

RESPONSE TO DIGITAL BRITAIN INTERIM REPORT

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These remarks are written in a personal capacity but also from the perspective of having chaired the independent Scottish Broadcasting Commission from August 2007 to September 2008. Because the Digital Britain interim report is such a wide-ranging document, and also because there will be many responses to the various challenges and opportunities identified, I have confined my own submission to the questions around investment in original UK content and in particular to those key issues raised in Section 3.3 as they affect public service broadcasting (PSB) and creative audiovisual content production in Scotland. My response draws heavily upon the final report of the SBC, *Platform for Success*, which should continue to be treated as our definitive findings on the issues confronting Scottish broadcasting and how they might best be addressed.

Because there is such a long list of matters to be resolved in the Digital Britain vision, there is always the risk that things which affect only one part of the UK will struggle to get the attention they deserve. That would be particularly unfortunate in Scotland, where there is a great deal of clarity and consensus around the problems of PSB deficit and demand – and also a very high degree of agreement about the best solution. Our final report appeared in September of last year and attracted widespread praise and support. The key recommendation was the creation of a new public service Scottish Digital Network, an integrated broadcast and broadband service combining a core linear television channel with extensive and innovative content on all other digital platforms. In October the Scottish Parliament voted unanimously to back our recommendations, singling out in particular the importance of the new network.

From a Scottish perspective, it is imperative that we have excellent UK-wide services which meet the criteria of public service broadcasting, but it is also a fundamental requirement that there should be high-quality content which addresses the distinctive cultural and democratic needs of audiences in Scotland. It is also very important that public service content is developed for multiple platforms, particularly those which are broadband-enabled.

The Scottish Broadcasting Commission was firmly of the view that Scotland has benefited from being part of the overall broadcasting ecology of the UK and that the BBC remains the cornerstone of public service broadcasting. However, there is a growing and urgent need to have secure and sustainable competition for the BBC in Scotland to ensure PSB plurality in key Scottish content. That competition has been eroded on STV and faces inevitable further erosion

in future. Without intervention, we face the imminent prospect of virtual BBC monopoly with all the attendant disadvantages and risks.

Of the four PSB broadcasters which are available throughout the UK, only the BBC and ITV services are obliged to provide opt-out programmes designed and distributed particularly for audiences in Scotland. The BBC offers such content at a number of points in the schedules of BBC1 and BBC2, while on the main ITV network the regional Scottish licences contain minimum (many would say minimal) requirements for programmes made in and about their respective parts of Scotland.

The crucial challenge in Scottish broadcasting is to have serious competition for the BBC in high-quality public service content produced for Scottish audiences. The importance of plurality in key broadcasting genres is widely understood, as is the danger of monopoly. Audiences also support the concept of choice and competition, and made it clear to the Commission that they wish to be provided with a greater volume and range of Scottish content. It is now very widely accepted that there needs to be a substantial public intervention in Scottish broadcasting beyond just the BBC.

It is increasingly clear that the ITV model does not now and will not in future provide the basis for PSB plurality in Scotland. In the main STV licence for central Scotland, the quantity of Scottish programming is now less than a third of what it was 10 years ago and the company is arguing that this will have to reduce further. A weekly target of four hours of Scottish news and then just 90 minutes to cover everything else is not adequate to provide serious PSB competition to the BBC. The peak-time obligation is now 45 minutes per week to cover everything that is not news. This means that in the four hours of the day when most people are available to view – between 6.30pm and 10.30pm – there will be an average of less than one hour a week of Scottish content. Indeed, at the time of writing, we have had seven consecutive weeks where there has been not a single Scottish opt-out programme on STV between the conclusion of the early evening edition of Scotland Today at 6.30 and the commencement of the late evening edition at 10.30. That is the commercial reality of the ITV system.

In any event, it is obvious that the opt-out model was a necessary but often unsatisfactory solution designed for the analogue age, based on withdrawing UK network programmes from the schedules in Scotland - often producing an angry response from viewers. Opt-outs will look increasingly anachronistic in the digital age, which is about extending choice rather than restricting it. Choice should not mean loss in Digital Britain. There are profound commercial and corporate difficulties with the opt-out model, and a growing problem for both Scottish broadcasters in finding opt-out slots which do not have negative consequences.

The biggest question mark concerns whether ITV will remain within the framework of public service broadcasting at all. It is a business model rapidly being overtaken by events largely beyond its control. The board of ITV plc has made it very clear that it is weighing up the costs and benefits of PSB status and it is pushing in an ever-more commercial direction. There seems little doubt that ITV will not renew its PSB licences in 2014; and there is a growing belief that it will hand back its licences before that date. What is certain is that it would be precarious in the extreme to rely in future on ITV staying within the PSB family. One consequence of such a departure would be the complete disappearance of Scottish programming from a purely commercial ITV. We need an alternative service in place long before we get to that point.

