

2.1 BBC SURVEY OF THE CREATIVE COMMUNITY

EXECUTIVE SUMMARY

Introduction

Over February and March 2008 Human Capital conducted interviews with 25 CEOs of production companies and 9 leaders of broadcaster in-house production operations. The objective was to understand their views on the current health of public service broadcasting, and on what should be done to secure its future delivery. Contributors represented a variety of company sizes, regions and programming genres. This document provides a synthesis of those conversations.

More specifically, we spoke to creative leaders about:

- The objectives of public service broadcasting;
- The health of the production industry, and the impact of this on provision of PSB objectives;
- The challenges public service broadcasting faces in the future;
- What should be done to sustain public service content.

Public service objectives

There was broad agreement that Ofcom's PSB purposes and characteristics are the right ones, and that they are important to support. For example, there was strong support for the PSBs' democratic role in representing diversity of viewpoints. Participants thought it was particularly important that PSB programmes were high quality, innovative and originated.

Most people viewed PSB in a broad sense and argued that it should not exclude any genre, but should pursue a varied schedule. A small minority believed that the PSB remit should be much narrower.

While the BBC and, to a lesser extent, Channel 4 were seen as

being at the heart of PSB provision, the large majority of participants did not think of ITV1 or Five as public service channels.

There was a diversity of views over how PSBs should operate in the market. A minority thought PSBs should take a market-sensitive approach. They emphasised the need to maintain a large audience share for PSBs to remain relevant in a competitive marketplace. PSB objectives, they asserted, must be made within the constraint that PSB programming wins large audiences. It should provide what broadcasters know to be popular.

Most people argued for a ‘market-corrective’ approach:

- The majority of creative leaders felt that it was imperative that PSBs take risks, both in programming and in the production process. In doing so participants believed they could stimulate new demand for PSB programming, spur innovation, quality and variety, and set standards for commercial players to emulate.
- A third of the sample argued strongly that it was the job of PSBs, and in particular the BBC, to broadcast the programmes that the market would not provide.

Current health of production and its impact on PSB

Overall, the production industry was felt to be in a good state of health. Programming spend is at an all-time high, partly as a result of strong PSB investment in the UK creative sector, and export markets are buoyant, especially for formats. Respondents recognised that the PSB system has led to provision of quality programmes in all of the key genres. Nearly all of them placed enormous value on the PSB system, and felt it was a critical factor in making the UK Television industry one of the best in the world. However, creative leaders raised a number of general concerns:

- Broadcasters were felt by the majority to be too risk-averse in their commissioning and scheduling strategies, which reduced the prominence of PSB messages and the variety of programming. The BBC, was the broadcaster thought to be capable of taking the most risks.
- Commercial pressures that have increased as a result of audience fragmentation are felt by some to be lowering quality, experimentation and editorial standards. In this changing environment the BBC’s role as an investor in quality and a standard-setter was seen to be paramount.

- The need to seek production funding through co-production was a source of mild concern, as a few participants thought it could compromise public service objectives on occasion. A greater number of creative leaders saw benefits in co-production as it enabled them to do more in a climate of tightening budgets.
- Overall, in-house production was felt to be about the right size. While many heads of independent production companies naturally favoured less competition with in-house production, a significant number of participants recognised that a combination of in-house and independent production made for a healthy industry. A few smaller producers pointed to the rise of ‘superindies’ with considerable market power threatening the very diversity that the independent sector was intended to safeguard.
- A small minority of participants raised concerns about the relationship between commissioners and independent production companies. They felt the commissioning structure was too impenetrable, and commissioners’ involvement in the creative process could be counter-productive on occasion. They valued plurality in commissioning.
- It was widely recognised that production outside London was underdeveloped. National and regional producers voiced the difficulties they had in securing commissions. Some participants saw out-of-London production as key to sustaining PSB, but some more commercially orientated consultees thought that forcing production into nations and regions that did not have the skills base would damage broadcasting.

Below these overarching concerns, the health of the production industry varies by genre according to participants.

- *Factual entertainment* has enjoyed a decade of strong growth. However, some producers felt old formats are tiring and the industry needs to regain momentum.
- *Entertainment* has undergone a renaissance and is in good health.
- *Comedy* is in good health on the BBC, with new titles appearing. The picture is more mixed elsewhere, but Channel 4 and ITV have developed some popular hits that give a basis for optimism.
- *Drama* has been creatively reinvigorated at the BBC. On the economic side, many producers felt that quality drama is beginning to face serious financial difficulties.
- *Specialist factual* producers felt that their programmes can suffer from

a trend towards triviality. The BBC was praised for holding up certain areas, particularly natural history.

- *News* was felt to be in reasonably good health. BSkyB and ITN are not fundamentally threatened, but they do have economic pressures. Having a range of news providers was seen to be especially important.
- *Current affairs* and *documentaries* were reported to be in a fragile state, both creatively and financially.
- *Children's* producers felt that their genre is likely to suffer due to the concentration of buyer power.

The creative community did not speak as a homogenous group: leaders of smaller and more PSB-orientated production companies were particularly nervous about production, and about the future.

Challenges for the future provision of PSB

On balance there was pessimism about the future of PSB, and genuine concern over whether it would be protected in an environment dominated by commercialism. The main challenges to PSB in the future identified by the creative community originated from three sources:

Audience fragmentation in a multichannel environment

- Output that scores well against PSB purposes will increasingly be sacrificed for programmes with high audience share;
- Commercial broadcasters (including commercial PSBs) will see their revenues decline, leading to lower quality PSB programming and less risk-taking;
- For the BBC a smaller audience could mean a reduced justification for the licence fee; some participants were concerned that reducing the BBC's scale as a result would compromise the very ability to provide wide-ranging quality that warrants its existence, paving the way for the end of public service broadcasting.

The new media world

- The shift to on-demand viewing means schedules will be disaggregated as tools like the iPlayer become more prominent. Some believed that this would produce a flight to quality. Others feared it would further reduce risk-taking and so innovation, as well as more serious PSB programming, as PSBs find it harder to get audiences to try new programmes via hammocking and inheritance.
- The need to move online presents broadcasters with clear

competitive threats and may undermine the BBC's current licence fee model.

