



BBC | Trust

BBC response to Ofcom's Second Public Service Broadcasting Review, Phase 1

An International Perspective

The international context for the UK PSB debate

In this annex we examine the international context for the current PSB debate in the UK, using comparisons with public broadcasting systems in Europe. The information herein has been assembled from a range of published sources and a series of interviews the BBC has conducted with senior managers in PSBs across the continent.

The international – and particularly the European – dimension to the current PSB debate in the UK is significant for several reasons:

- UK broadcasters, especially the BBC, operate on a global scale
- the debates on PSB in European countries take place within a shared political and regulatory framework
- the UK debate has a powerful influence on developments elsewhere, whilst being subject to the same constraints as every other EU member state.

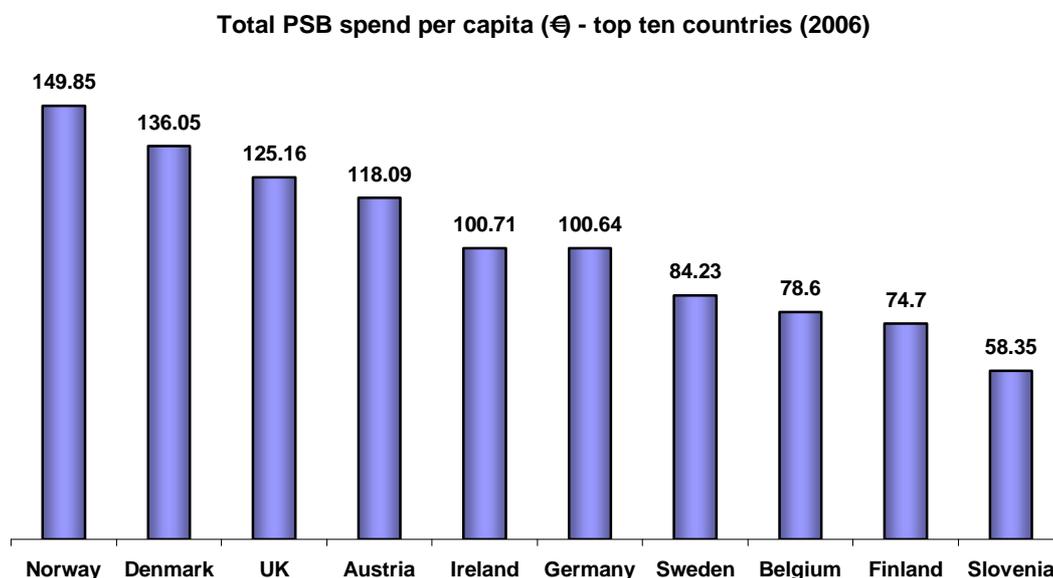
Across Europe, PSBs are defined as such by virtue of having both public service obligations and direct public funding. For this reason, ITV and Five would not be considered PSBs anywhere else in Europe, whilst Channel 4, as a publicly-owned, not-for-profit broadcaster with wide public service obligations, probably would.

In this appendix, we set out the international context for PSB in the following areas:

- (i) levels of funding for PSBs in Europe
- (ii) debates on the future of PSB in Europe
- (iii) PSB and new media
- (iv) the role of plurality in foreign PSB systems.

1 Levels of funding for PSBs in Europe

Whilst the levels of public investment enjoyed by the UK PSBs are among the highest in Europe, they are not the highest. Licence fee revenue among European countries is largest in Germany (€6,855m), whilst as the chart below demonstrates, the UK has only the third-highest per capita PSB spend.¹



Source: EBU, European Audiovisual Observatory

Considered alongside the achievements in domestic reach and impact which Ofcom has noted, they suggest that the UK PSBs offer good value for money by comparison with their European peers, which in most cases are also unable to match the UK PSBs' – and particularly the BBC's – *global* reach and impact.

Funding is among the principal issues in debates on PSB in almost every European country. All European PSBs are forecast to become poorer, as growth in costs is not matched by real-term growth in licence fees and other income. For instance, in the Netherlands – where the licence fee was replaced by direct state funding in 2000 – the Commissariaat voor de Media recently warned the government of a looming 'financial doom scenario for national public service broadcasting' in which the national PSB 'will not even be able to comply with legal obligations like...independent and European quota provisions', unless it received compensation for declining advertising revenues and other 'external circumstances'.²

Furthermore, in any reconsideration of member states' PSB funding systems, EU regulation is recognised as a more crucial factor than ever before. EU 'State aid' rules require that any change in those systems be proportionate to clearly-defined and -entrusted PSB tasks, and cleared by the European Commission.

