

Response to the Department for Culture, Media and Sport (DCMS) Consultation: ‘Sustainable independent and impartial news: in the Nations, locally and in the regions’, June 2009.

Introductory Comments

1.1. The strength of this Consultation document is to be found in its recognition that the universal availability of ‘high quality UK-produced content’ across a range of programme types, including news, current affairs, children’s programming and drama is ‘essential to the cultural, social and democratic life of the United Kingdom’ (#1). This programming also appears to be popular with audiences (see below). The Consultation document notes that over a long period of time there has been ‘significant public intervention to fund and secure such content’. Despite sharp ideological differences in some areas of political life this philosophy of public intervention in broadcasting has been shared across the main political parties, and produced a relatively stable financial environment for some seventy years. This context of relatively stable funding only began to change with the impact of the internet, and with the development of extensive competition through the emergence of a multi-channel universe from 1988 onwards.

1.2. Much has been said in recent times about the relative comfort and predictability of the licence fee income enjoyed by the BBC. But it is important to note that a bigger picture view of the UK television industry reveals major structural changes. By 2008 the largest single source of television industry revenue (across all channels) was subscription funding, at a level of £4,320 million, followed by an amount of £3,471 million in advertising revenue and, finally, by an amount of £2,591 million for that portion of the licence fee allocated to television. An additional £643 million was allocated from the licence fee to meet the costs of BBC radio (Ofcom, 2009: 82, 169).

1.3. Despite this position of apparent strength, it is also important to note that the amounts of money being invested in original content have been going down since 2004. Across all channels and funding sources a total of £3,100 million was invested in original content creation in 2004; but by 2008 this has reduced to £2,600 million. Most of this money is invested by the five channels designated by the 2003 Communications Act as ‘public service channels’ (PSBs) (BBC1, BBC2, ITV, Channel 4 and Five). In 2008, out of a total of 495 channels broadcasting in the UK that year, the non-PSBs contributed only 10 per cent of all the funding invested in original production. Whilst the five PSBs were estimated to have invested 90 per cent of the total (Ofcom, 2009: 89).

1.4. The high levels of investment in original production may be one of the main reasons why the PSB channels retain a significant share of the audience. Taken together the five PSBs attracted just over a 60 per cent share of all viewing, with the remaining 40 per cent of viewing spread out across a very large number of channels. To take just four examples of audience share in digital homes in the summer of 2009, first place went to BBC1 with a share of just over 19 per cent, ITV1 was in second place with a share of 14 per cent, the BBC’s children’s channel, CBeebies, came in at ninth place with a share of 1.5 per cent and the highest rated Sky Channel – Sky Sports 1 – came in at twelfth place with a share of 1.4 per cent of total audience (*Broadcast*, 4 September 2009: 42).

The Consultation Document Does not Offer a Transparent and Accountable Way Ahead

2.1. There are, in my view, three main weaknesses in the consultation document. The first is that a highly specialised kind of language is used to describe and advocate a key change in the use of the BBC licence fee, namely the advocacy of a ‘contained contestable element’ within the licence fee. The meaning of this term is not at all self-evident. Moreover the term condenses quite a complex and in some quarters controversial argument that all public services should be put out for tender in the market place. Insofar as this term embodies a principle – that it is right for private sector interests to compete to obtain contracts to deliver public services – it is difficult to see how or why the principle should be ‘contained’. There is therefore, apart from a problem of obscurity in the use of the term ‘contained contestability’, a further obscurity or at least a contradiction involved in the use of the adjective ‘contained’. In short it is not possible to have ‘contained’ contestability any more than it is possible to be a little bit pregnant.

2.2. Secondly, there is no recognition of the magnitude of the policy change proposed, namely that Government should now intercept some part of the licence fee monies and re-route these monies in some new direction, outside the BBC. It is true to say that since the 1920s various governments have retained the right, in principle, not to pass on to the BBC the full value of the licence fee. In the days when the relevant Minister was called the ‘Postmaster General’, s/he supervised the office responsible for collecting the fee, and a small part of its value was held back to pay for the costs of collection.

2.3. However, there has never been a case when Government has intercepted the payments made by licence fee payers and re-directed them to meet the costs of some other, non-BBC communications service. The document is at pains to point out the democratic deficit that might be caused as ITV withdraws its funding from the provision of local and regional news services. To remedy this deficit would be a worthy cause. However, there are many worthy causes in the field of communications and it is unwise to grant the Government of the day the power to determine what new area of communication might be funded by the licence fee.

2.4. It is also highly likely that the ‘contained’ amount of 3.5 per cent of the value of the licence fee – currently proposed by government as the amount required to fund the proposed ‘Independently Funded News Consortia’ (IFNCs) would be treated as a useful precedent and exceeded by later governments. The contestability proposal, often referred to as ‘top-slicing’ by its opponents, is likely to open the way to a serious diminution in BBC funding and in the ability of the BBC to commission and transmit a range of high quality programmes.

