



House of Commons
Digital, Culture, Media and
Sport Committee

**The future of public
service broadcasting**

Sixth Report of Session 2019–21

*Report, together with formal minutes relating
to the Report*

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The Digital, Culture, Media and Sport Committee

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Contacts

All correspondence should be addressed to the Clerk of the Digital, Culture, Media and Sport Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6188; the Committee's email address is cmscom@parliament.uk.

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Summary

The past decade has seen the widespread uptake of streaming services and the use of internet-connected devices. The gradual shift from a broadcast to an internet model for the delivery of television and radio is making it harder for public service broadcasters (PSBs) to reach audiences and fulfil their remits.

Throughout this inquiry, we have received almost 100 written submissions and held evidence sessions with broadcasters, platforms, Ofcom and academics. We have found that support for the principles behind public service broadcasting remains strong. Public service broadcasting provides universal access to high-quality content, free at the point of use. PSBs are a vital tool against misinformation in an age of social media, providing accurate, reliable and trusted news. Public service broadcasting provides a wide range of programming which aims to serve the needs of all the UK's varied and diverse population, and PSBs underpin a production ecology that generates significant returns to the UK economy. However, the legislation underpinning public service broadcasting was enacted in 2003, well before the steep rise in popularity and availability of streaming and internet-delivered services. In short, the Communications Act 2003 is no longer fit for purpose.

Action is now required in four key areas. First, new primary legislation is urgently needed to replace the Communications Act 2003. In particular, the new legislation needs to update the rules around prominence to ensure that the PSB compact is sustainable within the new, increasingly internet-based audio-visual landscape.

Secondly, the way in which platforms operate in the UK needs to be addressed. Increasingly, PSBs are having to distribute content on third party platforms (such as social media) in order to reach younger audiences. The remit of the newly formed Digital Markets Unit should be expanded to consider whether the dominance of online platforms gives them undue influence over the distribution of, and access to, PSB content.

Thirdly, action is needed in respect to representation, diversity, and the provision of Nations and Regions content. Requirements for diversity reporting need to be extended to streaming services and after years of little improvement, Ofcom needs to look at ways to expedite progress on diversity on- and off-screen. Given recent cost-saving measures, there also needs to be a review of the quality and relevance of regional provision across the UK.

Finally, the issue of how PSBs are funded must be tackled by the Government. If PSBs are to continue to provide linear broadcasting whilst also investing in on-demand provision, they require adequate funding to do so. For publicly funded PSBs, uncertainty regarding decriminalisation and the future of the licence fee needs to be removed. For commercial PSBs, the Digital Markets Unit needs to address the lack of competition and regulation in online advertising.

1 Introduction

Public service broadcasting in the UK

1. The public service broadcasting ecology in the UK is made up of a number of constituent parts. First, the main UK-wide public service broadcasters (PSBs): the publicly funded BBC, the publicly-owned but commercially-funded Channel 4, and the wholly commercial Channel 5. Secondly are the fully commercial Channel 3 licence holders: ITV in England and Wales, STV in Scotland and UTV in Northern Ireland. Finally, S4C (the independent Welsh language service) is part publicly- and part commercially-funded. The public service remit of the BBC is set out in its Charter, and Section 265 of the Communications Act 2003 outlines the remit for Channel 3 licence-holders, Channel 4 and Channel 5.¹ The Office of Communications, more commonly known as Ofcom, has a statutory requirement to oversee the compliance of PSBs with their duties and to carry out a review of public service broadcasting, as a whole, every five years.²

2. The BBC, which describes itself as the “world’s leading public service broadcaster”, is the UK’s largest PSB. Established in 1922 by a Royal Charter, it is principally funded through the TV licence fee. The BBC’s Charter sets out its five public purposes:

- To provide impartial news and information to help people understand and engage with the world around them.
- To support learning for people of all ages.
- To show the most creative, highest quality and distinctive output and services.
- To reflect, represent and serve the diverse communities of all the United Kingdom’s nations and regions and, in doing so, support the creative economy across the United Kingdom.
- To reflect the United Kingdom, its culture and values to the world.

The PSB remit covers all of the BBC’s output, with the exception of its commercial operations (BBC Studios, BBC Global News and BBC Studioworks) which supplement its income.³ The BBC has a portfolio of television services, ten UK-wide radio networks, two national radio services in each of the Nations (Scotland, Wales and Northern Ireland) and 39 local radio stations across England. The BBC also operates the BBC World Service in more than 40 languages.⁴ In addition to its linear output, BBC content is available through its on-demand player, iPlayer. The BBC also jointly owns BBC Alba, the Scottish Gaelic-language channel, with Meadhanan Gàidhlig Alba (Gaelic Media Scotland).

3. ITV, as the largest Channel 3 licence holder, describes itself as an integrated producer broadcaster which “creates, owns and distributes high-quality content on multiple platforms” and operates the “largest family tree of free-to-air commercial channels in the UK”.⁵ ITV’s content is also hosted on its on-demand player, ITV Hub.

1 Communications Act 2003, [section 265](#)

2 Communications Act 2003, [section 264](#)

3 BBC, ‘[Commercial services](#)’, accessed 5 February 2021

4 BBC, ‘[About the BBC](#)’, accessed 5 February 2021

5 ITV, ‘[What we do](#)’, accessed 3 February 2021

4. Channel 4 is a publicly owned, non-profit organisation which invests its available income back into commissioning content. It is entirely commercially funded, and the vast majority of its income comes from TV and online advertising.⁶ Channel 4 is a publisher/broadcaster which means it commissions content from external production companies rather than producing its own programmes.⁷ Channel 4's operation is governed by a specific remit, outlined in the Communications 2003 Act, which requires its programming to be “innovative, creative and distinctive, for it to take account of cultural diversity and to make a significant contribution to meeting the need for licensed public service channels to include educational programmes”.⁸ Its content is available online through its on-demand player, All 4.

5. Channel 5, which launched in 1997, is the newest PSB and was the first new terrestrial channel to be launched in the UK in 15 years. The channel was purchased in 2014 by American media company ViacomCBS. Since the takeover, Channel 5 has made a marked move away from US acquisitions and set-piece reality shows, upon which it had become heavily reliant. Today, approximately 80% of Channel 5's output is original, and its content is also available online through its on-demand player, My5. Channel 5 is the smallest of the PSBs with nation-wide coverage: it has a budget of £240m a year and just nine Commissioners.⁹

6. The final PSB, S4C, is the independent Welsh language provider. Like other PSBs, its content can be accessed on linear TV and on its service-specific on-demand player, but its content is also hosted on the BBC iPlayer. S4C's current funding model has 8% of its £84m budget coming from the UK Government, 90% from the TV licence fee and 2% from its own commercial income. However, from 2022 it will no longer receive UK Government funding and will only receive public money via the licence fee.¹⁰

7. All free-to-air BBC services are bound by PSB obligations, including iPlayer, while the obligations only extend to the main linear Channel 3, Channel 4 and Channel 5 services; ITV Hub, All 4 and My5 are not covered by the PSB remit.