As the Scottish Broadcasting Commission emphasised in its final report, the most important thing to seek to preserve in the Scottish ITV licences in the short to medium term is news and current affairs. The Scottish news programmes on Channel 3 constitute a necessary – though not sufficient – condition of PSB plurality in Scotland, unless and until an alternative source of such content is provided for audiences. But we do need to have plans in place for the likelihood of an ITV withdrawal from PSB commitments.

In summary, we need to do all we can in very challenging circumstances to ensure the continuation of Scottish news services on STV, but there is no prospect of a wider PSB role for STV within that rigidly commercial ITV framework. STV are very clear that they will continue to argue for reductions in their licence obligations, and that any Scottish programmes produced will be at their own discretion and only if they can find a commercial rationale. In other words, anything they insert into the ITV network schedule will be on a voluntary basis and will happen only if that opt-out programme is more commercially attractive than what is already the most commercially-focused broadcast schedule in the UK. It is doubtful how much Scottish content will pass that test, and even more unlikely that anything that does will constitute public service broadcasting. Just because something is Scottish, that does not mean it is PSB.

Turning from deficit to demand, there is substantial evidence to suggest that audiences in Scotland wish to have more Scottish content. In research undertaken for the Commission, 84% of those surveyed thought it was important that television should “inform and teach you about Scotland” – but one third of respondents (33%) were not satisfied with how programmes are currently meeting that responsibility. The biggest “satisfaction gaps” appear to be in history and heritage programmes, where 56% of respondents felt that there was too little provision of Scottish material, and in documentaries where 51% thought there should be more Scottish content.

In our public attitudes survey of more than 1000 adults in Scotland, 81% of respondents said that they would be interested in watching a new network service made for people living in Scotland. The level of enthusiasm was pretty constant across gender, age group, social background and geographic location. The highest levels of demand for programmes on a new Scottish service were for news programmes (58%), documentaries (52%) and history or heritage programmes (50%). What is noteworthy is that the demand seems to be precisely for those types of programmes which most obviously meet the Ofcom definition of public service broadcasting.

These figures can encourage us to be very optimistic about the prospective level of reach of the new network, in both its broadcast and broadband services. At this point in 2009, all of the BBC's linear television services collectively achieve a weekly reach of 85%, so 81% in our Scottish survey is an encouraging declaration of viewing intent before a single piece of content is commissioned or promoted. There is of course no precedent for an English-language dedicated service aimed at just one of the UK nations, and the niche minority language channels cannot be regarded as providing an indication of viewership. The obvious level of interest, which would be compounded by widespread goodwill, excitement and media coverage at the point of launch, must encourage us to predict a very high level of weekly reach – certainly exceeding 50% at launch, with clear expectations of growth.

From the evidence the Commission saw and heard, we believe that there would be very widespread support for a new public service Scottish digital network with a clear cultural and democratic remit to provide more high-quality content for citizens and consumers in Scotland. Our firm conviction that a new Scottish public service network is both required and desired does not depend solely on the need for guaranteed and more substantial competition for the BBC, nor indeed on the reality that the ITV system is highly unlikely in future to deliver much in the way of Scottish PSB content. There were many positive reasons emerging from evidence to the Commission in all three phases of our work programme, which together not only make the case but begin to shape an emerging remit for a new network designed for the digital age:

- providing audiences in Scotland (and elsewhere) with a greater volume of high-quality Scottish content
- development of opportunities for emerging talent on and off screen
- the chance to take risks and innovate in content, style and technology
- contributing a significant role in supporting the economic growth of the audiovisual sector, and providing in broadcast and online form the secure base of our pyramid of creative content production

- the potential to link to work on creativity and technology in our higher and further education sectors and to the innovation we all wish to encourage in society at large
- connecting with the Scottish diaspora as a natural wider audience for Scottish material, and giving Scottish producers and their content access to the UK and global markets
- establishing a trusted brand for Scottish content at home and abroad as choice expands and audiences fragment in broadcasting and broadband.

One attractive option would be to make much of the linear content and any associated material available online for people not only to view but also to re-edit and remix. The new platform could become a space where the creative talent of Scotland can experiment and innovate, potentially with thousands of hours of usable media made available under a Creative Commons type of licence. The Commission was attracted by the idea of it being an “open source” platform with accessible source code and software so there is the potential for users to develop new and experimental applications. We can foresee this opportunity being of great value to schools, colleges and universities where the next generation of creative talent and creative technologists will find both a platform and an audience for their work. Scotland could become a pilot area for services and applications of wider benefit to the whole of the UK.

