

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: **Ofcom's Second Public Service Broadcasting Review - Phase 2: preparing for the digital future**

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Representing (self or organisation/s): **UK Film Council**

Address (if not received by email):

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Nothing * Name/contact details/job title

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Name **Carol Comley**

Signed (if hard copy)

UK Film Council Response to Ofcom's Second Public Service Broadcasting Review - Phase 2: preparing for the digital future

December 2008

Executive Summary

The UK Film Council is the Government-backed lead agency for film in the UK. Our goal is to help make the UK a global hub for film in the digital age, with the world's most imaginative, diverse and vibrant film culture, underpinned by a flourishing, competitive film industry.

The UK Film Council welcomes the opportunity to comment on Phase Two of Ofcom's Second Public Service Broadcasting (PSB) Review.

As stated in our submission to Phase One of this Review, the UK Film Council believes that UK public service broadcasters have historically played a very important role in investing in and acquiring UK films and making them available to broad audiences. We believe that their role in respect of film will remain crucial in the digital age, especially if investment in other forms of UK-originated drama declines.

We support the refined Model 3 'BBC/Channel 4 plus limited competitive funding' which we believe will be most effective in delivering public purposes. Both the BBC and Channel 4 should expect to enjoy secure and adequate funding to deliver upon their public service objectives in a digital age.

Competitive funding has the potential to play a significant role in delivering public benefits to audiences, including in the area around cultural content. In assessing the potential benefits of competitive funding we need to look beyond broadcasting to a world in which broadband is very widely available and very widely used.

The advent of broadband provides a "once in generation" opportunity to massively expand public access to culture. Broadband should be used to enable creative talent and publically owned cultural institutions to better connect their existing work with audiences in ways that were simply not possible in the analogue age.

Such funding could be used to build on existing cultural institutions' expertise to expand the range and diversity of cultural content available to the public, as well to meet other specifically identified deficits in public service content.

This funding should specifically target innovative, cultural "R&D" activity (including content, networks and applications) in order to help identify and create new ways of reaching audiences.

We have attached as an annexe a speech made by John Woodward, Chief Executive Officer of the UK Film Council to The Media Festival in Manchester on November 28, 2008 which sets out in more detail the purposes that competitive funding might serve in relation to cultural content, and how it might be delivered.

We welcome Ofcom's continuing exploration of a range of possible funding models for public service content going forward.

However, under the option of direct funding we are completely opposed to the idea of using National Lottery money to support public service content. We note that

Ofcom's research indicated that audiences were concerned that any such use of Lottery funding would divert funding from Lottery good causes. Any such allocation of Lottery funding would have a such an effect on the good causes, and thus the overall impact would be to reduce significantly the richness and diversity of cultural activity in the UK.

Finally, we are aware that the British Film Institute (BFI) which we fund to deliver cultural and educational objectives, has raised concerns with Ofcom in the context of its Review of Public Service Broadcasting about the issue of archiving material from television broadcasters. In a digital age, where there is a much larger array of public service content of every kind, there are new challenges around the issue of what should be archived, and how a strategy for archiving material should be funded. We believe that Ofcom needs to engage with the BFI and other stakeholders to consider both the opportunities and challenges which now arise in relation to archiving.

**Responses to Questions:Ofcom's Second Public
Service Broadcasting Review
Phase 2: preparing for the digital future**

Consultation questions

Section 4: Models

1) Do you agree that public service provision and funding beyond the BBC is an important part of any future system?

Yes. To underline the position as set out in our submission to the first phase of this Review the UK Film Council believes that plurality should be a cornerstone of provision of public service content in a digital age. Such plurality is vital to permit a diversity of creative voices to emerge and acts as an important competitive spur. Plurality in the commissioning and acquisition of theatrical film is as important as plurality in relation to UK-originated drama.

In addition, we believe that competitive funding has a potentially significant role to play alongside strong, and securely funded public service broadcasters in the shape of the BBC and Channel 4 (see answer to question 5 below).

2) Which of the three refined models do you think is most appropriate?

