



Why PSB
still matters

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2.1 Television's social and democratic role

- Through its ability to reach more people every day than any other form of media, television still plays a unique role in reflecting and influencing social attitudes

2.2 The importance of PSB institutions and plurality

- The success of the UK's television industry is underpinned by the sophistication of its public service institutions, both public and privately-funded and with a variety of obligations
- Notwithstanding the transformation brought about by digital television and the advent of 400 new channels, public service broadcasters still account for three-quarters of all viewing
- The economic model that historically underpinned commercially-funded PSB is breaking down. Channel 4's role becomes all the more important in the future as the primary source of public service competition to the BBC

2.3 The enduring rationale for intervention in the digital age

- The need for intervention in television remains as valid as ever, as new content providers invest little in originated public service programming
- New forms of digital media – which offer new ways to create, consume and interact with content – can play an effective role in delivering public purposes
- Notwithstanding the opportunities offered by new digital media, television will continue to play a central role in PSB delivery as the largest mass-market platform

2.1 Television's social and democratic role

Through its ability to reach more people every day than any other form of media, television plays a unique role in reflecting and influencing social attitudes

Television is the most pervasive form of mass media. It is an integral part of everyday life for most British households.

It plays a uniquely powerful role in reflecting and influencing social change⁸. It makes an important democratic contribution, as the primary source of news for most citizens. It strengthens cultural identity. By representing diversity and alternative viewpoints, it allows viewers to form opinions on groups of people they have never met.

British society is undergoing a period of significant change (see Box 2.1). Models of family life are becoming much more varied. Society is significantly more diverse – and accepting – than just a few decades ago, but tensions and prejudice between different groups remain. Britain has become wealthier, but levels of inequality between rich and poor have risen. And people, especially the young, are less engaged in politics.

The need for television to reflect and challenge contemporary social issues such as these is as important as ever. For example:

- As social and familial structures fragment, television's role as a mass medium exposing mainstream audiences to alternative views and lifestyles – to challenge prejudices and promote understanding – becomes increasingly important
- Given the increased diversity in British society, along with the changing mix of nationalities coming into the country, television can play an important role in helping different communities understand and relate to each other
- As levels of trust in politicians and other representatives of authority decline, there is a strong public desire for the media – and television as the primary source of news – to provide accurate and impartial information and to hold public institutions to account
- Television can stimulate an understanding of, and engagement with, political life, especially among young people whose interest in politics is declining.

The social and democratic roles that television can play were encapsulated in the “purposes” and “characteristics” of public service broadcasting developed by communications regulator Ofcom to provide a framework for measuring PSB delivery in the UK (see Box 2.2).

Box 2.2 Ofcom purposes and characteristics of public service broadcasting

PSB Purposes

- Informing our understanding of the world – To inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas
- Stimulating knowledge and learning – To stimulate our interest in and knowledge of arts, sciences, history and other topics through content that is accessible and can encourage informal learning
- Reflecting UK cultural identity – To reflect and strengthen our cultural identity through original programming at UK, national and regional levels, on occasion bringing audiences together for shared experiences
- Representing diversity and alternative viewpoints – To make us aware of different cultures and alternative viewpoints, through programmes that reflect the lives of other people and other communities, both within the UK and elsewhere

PSB Characteristics

- High quality – well-funded and well-produced
- Original – new UK content rather than repeats or acquisitions
- Innovative – breaking new ideas or re-inventing exciting approaches, rather than copying old ones
- Challenging – making viewers think
- Engaging – remaining accessible and attractive to viewers
- Widely available – if content is publicly funded, a large majority of citizens need to be given the chance to watch it

⁸ This section draws on academic literature reviews on the role of television, commissioned by Channel 4 from Brand Democracy and the Institute for Public Policy Research (IPPR)

Box 2.1 Social changes

Channel 4 commissioned specialist organisations IPPR and Brand Democracy to survey the latest studies looking at social changes affecting the lives of British citizens.