- A few creative leaders identified a worst-case scenario whereby distributional changes could reduce the grounds for the BBC's funding model, and behavioural changes enabled by new technology such as personal video recorders could damage the commercial advertising model, presenting serious implications for PSB.
- Many producers were excited about the opportunities the new media world provides. In particular, they anticipated being able to bypass broadcasters to have direct access to their audiences. Broadcasters themselves have the opportunity to better target their audiences, and to provide them with a rich range of content. In addition, by acting as gatekeepers to signpost online content they could, it was argued, transfer their impact to the new media world.

A climate of concern

- Concern about a decline in PSB audiences and excessive focus on share as a result could, it was argued, reduce innovation and commitment to PSB in a self-fulfilling prophecy.

With the impact of these forces perceived to be greatest on the commercial sector, most consultees saw the publicly-funded model as even more important for upholding PSB.

Future roles for the PSBs

The majority felt that plurality of PSB provision was important, if not critical. Most people wanted Channel 4 to continue as a PSB – only a fifth of them disagreed.¹ A clear majority no longer thought of ITV and Five as PSBs, and thought those channels should relinquish their remaining commitment. A small minority did not think plurality was necessary.

There was significant divergence of opinion when people were asked how Channel 4 should be supported in its future PSB role.

Of those that said Channel 4 should continue as a PSB, the majority came out against any form of direct public funding for Channel 4.² This was because they believed that public money was inconsistent with its brand and would place obligations on the broadcaster that would fundamentally alter its character. More specifically:

- Nearly everyone believed a government grant would be politically unacceptable;

¹ This rose to 25% if the BBC respondents were excluded

² This was also true among non-BBC respondents

- Most people were against dividing the licence fee between the BBC and Channel 4, because of the damaging effect they believed it would have on the BBC, and the impact which breaking the link between public money and content would have on public support for the Licence Fee;
- 9% of the sample supported top-slicing the Licence Fee for Channel 4.

There was no consensus on alternative funding solutions:

- A small minority suggested that Channel 4 should receive no extra support and should still keep its PSB obligations.
- A few people proposed giving it subsidised use of the spectrum or other regulatory assets.
- A small number advanced the idea of giving Channel 4 profitable BBC assets so it could function as a privatised PSB organisation like ITV, or a non-profit organisation as exists currently.
- There was little support for the new models such as a PSP or long term transferrable funding.

I. INTRODUCTION AND METHODOLOGY

Over February and March 2008, Human Capital conducted interviews with thirty four CEOs of production companies and leaders of broadcaster in-house production operations about public service broadcasting. The aims were to understand their views on the objectives of public service broadcasting, the current health of the production industry, the challenges that PSB faces in the future, and what should be done to sustain its provision.

1.1. The sample

The creative leaders we spoke to comprised a variety of senior producers, writers and CEOs of production companies. We spoke to people at the BBC, ITV and BSkyB as well as many independent producers. Contributors represented a variety of company sizes, regions and programming genres.

1.2. The consultations

Participants considered a series of open-ended questions. A topic guide was provided, but consultees were encouraged to raise issues that were

most pertinent to them. Questions addressed their views on:

- The creative and economic health of the genre(s) in which they worked, and the impact of these on PSB;
- What the objectives of PSB should be;
- The challenges for the future success of the PSB system, including the impact of the internet and distributional changes;
- Relationships with buyers, and views on the various sizes of the in-house production bases;
- The potential benefits of having a range of different providers of PSB, and the implications of this;
- Recommendations for the BBC, ITV, Channel 4 and Five.

2. WHAT SHOULD PUBLIC SERVICE BROADCASTING BE FOR?

In this part of the research we discussed the attitudes of creative leaders to the objectives of PSB as detailed by Ofcom, and their interpretations of its scope.

2.1. PURPOSES

2.1.1. There was broad support for Ofcom's PSB purposes

The creative community discussed Ofcom's four PSB purposes:

1. Informing our understanding of the world
2. Stimulating knowledge and learning
3. Reflecting UK cultural identity
4. Representing diversity and alternative viewpoints

Nearly all participants felt these purposes were very important, and expressed particularly strong support for 1) and 4).

“The overriding purpose is to increase the range of cultural experience and politico-economic literacy of UK citizens.”

A small number mentioned additional purposes:

- A few participants felt PSBs had obligations to contribute to the ongoing competitive environment;
- A small minority highlighted the significance of online provision, delivering the original purposes in a different landscape. This is related to the BBC's sixth public purpose, 'building digital Britain'.

“PSB needs to be much more than television. It must move online to reach people who aren’t watching TV.”

Only three people argued that the PSBs’ purposes should be reduced. With particular reference to the BBC, they emphasised that a PSB’s core mandate left its range of services spread too thinly:

“Its role should be to represent a trusted source of information, and to fund premium content.”

2.2. CHARACTERISTICS

2.2.1. In general, Ofcom’s PSB characteristics were strongly supported

Participants considered the six PSB characteristics.

Quality

Everybody believed that high quality programming was important. People thought quality was important because it raised the benchmark for commercial broadcasters; this applied particularly to the BBC. However, a few pointed out that there was work of real quality already sustained by the market.

Innovative

The large majority of respondents considered innovation to be a fundamental characteristic, particularly for a publicly funded PSB.

“Originality of content is paramount. Content must be fresh, pushing forward and breaking boundaries”

Originated

Everybody thought that UK-made programming was important, as it better reflected the interests, values and culture of its audience. One person argued that PSBs should actually be assessed according to the amount of money spent per hour on originated programming. National and regional producers emphasised the importance of reflecting the whole of the UK.

Challenging

This characteristic produced varied responses, expanded below. A large minority thought it was critical that PSBs pushed the audience out of their comfort zone, to avoid broadcasting ‘wallpaper telly’.

Engaging

Everybody recognised that public service television needed to be engaging if it were to have relevance. A significant minority (particularly documentary producers) thought that the pursuit of a large audience share worked to mitigate public service value, but many consultees also argued that good programming could be both PSB and engaging for large numbers. This became a central theme of discussion and is addressed in detail in section 2.5.

Widely available

This was a prerequisite for all. A minority felt the concept of PSBs should stretch to online provision, particularly in relation to young audiences who are not watching television as much.