A changing landscape

8. Public service broadcasting means different things to different people. To some it's their main source of current affairs and news, to others, it's sitting down together to watch *Strictly Come Dancing* on a Saturday night. Regardless, there is no question that the way in which we access and consume TV, including that provided by PSBs, has changed dramatically in recent decades. Since 2010, the average daily viewing of linear broadcast TV has declined by almost an hour, and the decline is even more prominent in the younger age groups.¹¹

9. Whilst PSBs continue to maintain a “strong position” in terms of share of broadcast viewing, the growing popularity of subscription video on demand (SVoD) services and other online services has resulted in a dramatic fragmentation of viewer behaviour.¹²

6 Channel 4, '[Frequently Asked Questions](#)', accessed 17 February 2021

7 Channel 4, '[A publisher-broadcaster](#)', accessed 12 February 2021

8 Communications Act 2003, [Explanatory Notes](#)

9 ViacomCBS ([PSB0100](#))

10 '[S4C set to lose UK government funding by 2022](#)', BBC News, 29 March 2018

11 Ofcom, [Media Nations 2019](#) (7 August 2019), p 29

12 Ofcom, [Media Nations 2019](#) (7 August 2019), p 29

Audiences have more choice than ever before, and the methods by which they consume content has expanded: rather than all viewing taking place via the conventional TV set receiving a digital or, previously, an analogue signal, audiences now watch content on their mobile phones and tablets, or via internet-enabled devices such as smart TVs, games consoles or streaming sticks. It is now possible to consume content on the go and before the Covid-19 pandemic, the amount of solo viewing undertaken was on the rise.¹³ It is also now estimated that approximately 60% of the households in the UK subscribe to at least one SVoD service¹⁴ and that on average, adults in the UK watch around 30 minutes of YouTube content every day.¹⁵ The most popular streaming services and platforms are owned by US corporations so rather than being the big players in a national market, PSBs are now the small national players in a global market.

10. The Covid-19 pandemic had a huge impact on viewing behaviour. With the whole country in lockdown in the first half of 2020, the amount of time people spent consuming audio-visual content skyrocketed: in April 2020, the average person watched 6 hours 25 minutes per day, an hour and a half more than the average figure for 2019.¹⁶ As lockdown eased, broadcast TV viewing fell but at the end of June 2020, it still stood at around 11% higher than the same week in 2019.¹⁷ However, streaming services maintained much more of their “lockdown uplift” and at the end of June 2020, viewing for SVoDs was up by 71% year on year.¹⁸ The difference in viewer retention at that point of 2020 is stark and highlights the way in which the Covid-19 pandemic has accelerated the already fast-paced growth in online viewing.

Principles of public service broadcasting

11. Within public service broadcasting, there are three core principles that have come to be expected of the system, some of which are outlined in the Communications Act 2003 and some which have come to be generally accepted. First, universality of access is widely considered to be an integral part of public service broadcasting. It is expected that public service content is made widely available to all citizens of the UK, free at the point at which they consume it. There is also an expectation that this universally available content represents the diversity of the UK, and spans a wide range of genres to reflect that diversity.¹⁹ Secondly, it is expected that the news and current affairs content produced by PSBs be accurate, reliable and impartial.²⁰ In short: consumers expect PSBs to be a trusted source of information. Finally, it is expected that PSBs should be able to function free from Government interference or political pressure. This includes, but is not limited to, transparency in funding structures.

12. There are some key questions facing PSBs, and the broadcasting industry as a whole. In 2021, for example, how should public service broadcasting be funded? What should be included in the remit of a PSB? How should public service broadcasting be delivered, and what should it aim to achieve? **For public service broadcasting to prosper in the future the Government will need to act—changes that require ministerial authority**

13 Ofcom, [Media Nations 2019](#) (7 August 2019), p 23

14 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 24

15 Ofcom, [Media Nations 2019](#) (7 August 2019), p 3

16 Ofcom, [Media Nations 2020](#) (5 August 2020), p 4

17 Ofcom, [Media Nations 2020](#) (5 August 2020), p 4

18 Ofcom, [Media Nations 2020](#) (5 August 2020), p 4

19 Communications Act 2003, [section 264\(6\)](#)

20 Communications Act 2003, [section 319\(2\)](#)

are needed in order to ensure that the public service broadcasting system remains sustainable in the context of today's greatly expanded and increasingly global media market.

Our inquiry

13. Throughout our work on this inquiry, we have received almost 100 pieces of written evidence and taken oral evidence from more than 20 witnesses including PSBs, academics, Ofcom, streaming services and other broadcasters. We would like to thank Professor Catherine Johnson and Joey Jones, Specialist Advisers to the Committee, for their work on this inquiry. Their much valued expertise allowed the Committee to explore areas which might otherwise not have been possible, and we are grateful for their input on this Report as well as their extensive research and work on the annex on public service broadcasting funding models.

2 Public service broadcasting: still relevant?

The role of linear broadcasting

14. It is received wisdom that linear broadcasting is yesterday's technology, and that legislators and regulators need to adapt to an environment in which content is accessed on demand through a range of devices. But the evidence from many contributors to this inquiry, and the Covid-19 experience, somewhat confounds this picture.

15. Broadcast TV viewing figures have been falling in recent years as the emergence of global streaming services, such as Netflix, YouTube and Amazon Prime Video, has increased choice. In 2019, average viewing of broadcast TV per person, per day fell by 5%, with similar falls having already taken place in 2017 and 2018.²¹ Whilst Covid-19 temporarily reversed the long-term decline in viewing, by June 2020 combined PSB (public service broadcaster) viewing share had fallen back down to its lowest levels since August 2019.²²

16. However, linear broadcasting remains an important service to certain groups in society. For example, Ofcom reported that in 2018, over-75s watched an average of 349 minutes of broadcast TV a day compared to 25–34 year olds who watched 122 minutes a day.²³ In 2019 AgeUK found that 225,000 older people in the UK can go a whole week without speaking to anyone,²⁴ and there is general consensus that access to broadcast television helps combat loneliness and isolation.²⁵ **Despite the long-term decline in viewing, we recognise that linear television remains crucial to certain audiences.**

Universality and accessibility

17. One of the key principles of public service broadcasting is that programming is universally available, free to everyone in the country at the point of consumption. According to Ofcom Chief Executive, Dame Melanie Dawes:

universality is a core part of what makes public service broadcasting valuable. It is that ability to reach out to many audiences, and the availability of content for all people in the UK, free at the point of coming to air.²⁶