We support the refined BBC/C4 model with competitive funding. We supported the earlier version of this model in our submission to Phase One where we set out in detail our reasons for supporting it. We continue to believe that this model would be most likely to deliver the required public purposes, including those in relation to UK film.

3) Do you agree that in any future model Channel 4 should have an extended remit to innovate and provide distinctive UK content across platforms? If so, should it receive additional funding directly, or should it have to compete for funding?

Yes, as stated in our submission to Phase One, we believe that Channel 4 has an important role to play in stimulating creativity and innovation in the provision of UK content to the benefit of audiences and the creative economy, including in field of film. We therefore agree that it should have an extended remit in this respect.

We believe that Channel 4 should expect to enjoy secure, adequate funding to enable it to achieve its public service objectives.

4) Do you think ITV1, Five and Teletext should continue to have public service obligations after 2014? Where ITV1 has an ongoing role, do you agree that the Channel 3 licensing structure should be simplified, if so what form of licensing would be most appropriate?

The UK Film Council does not have a view on this.

5) What role should competition for funding play in future? In which areas of content? What comments do you have on our description of how this might work in practice?

The UK Film Council has given considerable thought to the role that competitive funding might play in the future. We believe that it has a role to play in the provision of cultural content, including film, as well as content for children, regional news and possibly other areas.

We support and wish to explore further Ofcom's proposals to establish competitive funding for developing public service content and believe that cultural content is fundamental to this vision.

Such competitive funding was the subject of a speech given by John Woodward, UK Film Council Chief Executive Officer at The Media Festival in Manchester on November 28.2008. This speech is appended as an Annex to this submission.

In the speech it is argued that there is an opportunity to explore an intervention which would expand and enrich the cultural choices available to UK audiences. The knowledge and expertise that exists within cultural organisations of every shape and size would be at the heart of such an intervention.

In particular, we think that broadband has the capacity to deliver new and innovative forms of cultural engagement with audiences and different communities of interest and it provides people with the opportunity to participate in the making and shaping of culture as never before.

Broadband delivery is the key to unlocking the massive cultural value of publicly funded archive content and making it available to all for the first time, including for further creative exploration and experimentation.

Such funding could be used to build on existing cultural institutions' expertise to expand the range and diversity of cultural content available to the public, as well to meet other specifically identified deficits in public service content.

This funding should also specifically target innovative, cultural "R&D" activity (including content, networks and applications) in order to help identify and create new ways of reaching audiences.

Such support could also act as an incentive to greater cultural and creative partnerships, ensuring that cultural organisations of every sort work closely with creative talent, broadcasters, digital and independent producers. This would help drive the development of the UK's creative economy, while adding significant public value to existing levels of public investment in cultural organisations.

Finally, the distribution networks and audience reach and innovative skills of the existing public service broadcasters should be enlisted to help this new content reach audiences. However it should be independent cultural organisations, with their knowledge and expertise, which are acknowledged as the driving force, directly engaging in content creation and distribution in the broadband world.

The speech which is annexed to this submission provides more details of how such competitive funding might work. In summary, John Woodward argued that wherever possible funding should be allocated according to a system which is automatic. Programme makers should simply be required to hit some clearly objective criteria, while meeting an audience demand identified by Ofcom.

This would be the basis for a light-touch operation with creativity and audiences at the heart of the mission. This is not an “arts specific” model. The principles of such a fund could potentially be extended to children’s content, regional news and other genres.

Section 5: Long-term: nations and regions

1) Do you agree with our findings that nations and regions news continues to have an important role and that additional funding should be provided to sustain it?

We believe that such news does have an important role. In particular, it is important that news covers the breadth and diversity of cultural activity, including that within the sphere of the moving image, in the nations and regions.

2) Which of the three refined models do you think is most appropriate in the devolved nations?

The UK Film Council does not have a view on this.

3) Do you agree with our analysis of the future potential for local content services?

We believe that the potential for such local content services is certainly worth further analysis, especially now that the BBC Trust has stated that the BBC’s proposals for local video services should not proceed.

Section 6: Funding

1) Do you agree with our assessment of each possible funding source, in terms of its scale, advantages and disadvantages?

