

## **The Government's response to the consultation on "Sustainable independent and impartial news in the Nations, locally and in the regions"**

### **1. The consultation**

The *Digital Britain* White Paper, published on 16 June 2009, set out the Government's strategic view with a programme of action, and included a commitment to audiences having the choice of high quality, public service content.

It made a particular case for intervention to prevent a decline in the provision of news in the Nations, locally and in the regions for all media. Rapid changes in the media industry, including new technology, fall in advertising and the shift in advertising from traditional public service broadcasters to other channels and the internet are making the economics of providing regional news and news in the Nations increasingly difficult. The pressures affecting television news has meant some ITV regions have already merged news operations, closed studios and laid off editorial and production staff. The quality and localness of regional news on ITV has suffered. The print and the radio industries are facing similar pressures. Unless we take action, there is a high risk that high quality, professional regional news in England and news in Scotland, Wales and Northern Ireland will not be provided other than by the BBC. Plurality will be lost, or severely reduced.

The Government believes that this has serious consequences for choice and democracy.

That is why the Government, through *Digital Britain*, proposed the introduction of independently funded news consortia (IFNCs). IFNCs will bring together providers of news in various media to produce news in the Nations, locally and in the regions. This will be delivered to the public through a range of media including the Channel 3 weekday schedule as television news currently remains the source of local and regional news where there is greatest reach and impact. We intend to trial this proposal from 2010 with 3 pilots in Scotland, Wales and one English region, funded from the proportion of the licence fee set aside for the Digital Switchover that will not be required for the help scheme (the digital underspend).

### **2. Responses to the consultation and TNS-BMRB independent market research**

Our public consultation, carried out between 30 June and 22 September 2009 on sustainable independent and impartial news; in the Nations, locally and in the regions, invited views on the importance of choice and plurality of news sources in the Nations, locally and in the regions, on the need for public funding to sustain plurality, and on possible long-term public funding sources. The rationale for this was set out in *Digital Britain* and the consultation document. The consultation particularly sought views on the proposal to maintain within the next television licence fee settlement, a proportion of the fee that was introduced as part of the 2007 settlement to fund the digital switchover (DSO) and whether this element could be used to support plurality of news sources in the Nations, locally and in the regions once the DSO requirements finish. Currently that small (3.5%) element is used to help the elderly and vulnerable groups with digital television switchover and that particular need will have been met by the end of 2012. As this element already exists for purposes other than BBC funding, the government believes that maintaining this element within the licence fee from 2012 would provide a sustainable

source of contestable funding to support public service content, in particular news. While alternative options were suggested, there are drawbacks to each of them as currently proposed. The consultation exercise showed that the proposed contained contestable element using the proportion of the licence fee currently being used for DSO had support. Therefore, the Government's preference remains the contained contestable element but a final decision will be made before the licence fee settlement process in 2012.

The consultation received some 90 direct responses (25 from industry stakeholders, 21 from individuals acting in their private capacity, 13 from public organisations, 11 from trade bodies and around 20 from Parliamentary groups, civic society groups or community groups). Feedback was also received in other online fora. A summary of these responses and a list of the non-confidential replies have been published on the DCMS website<sup>1</sup>.

DCMS also commissioned TNS-BMRB to conduct independent market research on the plurality of news and the issue of contained contestability. From 27 August to 2 September the survey covered 1,900 adults aged 18+ in England, Wales, Scotland and Northern Ireland. A summary of the survey and the full report are available on DCMS website<sup>2</sup>.

The Government is very grateful to all those who took part in these inquiries.

### **3. Summary of views**

Overall, both the consultation and the UK-representative survey showed strong support for securing plurality of impartial news sources for the Nations, locally and in the regions as a key priority. 84% of the public consider it is important to have a choice of different sources of news in the regions/locally, and 75% consider it is important to have such choice on TV. Over 80% of the responses to the consultation shared the same view.

66% of the responses to the consultation agreed that sustaining impartial news in the Nations, locally and in the regions was likely to require some top-up public funding. Most of the responses from public organisations, parliamentary and civic society groups, trade bodies and industry stakeholders believed top-up public funding was necessary. However, a number of responses from individuals disagreed.