2.5. Other types of funding for broadcasting exist and might be treated as models, for example the budget for the Welsh Fourth Channel – Sianel Pedwar Cymru – which is provided as a grant from the Westminster Parliament; and Community Radio is (inadequately) funded through the annual public spending round negotiated between the DCMS and the Treasury. Neither of these existing forms of support is taken from the licence fee.

2.6. The proposed interception and re-routing of licence fee monies gives the government – potentially - fundamental powers in respect of content creation, thereby undermining the consensus of decades that the content of broadcasting should be decided at a distance from government. It is this ‘at a distance’ or ‘arms length’ principle that characterises the BBC. And it is this principle, whether in the arts or in broadcasting, that guarantees the independence or relative independence of the artist or broadcaster. The proposed change arguably violates long-standing principles in public life, and the Consultation document in no way identifies the seriousness of this change. It is suggested that the Government might make use of the good offices of a third party to make the detailed financial allocations to new organisations, but there is no clear indication of who might undertake this work, what this subcontracting activity might cost and how the contract specification of the work to be commissioned would ensure value for money, outcomes of high quality and independent decision-making. The two organisations most likely to run the proposed scheme would appear to be Ofcom and, in Wales, the Welsh Fourth Channel Authority.

2.7. Thirdly, the Consultation is constructed and titled in such a way as to focus on the issue of news provision for the Nations and English regions. This provision has deteriorated significantly in the last two years as a result of the decision by ITV to close down many of its regional production centres. As already indicated this is an important issue, but there is no necessary connection between the fault identified and the remedy proposed, namely, that licence fee funds should be used to bridge the gap and provide the missing service. The policy of ‘robbing Peter to pay Paul’ is neither efficient nor desirable. The Institute for Public Policy Research (IPPR) and Steve Morrison of All3 Media have recently undertaken or reported on some detailed studies on the use of levies in other countries. Most obviously the Consultation document fails to give due attention to such alternative proposals.

2.8. During the last month various kinds of research into public opinion have been undertaken, by the BBC Trust, the Guardian newspaper and the DCMS. These have variously found that licence fee payers would prefer to see any under-spend in the use of Digital Switchover money returned to them in the form of a reduced licence fee (Note 1), that public support for and confidence in the BBC is on the increase, and that some two thirds of questionnaire respondents endorse the idea of a small amount of licence fee money being used to pay for news in the Nations and regions. The DCMS questionnaire appears to have been constructed in such a way as to elicit the desired response from members of the public.

Responding to the Questions

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

The securing of alternative sources for impartial and sustainable news for the Nations, locally and in the regions is desirable. However, it may not be affordable. And once a precedent has been established that the government of the day may treat the licence fee as a fund available to it, the independence of the BBC will be severely curtailed, and its power to fund good programmes severely restricted. An incremental process whereby successive governments dip into the licence fee pot to fund their own favourite projects would certainly be welcomed by the BBC’s competitors.

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

Yes, but top-up funding should not be taken from the licence fee for the reasons given above. There could also be a much better informed and more imaginative debate on these issues. For example, the provision of regional and local news could be strengthened by drawing upon the skills available in - among other places - the community media sector and among citizen journalists

(iii) 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, for the reasons given above.

(iv) 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?

No, licence fee funding should not be used to fund services outside the BBC. Moreover, the debate about 'essential public services' should also be extended to take account of the community media sector and its policies of 'social gain' and 'community cohesion'. Community Media funding, currently provided by the DCMS, has been frozen at 2004 levels and has not kept pace with the significant expansion of this sector.

(v) Are there Alternative funding mechanisms that you believe would deliver the above objectives more effectively?

Yes, in my view it will take bold and honest political leadership to recognise that there are various possible systems (adopted successfully in other countries) of levying successful players in the communications industries Even in recession conditions, such levies, if carefully applied, will **not** hold back the companies affected and conversely will help to sustain and expand a fundamentally healthy industrial and cultural sector in the UK.

(vi) 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?

No, such action would be logically inconsistent with the case that has been presented above.

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

No, on the contrary such amendment to the BBC Agreement would signal the beginning of a process extremely damaging to the Corporation. Once licence fee funding is eroded that BBC will neither serve its home audience well nor be able to maintain its current international reputation. Such damage could be good news for some of the BBC's competitors.

(viii) 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?

Licence fee payers are the investors in and in a sense the owners of the BBC. It is not in their interests that the licence fee should be disaggregated or used to try to solve the

problems of other broadcasters. Other imaginative and robust ways can be found to address the current and serious democratic deficit in the representation of National, regional and local concerns.

Notes

(1) The Digital Switchover Money or DSO was the amount of money ring-fenced in the BBC's 2007 Charter Review settlement and required to be used by the BBC in fulfilling a new duty, namely, assisting the process of digital switchover.

References

Broadcast, 4 September, 2009.

DCMS, (2009) *Sustainable independent and impartial news: in the Nations, locally and in the regions*. London: DCMS.

IPPR (2009) *Minding the funding gap. The potential of industry levies for continued funding of public service broadcasting. An IPPR report for Bectu and the NUJ*. London: IPPR, March.

Ofcom (2009) *The Communications Market Report*. London: Ofcom.

Sylvia Harvey, 21 September, 2009.