All of this new and unique content will have instant global access under a strong Scottish brand. This user-generated and indeed user-manipulated content can help to give us a cutting edge in international creativity. It is also easy to see how Scotland could create more cross-platform entertainment and events, with the potential for global audiences.

The educational and skills development dimension of the Scottish Network would be important. A core part of the remit and ethos would be to reflect strong brand values in terms of creativity, quality, international reach and outlook - including the examination of global issues from a Scottish perspective. We would also expect the new network to have close links with universities and colleges for creative and educational content, and for joint development of new technologies associated with multimedia digital content on converged platforms.

From the evidence we received and from our own discussions, some key characteristics of the new service began to be apparent. The new network clearly has to be public service in spirit and letter, by constitution and by conviction. That would also free the service from the unrelenting competitive pressures that drive commercial broadcasters to prioritise ratings above everything else.

We believe the new network should be set up on a not-for-profit basis. This would ensure that the maximum percentage of public money invested ends up paying for content rather than going to the bottom line, and that there is the highest degree of transparency and

accountability under the governance of a board of trustees. These arrangements are also consistent with the ethos of public service and public purposes. Importantly, a new digital service which is not pursuing advertising revenue would not therefore be competing for the main source of income of Scotland's existing commercial media, which face significant pressures on revenues and costs. This would help the new network greatly with perception, reception and partnerships in the wider Scottish media.

The architecture of public service broadcasting is designed at a UK level and Ofcom is tasked with reviewing its effectiveness. The recent PSB review highlights the likely need for new solutions to fill the emerging gap that Scotland will represent in the plurality of the UK's public service broadcasting system. We accept the analysis and advocate a new public Scottish Network as the most effective, proportionate and ambitious solution. It is a missing piece in the UK's jigsaw of public service broadcasting.

Although on balance we feel the new network should not seek to attract advertising revenue in the UK, it would be possible for other forms of revenue to be explored. This might include advertising and sponsorship opportunities on the broadband service outside the UK, and other forms of revenue for what would become a global portal for original Scottish content. We also believe that co-production opportunities with international partners could help to secure high-quality content without the new network having fully to underwrite the production costs.

Ofcom should help the new service with gifted or discounted digital spectrum, and prominence on electronic programme guides (EPGs), using those "regulatory assets" that it already controls to give the network the best possible positioning. The new service would have to achieve scale in both impact and reach. It needs to be available on all platforms, easy to find and with programmes and other content well promoted and marketed. It would be important in Scotland to have universal access to this new high-quality content, which is why it is so crucial to have the widest possible connectivity to decent broadband speeds at the earliest possible date. I support the Digital Britain aspiration of 2mbps as a universal service commitment by 2012, the year in which the Scottish Network would be likely to launch.

Ofcom in its PSB review conclusions praised the "thoroughness" of the SBC analysis and said we had also triggered innovative new thinking in the other devolved nations. And the Digital Britain interim report acknowledged the desire in Scotland for "a stronger, distinctive national voice" in broadcasting and the new digital platforms. The Ofcom review further makes it clear that there are now only two options on the table for secure and sustainable public service plurality in Scotland – the Scottish Network as proposed by the SBC, or an alternative model of a competitive fund spread across different broadcasters and digital operators. Ofcom does not take a view on which model should be pursued, but this is where the debate now needs to focus.

I believe the Scottish Network is the right choice – better in terms of ambition and focus, better in terms of educational and economic impact, and better in delivering editorial and technological innovation. The Scottish Network completes the virtuous circle in which our economic, cultural and democratic aspirations for broadcasting support each other. A competitive fund would have much less scale, impact and coherence without a branded linear service at its heart and it would not be an effective PSB competitor for the BBC in Scotland.

Of course, the Scottish Network would in itself be a “competitive fund” in the sense that it would commission content from a multitude of Scottish suppliers on a competitive basis, rather than having its own in-house production teams. And it would fund digital content for all of the new and emerging platforms. But crucially, it would have that linear television channel as its broadcasting spine with a strong brand, public service ethos and clear identity. Without that spine, you have the requirement to secure agreement from other broadcasters to transmit your funded programmes. That is “by-your-leave” broadcasting, and that is not anywhere near sufficient for PSB competition in Scotland in future.

With just a fund, you have much less visibility for the public service content. It’s very fragmented and the programmes are hard to find. It’s exactly the reason why the Gaelic language service moved away from being a fund to being a dedicated broadcaster combining integrated television, radio and online content – the young and thriving BBC Alba.