Traditional models of family life are evolving

- People are marrying less, and marrying later. And they are less likely to stay together – divorce rates rose rapidly from the late 1960s to the early 1990s
- Lower fertility levels and higher life expectancy means that the population is getting older. The 2001 census showed that for the first time there were more people over the age of 60 than there were children
- The breakdown of families has led to a more fragmented and, some argue, “broken” society as people become more isolated from others

We are living in an ever more ethnically diverse society

- Britain is no longer the homogenous nation that it once was. Whereas in the 1970s more people left the UK than moved in, Britain has in recent years experienced high and sustained levels of net immigration
- Continued migration from Commonwealth countries like Pakistan and Jamaica is being more than matched by a rise in numbers coming from Eastern Europe, Africa, the Middle East and elsewhere
- The 2001 Census showed 50 million “indigenous” White British people in Britain. The biggest ethnic minorities are Indian (over 1 million), white Irish, Black Caribbean, Pakistani and mixed-race (500,000 to 1 million for each group), Black Africans, Bangladeshis and Chinese (200,000 to 500,000 each)
- Britishness remains the national identity that is most commonly shared amongst people in Britain
- Fewer people belong to a religion and attend services: down from 71% in 1970 to 31% today. Black and minority ethnic people are roughly twice as likely to be religious than their fellow countrymen

Britain is gradually becoming more liberal, but prejudice remains

- British society is slowly becoming more liberal. People are becoming more open towards minority-groups in a wide range of forms, including ethnicity, sexual orientation and disability
- Public attitudes towards minority groups have changed substantially. This is partly a matter of education. People with degrees are significantly less likely to describe themselves as prejudiced irrespective of age and libertarian attitudes. Attitudes to homosexuality have also shifted over the past three decades – the recent introduction of civil partnerships was relatively uncontentious
- But prejudice still remains. The Metropolitan police recorded 1,359 incidents of homophobic hate crime (ranging from abuse to more serious physical violence) in the 12 months to January 2006. Research for Stonewall showed that 65% of young lesbian, gay or bisexual people experience homophobic bullying in schools
- And there is still a great deal of racism in Britain. A British Social Attitudes Survey in 2005 identified 3% of people who describe themselves as very prejudiced towards people of different races, equivalent to nearly 2 million people

As Britain has become wealthier, levels of inequality have also risen

- Britain is growing steadily richer. In 2005, the average Briton was more than twice as rich in real terms as in 1971
- Each income group has become richer since the 1970s, but the rich quicker than any other. From the early 1980s, the average wealth of the top 10% of people began to accelerate away from the bottom 10%
- People with higher levels of educational attainment tend to consume a broader range of content. People with degrees are 41% more likely to attend highbrow arts activities than those with no qualifications at all, and having a degree increases the chances of a person participating in heritage activities (such as visiting stately homes) by 75%
- There is a strong link between income and ownership of new media technologies. Higher incomes are associated with higher levels of ownership of computers, broadband, contract mobile phones, and so on

People, especially the young, are less engaged in politics

- Traditional forms of political participation in Britain are on the wane. Election turnout in 1997 was already at its lowest level since the Second World War, at 71%. Since then we have seen further decline, with just 59% voting in 2001 and 61% in 2005. This trend is mirrored in local elections
- The younger generations are much less likely to vote than the older ones. Mori estimates that only 39% of those aged between 18 and 25 voted in the 2001 general election, compared to 75% of those over 65. International evidence suggests that people who do not vote in the first three elections in which they are eligible to do so do not pick up the habit later in life
- Party political participation has also been declining. Whereas in the 1950s there were over 3 million party members in Britain, there are just over half a million today. Those claiming to identify strongly with a political party fell from over 82% of the population in 1964 to just 51% in 2005. Also, the 2007 Audit of Political Engagement found that the youngest age groups scored lowest on every measure of political activism
- However, membership of some kinds of new social movements, for example those linked to conservation and the environment, has increased dramatically since the 1970s
- But many "single issue" organizations (especially those with the largest memberships) require a relatively light degree of commitment. Membership of the Royal Society for the Protection of Birds, the National Trust or Greenpeace merely requires a direct debit taken once a year from your bank account
- Disengagement from politics is linked to widespread dissatisfaction with the way the political system operates, and in particular to low levels of trust in politicians – just 18% of people trust them to tell the truth. The British are more mistrusting of their major democratic institutions than the average voter in other European countries

These themes, and others, were highlighted as being of critical importance when we asked opinion-formers about the social and democratic role that television should play (see Chapter 3).