We believe that Ofcom has provided a clear analysis of the scale, advantages and disadvantages of each funding option – regulatory assets, the licence fee, industry levies and direct government funding. We do not have a view, at this point in time, as to which funding option or mix of options would be preferable.

However, under the option of direct funding we are completely opposed to the idea of using National Lottery money to support public service content. We note that Ofcom’s research indicated that audiences were concerned that any such use of Lottery funding would divert funding from Lottery good causes. We believe that it is inevitable that any such allocation of Lottery funding would have this effect, and that the overall impact would be to reduce the richness and diversity of cultural activity in the UK.

2) What source or sources of funding do you think are most appropriate for the future provision of public service content beyond the BBC?

The UK Film Council does not have a view on this.

3) Which of the potential approaches to funding for Channel 4 do you favour?

As stated in our response to Phase One of this Review we believe that Channel 4 should be encouraged to explore all options including a possible partnership with the BBC via BBC Worldwide.

We continue to believe that subsidising Channel 4 through a portion of the licence fee should be a last resort since a direct grant would be likely to create significant difficulties as regards state aid as well as opening the possibility of direct political influence over the channel.

Section 7 and annex 1: Matters for short-term regulatory decision

- 1) Do you agree that our proposals for 'tier 2' quotas affecting ITV plc, stv, UTV, Channel TV, Channel 4, Five and Teletext are appropriate, in the light of our analysis of the growing pressure on funding and audiences' priorities? If not, how should we amend them, and what evidence can you provide to support your alternative?

The UK Film Council does not have a view on this.

**Speech by John Woodward,
Chief Executive Officer, UK Film Council**

Cultural Convergence

To

The Media Festival

**Midland Hotel
Manchester
Friday 28 November 2008**

Good morning, it's a pleasure to have been invited to speak. I want to make a specific contribution this morning to the policy debate about public service content. And in particular Ofcom's proposal for a potentially new and separate pot of "competitive funding" for public service content. A subject that formed the basis of a very stimulating seminar at Ofcom Towers yesterday afternoon.

I want to look beyond broadcasting and suggest using the broadband dividend – because there will be one – to offer something new to the public. Something that will enrich people's lives. So the next fifteen minutes is about "poetry" enabled by broadband "plumbing".

In the late 1980s when I was much younger I ran something called the "25% campaign" – based on the dangerous idea that independent producers should be allowed to make programmes for the BBC and ITV, instead of just Channel 4.

I think you'll agree that seemed to work out quite well. It brought new energy and greater efficiency into mainstream TV production. It became a successful example of "creativity" and "innovation" at the service of the "creative economy". Long before such overworked phrases became the staples of a generation of policy wonks.

One of the key principles underpinning that lobby was that a new plurality in programme supply would put more innovative and engaging content at the heart of what used to be called “public service broadcasting.”

Back in the 1980s, of course, the word Googol, still meant the figure 1 followed by a hundred zeros, Big Brother was a character in a George Orwell novel and Cabinet members tended not to comment on the performance of contestants on Come Dancing.

Twenty five years on – it’s all rather different. Not least because broadcasting from us to them is approaching the end of its natural life cycle. The viewer, the user, is increasingly in control of what they watch and where and when they watch it – even if the much-trumpeted principle of the “wisdom of crowds” was rather neatly subverted by John Sergeant last week.

In a broadband world, perhaps the most exciting thing is that the audience can engage more deeply and more actively with the professional creative community. Viewers can create and co-create content, and terrifyingly they can communicate with one another, unmediated by the ruling class of the broadcasting world.

But some things remain constant. The audience's desire for a varied diet of content that surprises them and tells them things that they didn't know they wanted to know. And the recent audience research undertaken by Ofcom in the context of its Public Service Broadcasting Review unequivocally demonstrates that.

And here's the thing. Enhancing the diversity of content on offer in a way that offers different perspectives on the world – rather than getting your diversity only through the lens of two publicly-subsidised institutions with their own particular sets of values – suddenly that becomes doable for the first time ever.