Many submissions to our inquiry have also highlighted the importance of universality. Enders Analysis told us that “universality of access and ease of that access is integral to the PSB mission”,²⁷ the Media, Communication and Cultural Studies Association told us that universality “remains an essential feature of PSB in the UK”,²⁸ and Together TV said that “universality of access is key for our social, democratic and educational aspirations—as important as access to our roads and rail, to our schools, hospitals and town halls”.²⁹

21 Ofcom, [Media Nations 2020](#) (5 August 2020), p 12

22 Ofcom, [Media Nations 2020](#) (5 August 2020), p 4

23 Ofcom, [Media Nations 2019](#) (7 August 2019), p 4

24 AgeUK, ‘[Almost 4.5 million older people claim to have felt lonely during later life](#)’, accessed 12 January 2021

25 Later Life Ambitions (PSB0011); Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 3; AgeUK (PSB0043)

26 Q661

27 Enders Analysis (PSB0051)

28 MeCCSA (Media, Communications & Cultural Studies Association) (PSB0005)

29 Together TV (PSB0066)

Broadcast vs online delivery

18. Broadcast television is currently transmitted via Freeview, the biggest TV platform in the UK, to approximately 18m homes.³⁰ The Freeview service was originally solely delivered as broadcast TV via aerial but now also offers ‘Freeview Play’ which gives audiences with internet-connected devices access to live and on-demand programmes from Freeview channels.³¹ Approximately 85% of people still watch broadcast content every week,³² but overall television viewing habits are undoubtedly changing. Netflix currently has in excess of 12m subscribers in the UK,³³ Prime Video has 9.5m, Disney+ has 3.4m and Now TV has 1.9m.³⁴

19. At some point in the future it seems likely that public service broadcasting will be delivered (or at least universally accessible) via the internet, but that is not the reality we confront today. According to Ofcom, approximately 190,000 premises in the UK do not have access to a “decent” broadband service, either from a fixed connection or from a wireless network.³⁵ This means that whilst the majority of people in the UK theoretically have access to a broadband connection which would enable them to access to online TV services, there are still a significant number of households which do not. Last year, whilst undertaking an inquiry into broadband, we found that “significant variations in [broadband] coverage between residential and commercial properties, rural and urban areas, and the UK’s nations remain”.³⁶ This is not a problem which will be solved any time soon: the Government has recently revised its target for nationwide gigabit-capable broadband coverage by 2025 down to just 85%.³⁷

20. Furthermore, it is estimated that 11.3m people in the UK do not have the basic digital skills required to “thrive” in today’s increasingly digital world,³⁸ and there are approximately 7.5% of UK adults who have never been online.³⁹ Arqiva told us that it is estimated that as many as 1.8m households could lose television and public service broadcasting services if they were entirely internet-based.⁴⁰

21. Whilst some internet service providers such as BT have told us that the Government should be looking to “facilitate a transition to an IP-delivered universal basic TV service”,⁴¹ Virgin Media warns that:

30 Digital UK, ‘About us’, accessed 12 November 2020

31 Digital UK (PSB0083)

32 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 19

33 Q242

34 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 25

35 Ofcom defines “decent” broadband as having a speed of 10 Mbit/s download and 1 Mbit/s upload. Households with a decent broadband speed should be able to make a high definition video call using applications like Zoom, Teams, WhatsApp or Facetime. They should also be able to download a one hour HD TV episode (1GB) in almost a quarter of an hour. The other (faster) types of broadband are Superfast, Ultrafast and Gigabit. (Ofcom, [Connected Nations 2020](#) (17 December 2020), p 6)

36 Digital, Culture, Media and Sport Committee, Fourth Report of Session 2019–21, [Broadband and the road to 5G](#), HC153, para 3

37 Digital, Culture, Media and Sport Committee, Fourth Report of Session 2019–21, [Broadband and the road to 5G](#), HC153, para 21

38 National Union of Journalists (PSB0101)

39 Office of National Statistics, ‘[Internet users, UK: 2019](#)’, accessed 5 February 2021

40 Arqiva (PSB0098)

41 British Telecom (PSB0107)

A wholly internet-based television service considerably increases the pressure on broadband networks, and in turn requires significant investment into network capacity by broadband providers.

[...]

If the whole PSB system were to move to a wholly internet-based service, broadband providers would see [...] considerable demand and pressure on their networks much more frequently.⁴²

22. A universally accessible online service might not be deliverable at present, but the fact remains that overall, audiences are increasingly accessing content online. Ofcom have made it clear that PSBs need to cater to those online audiences, whilst also continuing to provide a sufficient linear offering.⁴³ However, retaining linear provision whilst also increasing and improving on-demand provision to compete with global players with deep pockets requires resources.

23. PSBs continue to face budgetary constraints.⁴⁴ The diminishing return of the licence fee as a result of increasing evasion and changes to the age-related concession is putting pressure on the BBC, and the long-term decline of TV advertising has impacted all of the commercial PSBs. These pressures have further been exacerbated by the Covid-19 pandemic as it continued throughout 2020. For example, the BBC is having to make savings of £125m this year as a result of the Covid-19 pandemic.⁴⁵ Channel 4 had to cut its commissioning budget by £150m at the beginning of the pandemic due to a significant drop in the advertising market,⁴⁶ and ITV introduced a range of cost-saving measures including salary reductions and bonus scheme suspensions.⁴⁷ With the exception of the BBC, all of the PSBs also utilised the Government's furlough scheme.⁴⁸ When asked how PSBs should be increasing their online offering whilst maintaining their linear provision, all within the context of diminishing budgets, Dame Melanie Dawes said that PSBs needed to:

continue riding both horses and provide the more traditional broadcast services on which many people continue to rely, while also catering increasingly for the fact that newer audiences, in particular, do not want to view in that way. It does mean they have to double run.⁴⁹

24. Universality is at the heart of public service broadcasting and should remain so. Linear broadcast television by PSBs remains important and with delays to full fibre broadband rollout, a wholly online public service broadcasting system allowing for universal access is not yet viable. During the current period of transition, whilst a significant amount of content is being made available online, the interests of consumers who rely on linear TV must be preserved. Ofcom continues to tell PSBs to do more with less, but does not detail how they expect this to be done. *Expectations for, and*

42 Virgin Media ([PSB0108](#))

43 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 34

44 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 3

45 Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Q205](#)

46 Q68

47 Q106

48 Q70; Q107; Q358; Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Q207](#)

49 Q676

the remits of, public service broadcasters have to be realistic in relation to the available funding. If budgets are going to continue to decline in real terms, the Government should review the expectations set for PSBs.