Ofcom clearly understands this point, which is why the competitive fund model has not been adopted at a UK level and why the regulator argues so vigorously for an enhanced Channel 4 as a “second strong institution” to compete with the BBC, “...a financially robust alternative provider of public service content”. Ofcom speaks of the need for a strong alternative public service voice to the BBC. The same principle applies in Scotland. Without the new network, there is the prospect in Scotland that instead of a strong alternative voice, we have fragments of whispers.

In an important development, Ofcom recently clarified that its competitive fund model could include the idea of the Scottish Network and that the two are perfectly compatible. The network could and should be part of any fund. We await further details from the regulator on how the concepts of Network and Fund might combine rather than compete. But we have to be very clear on this. Only the Scottish Network with a solid PSB remit and governance will provide the public service competition to the BBC that audiences in Scotland need – and indeed that the BBC in Scotland needs.

The viewing public are naturally much more interested in content than in policy. The new Scottish Network would produce drama, comedy, news and documentaries for all digital platforms. It would look towards co-productions with international partners. It would be risk-

taking and outward-looking – recognisably Scottish but not relentlessly Scottish, much as most Scots like to be themselves. It will provide opportunities for new faces, new voices and of course for new writers. On broadband, the new service would exist as an open platform where thousands of users will be able to develop new software applications as well as creative content. Scotland needs people who can design computer programs as well as those who can design television programmes. We say the new network should include innovative and ambitious cultural content and should seek to maximize its educational and economic impact through partnerships with further and higher education and with Scotland's wider creative industries. As we said in our report, there are now global audiences awaiting those with global ambitions.

The SBC estimated the annual costs of the Scottish Network at £75 million. Interestingly, Ofcom came up with a very similar cost for a dedicated Scottish service in their independent analysis for the PSB review. It is a lot of money, but proportionate when you place it in context. Our preferred option was to source the funding from the proceeds of the forthcoming auction of cleared broadcasting spectrum once digital switchover is completed. That auction will raise billions of pounds for the Treasury and the bundles of desirable bandwidth are a UK-wide asset – so correcting the Scottish PSB deficit seems like a fair use for part of this windfall. As a cost comparison, the Welsh language channel S4C is directly funded by grant-in-aid of about £95 million annually from the UK government, and benefits in addition from £25 million from the television licence fee in the form of programmes supplied by the BBC under statutory obligation.

If there is to be no new or additional funding for public service broadcasting, then the new Scottish Network should be funded out of the television licence fee. And with the revenue from that source nudging close to £3.5 billion every year, £75 million doesn't look like such a large sum – in fact, not much more than 2% of the licence fee income. In that context, it will not be acceptable in Scotland to say that vital PSB competition is not affordable.

The Scottish Network would be innovative and for the digital age. Crucially it would also be a wealth-generator. It's at the heart of a defining industry for this century – creative audiovisual content. This sector is ever more important now that other sectors are struggling. We need strategic investment in this key part of our economy.

At this stage in the evolution of our national life, Scotland needs a dedicated digital network. We have to transform our view of what is possible in the creative content industries. It is important to state that the new network would not in any sense enable the BBC to do less for audiences in Scotland; on the contrary, we think the arrival of a strong competitor may be just the stimulus that BBC Scotland needs in terms of raising its own game.

Digital switchover makes it possible for the first time to create a universally available Scottish broadcast and broadband network without displacing any of the existing UK-wide services. In a truly Digital Britain which is about extending choice, it would be very odd to say to audiences in Scotland that they can now receive 500 channels but not one of them will be Scottish.

The Scottish Network would lead the way in the UK on what a 21st century media platform should look like, with opportunities for participation and engagement that go far beyond anything currently available from other broadcasters and representing a generational change in how people engage with media and creative content software. This would help to drive broadband take-up in Scotland as part of the UK's universal access policy.

It is important that we build on the consensus that exists in Scotland in support of this shared vision for an ambitious and proportionate way forward for public service broadcasting. The Scottish Network is supported overwhelmingly by the Scottish public and unanimously by the Scottish Parliament. It is fully supported by the Scottish independent production sector. It will enable us to combine cultural and industrial policy and aid skills development in this important area of multiplatform and multimedia services. Most of all, it will mean that we are truly entering an age of enhanced choice and competition and not one of digital deficit. At the end of the Digital Britain review, we must not emerge with a clear strategic plan for the UK as a whole, but merely a sticking plaster for Scotland. Let's focus on investing in the future rather than propping up the past.

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