2.3. GENRES

2.3.1. The creative community takes a broad view of what constitutes PSB programming

Discussion of PSB in terms of the purposes and characteristics above revealed that many in the creative community had a broad interpretation of PSB programming. Programmes such as *The Apprentice* and *EastEnders*, for example, were sometimes held to be as high in public service value as *Blue Planet*. In contrast, a minority of producers asserted that certain genres like news and documentaries had much higher PSB status than others. We will disaggregate the two interpretations:

- **Narrow PSB** refers to public service programming as defined by specific genres: news, current affairs, documentaries and specialist factual.
- **Broad PSB** captures any programming that broadly meets the PSB objectives and enhances the lives of the audience.

2.3.2. The majority believed that PSB meant a variety of programming and should not exclude any genre

A significant number of people thought that every quality programme could contribute to public service television.

A few participants suggested that the idea of public service transcended individual programmes, advancing a ‘mixed bag’ approach:

“Public service should not exclude any genre. There is no such thing as a public service programme, instead you have a public service schedule pulling in audiences to a range of content. You need to think of it as a unified whole.”

2.3.3. A small minority of participants thought that entertainment should not be considered as part of PSB

A significant minority believed PSBs should not focus on entertainment. For example, it was suggested that the genres of focus for the BBC should ideally be drama, documentaries and current affairs, not game shows and light entertainment, but participants recognised that this would be damaging to viewing.

2.4. RECOGNITION OF THE PSBs

2.4.1. Creative leaders recognised that broadcasters play a role in PSB above and beyond financing genres

In their discussion of broadcasters, consultees talked about the culture of PSB institutions and channel brands as well as their PSB programming. They were seen as places with their own values, cultures and roles, and not just finance houses for discreet genres.

“Channel 4 is an extraordinary brand. There is a unifying thing about its content.”

However, some creative leaders also pointed out a growing allegiance to programmes over channels on the part of the viewer.

2.4.2. Most participants looked to the BBC and Channel 4 as the PSBs

All network channels currently have PSB obligations. However, when asked who they considered to be PSBs in practice, and when discussing PSB programming, the large majority of creative leaders referred only to the BBC and Channel 4. The perception of contributors was that ITV produced in fewer PSB genres than it used to, so most looked to BBC, and to a lesser extent to Channel 4, to safeguard PSB programming.

2.5. INTERPRETATIONS OF PSB IN OPERATION

Exploration of PSB objectives unearthed a fundamental polarisation within the creative community. Under discussion was the central

discord between PSB objectives and the environment in which they must be delivered.

Creative leaders tended to advocate one of two models: one argued that PSBs needed to produce what was in demand to avoid becoming anachronistic; the other held that the point of PSBs, and certainly a publicly funded PSB, was to provide exactly the programmes and take exactly the risks that the market would not deliver.

Creative leaders argued for either extreme. This was to be expected to a degree: commercial operations had obligations to shareholders, small PSB producers would benefit from more PSB commissioning, and everyone could enjoy more risk-taking in commissioning. Producers did, however, answer with respect to the good of PSB as well as their self-interest.

2.5.1. A minority underlined the necessity of a market-sensitive approach

In-house producers and those heading larger production companies tended to emphasise the importance of connecting with the audience and providing programmes that viewers would want to watch. The implication is that PSB programming must be packaged in a way that is enjoyable for today's viewers, or shown less. In a multichannel environment with a heavily fragmented audience, certain participants felt that this was necessary to keep PSB relevant. Furthermore, a low share would mean less money for future PSB programming for commercial PSBs, and for the BBC a reduced justification for the licence fee.

These creative leaders argue that programming cannot be forced onto the audience any more, and point to PSB in America to warn that strict observance of PSB properties could render broadcasters 'out of touch, outmoded and anachronistic.'

“If they don’t want to watch it, they won’t watch it. There is no point saying programmes have to be purist to be public service because the audience has two hundred channels at their disposal at the flick of a remote control. We are in a consumer business. There is no point having something in your shop that no one wants to buy. PSB would just become like an old library book that no one takes out. So the challenge for the creative community is to make public service subjects accessible.”

2.5.2. The majority argued for a more ‘market-corrective’ approach

Participants recognised that the PSBs do have to be competitive, and that commercial providers must be driven by share. However, many described a ratings-obsessed culture that inhibited creativity, innovation and the serious public service programming they felt PSBs were mandated to maintain.

They looked largely towards the BBC to avoid the problem because it was not dependent on commercial revenues, and to a lesser extent towards Channel 4.

Creative leaders advanced two strands of this argument:

The importance of taking risks

Over half of the creative leaders interviewed said that risk taking is vital for PSB programming, and for a healthy industry in general. In addition to directly engineering programmes that have strong PSB messages, it encourages innovation, high quality output, courageous programmes that could have a strong impact, a vibrant choice that benefits consumers, and sets standards for commercial players to emulate.

“We are paid to take the audience somewhere they didn’t know they wanted to go. The audience needs to be looked after with experimentation and diversity and not just fed what they want. It is the job of producers and broadcasters to tantalise people into new and interesting things. They should lead the race, not follow the audience.”

There are two facets of broadcaster risk-taking:

- *Risk-taking in programming:* Surprising and challenging audiences with quality programmes that they didn’t know they wanted
- *Risk-taking in production:* Trusting creative people to set out on a journey; not trying to control the process too much

The idea is that if broadcasters are courageous and innovative with unproven formats and production flexibility, then share may naturally follow.

“The threat is ‘lowest common-denominator television’, the temptation to dumb-down and go for quick sensation. But when EastEnders is well written, brave and intelligent, for example, more people watch it.”

Broadcasting programmes that the market would not provide

A third of the sample suggested that PSBs should exist to create programming that the audience would not otherwise have the opportunity to see because it was not sufficiently popular.

“Public service broadcasting should be something that survives outside what the normal commercial system would make. For example, it is incumbent on a PSB that it rocks the boat, and takes a cultural leadership role with questioning that puts the powers that be on the spot.”

Distinct from risk-taking, this approach applies to programmes of high PSB worth that broadcasters know in advance will not secure a large share. Those arguing for provision of non-market outcomes did not believe that it could easily translate into share, but in support of serious PSB objectives rejected the idea of pursuing share as a primary metric.