Impact of Covid-19

25. The Covid-19 pandemic has had a significant impact on the entire UK broadcasting industry. The Department for Digital, Culture, Media and Sport described this period as one “of unprecedented challenges for the [broadcasting] sector”, causing “significant financial and practical impacts” across the entire industry.⁵⁰ When the pandemic first hit, production on many popular shows such as *EastEnders* and *Coronation Street* stopped, and all PSBs reduced the number of episodes aired each week to ensure the programmes could stay on air for longer.⁵¹ Large gaps also appeared in broadcasters’ schedules with the disappearance of live sport.⁵²

26. Alongside an increase in repeat programming (described by the BBC as a mixed schedule including “some of the classics”),⁵³ broadcasters also had to innovate: production methods were adapted and broadcasters like Channel 4 reported that they were making programming “cheaper and faster”.⁵⁴ For example, a number of Jamie Oliver’s ‘Keep Cooking and Carry On’ episodes were filmed during the first ‘lockdown’ on his iPhone, without a camera crew, from his own kitchen.⁵⁵

27. During the lockdown period, public service broadcasting was used by the Government to provide daily news conferences. These briefings were broadcast live on BBC One and played a big role in disseminating important information about the Covid-19 pandemic and relevant restrictions. The lockdown announcement on 23 March 2020 alone averaged 28m viewers overall, and 18.8m viewers tuned in live to BBC One to listen to the Prime Minister explain how lockdown plans would be eased on 10 May 2020.⁵⁶ Access to news and up-to-date information via broadcast PSB content was, and continues to be, particularly important for older people who are less likely to have access to the internet: “While virtually all (99%) of young adults use the internet, less than half (47%) of over 75s are online.”⁵⁷

28. Beyond providing access to important information, broadcast TV has also brought the nation together, creating shared experiences and delivering key public health information.⁵⁸ The top two programmes in 2020 in terms of viewing figures were Prime Ministerial statements about lockdown restrictions: the Prime Minister’s statement on easing lockdown on 10 May 2020 received 18,753,000 views on BBC One, and the statement announcing the first lockdown on 23 March 2020 received 14,612,000 views on BBC One. However, it was not just BBC news specials which brought the nation together; of the ten most viewed programmes in 2020, three were episodes of ITV’s *Britain’s Got Talent*.⁵⁹ **The**

50 Department for Digital, Culture, Media and Sport ([PSB0102](#))

51 Ofcom ([PSB0021](#))

52 Ofcom ([PSB0021](#))

53 Qq4–5

54 Q68

55 ‘[Jamie Oliver to shoot the rest of Keep Cooking and Carry On series at home on an iPhone](#)’, Evening Standard, 30 March 2020

56 Ofcom, [Media Nations 2020](#) (5 August 2020), p 16

57 AgeUK ([PSB0043](#))

58 ITV plc ([PSB0047](#))

59 Ofcom, [Media Nations 2020](#) (5 August 2020), p 16

Covid-19 pandemic has highlighted the role that PSB content can play in bringing the country together creating shared national experiences and providing access to topical, UK-specific information and entertainment.

The role of news

29. The UK has a wide range of news providers: commercial PSBs, the BBC and other broadcasters, such as Sky, provide a choice of broadcast news, and new entrants to the market in recent months demonstrates an appetite for plurality. Some submissions have emphasised the importance of a “plural, trusted and vigorous media” to a “functioning democracy”,⁶⁰ and that by “creating more informed citizens”, public service broadcasting can make a “significant contribution to democracy”.⁶¹ The issue of universal access to this information has also been raised,⁶² as well as the view that countries around the world which have “strong public service broadcasters have more informed populations” than those which are more reliant on commercial news providers.⁶³

30. Ofcom found that “trusted and accurate” news was considered to be the most important feature of public service broadcasting.⁶⁴ Each PSB fights hard for the mantle of “most trusted” in its news provision, and the survey evidence varies. In December 2020 Ofcom confirmed that levels of trust in broadcasters’ news provisions are “consistent” at around 70%,⁶⁵ and Table 1 provides a breakdown of how each PSB was rated in Ofcom’s *News Consumption: 2020* report:

Table 1: Attributes of TV sources (2020)

% of regular users rating each source highly (7–10)

	BBC TV	ITV	Channel 4	Channel 5
Is trustworthy	71%	71%	70%	65%

Source: Ofcom, [News Consumption in the UK: 2020](#) (13 August 2020), p 73

In contrast, news from social media platforms performed worst in terms of trustworthiness: Facebook, Twitter and Instagram all scored between 32% and 39%.⁶⁶

31. Even before the Covid-19 pandemic, TV news provision by PSBs was among the “most used, and trusted, sources of reliable news and information across all ages”.⁶⁷ However, during the pandemic, the number of people accessing broadcast news expanded significantly: average daily news viewing (across all channels) increased by over 90% in March 2020 compared to the previous year.⁶⁸ Whilst is important to note that viewers have

60 National Union of Journalists (PSB0101)

61 Cardiff University School of Journalism, Media and Culture and the Creative Industries Policy and Evidence Centre (PSB0106)

62 For example: UK Coalition for Cultural Diversity (PSB0017)

63 Professor Justin Lewis and Professor Stephen Cushion (PSB0019)

64 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 3 Q685

65 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 78

67 Cardiff University School of Journalism, Media and Culture and the Creative Industries Policy and Evidence Centre (PSB0106)

68 Cardiff University School of Journalism, Media and Culture and the Creative Industries Policy and Evidence Centre (PSB0106)

also been turning to other broadcasters during the pandemic, for example, Sky News saw a “more than 200% increase in viewing” at the end of March 2020,⁶⁹ and the Government told us that the BBC in particular was found to be the most “sought-after source of news”.⁷⁰

32. Furthermore, during the Covid-19 pandemic and the rise of associated ‘fake news’ and misinformation, highlighted in depth in our Report ‘Misinformation in the Covid-19 Infodemic’, the value of news provision by PSBs has been further emphasised.⁷¹ Dr Caitriona Noonan, Senior Lecturer, Media and Communication in the School of Journalism, Media and Cultural Studies at Cardiff University, told us that “one of the things that has been illustrated during Covid is how much people trust the public service broadcasters in relation to news”.⁷²

33. In addition to their usual news provision, most of which have continued throughout the pandemic, some PSBs went further: Channel 4 announced that it would dedicate £10m to producing shows about the impact of the coronavirus pandemic,⁷³ and its FactCheck service has published many articles relating to the pandemic. In addition, BBC piloted an online tool, a chat bot, on Facebook Messenger to allow users to find accurate answers to their questions about coronavirus restrictions in addition to the latest advice and news. The bot drew on BBC News journalism and, where possible, responded to the specific question being asked. The bot could also provide relevant answers from the NHS website and the devolved nations’ health authorities, and could direct people to relevant articles from BBC News.⁷⁴