And anyway I'm not sure that plurality of supply in terms of public service broadcasters should be left to the BBC and Channel 4. Although both of these organisations will continue to need and deserve secure and adequate funding to do their job properly.

My argument today is that policymakers at DCMS and BERR now need to think beyond the world of regulated broadcasting to deliver public service objectives. Because as Lord Stephen Carter neatly put it in his maiden speech in the House of Lords earlier

this month, “the levers of exhortation and the levers of regulation are ceasing to have purchase at a pace which few truly appreciate.”

In my view, universal access to broadband is the prerequisite to solving the emerging public service deficit identified by Ofcom but it could and should also be the underpinning for a tsunami of new, innovative public service content. Indeed I would go so far as to say that the opportunity exists for a step change in the form and content of public service output that hasn't been seen since the Channel 4 sparked a creative revolution against the complacency of the BBC and ITV in 1982.

Stephen Carter recently also said that “our ambition should be for the broadband system of the nation to be the engine of the nation's mind.” I agree and I believe there's an opportunity coming up for a well targeted intervention which could put flesh on the bones of that ambition.

And it will need to be an intervention because the market alone will not provide. And the last few months should have provided all the evidence a Keynesian – or anyone else - could ever wish for about the limitations of markets.

Will Hutton summed it up last week. He wrote, “markets have systemic weaknesses. They are unstable, unfair and vulnerable to manipulation – and no amount of intellectual theorising can surmount those realities.” Quite.

And increasingly, the content market is becoming more and more risk averse – both creatively and financially. And in future it won’t deliver content that isn’t designed from the get-go to be “de-risked” and profit maximising. In other words, there will be no room in the marketplace for content whose primary purpose is to contribute to the collective or public good, except incidentally.

As we know Ofcom’s analyses of the public service content landscape shows there are clear and growing deficits. In particular around content for children and also regional news and in the longer-term factual, comedy and drama.

Now let me focus in on the issue of “competitive funding” that I mentioned at the outset. Given the title of the session, I’m going to illustrate my argument through the lens of factual and arts programming. But bear in mind the principles I’m going to set out can just as easily be applied to any of the other genres that are giving Ofcom cause for concern. Here we go.

As you know, the UK has some of the richest cultural and artistic collections and resources in the world.

Think of collections around the UK belonging to the Tate. Think of the wealth of films and moving images in the BFI National Archive and in other National and Regional Archives. Think of the output of the National Theatre or the Sage in Gateshead. Think about the way in which the Watershed in Bristol acts as a hub by working in collaboration with artists, filmmakers and schools.

Think of the Royal Shakespeare Company's work in Stratford, and the Welsh National Opera in Cardiff. Think about the West Yorkshire Playhouse – or community initiatives like the one in Tilbury, Essex where at the Cruise Terminal next month young people will help stage the annual *12 Days of Christmas Spectacular*.

Historically, linear television has done what it can to provide opportunities for audiences to experience some of this avalanche of art, culture, information and community. Existing broadcasters have produced some outstanding work and initiatives around culture and the arts - whether it *The Choir* or *The Big Art Project* or indeed *The South Bank Show* or *Imagine*.

However, the truth is that in the analogue age, the broadcasters have never been able to do more than scratch the surface. A vast amount of cultural activity in the UK has never been made available not least because there hasn't been the bandwidth needed for that scale of distribution.

Fast broadband delivery is the gamechanger.

Now imagine, for a moment, a world in which it becomes possible to view, on-demand, thousands of hours of material from national and local archives, to watch plays from anywhere in the UK, to call up moving image content about art exhibitions of every size and shape across the UK – all with supporting editorial content and context. And all with audiences able to comment and supply their own context via wikis and blogs.

And of course all this material delivered to the home, to the PC, to the Xbox, to the handheld device. Whatever. Whenever.

Then imagine, this content is actually created by partnerships between arts and cultural organisations working with independent production companies.

In other words, you marry the world-class cultural expertise that already exists in public sector brands -

like the Tate, the Royal Shakespeare Company et al - with the dynamism of our independent production sector.