“It is better for a PSB to be an interesting channel with a slightly smaller share than a boring one with a big share.”

One contributor suggested that the metric of share should be replaced with metrics that capture the value of a programme to its audience. While these measures would bear some correlation with share, he believed they would be more in keeping with PSB.

“We should shift away from share towards ‘value-based metrics’. These are things that capture the extent to which the audience truly cares and feels passionate about the programme. For the BBC the performance metric that counts more than anything is ultimately the willingness of the population to pay the licence fee. And that is about the value we deliver rather than the amount of consumption.”

2.5.3. The challenge is to reconcile the two models

Practically, a significant number of creative leaders recognised the need to strike a balance between share and public service value – one that kept PSBs relevant but also allowed public service programming to thrive. With commercial providers committed to advertising revenue, this was generally directed towards the BBC:

“The BBC must have enough money to compete. There has to be a mainstream connection with the public. But the BBC has to also create an environment where quality content can win: it must respect programme-makers and let them make good programmes.”

Traditionally people have assumed a one-dimensional trade-off between share and PSB value. However, a number of creative leaders emphasised that there can be a public appetite for public service programming, and that its messages do not necessarily need to be dumbed-down. The challenge is to make high-value PSB in a way that tempts people to watch it.

“Commercial audience figures and PSB are not necessarily competing: the skill is to do programmes that tick every PSB box but don’t look like it, contextualising PSB into a modern environment. Smart PSB doesn’t have to be Birkenstocks and wholemeal – it doesn’t have to feel good for you.”

In other words, there is a matrix of PSB-share outcomes. At its best programming can be high public service value, risk-taking and engage a

large audience. While public service objectives still oblige programming that will not secure large audiences, by investing in quality and risk-taking for innovation, broadcasters can also achieve both.

3. WHAT IS THE CURRENT HEALTH OF THE PRODUCTION INDUSTRY? WHAT ARE THE IMPLICATIONS OF THIS FOR PSB?

In this part of the research we explored opinions on the health of broad PSB production, and considered the creative and economic health of each genre.

3.1. THE HEALTH OF PRODUCTION AS A WHOLE

Overall, the production industry and the whole broadcast ecology are perceived to be in a good state of health at the moment. The amount of money being spent on programming is at an all-time high. The opening of the WoCC (Window of Creative Competition) by the BBC is driving growth in independent production. Digital channels and VOD are creating long-tail opportunities to monetise programming. Globally, format sales to the US have increased and emerging markets are opening up to content.

Respondents felt that the PSB system has led to provision of quality programmes in all of the key genres. Nearly all of them placed enormous value on the output provided by the PSB system, and particularly the work of the BBC and Channel 4 (all BBC quotes are from non-BBC contributors):

“I fundamentally believe we have something so special at the BBC. It genuinely does a fantastic job, and this is taken for granted too much. The BBC needs to be more robust in its PR defence of itself,”

“Channel 4’s job is to be brave and change the world of broadcasting. The joy of Channel 4 is that when it works it invents the mainstream.”

In many cases, the PSB system underpins everything respondents do. It

makes television an interesting and important place for them work in and it provides the finance. There is a general recognition that the UK has some of the best TV in the world because of the PSB system, and without it the industry would be very different and a lot less attractive.

“The BBC has an international profile. It is considered to be the best broadcaster in the world: its name is an indicator of quality.”

The purpose of the research, however, was to explore the creative community’s comments as critical friends. So against this backdrop of support, creative leaders drew attention to a number of themes. These were addressed to all PSBs, but in the same way that they perceived Channel 4 and the BBC to be the strongholds of PSB, participants looked to the BBC, and to a lesser extent to Channel 4, to propel change.

3.1.1. PSBs are too risk-averse

If consulting the creative community has unearthed any pervasive theme, it is concern over PSB attitudes towards risk, as a result of growing pressure to compete in the multichannel environment. As detailed in section 2.5, risk-aversion in programming and production has an impact on PSB through lower delivery of PSB aims, the tendency towards programme homogeneity, reduced innovation and lower quality output.

A great many producers highlighted risk aversion in production.

“The key creative issue here is renewal of risk. Risk is about a willingness to countenance different ways of doing things, to trust in delegation, a willingness not to be overly analytical, to embrace different forms of storytelling, and to give the audience something they didn’t know they wanted. It is not just about funding, but about a culture.”

Many producers felt that most commercial PSBs were playing to viewing figures rather than stimulating demand through innovation. A

large proportion saw this as neither in the public interest, nor, ultimately, in the interest of PSBs, as broadcasters needed to keep reinventing programmes to keep themselves relevant.

“There is a growing trend towards giving audiences what they want, and the result is plastic prostate television. We are making television like porridge, and it is an insult to our audience.”

As the organisation charged with upholding PSB, producers were most concerned that the BBC should resist the pressure towards ‘bums-on-seats wallpaper telly’.

3.1.2. A growing pressure to monetise content is sometimes compromising PSB

For a generation of producers trained to think creatively, the necessary drive for commercial gain has always brought difficult implications for quality, editorial decision-making and good PSB programming.

“The implications [of the profit motive] are a desire for formats that will be sold around the world, and a dangerous journalistic desire for the story at whatever the cost.”

However, many producers believe that pressures for commercial PSBs have been getting worse. Audience fragmentation means that budgets are falling on the commercial channels, and the pressure for monetisation is ever greater.

A few producers argue that this trend is not always in a broadcaster’s financial interest in any case:

“Production should be about innovation, not money, and teaching people to speak with their own voice. But since the City came along it is about how much you get for your unit of currency. If instead producers keep their eye on the quality, the money will travel with them.”

Many people asserted that less popular but vital PSB programmes and

messages are suffering as a result.

In this context, the role of a non-commercial PSB organisation is considered to be even more vital.

3.1.3. Co-production can reduce focus on PSB, although it has financial benefits

The way PSB programmes are being financed is changing. Producers are increasingly seeking revenue from additional sources to finance their production. This was generally positively received; a few respondents said they could not live without co-production, as it enabled them to do more programming and produce to a higher standard. There was mild concern among a minority that obligations to other funders compromised PSB content and the amount of PSB programming.

“The effect of co-production is sometimes for public service programming to be neglected in favour of commercial areas.”