2.2 The importance of PSB institutions and plurality

The success of the UK's television industry is underpinned by the sophistication of its public service institutions, both public and privately-funded and with a variety of obligations

British television is world-class, on some measures the best in the world (see Box 2.3). Broadcasters in the UK invest more in original production per capita than those in any other country, ensuring viewers can enjoy British programmes of the highest quality. And the range of programming universally and freely available on the main terrestrial network channels – BBC One, BBC Two, ITV1, Channel 4 and Five – easily surpasses that offered by the main networks in other major territories including the US.

Box 2.3 Data on the UK television industry

- Broadcasting (TV and radio) is the largest entertainment sector in the UK, with a Gross Value Added of £8 billion in 2005, bigger than film, video games, music and consumer publishing
- The UK has the highest digital television take-up of any major territory
- Television industry revenues per head in the UK are higher than anywhere other than the United States
- The UK's television production sector was estimated to be worth £3.8 billion (including national and regional news) in 2006, behind only the US and Japan
- On a per capita basis, the UK's television industry invests more in original production than any other country
- British programmes and formats are exported all over the world, creating for the UK economy a higher share of the global market than any territory other than the US

Sources: (1) Statistics published by DCMS; Staying ahead: The economic performance of the UK's creative industries, The Work Foundation, June 2007; Channel 4 analysis; (2) The International Communications Market 2007, Ofcom, Section 3.1. Comparison of UK with France, Germany, Italy, the US, Canada and Japan; (3) *ibid*; (4) UK TV Content in the Digital Age – Opportunities and challenges, Oliver & Ohlbaum, 2006; (5) The International Communications Market 2006, Ofcom, Section 3.2. Comparison of UK with France, Germany, the US and the Netherlands. This data was not updated in Ofcom's 2007 Report; (6) Rights of Passage: British television in the global market, Television Research Partnership for BTDA and the Department for Trade and Investment

The range and quality of originated programming in the UK is due in large part to the role played by public service broadcasting in the television system, which has evolved as a varied ecology of public and private provision. Alongside Channel 4, the BBC is publicly-owned and fully financed by the licence fee, fulfilling the duties set out in its Charter by offering a range of radio, television and online services. ITV and Five are privately-owned and financed by advertising and sponsorship. ITV focuses on high-quality mainstream British programmes, and is also obliged to provide programmes in certain public service genres, including regional news. Five's approach is similar to ITV's, but on a smaller scale. Finally, BSkyB and the cable platforms make hundreds of channels available, some of which invest in original content.

This plurality of models and obligations impacts on British television in a variety of ways:

- At the **institutional** level – through the existence of distinctive broadcasters with diverse and complementary approaches predicated on their institutional models; in particular their public or private status, funding (licence fee, advertising and private subscriptions) and supplier relationships
- At the **supplier** level – through the combination of two major in-house production units (owned by the BBC and ITV) along with a vibrant independent production sector comprising hundreds of companies
- At the **editorial** level – through the willingness of broadcasters (particularly Channel 4, for which it is a public remit requirement) to bring the widest range and diversity of viewpoints and perspectives to large audiences
- At the **platform** level – through the policies of BSkyB and the cable companies (and more recently Freeview) to open their platforms to any supplier, leading to the availability of hundreds of niche digital TV services.

At the RTS Cambridge Convention in September 2007, James Purnell, former Secretary of State for Culture, Media and Sport, argued:

“Public service broadcasting has never solely been about plugging gaps in the market, important though that is. It is about improving the breadth and quality of what is on offer. Its cachet is its distinctiveness and originality. But

it is also about ensuring that everyone can take part in the national conversation. There are some good economic arguments for public service broadcasting. But, in the end, they are secondary to a cultural argument. And that is that the goods offered by broadcasting have a value to us as a nation. Broadcasting is a forum in which we come together. We value this over and above an economic formula.”