34. The launch of the BBC’s chat bot service was prompted by an inability for the BBC to reach agreement on Google and Amazon’s use of BBC content on their respective smart speakers. At the beginning of the pandemic, the BBC and those platforms held talks to ensure that smart speaker users had access to accurate and impartial information about the pandemic. However, the BBC told us that an agreement could not be reached due to the lack of editorial oversight which would be afforded to the BBC by the platforms:

We were worried that if we did not have the ability to get questions from the public and then did not have the ability to choose ourselves what information to offer up, it could undermine our news values and our reputation for impartiality and accuracy. We tried to work with them to have a way within their systems of us having that editorial oversight. We were not able to do that⁷⁵

35. The pandemic has reinforced the critical importance of free and easy access to trusted news sources. At a time of crisis, audiences have shown that they value the PSBs. PSBs have played a role in tackling the spread of misinformation online, and broadcast news specials have played a crucial role in disseminating essential information to the general population. However, in the case of Amazon and Google’s refusal to allow the

69 Sky (PSB0094)

70 Department for Digital, Culture, Media and Sport (PSB0102)

71 Directors UK (PSB0072); National Union of Journalists (PSB0101); Department for Digital, Culture, Media and Sport (PSB0102); Together TV (PSB0066)

72 Q551

73 Channel 4, ‘Channel 4 sets out financial plan to navigate the organisation through impact of Covid-19 crisis’, accessed 8 June 2020

74 BBC Media Centre, ‘BBC launches pop-up Corona Bot service to answer questions on Covid-19 related changes’, accessed 9 June 2020

75 Q21

BBC editorial oversight of its Covid-19 content and information hosted on their smart speakers, it would appear that these platforms have prioritised control of information over journalistic integrity.

Regional News

36. Whilst trust and impartiality have been outlined to us as important aspects of the news provisions by PSBs,⁷⁶ some submissions have highlighted concerns about the decline in local and regional news provision, both by ITV and by the BBC. Voice of the Listener and Viewer told us that:

representation of the regions and nations of the UK will and must be maintained by the PSBs [but] recent reports that the BBC plans to reduce local and regional news and programming—thus mirroring the decline of ITV—do not give rise to confidence.⁷⁷

37. Others feel that the local news and radio structure which currently exists “fails to deliver meaningful representation”.⁷⁸ Following the BBC’s announcement that it would be cutting 450 jobs in News (a figure which later rose to 900 jobs from News and Nations & Regions),⁷⁹ we put it to Tim Davie, the new Director-General, that in some cases, the audiences that local news and current affairs content is being broadcast to is over 200 miles away from where it is being produced.⁸⁰ When we asked Mr Davie how local relevance was going to be improved in the light of further cuts, he told us that some of the local reporting “deserves a wider audience” and that there was “a case for concentrating [the BBC’s] current affairs resources on slightly less hours to get more audience and bigger investigations”.⁸¹

38. When we raised the issue of regional news with Dame Carolyn McCall, Chief Executive of ITV, she told us that “regional news is very heavily loss-making” for ITV, primarily because it isn’t able to take any advertising due to time constraints.⁸² ITV told us that it is the most regionally-specific out of all the news broadcasters⁸³ but to avoid following in the BBC’s footsteps with cuts to its News division, other areas of the PSB compact⁸⁴ need to be updated as soon as possible to ensure that “the benefits of being a PSB equal the responsibilities”.⁸⁵ Whilst ITV said that it was “very, very proud” of its regional news offering,⁸⁶ other organisations are not quite so positive about the Channel 3 news licence arrangements. For example, Sky told us that the current arrangement whereby the Channel 3 licence holder is required to provide competition to the BBC’s regional news provision “provides little incentive to create a truly distinctive or innovative

76 For example: Cancer Research UK ([PSB0055](#)); National Union of Journalists ([PSB0101](#)); Enders Analysis ([PSB0051](#)); Voice of the Listener & Viewer ([PSB0028](#))

77 Voice of the Listener & Viewer ([PSB0028](#))

78 Screen Cornwall ([PSB0009](#))

79 ‘[BBC announces 450 jobs will go in newsroom shake-up](#)’, The Guardian, 29 January 2020; BBC Media Centre, ‘[Tim Davie’s introductory speech as BBC Director-General](#)’, accessed 4 February 2021

80 Q165 [Julie Elliott]

81 Qq165–166, Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Qq165–166](#)

82 Qq141–142

83 Q143

84 The term ‘PSB compact’ is commonly used to refer to the arrangement whereby PSBs provide certain services in return for benefits such as prominence

85 Q140

86 Q140

service”.⁸⁷ Instead, Sky suggest that a ‘franchise model’ should be adopted whereby “an award process could be held for the service, open to all, with clear specification of the core requirements, and with a defined duration for the franchise (for example, for five years).”⁸⁸

39. The Covid-19 pandemic also emphasised the importance of local news, both on a regional level and on a national one, particularly when it comes to devolved issues such as health. In our session with Tim Davie in September 2020, we expressed our concerns at the way in which national news coverage of restrictions, which continue to vary from nation to nation across the UK, had caused confusion:

it is extremely frustrating to repeatedly hear news coverage saying things like, “The Health Secretary has announced new guidelines.” It is causing great confusion for people across the country, across the nations, and it is vital that broadcasters respect and distinguish between the devolved nations’ approach to the coronavirus.⁸⁹

40. **The pandemic has reinforced the importance of local and regional-specific news provision. The provision of news to Nations and Regions should not suffer further as a result of budgetary restraints. We perceive a real risk to the provision of regional-specific news programming, and we are adamant that the quality, and relevance to local people, of programming for the Nations and Regions must not be further jeopardised. Regional news programming must be representative of, and relevant to, the audiences it is broadcast to. We recommend that Ofcom undertake a review into the quality and relevance of the local and regional news provision, to be reported on before the new BBC Charter negotiations begin.**

Reaching younger audiences

41. Viewing of broadcast TV is declining and has been for a number of years, but the most pronounced drop in viewing time is among the younger age groups.⁹⁰ Whilst Covid-19 lockdowns had a significant impact on viewing (viewing by adults aged 16–34 increased by almost two hours per day in April 2020 compared to the 2019 average) the general trend over the last few years has been that of decline whilst the time they spend watching YouTube and subscription video on demand (SVoD) services continues to rise.⁹¹ The decline in broadcast TV viewing is more pronounced in the 16–24 age bracket: in 2019, 16–34 viewing stood at 1 hour 31 minutes (down 18% on 2018) whereas 16–24 viewing stood at 1 hour 10 minutes (down 22% on 2018).⁹² The decline is even more stark when you look at it over a longer period: in 2019, 16–34 year olds watched 78 minutes less broadcast TV than in 2010.⁹³ Younger adults are also moving a lot of their solo viewing to other devices.⁹⁴