“The danger is that co-production tends to militate against brave and controversial programming, particularly programmes that are particular to our country, culture and society, because they are more difficult to sell overseas.”

3.1.4. Some PSB needs to be legislatively protected

A significant number of creative leaders had the perception that there was less PSB than there used to be, at least in the narrow sense. They thought that, particularly for commercial PSBs, growing competitive pressures in a landscape where audience share is becoming ever more difficult to secure lead to a reduction in the output of public service programming – both in terms of the amount of PSB output and the depth of its coverage. Many consultees believe that commercial PSB will be at risk, unless new measures are taken:

“The thing that decides commercial PSB is the regulation that specifies it. Otherwise it will not happen. PSB dies when there is no requirement to do it. Children’s programming is the classic example. It has moved from tier 2 to tier 3, and the obligation on ITV is very weak. Parliamentarians now accept that they got it wrong.”

A number of respondents argued that the market would uphold much PSB programming, but more people argued that vulnerable genres relied on protection – as, on occasion, did quality and innovation.

3.1.5. There was no consensus on the balance between in-house and independent production

- A significant number of people believed that certain genres like investigative journalism could only be done in-house – for some this meant that in-house production should be reduced to these core competencies.
- A few respondents argued that having production aligned to an organisation acts as a statement of its values, so was important for PSB-heavy genres.
- A small minority of independent producers thought in-house production should be abolished, believing independent companies can produce better and cheaper programmes more creatively and flexibly.
- Nearly everyone thought Channel 4 and Five should not have in-house production, and that there was significant value in the presence of a public-service broadcaster-publisher. However, one person argued that unless the broadcasters can negotiate a different model for the post first-transmission exploitation of the intellectual property rights they have invested in, then they should have in-house production so they could squeeze out the value of their programmes. He asserted that a big linear channel has a declining value as an asset, and the real value is increasingly in the content. PSBs need to be able to utilise this if they are to protect their position.

Most independent companies would naturally benefit from smaller in-house production capabilities. But on balance, in-house was not felt to be overly large. In fact, a significant proportion of leaders of smaller production companies have pointed to the rise of the ‘superindie’ as having a negative impact on the industry, with large independents increasingly dictating the market in what is becoming ‘somebody else’s in-house’. They assert, by contrast, that the BBC is endangering its core purpose by cutting down its production base.

A few pointed to the need for a balance: it is the dynamics between in-house and indies that make the industry vibrant and sustain PSB values. In practice this should mean commissioning from a wide variety of independent companies to avoid excessive market concentration.

3.1.6. The decision-making structure of commissioning reduces plurality of viewpoints

In recent years broadcaster commissioning has been restructured, in particular at the BBC. While the hierarchical structure of commissioning enables a better sense of strategic direction and a coherent approach, a few producers have found the system difficult to access and creatively restrictive. Decentralising commissioning could involve a trade-off with impact, but some creative leaders feel that the result of centralisation is less innovation, less input from different thinkers and consequently less variety of opinion.

3.1.7. National and regional production and programming need more support

Production in the nations and regions was a particular source of focus for greater plurality of commissioning. PSBs are committed to development of national and regional production and programmes under their Tier 2 obligations. The contribution of national and regional production to PSB lies in the diversity of views, cultures and understanding that can be conveyed, in addition to support for national and regional economies. Conventional wisdom holds programmes about the nations and regions to be valuable because of the relevance of its information to the audience, and producers agree with this.

There are worries about the level of demand for nationally and regionally produced programmes:

“The creative health of the production economy is struggling in Scotland. 2004-6 figures show Scottish independent commissioning for network programming dropped from £27million to £16 million. 2007 has been a tough year for everyone. When you are on the fringe it is even worse. All our profits now come from secondary sales.”

News and current affairs producers also voiced some concern that programmes about UK nations and regions are threatened:

“As a regional company we used to make lots of regional programmes, but these aims are now largely defunct.”

While there may still be a place for regional services elsewhere, these producers felt that they would increasingly become the province of the BBC, and rely on the broadcaster to support them. The explanation for a deficiency of programmes on the nations and regions lies in their expense and low audience figures, and for nationally and regionally made programming a risk aversion and unwillingness to bear startup costs:

“Out-of-London is key to sustaining public service broadcasting. It is hugely important, but the skills base isn’t there. And until shows are commissioned in the regions you won’t develop this skills base.”

However, a small minority of creative leaders saw dangers in driving production out of London.

“Too much prescriptive interference would be a bad thing. Production requires a whole structure to support the creative industry that exists only in London. This shouldn’t be forced into regions where there isn’t the talent.”

Again, there is a balance to be struck:

“We don’t think that commissioning should have to move out of London. We do think that people in London should be really open to commissioning those outside. And with decent length runs so they can get critical mass. Yet this blocks up the schedules of the channels. One has to strike a balance.”

4. WHAT ARE THE FUTURE CHALLENGES FOR PSB?

In this part of the research we discussed the threats and opportunities for PSB in the future

Respondents identified a number of threats to the future provision of PSB. They originated from three main sources:

- Audience fragmentation in a multichannel environment;

- The new media and new technology world;

In general, creative leaders were nervous about the future of PSB. They were particularly pessimistic about the effects the changing environment would have on the share and revenue of commercial channels, and the impact that this would have on investment in high quality PSB projects. They looked to PSBs, sheltered from the commercial imperative, to hold up an equilibrium of quality and diversity.

4.1. AUDIENCE FRAGMENTATION IN A MULTICHANNEL ENVIRONMENT

4.1.1. There could be dilution of PSB values as commercial broadcasters struggle to attract audiences

PSB-rich programming will increasingly be sacrificed in favour of ratings-winners.

“The number of channels doesn’t mean more good stuff – it means more bad stuff around.”

4.1.2. Declining income for commercial PSBs

Smaller audiences would mean less advertising revenue, which means lower quality PSB programming. With budgets lower everywhere else, a significant number of contributors argued that the quality of PSB is becoming increasingly dependent on the BBC.

“Less advertising money is being spent on television, so all budgets are coming down in the commercial sector, making the BBC’s role even greater.”

Commercial channels do have new financing options:

“The answer is through the long tail, and in the global market – but will the economics of this offset the decline in other forms of income?”