Notwithstanding the transformation brought about by digital television and the advent of 400 new channels, public service broadcasters still account for three-quarters of all viewing

Television has been transformed by new digital platforms, which offer viewers much greater choice (433 channels, according to Ofcom⁹), and improved picture and sound quality (for example, high-definition images and surround sound). New functionality allows “red button” interactivity and the ability to access new services such as radio, pay-per-view and push video-on-demand services. Personal video recorders such as Sky+ give viewers greater control over what and when they watch.

Even if some audiences increasingly multitask – surfing online or using their mobile phone while watching TV – viewing data shows that British people nonetheless watch almost exactly the same amount of television now as they did ten years ago: an average of 3 hours and 38 minutes of television every day compared with 3 hours and 35 minutes in 1997¹⁰.

Of course, what we watch has changed. The rise of analogue and then digital multichannel television has reduced viewing to the main terrestrial network channels, as Figure 2.1 shows. At the end of the 1980s, the four public service channels shared the entire market. By 1997, just before digital TV launched, subscription channels had grown to capture 12% of total viewing. The BBC drew 42% of viewers across its two channels, ITV (and GMTV) 33%, Channel 4 (with S4C in Wales) 11%, and the newly-launched Five 2%.

By 2007, another decade on, over 85% of households had made the switch to multichannel television (on their primary TV sets at least), leaving little more than 10% of UK households still reliant on the five network channels¹¹. Including their new digital services, viewing to the BBC and ITV channels fell to 34% and 23% respectively in 2007, 18% down on 1997 levels. Conversely, Channel 4 and Five both enjoyed portfolio shares in 2007 that exceeded viewing

Fig 2.1 Total TV viewing shares (%)

	1987	1997	2007
BBC (portfolio)	50	42	34
ITV (portfolio)	42	33	23
Channel 4 (portfolio)	8	11	12
Five (portfolio)	0	2	6
PSB total	100	88	75
Multichannel (other)	0	12	25
Total	100	100	100

Source: BARB

to their core channels a decade earlier: almost 12% for Channel 4 (due in part to the success of its digital channels) and 6% for Five (which had just launched in 1997).

The remarkable fact is that despite the proliferation of digital channels, the output of the public service broadcasters continued to attract three-quarters of all viewing in 2007. Nevertheless, public service broadcasting faces enormous challenges.

The economic model that historically underpinned commercially-funded PSB is breaking down. Channel 4’s role becomes all the more important in the future as the primary source of public service competition to the BBC

While the recent licence fee settlement has secured the BBC’s future over the medium term, the future for commercially-funded public service broadcasters is far more uncertain. In the analogue world, access to spectrum was scarce and the number of channels was severely limited. As a result, the Government and regulators agreed with ITV (and, later, Five) a range of public service obligations in return for discounts on the amounts that they paid for their broadcast licences. Publicly-owned Channel 4 was granted access to spectrum for free in return for the requirement to fulfil its programme remit.

At its peak, the spectrum available to the commercially-funded public service broadcasters was worth hundreds of millions of pounds but as analogue viewing declines, the value of the analogue spectrum diminishes. By 2012, when the final analogue signals will be switched off by the Government, its value will have fallen to zero. Without the public service privileges, how will public service obligations be met?

ITV and Five are privately-owned companies responsible for generating financial returns to their shareholders. As the opportunity cost of their licence obligations rises, their ability to deliver public service output will inevitably decline. The swift growth of internet advertising presents a further competitive threat to broadcasters who rely on advertising revenues.

⁹ Source: The Communications Market 2007, Ofcom, Section 2.1

¹⁰ Source: BARB

¹¹ Source: Digital Television Update – 2007 Q3, Ofcom, 2007

As a publicly-owned corporation, Channel 4 does not have the same requirement to return dividends to shareholders but, since it, too, depends on advertising, it nonetheless faces the same commercial pressures as ITV and Five. At the same time, its role in the provision of public service broadcasting becomes more important than ever. In a system whose vitality relies on a plurality of institutions, Channel 4 becomes the most significant competitor to the BBC across a wide range of public service genres.