42. Ofcom told us that, as declines continue, “it is becoming increasingly challenging for the broadcasters to deliver a full range of content to all audiences” but notes that “the PSB

87 Sky (PSB0094)

88 Sky (PSB0094)

89 Q177 [Alex Davies-Jones]

90 Ofcom, [Media Nations 2020](#) (5 August 2020), p 12

91 Ofcom, [Media Nations 2019](#) (7 August 2019), p 17

92 Ofcom, [Media Nations 2019](#) (7 August 2019), p 21

93 Ofcom, [Media Nations 2019](#) (7 August 2019), p 29

94 Ofcom, [Media Nations 2019](#) (7 August 2019), p 22

channels' provision of original UK content still far outweighs what is available on other services".⁹⁵ However, this does not escape the fact that younger audiences "feel much less connection" to PSBs⁹⁶ and that, for example, 16–34s are more likely to watch BBC content on a streaming service than on iPlayer.⁹⁷ Despite those aged 16–24 spending almost an hour and half a day on YouTube, PSBs still primarily deliver their on-demand content via their own streaming services.⁹⁸ Ofcom's research shows that young people recognise the importance of public service broadcasting but that some struggle to see the personal value to them as an audience.⁹⁹

43. There has already been some innovation by the PSBs to reach and retain younger audiences. For example, ITV launched a news service called "The Rundown" for 12–17 year olds on Instagram, Snapchat and Facebook which had 17m views in April 2020.¹⁰⁰ ITV said that it needed to be "creative and proactive about being on all sorts of different channels"¹⁰¹ and has also increased its short-form content on ITV Hub to encourage better engagement with 16–34 year olds.¹⁰² ITV estimates that 80% of all 16–34 year olds in the UK are registered on ITV Hub and attributes this to both targeted campaigns and to the content itself.¹⁰³

44. Channel 4 told us that, in terms of news, it has been distributing content on YouTube, Facebook, Twitter and Snapchat and has made a "really conscious decision" to invest in going where young people already are.¹⁰⁴ Alex Mahon, Chief Executive of Channel 4, told us that the key to attracting younger audiences to the broadcaster was to find them on the platforms they use and "make sure they know it is from Channel 4 so that they recognise [the] brand".¹⁰⁵

45. James Purnell, then Director, Radio & Education at the BBC, told us in June 2020 that the BBC needed to "modernise" its services in order to "serve younger audiences better".¹⁰⁶ However, Tim Davie only mentioned younger audiences once in his first speech upon taking on the role of BBC Director-General.¹⁰⁷ When we asked him whether this signalled a change in priorities for the BBC, he said that reaching underserved audiences, including younger audiences, remained a priority but that:

It is not just about making youth output; it is about making sure that what we choose on the news, how we deliver our natural history offer, our comedy offer, is relevant and based on things that people of all ages can engage with.¹⁰⁸

95 Ofcom ([PSB0021](#))

96 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 4

97 Ofcom, [Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–2018\)](#) (27 February 2020), p 6

98 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), pp 5–6

99 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 29

100 Q121

101 Q200

102 Q152

103 Q202

104 Q71

105 Q90

106 Q19

107 BBC Media Centre, '[Tim Davie's introductory speech as BBC Director-General](#)', accessed 4 February 2021

108 Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Q155](#)

46. According to the Office for National Statistics, in 10 years' time people born after 1996 (the earliest that someone in the 16–24 age bracket today could have been born) will represent 41% of the UK's population.¹⁰⁹ In order to improve their reach, Ofcom has suggested that PSBs should share insights on how they “reach audiences through less traditional platforms, such as social media and what has and hasn't worked in those spaces may help to pool knowledge and reach younger audiences in particular.”¹¹⁰

47. The key issue, as we see it, is whether PSBs should be doing more to go where audiences are, putting content on platforms for audiences to watch there, or whether they should be trying to drive younger audiences to use their services. The former strategy comes with significant risk—commercial broadcasters earn a lot less money when their content is on third party platforms, and all PSBs risk losing a certain level of brand attribution. In addition, viewing on third party platforms might not currently be counted as reach, depending on how PSBs are evaluated. The latter strategy may not be successful given the established popularity and power of the platforms, but PSBs have also been somewhat hampered in their ability to innovate in the provision of their online services by regulation. For example, in accordance with its Charter, the BBC Board must undertake a Public Interest Test (PIT) whenever the BBC wishes to make material changes to its public services. The PIT requires the BBC to demonstrate that the value of the changes in question outweighs any potential adverse effects on the BBC's competitors. The most recent PIT took place in 2019 when the BBC made changes to its iPlayer service to make programmes available online for longer.¹¹¹ Hurdles such as the PIT inhibit the ability of PSBs to be agile and innovate at speed in order to compete with other online services.

48. Reaching younger audiences now, and building relationships with them, is of the utmost importance if PSBs are going to remain popular and sustainable in the long-term. The way in which people access content, particularly those under the age of 35, is rapidly changing and the Covid-19 pandemic has accelerated that change. Young audience behaviour is an indicator of future trends and PSBs are at risk of losing touch with under 35s. Unless PSBs do more to attract younger audiences, the core principle of universality that underpins their existence will be threatened. For these efforts to be successful, we recommend that changes be made to the regulatory structure to enable PSBs to innovate more rapidly and easily, and to be able to better compete online.

Provision for children

49. When the Communications Act 2003 came into force, it removed PSB quotas for children's provision. Professor Jeanette Steemers, Professor of Culture, Media and Creative Industries at King's College London, told us that the issue was “compounded by a ban on advertising for ‘junk’ food around children's broadcast content in 2007” and that provision by commercial PSBs “waned” as a result.¹¹² Professor Steemers told us that investment dwindled from £116m in 2006 to £70m in 2017, leaving the BBC as “virtually the only commissioner of UK originated children's content”.¹¹³ In 2018, Ofcom conducted a review of children's content across PSB TV and online portfolios. It identified a number of areas of concern across ITV, Channel 4 and Channel 5 programming, including a

109 Ofcom, [Small Screen: Big Debate Consultation - The Future of Public Service Media](#) (8 December 2020), p 55

110 Ofcom, [Small Screen: Big Debate Consultation - The Future of Public Service Media](#) (8 December 2020), p 53

111 BBC, ['BBC Board decision on the BBC iPlayer Public Interest Test'](#), accessed 17 February 2021

112 Professor Jeannette Steemers ([PSB0099](#))

113 Professor Jeannette Steemers ([PSB0099](#))

“lack of original, high-quality programmes [...] for older children”, a limited range of programmes to “help children to understand the world around them”, and a limited range of “original high-quality children’s programmes [...] that allow UK children to see their lives, in all its diversity, reflected on screen”.¹¹⁴