4.1.3. There could be reduced public support for the licence fee

A few participants argued that multichannel competition, and the rise

of a cohort growing up without the loyalty to the BBC held by older generations, means that the licence fee may become increasingly difficult to justify. They feared that if the BBC wants to maintain its share it may be forced to jettison more high-value PSB programming.

4.2. THE NEW MEDIA AND NEW TECHNOLOGY WORLD

4.2.1. The shift to viewing on-demand is disaggregating public service schedules

The whole nature of how we experience programming is changing. As programme availability depends less on television timeslots, broadcasters will need to define themselves by the content rather than the shape of their schedule. They will no longer be able to hammock narrow public service programmes between more popular ones, or use inheritance from a previous programme. As a result, some consultees argue, PSB will not be watched unless it can compete with non-PSB alternatives.

A few people believed this will produce a shift to quality:

“In the on-demand world, only the really creative and extraordinary will stand out. There will be a flight to quality because audiences will actively seek out excellent shows. This has implications on the content we commission: the only way is to do less and raise the quality of the average.”

By contrast, others argued that it will lower quality and reduce innovation.

4.2.2. Online competition will make it harder to cut through

Moving online ushers in an array of new competitors:

“We are competing against the big online players. The BBC will have to be a very different place.”

New media is recognised as a way to reach the next generation, and a number of producers felt that this is necessary to keep PSBs relevant:

“The challenge is to engage young people so they migrate from YouTube to TV that would be good for them and is interesting. The BBC already has good examples: letting kids social network in a safe environment and then suggesting programmes they would like to watch.”

By contrast, some assert that PSBs have an obsession with youth that is unnecessary, because they will reconnect with it as they get older anyway.

4.2.3. The need to move online could undermine the licence fee model

A few participants felt that new technology will make the BBC’s position very difficult. The BBC’s presence will become increasingly important online in order to keep up with on-demand expectations, but some respondents thought that moving online destroys the grounds for a licence fee funded by people who own televisions.

“The world of broadcasting and its regulatory framework have, for the last fifty years, been shaped overwhelmingly by spectrum scarcity. That world is rapidly being swept away and the on-demand world is rising. This opens up a world of truly global choice, far greater than even the current digital satellite model. The challenge for PSB is to retain loyalty to justify the licence fee.”

Indeed, a couple of respondents expressed the opinion that the iPlayer was hastening the destruction of the BBC’s funding model.

4.2.4. New technology could destroy the advertising model

With viewing habits turning to on-demand, and personal video recorders enabling the fast-forwarding of adverts, some producers think it is a credible scenario that big-budget advertising-funded linear channels could disappear. This would naturally have dramatic implications on the programming and PSB production.

“I believe that in the next ten years a large proportion of homes will have a high capacity PVR. A significant proportion of content will be viewed on hard disk which we know has a material impact on advertising efficacy. Many televisions could have high definition broadband connections. You then throw on top of this the fact that in ten years a significant proportion of the population will have grown up using Google, seeking out content – not passively bumping into it. If all of these happen you could imagine a scenario where very rapidly you hit a tipping point where the economics of ITV could suddenly collapse – this is a possible scenario.”

4.3. OPPORTUNITIES IN THE NEW MEDIA FUTURE

What are threats to broadcasters can be opportunities for producers. A large minority are excited about the possibility of getting a direct route to the audience:

“Programmes will become less tied to TV. Television can be a barrier, because you are trying to please both the audience and the buyer. Broadcasters are a potential obstacle between you and the public, even if the kids like it. With the internet you can go directly to your audience.”

“I intend to start building an online drama channel in three years, a way of taking content directly to the buyer – and by the buyer I mean the audience, not the broadcaster.”

There are also some exciting opportunities for PSBs. Producers felt there would be room for more varied programming and for PSBs to engage a young audience. With richer and more targeted opportunities to access audiences, they would be able to better serve their viewers. PSBs can also more effectively exploit their assets in a rich long tail for content. Digital technology has dramatically reduced the costs of production.

If producers are able to bypass broadcasters, then in the long-run

their position in the value chain will become weaker, and this will affect PSB. However, a significant number of creative leaders emphasised that the new media world would not render the traditional broadcasting medium obsolete, but simply move alongside it. They recollected that the BBC, for example, has shown remarkable resilience in reinventing itself as its environment has changed across the decades, and continues to do so in the digital age.

In the future anyone may be able to make their content available online, but they are still reliant on discovery through marketing or other processes. If PSBs can successfully transfer their own trusted brands online, they are likely to continue to play an important role in directing the audience to content:

“Anyone can create anything and make it available to anyone. But consumption possibilities are restricted by the ‘gatekeepers’, who enable people to discover.”

5. WHAT ARE THE FUTURE ROLES FOR THE DIFFERENT PSBS?

In the final part of the research we discussed whether there should be many PSBs in the future, who should continue to provide public service programming if this is the case, and how they should be supported.

5.1. PLURALITY OF PSB

5.1.1. Most people felt that plurality was important, if not essential, for the health of public service programming

Most creative leaders felt that PSB plurality was important for variety of viewpoints, and because of the spur to quality and innovation competition provided.

“The mixed economy of PSB to creative commercialism has served us well, creating a healthy ecosystem. Competition is key for ideas. It is really important the BBC aren’t the only occupiers of the PSB high ground.”

The majority also believed plurality was necessary to safeguard certain vulnerable PSB genres (like children’s), or genres where plurality was

required to sustain the democratic system (news and current affairs).

A significant number of participants mentioned that plurality was valuable for the health of the production industry, allowing creative development and variety of programming which was important for PSB:

“It is very important there is a sense of PSB competition – if not it is very dangerous. It is vital for the programming mix that talented PSB producers can take their work to different suppliers.”

Consultees occasionally stated self-interest in their arguments for PSB plurality. For suppliers, broadcaster competition for PSB programming could strengthen their position in the value chain. Some went further, suggesting that they ‘create the beginning’ of a cartel in production, as the number of buyers meant that the balance of power shifted to producers.

5.1.2. Creative leaders did not think that ITV and Five should remain PSBs

The vast majority of the people that we spoke to not only felt that ITV and Five should be able to relinquish their PSB status and become fully commercial with the digital switchover, but already did not recognise them as PSBs. Commitment was described as a ‘*token effort*,’ ‘*lip service*’ and even ‘*a PSB charade*.’ It was felt these broadcasters needed to have the freedom to be completely commercial.