¹ Excluding ITV and Danish TV2, which on the criteria noted above would generally not be considered PSBs in the European context.

² Commissariaat voor de Media, *National Report 2005-2006*

2 Debates on the future of PSB in Europe

Although most of the senior PSB managers consulted by the BBC for this exercise did not anticipate radical near-term change in their country's PSB ecology, several identified future developments that are likely to have sector-wide implications. In particular, between 2009 and 2011:

- in **Germany**, the two main PSBs (ARD and ZDF) face regulatory pressures, from both the federal government and the EU, that may constrain their ability to expand into new media and to continue delivering their public service mission in a multimedia world where users increasingly expect to access content across all platforms and on demand
- in **Denmark**, DR – the only broadcaster with both public service obligations and licence fee funding – will see its Charter expire in 2010. Although there is widespread support in Denmark for DR and for the principles of PSB, the channel faces major challenges relating to rising costs and its ability to reach young audiences. TV2, which is state-owned and advertising-funded, currently sees itself as a hybrid PSB-commercial broadcaster, competing with both DR and the commercial sector for both resources and audience; this is reflected in audience perceptions of it as at once more public service-oriented than other national commercial broadcasters (particularly in respect of its news output), and less independent than DR from government
- in **the Netherlands**, NPO will require a new licence after 2010. The debate about its renewal is currently underway, but it is considered unlikely that there will be major changes. Upon the replacement of the licence fee with direct funding for PSB from the state budget in 2000, funding decreased (in line with that for all public services) by approximately 10 per cent in the first two years. A 'multimedia law', obliging PSBs to deliver content on all platforms, is expected to be finalised towards the end of 2008
- in **Sweden**, SVT's Charter will be negotiated for the period 2010-2013, and there is discussion about merging SVT with the publicly-funded educational PSB UR. SVT recently emphasised to Sweden's current Public Service Review, chaired by MP Rose-Marie Frebran, the importance of its obligation to provide output for the whole country, across all genres, partly because it is only as part of such a broad output that its more specialised programmes reach significant audiences
- in **France**, President Sarkozy has initiated a major debate on the funding and scope of PSB by announcing earlier this year his intention that France Télévisions (FTV – the holding group for the national PSBs) gradually remove advertising from its channels between the beginning of 2009 and the completion of digital switchover in 2011, and setting up the Copé Commission to deliberate upon the means of doing so. The funding gap created by this proposal is likely to be significant: in 2006, the licence fee accounted for only 64.3% of FTV's income, whilst advertising made up 26%.³ To date, the government has ruled out any compensatory increase in the licence fee; instead, existing licence fee revenues will be complemented by a range of modest taxes on other broadcasters' advertising revenues and on other communications companies, such as internet service providers and mobile network operators. It has been reported that the government would authorise a second commercial break in films aired on the commercial broadcasters TF1, M6 and Canal Plus, a move which is likely to increase both advertising revenues and the willingness of commercial broadcasters to contribute to the funding of PSB.

³ EBU, European Audiovisual Observatory

The current debate in France highlights tensions that are felt in many European countries as a result of mixed public and commercial funding of PSB, which range from concerns about levels of trust and quality, to the difficulties of compliance with EU 'State aid' rules. In Belgium, for example, where VRT's revenues already come from a mixture of public funding and commercial revenues, there has recently been debate over whether public funding should be used to finance production of PSB content rather than a single broadcaster. Alongside concerns about the impact on trust of what could be perceived as a government agency commissioning content, there are fears that the quality of public service content could suffer, as quality would not be covered by tender specifications, and the audience experience of public service content across different platforms would be fragmented.

In Denmark, one of the principal difficulties of mixed public and commercial funding was demonstrated in a 2004 ruling by the European Commission, ordering TV2 to reimburse €84.4m (plus interest) of 'State aid'. The Commission found that, with no evidence of TV2 having chosen not to maximise its advertising revenues whilst also in receipt of public funding, the 'State compensation' it received between 1995 and 2002 exceeded the cost of fulfilling its public service obligations by €84.4m. In addition to this difficulty, as we saw above, audience perceptions of TV2 reflect a degree of uncertainty over its role in Denmark's broadcasting ecology.