Regarding the proposal to retain, in the next Television Licence Fee settlement, a contained element currently not used for BBC content and services, in order to support plurality of news sources, the UK-representative survey showed that 65% of the public supported this proposal, whilst 24% of all respondents thought the licence fee should be used only for the BBC, 8% don't care either way and 4% cared, but didn't know. Some 43% of respondents to the consultation were also in favour of using the licence fee, 11% did not express an opinion, and 46% of responses opposed the proposal. Most of the responses from public organisations and industry stakeholders supported the proposal of using the licence fee. Reasons for this support included the notion that it was an existing large scale and transparent funding source of public service content. Most of the responses which disagreed with the proposal came from individuals and trade bodies highlighting in particular concerns about the impact of the proposal on the BBC. Parliamentary groups, civic society groups and community groups had mixed views.

Some 43% of respondents to the consultation thought that any funding within a contained

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<sup>1</sup> [http://www.culture.gov.uk/reference\\_library/publications/6361.aspx](http://www.culture.gov.uk/reference_library/publications/6361.aspx)

<sup>2</sup> [http://www.culture.gov.uk/reference\\_library/research\\_and\\_statistics/6344.aspx](http://www.culture.gov.uk/reference_library/research_and_statistics/6344.aspx)

contestable element of the licence fee not required for impartial news should potentially be available to fund other forms of essential public service content. Around 37% disagreed (it should just be spent on news) and some 20% didn't know or didn't express an opinion.

Over half of the responses (around 56%) thought that other funding sources should be looked at.

#### **4. Conclusions**

The Government welcomes the support shown in the responses to the BMRB survey and the consultation, from both industry and the public, to the plurality of impartial news sources for the Nations, locally and in the regions as a key priority, and to the analysis that top-up public funding is necessary to sustain plurality. The Government is committed to taking this forward and securing this plurality in the short and in the long term.

##### IFNC pilots

The Government has committed to deliver IFNC pilots in Scotland, Wales and one English region. The purpose of these pilots is to test how a new and innovative form of local and regional news can be delivered using public funding to incentivise commercial delivery models and providing greater syndication between news providers to enhance plurality. The news will be delivered on multiple platforms including television. The IFNC news output will replace the existing regional news programming in the relevant Channel 3 area.

The planned process and timetable for implementing the pilots between now and a national roll-out in 2013 is summarised as follows:

- DCMS to appoint an independent selection panel later this month who will oversee the tendering and evaluation process.
- A pre-qualification questionnaire (PQQ) to follow later this month (November) inviting bids from Scotland and Wales.
- A decision on the English region to host the pilot to be made by Christmas.
- The panel to select bidders to go forward to the second stage after Christmas with the submission of final tenders by the end of February 2010.
- The selection panel to then evaluate the bids and make a recommendation to the Secretary of State on three winning bids in Scotland, Wales and the English region in March 2010.
- Contracts and launch of the pilots then follow.

Further details on the timing and process will be made available shortly.

##### Long-term funding of IFNCs

The Government remains convinced that sustaining plurality of voices in news in the Nations, locally and in the regions will require public funding. Following the findings of the public consultation and BMRB's independent market research, the Government's preference for the long-term remains to maintain, in the next Television Licence Fee settlement, the contained element of the television licence fee that is currently not used for BBC content and services, in order to support plurality of news sources in the Nations, locally and in the regions, as laid out in the *Digital Britain* White Paper. This is supported by both audiences and industry.

The Government's proposal has generated interest and debate and ideas for alternative funding options have emerged. The use of administered incentive pricing (spectrum tax) or other industry levies have in particular been proposed. Some of these are credible options, although their main disadvantages are that they are akin to general taxation and would therefore have an impact on public finances and could raise issues of market distortion where funding originates from the market. At this point, on balance, none of these appear to be better than the existing, large-scale and transparent intervention constituted by the licence fee.

Funding of IFNCs does not require implementation long in advance of the roll-out; nor does it require primary legislation. The pilots are an opportunity to test funding models. Moreover, the Government is firmly committed to the multi-year licence fee settlement with the BBC, and will continue to respect it as this is a crucial element of the BBC's independence. The Government will therefore make a final decision on the source of the public funding of IFNCs nearer the time of roll-out, in the light of the lessons learnt from the pilot experience. The Government will want to understand how enhanced localness can be delivered; the extent of syndication achieved; audience reach and impact; and how public funding and commercial revenue can deliver a high quality independent and impartial news output. If better options than the Government's preferred one emerge in the meantime, the Government will consider them.

The Government is grateful to everyone who contributed to the debate.