and regions. We also see the case for some form of public support to sustain such news in the medium term. But we remain opposed to using the Licence Fee to provide this support. We believe the Licence Fee is there to fund the BBC and the BBC should be funded through the Licence Fee. If the government feels strongly that public funds should be provided to help fund news in the nations and regions, then the money should come from general taxation, not from the Licence Fee.

ANSWERS TO 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?

Five recognises the important role programmes made for the nations and regions, especially news programmes, play in people’s lives, and acknowledges the desirability of trying to preserve a plurality of provision of such programmes.

However, we do not believe providing such programmes on non-BBC outlets is as important as plurality of national and international news provision at the UK level. We also recognise there are other genres - such as children’s programmes, current affairs, specialist factual, comedy and drama – for which as strong a case for plurality of provision beyond the BBC can be made out.

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?

We recognise that the government's proposals for Independently Funded News Consortia (IFNCs) represent an imaginative response to the potential loss of news for the nations and regions on Channel 3. However, we do not believe the government has properly assessed the costs and potential risks of its proposal.

Firstly, the government says that "in their statutory review Ofcom place the cost [of providing news in the nations and regions] at between £65m and £100m a year"¹. But in its statutory Public Service Broadcasting Review, when discussing the costs of providing such news on an IFNCs model, Ofcom actually said "The total funding required could be between £30 million and £50 million"². We do not understand the discrepancy between what Ofcom actually said in its PSB Review and what the government now says it said.

Secondly, the government's proposals for IFNCs rely to a large extent on the continued provision of "the window provided in the channel 3 licence schedule"³. Because ITV has provided regional news for over 50 years, there is a strong heritage of viewing such news on that channel. But there can be no guarantee that the current Channel 3 Licensees will wish to apply for new licences after the current ones expire in 2014. If ITV were to decide not to be a public service broadcaster after 2014, the "window" to which the government refers would cease to exist less than two years after the proposed funding arrangements began. Without the inheritance provided by the ITV windows, it seems hard to see how the IFNCs would deliver sufficient reach and impact to justify public funding; the lack of certainty that the window will continue to exist makes for a shaky foundation on which to build.

Thirdly, no assessment seems to have been made of the advantages to the ITV network of not providing a half-hour of programming; or conversely, of the potential advantages to the IFNCs of being able to sell advertising around the half-hour slots in which their programmes would sit. At present, ITV (like other public service broadcasters) is allowed to schedule up to 40 minutes of advertising in its peaktime (6pm-11pm) schedule. However, if it kept the same airtime but no longer had to provide the programming in the half-hours supplied by the IFNCs, it would have to broadcast only four and a half hours of programming to benefit from five hours worth of advertising – an advantage denied to Five and Channel 4, the other main PSBs. Alternatively, ITV could be restricted to a *pro rata* 36 minutes of advertising airtime to match its four and a half hours of programming, which would allow the IFNCs to sell the four minutes of airtime that "belong" to their window.

Fourthly, Digital Britain says "the Government and Ofcom will examine whether advertising minutage or other revenue-raising opportunities should be made available to the IFNCs in the Channel 3 regional news slots"⁴. But there is no

¹ Consultation Paper, paragraph 15

² Ofcom, *Putting Viewers First, Ofcom's Second Public Service Broadcasting Review, Final Statement and Recommendations*, 21 January 2009, paragraph 9.22

³ Consultation Paper, paragraph 12

⁴ Digital Britain Final Report, June 2009, Page 157

discussion in the consultation paper of how much funding might be raised in this way and how this would impact on the funding needs of the IFNCs. Five has calculated the value of selling four minutes of airtime in the Channel 3 regional news windows at around £28 million in the current year. This revenue would go a long way to making up the perceived shortfall of providing news in the nations and regions.

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?

No. Five believes the Licence Fee exists to fund the BBC and the BBC should be funded through the Licence Fee. Funding the BBC wholly through the Licence Fee provides a strong level of accountability: viewers understand that by paying the Licence Fee, they receive the BBC's services in return; while the BBC is incentivised to provide a broad range of services to reflect the universal nature of the Licence Fee. Once this link is broken, the relationship between the Licence Fee and the BBC becomes much more complicated and difficult to justify.

One of the great strengths of British broadcasting is that, while there has been competition for audiences between the BBC and the commercial sector, there has not been competition for funding; the Licence Fee has gone entirely to the BBC, which in turn has not been able to show advertising or charge subscriptions. Deploying part of the Licence Fee to fund services shown on the BBC's main rival network would break this historic link.

We also believe there is a lack of popular support for using the Licence Fee to fund broadcasters other than the BBC. Ofcom's research for its PSB review found that the most popular option for using the so-called "switchover surplus" was to reduce the cost of the licence fee, with 63% favouring this option⁵. This is broadly in line with research commissioned by the BBC Trust, the full results of which have yet to be published⁶. The research conducted for the DCMS⁷ came to a different conclusion, but we note this survey did not ask viewers whether they would prefer a Licence Fee rebate to money being spent on news in the nations and regions, nor were other specific potential uses of Licence Fee funds canvassed.