“Once everything is digital the PSB system is going to be a complete anachronism, at least for ITV and Five. The others must prove that they are unique.”

There were only a couple of exceptions:

“ITV should keep some PSB to avoid becoming a downmarket brand. It would be good to have three PSBs.”

From a PSB perspective, these people pointed to ITV’s continued role in production and regional news, although there was not a great deal of confidence that the latter would continue.

5.1.3. Channel 4 was seen by many to be a critical part of the PSB environment

In keeping with their support for plurality, and having disregarded ITV and Five, the majority of creative leaders who expressed a preference about plurality thought that ‘*Channel 4 must be protected*’. This was the case both across the whole sample and for non-BBC participants. BBC heads of production were more likely to believe that Channel 4 should remain a PSB than their independent counterparts.

The justification was first the unique contribution Channel 4 makes to the broadcasting environment:

“Channel 4 makes a very high contribution. It is hugely important you have that catalyst and different voice, and they have a fantastic track record of doing this over thirty years.”

And second, the vital role it plays as competition for the BBC:

“Channel 4 stepped up the BBC game when they came along. PSB competition is part of what gave the BBC its now critical mass; it would get flabby were it a monopoly provider. Thus privatisation for Channel 4 would be a bad thing.”

“Channel 4 and the BBC are important to keep each other honest, and this ecosystem serves the creative community well.”

A fifth of the group felt that Channel 4 should not remain a PSB, and could excel as a commercial channel.

“I don’t know why Channel 4 wants public funding. Channel 4 is a fiendishly successful brand with a young audience. Advertisers love it. It could work as commercial channel.”

Most of this 20% took as given that this would produce a substantially different broadcaster, but in two cases respondents argued that it could continue as it was – with some public service commitment, and make

profit, disputing the broadcaster's financial difficulties.

“Channel 4’s financial viability is greater than they argue. Having an easy source of funding would make them more complacent, not less.”

“Public money is not the way to go. Channel 4 needs to be a privatised PSB organisation like ITV in the 1950s, retaining the spirit of independence while having some quotas. It could produce £100-150 million profit per year. Direct money is bad news.”

One participant hoped that PSB orientated programming would continue without obligations as it had some commercial appeal:

“Ideally there should be room in the market for a channel espousing values that are public service and also commercial enough to make a living.”

Three people highlighted that the broadcaster was in an uneasy position between public service provision and commercialism, and that, either way, it needed to clarify its purpose.

“I no longer know what Channel 4 stands for, so the funding question is difficult. They need to work out who they are and where to position themselves.”

“Channel 4’s remit leads to confusion in the industry and for the audience. They are better off going one way or the other.”

5.1.4. A significant minority were not sure it was necessary to have more than one PSB

One participant argued that there were no clear benefits from plurality in itself, that is, PSB programming being on different channels. It is the direct impact of these programmes, wherever they were, that matters. He and a few others suggested that a fully functional BBC should be able

to fulfil this role of its own accord, without the need for legislated competition. And while the BBC produces popular PSB programming, commercial channels will naturally seek to imitate.

“The BBC’s role would be to make certain genres desirable, which makes the commercial broadcasters want to make PSB programming, rather than being forced into it.”

Producers of commercially-orientated programmes found PSBs to be cumbersome and plurality unnecessary:

“It depends what PSB means. If everything needs to be ticked off by a committee, then the fewer public service organisations the better. The commercial environment makes it increasingly difficult to be in line with the modern world and still call yourself a PSB.”

5.1.5. There was little support for new models that could receive public funding

A small minority of consultees supported the notion of a public service provider:

“Why should it be an established channel that gets the money? It could be given to something structured in a more new media way. PSB could be much better delivered by a new system than some of the current PSBs.”

However, most people didn’t refer to new funding models such as these.

5.2 FUNDING OPTIONS

5.2.1. Most producers were against direct public funding for Channel 4

For people who were willing to express a preference, both for the whole sample and excluding BBC participants, the majority opposed direct public funding of Channel 4. They gave two main justifications:

Channel 4 is an inappropriate recipient of public funding

A few people felt that public money would be inconsistent with Channel 4's proposition and brand.

“I would not be confident Channel 4 would know how to spend the money – it’s not in its blood. In a modern digital age Channel 4 brands itself as a sexy young channel, which may not be in keeping with public service obligations. On some PSB projects there is a battle with a Channel 4 controller to get good slots; they seem embarrassed by the public service credentials. I’d say, what does it want the money for? By going commercial it will become the leading 18-30 brand.”

Public money will place unwelcome obligations on Channel 4

Many contributors argued that Channel 4 makes a critical contribution by challenging the norm, courting controversy and providing an alternative approach to the BBC. They worried that public funding and the persistent scrutiny it entails will fundamentally alter Channel 4's character and impede its ability to carry on doing these things.

“I’d be hugely nervous of doing anything that diminishes its vibrant and valuable contribution to the broadcasting landscape with a layer of regulation, scrutiny or accountability. Channel 4 should be very careful with what they ask for because a direct government grant or slice of a licence fee would bring with it a load of stuff they don’t want. Burdening them with a service licence, trustees and performance reviews etc will only accelerate conformity in a regulatory framework that squeezes their spirit.”

“Public money would create funding decisions that are very political.”

5.2.2. In particular, there was significant resistance to the idea of direct government grants

This idea was described as ‘suicidal’, and received attention from hardly anyone.

“Direct money from the government would not be popular.”

5.2.3. Only a few producers gave support for top-slicing the licence fee

Of those that said specifically that Channel 4 should keep its PSB status (over half), about a third of them supported top-slicing the licence fee to fund it.⁴ Their justification was the need for a variety of PSB buyers, and for Channel 4 to be able to provide PSB programming free from commercial obligations.

“Channel 4 needs government support – they need to be able to take some ratings-free risks. It shouldn’t be controlled by the government but should have some small component of accountability. S4C is government funded and it works.”

But these few producers were aware that this method of funding would be difficult. While advancing top-slicing, others pointed out that this method of funding would be difficult for the public to accept because of the channel’s more controversial programming:

“I really believe in PSB so I don’t have problem with top-slicing. But they will have a long way to go to win the public vote because of their naughty child status. Channel 4 should have more public backing because they do fantastic things.”