50. As a result of Ofcom’s findings, the PSBs concerned agreed to step up their provisions. Channel 5 committed to increasing the budget for its children’s offering, *Milkshake!*, by 100% and significantly increase the number of episodes it produced.¹¹⁵ Channel 4, which has a remit to appeal to older children, committed to develop a “new, digital-first service for 13–16s” which would focus on a new YouTube channel and would “include new commissions especially for teenagers”.¹¹⁶ ITV, which targets 6–12 year olds, committed to increase its budget for CITV by almost 10% and “develop a new online news and current affairs offering for 12–15s”.¹¹⁷

51. The decline in provision for children also prompted a horizontal intervention from Government. The Young Audiences Content Fund (YACF), established by the Government as a three-year pilot Contestable Fund in 2017, committed up to £60m to “stimulate the provision and plurality of public service-original UK content”.¹¹⁸ The fund, which is administrated by the BFI, has been well-received and The Children’s Media Foundation told us that:

there is some evidence that [the YACF] is starting to change the attitudes of the commercial PSBs, from seeing children’s programming as not sufficiently profitable to acknowledging its value to society and also to them, as a way of establishing brand recognition with their future audience.¹¹⁹

52. We are pleased that Ofcom highlighted the deficits in children’s programming across the PSB portfolios in 2018 and consider it vitally important that it continues to keep PSB performance in this area under regular review. We recommend that the Government evaluate the success of the Young Audiences Content Fund against its goals and extend the scheme if it is found to be increasing the investment in original content for children in the UK.

During the Covid-19 pandemic

53. When we asked ITV whether it had been increasing its provision of educational content during the period of school closures in 2020, it told us that it had looked “very seriously” at what it could provide but that it had “no education archive [and] nothing to draw on”.¹²⁰ Some other broadcasters did provide some educational content. For example, Sky told us that “within three days of the lockdown, [it] also launched an extensive educational collection segmented into the curriculum-based learning groups via Sky Kids.”¹²¹

54. However, the main provision of educational content came from the BBC. At the beginning of the Covid-19 pandemic, the BBC announced that it would be launching its

114 Ofcom, [Children’s content review: update](#) (24 July 2018), p 4

115 Ofcom, [Children’s content review: Our response to ITV, Channel 4 and Channel 5’s plans](#) (3 July 2019), p 5

116 Ofcom, [Children’s content review: Our response to ITV, Channel 4 and Channel 5’s plans](#) (3 July 2019), p 5

117 Ofcom, [Children’s content review: Our response to ITV, Channel 4 and Channel 5’s plans](#) (3 July 2019), p 5

118 BFI, ‘[Young Audiences Content Fund](#)’, accessed 17 February 2021

119 The Children’s Media Foundation (PSB0042)

120 Q123

121 Q298

biggest ever educational offering to support the learning of children across the country whilst schools were closed.¹²² Following the first full week of UK school closures, BBC Bitesize had a weekly average of 4.8m unique visitors—approximately 198% higher than the same week in 2019¹²³ and in June 2020, James Purnell told us that the BBC had “150 lessons online every week [...] over 14 weeks”.¹²⁴

55. The vast majority of the BBC’s resources were only available online. James Purnell told us that the BBC tried putting lessons on the Red Button TV service but that audience levels were so low that they were “not even recording any audience on the system”.¹²⁵ In January 2021 following another round of nation-wide school closures, the BBC moved some of its educational content onto linear TV. Starting in mid-January, the BBC offered a three-hour block of primary school programming on CBBC each day, and at least two hours of GCSE content on BBC Two every day.¹²⁶ The BBC also continued to put ‘Bitesize Daily’ content, both for primary- and secondary-age children, on the Red Button and on iPlayer.

56. We recognise that the BBC has provided a record amount of educational resources during the Covid-19 pandemic, and particularly during the periods that schools across the country have been closed. Whilst this is a key example of the value the BBC provides, it took too long for the BBC to make more of its content available on TV. We applaud the work that the BBC has done to provide these resources but encourage it to continue making more of its content available by means other than the internet to ensure more equal access.

The TV licence fee

Decriminalisation of TV licence fee evasion

57. In the UK, any household watching or recording broadcast TV, or streaming programmes via iPlayer, is required to have a TV licence. A colour TV licence currently costs £157.50 a year¹²⁷ and is set to rise to £159 a year from 1 April 2021.¹²⁸ A single property only requires one TV licence to cover TV sets, computers, laptops, tablets, smart phones and any other device which can receive a TV signal. A TV licence is not required to watch SVoDs such as Netflix or Amazon Prime Video, or non-BBC programmes on online catch-up services such as All 4 or ITV Hub.¹²⁹

122 BBC Media Centre, ‘[BBC to deliver biggest push on education in its history](#)’, accessed 9 June 2020

123 BBC Media Centre, ‘[More kids than ever before turn to BBC for education and entertainment](#)’, accessed 9 June 2020

124 Q21

125 Q21

126 BBC Media Centre, ‘[BBC delivers biggest Education offer in its history—including devoting significant airtime to Education on BBC Two](#)’, accessed 3 February 2021

127 Gov.uk, ‘[TV Licence](#)’, accessed 4 December 2020

128 ‘[BBC licence fee to rise by £1.50 to £159 from April](#)’, BBC News, 8 February 2021

129 Until 2016, households did not need a TV licence to use the iPlayer catch-up service if live broadcast television was not being watched. In 2016, the Government brought forward legislation to close the iPlayer ‘loophole’ so that households watching catch-up TV were now required to have a TV licence. The Government had originally agreed for the legislation (the [Communications \(Television Licensing\) \(Amendment\) Regulations 2016](#)) would cover all public service broadcast catch-up services but when it was brought forward, the legislation only included iPlayer.

58. In October 2014, David Perry QC was appointed by the then Secretary of State for Culture, Media and Sport to conduct an “independent review of the enforcement regime for television licence evasion”.¹³⁰ The review was published in 2015 and the principal conclusion was that the “current system of criminal deterrence and prosecution should be maintained”.¹³¹ In February 2020, the Government announced the launch of an open consultation on decriminalising TV licence evasion, with the intention of ensuring “a proportionate and fair approach to licence fee penalties and payments is in place, which protects the most vulnerable in our society”.¹³² The consultation closed on 1 April 2020.