Five believes the BBC can make a significant contribution to helping sustain news in the nations and regions through the Partnership arrangements it has proposed. If the government feels strongly that in addition public funds need to be provided to help fund news in the nations and regions, the money should come from general taxation, not from the Licence Fee.

⁵ *Preparing for the Digital Future*, Annex 8, pages 5 and 10

⁶ The research is referred to by Sir Michael Lyons, Chairman of the BBC Trust, in his open letter to Licence Fee payers of 9 September 2009

⁷ DCMS, *Digital Britain: Attitudes to supporting non-BBC regional news from the TV licence fee*, Interim Summary Report, September 2009

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?

Five is opposed in principle to the Licence Fee being used to fund non-BBC broadcasting. However, we find this part of the consultation particularly unsatisfactory.

It is not clear from the consultation what other forms of content might be funded from the Licence Fee; how their suitability would be assessed; how much of the “contained element” might be spent on them; what criteria would be deployed to identify need or assess market impact; how the effectiveness of the spending might be measured; which organisations might apply for funding; or which body would be responsible for assessing bids and dispensing funds. Without a fully worked through proposal, such questions cannot be answered and the proposal not properly addressed.

We believe that if the government wants to set aside part of the Licence Fee to fund non-BBC content, then it needs to put forward a comprehensive proposal that can be consulted on properly. It is not satisfactory for this critical issue to be limited to one question in a consultation ostensibly about news provision.

In addition, Five believes there is a real danger that, once the principle of the Licence Fee not going solely to the BBC were breached, there would be increasing demands for the Licence Fee to fund a range of deserving causes. Broadcasters, producers, charities and other lobby groups would all be tempted to argue that programming they particularly value or they believe the public values should be eligible for Licence Fee funds. Whatever the merits of particular cases, there would be increasing pressures for funds to be provided to help finance such content. In the longer term, this could only increase pressure for Licence Fee funds to be diverted away from the BBC.

The long term effects would be reduce the range and diversity of programming on the BBC, as the proportion of the Licence Fee devoted to it was reduced. At the same time, a set of incentives would be created in the commercial sector to identify potentially threatened genres that might benefit from Licence Fee funding. This would risk a confusing of revenue streams, with a consequent loss of transparency and accountability.

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

As we have said already, if it is felt that public funds need to be provided to help fund news in the nations and regions, the money should come from general taxation. There are clear precedents for financing specific broadcasting and other audio-visual projects directly or indirectly from public funds. The government has provided direct grant-in-aid to S4C since it was established 27 years ago. The Scottish Executive

funds MG Alba (the Gaelic Media Service); Teachers TV is funded by the Department for Children Schools and Families; while tate.tv derives its funding from the Arts Council of England. We do not see why an exception from such precedents should be made for news in the nations and regions.

As we pointed out in answer to Question 2 (following up the suggestion in *Digital Britain*), allowing the IFNCs to raise revenue from selling advertising in the windows allocated to them could make a substantial contribution to their funding needs. We believe this should be looked at in more detail before any decision is made about public funding.

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?

As we have argued, we do not believe any of the Licence Fee ought to be set aside for this purpose.

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

Five does not find this proposal persuasive. We accept that an amendment to the BBC Agreement now would be likely to have the effect of limiting the proportion of the Licence Fee devoted to a contestable element for the four year period 2013-2017 (although there would be nothing to stop a future government further amending the BBC Agreement before the end of that period).

However, a new Charter and Agreement need to be in place from 2016. Every renewal of the Charter involves a comprehensive review of the BBC's activities, which cannot be constrained in advance. If the Licence Fee were to be topsliced in 2013 to provide a contestable element, there would be considerable political pressure from putative recipients and other interest groups to increase the proportion of the Licence Fee devoted to the contestable element as part of the Charter Review discussions leading up to 2016. For the BBC's funding to be "in play" in this way would risk undermining its independence.

Once the principle of topslicing the Licence Fee was conceded, the pressure to divert resources away from the BBC to a myriad of worthy causes would only grow.

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?

The range of Public Purposes set out in the BBC Charter is (rightly) very broad. Therefore, a wide variety of potential recipients of the Licence Fee could cogently argue that they served one or more of these Purposes – which highlights the dangers of taking such an approach to the uses of the Licence Fee.

CONCLUSION

Five believes the BBC provides the cornerstone of Public Service Broadcasting. One of its enduring strengths is the secure funding it receives from the Licence Fee. We do not believe this system should be tampered with.

We recognise the importance of the BBC not being the only provider of news in the nations and regions. But we do not believe the potential loss of plurality is sufficient to justify a fundamental change in the way British broadcasting is financed.

If the government believes it is paramount to provide public funding for such news, then it should look to precedent and provide funding from general taxation. But firstly it should examine the level of funds that might be raised by allowing the proposed IFNCs to sell airtime to advertisers.

Topslicing the Licence Fee would create far more problems than it would solve. Therefore, we believe the government should withdraw its proposal and consider other options.

Channel 5 Broadcasting Ltd

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