In this scenario, the reach and impact of British art and culture is transformed. What's more it is transformed at marginal cost since the public has already paid for most of this content creation through their taxes. A competitive fund which adds real value to these under-exploited public assets.

The result? The barriers that prevent schoolchildren from Llanelli having access to work in a museum or gallery in Liverpool fall away. Likewise, the barriers that prevent people in a care home in Altrincham watching archive material about growing up in Manchester seventy years ago disappear. You get the idea.

But how would people know that this content is available if it's delivered over broadband networks? After all, as yet another Ofcom report has demonstrated, when people know that content is available, they have relatively little difficulty finding it. The broadband challenge for content creators is about achieving visibility and profile.

And that's why brands are crucially important here. Organisations like Imperial War Museum, the RSC,

the English National Opera and the Old Vic can break through this barrier because they already have profile and they can promote their content off the back of an existing business model using their brand equity. But new organisations and entities too should be at the heart of any contestable fund and innovative marketing will be key to finding audiences.

But what of the BBC and Channel 4? Well, let's also assume that the BBC and Channel 4 won't be commissioning or co-financing this content unless asked to be a partner of the programme maker on an ad hoc basis. But they should be required to offer their public service platforms to facilitate distribution on a "must carry" or "must host" basis.

Now let's suppose that this competitive funding pot for public service content is made available in the form of a small number of contracts which, as Ofcom suggests, may be preferable to a large number of small contracts for individual programmes or services. And now you have the basis of a very small management structure.

Now to the really thorny issue.

So you have a fund of contestable cash to spend on public service content. How do you avoid the

expense, the egomania and the eccentricities of commissioning editors and their entourage? Seriously, this is an important issue if you want to guarantee innovation from the ground up rather than top down and if you want to secure a more networked and non-bureaucratic approach to funding which seems so much more appropriate to the broadband age.

Simple. Wherever possible funding should be allocated according to a system which is automatic. Programme makers should simply be required to hit some clearly objective criteria in order to unlock the money.

Meeting an audience demand identified by Ofcom, providing evidence of any necessary co-financing, demonstrating an effective broadband distribution strategy, demonstrating relevance to UK viewers in order to avoid the State Aid gremlins from Brussels. These would be my starting points. But the principle is that if you tick all the boxes then you get the money. All traditional broadcasters welcome to participate but definitely not needed as a precondition for securing funding.

A light-touch operation with creativity and audiences at the heart of the mission. Not an Arts Council of the Air, and not a Public Service Publisher.

Something new. Something that fills some identified gaps but it's also more than that. Something a bit radical, a bit dangerous, and a bit unpredictable in terms of what ends up on your screen. And it's that unpredictability that will surprise and delight audiences and drive innovation.

And as I say this is not an "arts specific" model. It could be applied to many different genres of content.

For example, in the regional news debate it doesn't require a great leap to see how local newspapers and radio could respond to a similar fund centred on local news provision.

So there you have it.

A contestable fund which fills a deficit but also drives innovation in content – precisely because it sits outside the structures of traditional and now failing broadcaster business models.

A fund which builds upon existing public assets and aims to massively extend their reach and impact and also encourages new blood to come into the content business.

With a “light-touch”, “automatic” commissioning process at its heart.

I want to round off with a quote from the much missed writer and director Anthony Minghella, who said in 2006:

“Divisions between us are becoming blurred. NESTA makes movies, art galleries show them. Filmmakers might direct operas, operas might use film. Museums might stage dance performances, dancers might make films for museums. Hip-hop artists might take over the NFT – they do. Let's not look for a new set of rules which talk about rationalising. Let's remember that broadcasting in its prosaic meaning, casting wide, is changing faster than we can keep up. Bandwidth is with us and just as there are new streams for content, so content will have to be provided, it's a virtuous circle, we all need each other; we all need to help each other.”

Anthony was talking about a less remarked upon type of convergence - cultural convergence. And he was spot on.

And I do believe that in a broadband world where bandwidth is expanding, there is an opportunity not only to fill identified public service deficits but also to radically improve the range and diversity of what the media can offer to UK citizens.