2.3 The enduring rationale for intervention in the digital age

The need for intervention in television remains as valid as ever, as new content providers invest little in originated public service programming

The huge number of channels available on Sky Digital and cable might suggest that there is no longer any need to intervene to secure a range of high-quality programmes. However, digital channels invest little in originated UK content, particularly content that fulfils the purposes and characteristics of PSB. Their audiences are usually measured in thousands rather than millions and their programme budgets are proportionately modest. The overwhelming bulk of their £2 billion annual investment in programmes goes to sports rights, movies and other acquisitions.

Overall, investment in originated UK content (excluding sports rights) on channels not operated by the public service broadcasters was estimated by Ofcom to be around £100 million per annum, less than 4% of total investment in UK originations. By contrast, Channel 4 alone invests over £400 million in first-run original content each year across its digital channels.

New forms of digital media – which offer new ways to create, consume and interact with content – can play an effective role in delivering public purposes

Momentous though the shift from analogue to digital television may be, its immediate impact for viewers has been, in essence, more of the same – familiar content delivered more flexibly and in greater quantity. By contrast, the development of the internet represents an unprecedented challenge to anyone in the “content” business.

Audience behaviour, expectations and attitudes are changing fast, fuelled by the rapid penetration of online technology and distribution. Most consumers now have access to broadband and in some areas are already able to connect their homes to services with access speeds of 20 Mbps (with much faster trials already underway). Video and rich media have proliferated across the web, and the popularity of social media and Web 2.0 services are creating new audiences who spend significant amounts of time consuming, creating and distributing content online. The availability of services on mobile phones and media players is making the internet and its associated content available anytime and anywhere.

As a result, it is clear that online is capturing an increasing share of time and attention. Some of this activity is at the expense of other media. For younger audiences, in particular, the opportunity to connect with others while also creating, consuming and sharing content is a powerful proposition. New technology has created entirely new sectors, such as online and multiplayer games, which generate significant hours of usage and change the media expectations of their participants. Broadband is becoming indispensable to many, and increasingly people expect their needs to be met by online content and services rather than through traditional media.

Much of this activity is complementary and extends the engagement of audiences with the interests and passions which they primarily pursue elsewhere, and with the content they consume in other media. New on-demand services are enabling audiences to free themselves from traditional linear schedules by discovering content that is relevant to them, and then consuming it in more convenient ways. And the internet is proving a powerful medium to provide audiences with additional perspectives and context to the broadcast content they consume, and to enable audiences to create and participate in relevant communities of interest.

These changes in audience behaviour present new opportunities for the delivery of public purposes. Content production and distribution are being democratised by the open and participative nature of web technology: it is now easier for anyone to become a broadcaster, publisher or editor in their own right. And the increased engagement and interactivity in games and social networks are creating compelling new ways of delivering information and education. This has led to a proliferation in the availability, diversity and quality of content that is

public service in nature that UK audiences can access online: from well-funded and well-produced content provided online by public service broadcasters, other institutions and commercial companies, to more niche content created by individuals and communities of interest.

But the online world poses some important challenges that have implications for the fulfilment of public purposes online.

- **The UK's position in a global market.** The UK online sector is a small part of an inherently global and highly fragmented market, and the economic incentives to invest in high quality, UK-specific content are not as compelling online as they are in other media. There are risks that some of the needs of UK online audiences are being met by default by US-owned commercial players who focus on a global, or at best a US, audience. While public service television is characterised by high levels of investment in content specifically for UK audiences, enhancing British citizens' lives and stimulating a thriving and globally competitive production sector, UK-specific public service content is much less prominent in the online world
- **Tendency for people to retreat to comfortable niches.** The fragmented nature of the internet means that people can seek out others whose perspectives and affinities most closely match their own. In most instances, for example when pursuing a hobby or leisure interest, this is valuable and empowering. But for social or democratic issues that impact on people's world view, there is a risk that online audiences may never be confronted by alternative cultures or diverse viewpoints which challenge their own
- **Discoverability.** It can be very difficult to discover public service content online. Search engines are ultimately commercially-focused and rely (in part) on complex and opaque computer code to decide what content to promote. This contrasts with the television world, in which the total volume of content available is much less, and regulation ensures that PSB services are given due prominence on electronic programme guides.