3 PSB and 'new media'

Across these developments, debate about the future roles of PSBs focuses particularly upon their ability to diversify into new media⁴, and upon how this may affect the relationship between PSBs and the commercial sector. In many European PSBs – such as Germany, Hungary and the Netherlands – the BBC encountered a strong belief that internal culture change will be essential in enabling them to evolve into multimedia organisations and to become more responsive to audiences' requirements.

The provision of public service content via 'new media' platforms is an area in which the UK PSBs, and particularly the BBC, are acknowledged leaders among their European peers. A recent paper comparing the UK approach to those pursued in other European countries suggested that 'thanks largely to the BBC digital terrestrial television has spread much more quickly than in France or Germany', and that the provision of public service content online has delivered greater benefits here than elsewhere partly because 'UK media policy makers appear to have been less concerned about the scale of the BBC's new media activities than their German counterparts, seeing the BBC as an important driver of the new technologies'.⁵ By contrast, France 'has seen a relatively slow transition from analogue to digital technology...by the end of 2006, just over one third of households could receive digital television'.⁶ However, France is the market leader in IPTV in Europe, with 1.5m subscribers and higher penetration

⁴ Broadly speaking, the transition from analogue to digital technologies and the advent of new delivery possibilities including the internet and mobile telecommunications

⁵ T. Gibbons and P. Humphreys, *Globalization, Regulatory Competition and Audiovisual Regulation: the Canadian, French, German and UK cases*, paper presented at the Law Society of Upper Canada's 14th Biennial National Conference, p.7; p.13

⁶ *ibid.*, p.4

than other European markets.⁷ More recently, the Copé Commission has emphasised the need for FTV to develop a multimedia strategy, to ensure the PSBs can sustain relevance and impact. A similarly-paced transition has taken place in Germany, partly due to the difficulties created by ‘the divided competencies of the federal government (responsible for telecommunications) and the Länder (responsible for broadcasting)’.⁸ Neither country has benefited from a PSB with the capability to lead the exploitation of new media for public service purposes along the lines of the BBC’s achievements in the UK.

4 The role of plurality in PSB systems

‘Plurality’ in other European PSB systems is not accorded the same importance – indeed, is seldom conceptualised in the same terms – as is the case in the current PSB debate in the UK. Where a plurality of PSB institutions does exist, it tends to be considered a ‘legacy’ feature of the PSB system, and the focus of debate is on consolidation rather than on the preservation of this type of plurality for its own sake.

For instance, the Netherlands has witnessed substantial consolidation of its PSBs over the last eight years or so, during which 24 (mostly regional) PSBs, each of which held their own broadcasting licence within a loose group structure, have been replaced by a single licence awarded to NPO for 10 years and centralised scheduling of the three national TV channels and radio stations. A senior NPO executive told us that this process of centralisation has improved the reach, share and impact of PSB in the Netherlands.

Plurality is not an end in itself

It is on these facets of PSB – what we might consider to be indicators of quality – that discussion of plurality tends to focus among European PSBs, rather than on plurality as an end in itself. Nor are these indicators of ‘quality’ understood simply as a function of the existence of plural PSBs: for instance, in Denmark there is widespread acceptance that the broadcaster TV2 – which was originally conceived as a PSB before losing its licence fee funding in 2003 – is unlikely to remain as a PSB competitor to DR (which retains licence fee funding and PSB obligations), and there is no expectation that this will have any significant impact upon the delivery of high quality PSB content. The senior DR executive with whom the BBC discussed this issue stated unequivocally that ‘Quality is sustainable without PSB plurality’.

‘Plurality’ as diversity of content

Plurality only assumes greater importance where it is understood as diversity of content, regardless of how many broadcasters provide it. As Petros Iosifidis recently observed, ‘There is little evidence that European countries aim for competition between broadcasters for the production and distribution of programmes in key public service genres’.⁹ Instead, greater importance is attached to internal plurality –

⁷ Ofcom, *The International Communications Market 2007*, p.75

⁸ Gibbons and Humphreys, *op.cit.*, p.6

⁹ P. Iosifidis, *A European Dimension* in T. Gardam and D. Levy (eds.), *The Price of Plurality: Choice, Diversity and Broadcasting Institutions in the Digital Age* (Reuters Institute for the Study of Journalism, Oxford 2008), p.186

that is, plurality of public service content and production, rather than merely of broadcasting organisations (external plurality). Examples of this understanding of plurality include the system of *lottizzazione* that operated in Italy between the early 1970s and early 1990s, according to which each channel, news and current affairs programme broadcast by the Italian PSB *RAI* had different layers of political affiliation, with the intention of maintaining some diversity of output from 'an otherwise monolithic broadcaster'.¹⁰