In some cases support for top-slicing was qualified: endorsed if it was the *only* viable option for Channel 4 to keep producing the programming it did.

5.2.4. Of those who believed Channel 4 had a future public service role, the majority were against top-slicing

A majority of those who wanted Channel 4 to remain a PSB opposed the idea of top-slicing outright.⁵ There were two main objections:

⁴ These figures are similar for BBC and non-BBC respondents. BBC people were more likely to say that Channel 4 should keep its PSB status

⁵ This is still true when the BBC consultees are removed from the sample

The danger of damaging the BBC

People thought the BBC was incredibly important. They were often concerned about its future, and eager that the broadcaster – and PSB – be protected. Many of those in opposition to top-slicing, both inside and outside the BBC, worried that the BBC would become weak if it lost its scale, and public service provision would suffer seriously as a result in terms of the amount, genres, quality and innovation of its programming. With the BBC functioning as a standard-setter for commercial broadcasters in PSB areas, this would have serious ramifications on the whole market.

“It is incredibly important the BBC isn’t downscaled and that it can remain with the number of genres it has.”

“Without scale the danger is programmes need to be co-produced because PSBs can’t afford to. There is no extra money. It is good to be forced to make efficiencies but this is going too far.”

“Only the BBC can give shows multiplatform marketing and a real sense of importance. You need a powerful BBC to really deliver PSB.”

“The BBC works. Don’t dismantle it.”

Furthermore, a few contributors advanced that lower funding would make the BBC increasingly commercial, to the detriment of all its competitors:

“Top-slicing would spell the end of the BBC as we know it. It would lead to increasingly commercial ventures; it is the road to part-privatisation of BBC. The destabilisation of broadcasting brought on by a change in the licence fee hasn’t been thought through. A commercial BBC would have such huge ramifications in the marketplace – it would destabilise it. The market will NOT supply everything the BBC does and the things it does supply will not be to the quality.”

“Top-slicing is a big gamble.”

If the proposition of funding other PSBs is in part a result of a BBC tendency towards more populist programming, then few argued that it is better not to top slice on the condition that the BBC develops a mechanism for resisting commercial pressures.

Apportioning the licence fee muddies the accountability link

A few respondents argued that public support for the licence fee, critical to the PSB ecology, is dependent on the public’s understanding of what they are getting in return. This link is clear with the BBC. They argue that giving some money to a commercially funded organisation would evoke public confusion over where their money was spent, and in doing so undermine loyalty to the very idea of PSB provision.

“Top-slicing would be a disaster. Initially I thought slimming down could be good for the BBC, but it is not really about the money. It is about the relationship between the licence fee payer and what they get back. Break that link and you are in trouble. Top-slicing is a slippery slope.”

“The licence fee may not be sustainable, but you would certainly accelerate its demise if in the minds of the public you blur that ‘what am I getting for my licence fee’ line of accountability. And then all the legitimate administrative questions – what does it go on, and how much etc – are a nightmare.”

“Channel 4 needs to stay incentivised to keep doing different things, but it is disappointing to think the answer would be top-slicing. How would this be applied? A licence fee hour?!”

5.2.5. No consensus on alternative funding solutions

Producers suggested a range of other options for the future of Channel 4.

- A small minority said that it could and should **continue as it is**

“Channel 4 shouldn’t be allowed to do anything different, it just needs to exploit its assets.”

- **Subsidised use of the spectrum or other regulatory assets** (like relaxed restrictions on advertising or high search engine listings) were slightly more popular possibilities than a direct government grant.

“The licence fee should be for the BBC. Grant Channel 4 free spectrum.”

“The solution for Channel 4 is probably to look at reducing its cost base, clearly assess how much PSB it actually does, and see if there are regulatory assets that can be given – the regulatory relief should exactly match the amount of PSB.”

However, as this was also ultimately funded by the taxpayer some participants believed that it might be a less politically palatable option.

- A few creative leaders suggested providing Channel 4 with **BBC assets** that would make it economically viable as a commercial PSB.

“BBC Worldwide would seem the only possibility. Engineering a profitable private asset is not realistic, as the government is not going to nationalise a commercial entity. Even combining Channel 4 with Five isn’t financially viable – you may just be delaying the inevitable downward slope, depending on your long-term view of the health of TV advertising.”

We are grateful to the following participants:

Paul Abbott	Writer; Founder, Tighrope Pictures
Dawn Airey	Director of Global Content, ITV (at time of interview)
Roy Ackerman	Creative Director, Diverse Productions
John Archer	Managing Director, Hopscotch Films
Peter Bazalgette	Media Consultant
Denys Blakeway	Founder, Blakeway Productions
Sara Brailsford	Features Editor, Shine
George Carey	Creative Director, Mentorn
Nick Catliff	Managing Director, Lion Television
Richard Clemmow	Managing Director, Juniper TV
Richard Deverell	Controller of Children's, BBC
Jane Featherstone	Joint Managing Director, Kudos
Nick Fraser	Storyville Editor, BBC
Mark Freeland	Head of Comedy, BBC
Julie Gardner	Head of Drama, BBC Wales
Roger Graef	CEO, Films of Record
Alex Graham	CEO, Wall to Wall
Lorraine Heggessey	CEO, Talkback Thames
Tim Hincks	CEO, Endemol
Christopher Hird	Founder, Dartmouth Films
Peter Horrocks	Head of Television News, BBC
Peter Kosminsky	Daybreak Pictures
Robin Lyons	Managing Director, Calon
David Mannion	Editor-in-Chief of ITV News, ITN
John McVay	CEO, P.A.C.T
Adam Minns	Head of Policy Development, P.A.C.T
Nigel Pickard	Director of Family Entertainment, RDF Television
John Ryley	Head of Sky News, BSkyB
Keith Scholey	Deputy Chief Creative Officer, BBC Vision (at time of interview)
Nicola Shindler	Founder and Executive Producer, Red Production Company
John Smithson	Executive Chairman and Chief Creative Director, Darlow Smithson
David Strachan	Joint Managing Director, Tern
Charles Wace	CEO, Twofour Group
John Yorke	Controller of Drama Production, BBC