Given these challenges, we believe there to be a number of compelling reasons why Channel 4 has an important role to play in the online world. First, its brand resonates strongly with those audiences who are most rapidly

migrating online. Second, the organisation can use its skills and scale to identify and support the best online ideas for the benefit of both UK audiences and the creative economy, drawing on its unparalleled expertise in nurturing small suppliers and start-ups. Third, with its long-standing commitment to diversity, no UK broadcaster is better placed to take on the challenge of bringing alternative viewpoints to audiences in a multiplatform world. Fourth, few institutions can match the scale and reach that Channel 4 offers, enabling it to use marketing and cross-promotion from other services – across television, radio and the web – to help people discover public service content online. Fifth, its remit and publisher-broadcaster status make it easier for Channel 4 to act as an aggregator and promoter of content and services that others have created. And sixth, its business approach, with a strong reliance on partnerships, makes Channel 4 an ideal candidate to help galvanise the public realm as every public institution struggles to engage with the emerging needs of an online audience.

We set out Channel 4's proposals regarding its future role in interactive media in Chapter 4.

Notwithstanding the opportunities offered by new digital media, television will continue to play a central role in PSB delivery as the largest mass-market platform

Traditional broadcast platforms should remain a significant focus of intervention for so long as they remain the best ways to reach very large audiences in the UK. For the foreseeable future, television will remain the most effective platform to deliver public service content with impact, by offering popular and engaging programmes that are enjoyed by millions of viewers every day. Through programmes that bring a range of views and perspectives to mainstream audiences, or which help to promote understanding between different groups, television will remain crucial in shaping and reflecting the everyday life of the UK and its communities.

At the same time, it is clear to us that there will be an increasing role for the delivery of public service content in digital media. We believe strongly that we need to move towards a mixed model of public service provision, with new digital media platforms that facilitate dialogue between people with shared interests complementing traditional broadcast platforms in the delivery of public service content. And we believe that Channel 4 has an important role to play in this space.

02 Conclusions

- Broadcasting is the largest entertainment sector in the UK. The UK TV industry invests more in original production per capita than any other country, and is second only to the US in terms of its share of the global export market
- An enlightened approach to intervention in the broadcasting industry has historically contributed to the provision of a high quality and wide range of originated programming in the UK. While digital TV has brought greater choice and flexibility to viewers, new digital channels invest little in originated public service content. Public intervention will continue to be necessary to ensure high levels of originations, including content that fulfils the social, political and cultural goals articulated by Ofcom in its PSB purposes and characteristics
- British society is undergoing a period of significant change, becoming much more diverse, wealthier but with greater levels of inequality, and with an increasing disengagement from politics, especially amongst the young. In this context, television still has a vital role to play in reflecting and influencing social attitudes
- The internet is bringing about a radical transformation in the way content is produced and consumed. It empowers consumers, increasing choice and providing opportunities to interact with and create content. PSB purposes need to be delivered across digital media if they are to continue to engage audiences in the digital age. New digital platforms can offer exciting new forms of content that embrace participation and interaction between communities of interest
- Despite the breadth of content and services on offer and the significant innovation already taking place, we believe that there is a clear role for intervention to support services that deliver on Ofcom's PSB purposes with scale and impact
- But while there will be an increasing role for the delivery of public service content in interactive media, television and radio remain the most pervasive forms of media, through their universal reach, mass market appeal and unique place in citizens' lives. We believe that traditional broadcast platforms should remain a significant focus of intervention for so long as they remain relevant to a mass audience in this country.