Elsewhere, an important plank of PSB plurality in France is FTV's practice of commissioning a large proportion of its output from external producers, which delivers a degree of internal plurality through diversity of supply. This is not dissimilar to the achievement of the BBC's Window of Creative Competition, which opens 25 per cent of the Corporation's programme needs to internal and external competition, in addition to the legally-binding 25 per cent independent quota. Over 2007-2008, the most recent period for which figures are available, this led to the BBC commissioning 43 per cent of eligible hours with the external production sector: a considerable degree of plurality as that term might be understood by other European PSBs.

In 2003, the **Republic of Ireland** introduced a small degree of contestability in the funding of public service content whilst at the same time substantially increasing the licence fee from €107 to €150, a 40% increase. The 2003 Broadcasting (Funding Act) attributes 5% of the increased licence fee to the regulatory authority for commercial broadcasting, the Broadcasting Commission for Ireland (BCI). The money finances the BCI's 'Sound and Vision' scheme¹¹. Free to air television broadcasters which have near-universal coverage of the territory of the Republic of Ireland, including the public service broadcaster RTE, cable companies which have an agreement to distribute programmes produced by not-for-profit local organisations, and licensed radio broadcasters (including RTE) are free to apply to Sound and Vision for the funds to make 'high-quality programmes based on Irish culture, heritage and experience'. The fund can provide up to 95% of the production costs.

The decision to create the 'Sound and Vision' fund was notified to the European Commission and cleared in 2005 under the provisions of the Commission's Communication on state aid to the film production sector ('Cinema Communication'). To approve the scheme, the Commission made an exception to state aid rules that provide for state aid to audiovisual works to be capped at 50% of the production costs of aided content. This was justified because of the 'comparatively limited geographic extension of certain languages and cultures', the 'limited circulation of these cultural products within the EC', and the fact that 'all programmes envisaged under the scheme are either difficult audiovisual works, low budget programmes, or, in the case of the programmes produced in the Irish language, audiovisual works which counteract the limited geographic extension of certain languages and cultures'.¹²

¹⁰ *ibid.*, p.187

¹¹ http://www.bci.ie/broadcast_funding_scheme/index.html

¹² Decision in the letter from Competition Commissioner Neelie Kroes of 5.10.2005, COM(2005)3679 final, http://www.bci.ie/documents/ec_approval.pdf.

Plurality, locality and political structures

Where PSB plurality is observable abroad, it is more likely to be a function of underlying political and constitutional structures than an actively-managed regulatory outcome. In Germany, for example, plurality is provided by the two original national PSBs, ARD and ZDF, and nine broadcasting corporations in the Länder (states), which co-operate under the ARD and broadcast a third channel in their own Länder. (Further PSBs have also been founded out of ARD and ZDF.) This version of institutional plurality reflects Germany's federal constitution, under which broadcasting issues are the responsibility of the Länder rather than of the federal government.

5 Lessons for the current PSB debate in the UK

The foregoing analysis suggests four main points of contextualisation for the review of PSB in the UK:

- funding shortfalls are likely to be faced by most, if not all, PSBs across Europe in the near future, as growth in costs is not matched by real-term growth in income
- PSB ecologies in other European countries are tending towards greater consolidation, rather than increased plurality of providers
- the UK, and particularly the BBC, leads European PSBs' exploitation of new media to generate public value, partly thanks to the recognition within the UK of the public value of PSB investment in new media
- plurality of content is considerably more important than plurality of providers in most European PSB systems. Where institutional plurality is an important issue, it is more as a reflection of underlying political and constitutional structures than as an *a priori* public good.

The lack of uniformity across PSB systems in Europe makes the direct application of international comparisons to the UK's PSB debate difficult; in particular, any direct comparison is hindered by the extent of the influence that the UK PSB system has in shaping debates in Europe and across the world. What these comparisons do make clear, though, is that the debate on the future of PSB in the UK should, at least in part, be concerned with maintaining a capacity to build public value in broadcasting that is genuinely world-leading.