59. In March 2020, the BBC reiterated its opposition to decriminalisation and estimated that such a move would initially cost £300m, and over £1bn over the rest of the current BBC Charter period to 2027. The BBC put this down to “higher evasion by licence fee payers and higher transition and operation costs”.¹³³ When we heard from the BBC in September 2020, the new Director-General said:

The BBC’s position is, I think, crystal clear on this, and it is endorsed by the Perry report and numerous bits of analysis. Regardless of any broader debates about the licence fee, as it is currently configured, I think this system is logically hard to beat. [. . .] The decriminalisation proposal, frankly, just does not pass the logic test.¹³⁴

60. In October 2020, the Secretary of State for Digital, Culture, Media and Sport told us that the Government response to the consultation would be published “in relatively short order”.¹³⁵ When asked if it would happen before the end of 2020, the Secretary of State said “Yes, I stand by that”.¹³⁶ In December 2020, Minister for Media and Data Rt Hon John Whittingdale MP told us that he “would like to see it published before Christmas”.¹³⁷ Unfortunately, this did not happen, and the Government response was only published on 21 January 2021.¹³⁸ The Government response, however, was not a solid conclusion on the matter. Instead of setting out clear next steps, either to decriminalise evasion or leave the system as it is, the Government said that “the issue or decriminalisation will remain under active consideration” whilst it carries out further work to “understand the impact of alternative enforcement schemes”.¹³⁹ The Government also said that it would “take forward these considerations in the broader context of the next licence fee settlement”.¹⁴⁰

61. It took the Government almost 10 months to respond to the consultation on decriminalisation of TV licence fee evasion. Delays of this nature by the Government in reforming other areas of broadcasting, such as prominence, would be of significant concern. Of more concern was that the long-delayed response simply provided further uncertainty. The issue of decriminalisation could be used as a bargaining tool by the

130 Department for Culture, Media and Sport, [TV Licence Fee Enforcement Review](#) (July 2015), p 3

131 Department for Culture, Media and Sport, [TV Licence Fee Enforcement Review](#) (July 2015), p3

132 Department for Digital, Culture, Media and Sport, [‘Consultation outcome: Consultation on decriminalising TV licence evasion’](#), accessed 4 December 2020

133 BBC, [Television Licence Fee Trust Statement for the Year Ending 31 March 2020](#) (15 September 2020), p 34

134 Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Q144](#)

135 Oral evidence taken on 14 October 2020, HC (2019–21) 157, [Q202](#)

136 Oral evidence taken on 14 October 2020, HC (2019–21) 157, [Q203](#)

137 Q735

138 UK Government, [‘Government publishes response to decriminalising TV licence evasion’](#), accessed 22 January 2021

139 UK Government, [‘Decriminalisation of TV licence evasion consultation response’](#), accessed 25 January 2021

140 UK Government, [‘Decriminalisation of TV licence evasion consultation response’](#), accessed 25 January 2021

Government during the ongoing licence fee settlement negotiations with the BBC and S4C, and thereby undermine one of the core principles of public service broadcasting: that it should be removed from Government interference. *We call on the Government to provide assurances that the issue of decriminalisation will not be used as a bargaining tool during the ongoing licence fee settlement negotiations with the BBC and S4C. We also recommend that the Government conclude its further work on enforcement schemes, and publish its findings, by the end of the current parliamentary session.*

Licence fee non-payment

62. There is a wide spectrum of opinions when it comes to the TV licence fee. In 2019, the UK TV licence fee was ranked 6th highest in Europe, though lower than other European countries with similar national broadcast funding systems such as Denmark, Norway and Sweden.¹⁴¹ Licence fee evasion in the UK is currently between 6.5% and 7.5%.¹⁴² The BBC set itself a target of a 5.9% evasion rate by March 2021 but, in September last year, acknowledged that there was a risk that this target would not be reached.¹⁴³

63. In September 2020, the BBC told us that, compared to other countries, the UK was in a “very strong position” and that “our evasion rate is low”, but that the BBC was “slightly behind target”.¹⁴⁴ The BBC has also predicted that the increasing rate of evasion, which has been ongoing for a number of years, will continue until at least 2022–23.¹⁴⁵ In its analysis of the 2019–20 evasion figures, the BBC noted that the factors within its model for calculating the evasion rate could not account for over half of the year-on-year increase in evasion. It concluded that this unexplained rise reflects “an increase in the pace of change in the media market in 2019–20 and the impact this has on viewer behaviour (such as increasingly consuming content via [SVoD] services)”.¹⁴⁶

64. **The continued rise in TV licence non-payment in the UK is a cause for concern, as is the fact that the BBC’s target of a 5.9% evasion rate by March 2021 will be missed by a significant margin. *We are also concerned that the failure to resolve definitively speculation about decriminalisation of TV licence fee evasion could exacerbate the situation and recommend that the Government provides some certainty on this matter as soon as possible.***

Funding models

65. **We recognise the problems associated with the licence fee and, in the annex to this Report, explore the existing alternatives. None of these are sufficiently attractive to justify recommending, for the next Charter period, that they replace the current licence fee model, not least given the disruption and expense of doing so and on balance, the licence fee remains the preferred option for that period. *The Government either needs to come out with a strong alternative to the licence fee that it can put to Parliament, or strongly support the current model for at least the next Charter period (2028 - 2038) and actively aid the BBC in driving down evasion.***

141 European Broadcasting Union, [Licence Fee 2020](#) (November 2020), p 8

142 UK Government, [‘Government publishes response to decriminalising TV licence evasion’](#), accessed 22 January 2021

143 BBC, [Television Licence Fee Trust Statement for the Year Ending 31 March 2020](#) (15 September 2020), p 28

144 Oral evidence taken on 29 September 2020, HC (2019–21) 99, [Q146](#)

145 BBC, [Television Licence Fee Trust Statement for the Year Ending 31 March 2020](#) (15 September 2020), p 35

146 BBC, [Television Licence Fee Trust Statement for the Year Ending 31 March 2020](#) (15 September 2020), p 36

The production sector

66. The strong, varied public service broadcasting ecology in the UK has played a significant role in the growth of the production sector in the UK. PSBs have been described as underpinning the wider creative economy and whilst SVoDs are beginning to invest more in production in the UK, the number of UK-originated content hours is hardly comparable. In 2019, PSBs provided approximately 32,000 hours of UK-originated content, whereas Netflix and Amazon Prime combined provided 164 hours.¹⁴⁷ PSBs also produce and commission UK content in a wide range of genres whereas SVoDs tend to focus on high-end drama and documentary. Netflix told us that one of the main reasons it has chosen to invest in the UK was because of the impact of the BBC in “building the profile of the UK creatively, in nurturing talent [and in] investment in production”.¹⁴⁸

Terms of Trade

67. With the introduction of the Communications Act 2003, the way was paved for the introduction of ‘Terms of Trade’ (ToT) agreements. ToT are a code of practice, of sorts, between PSBs and independent producers in the UK. The ToT meant that, for the first time, independent producers could retain the rights to their programmes, thus enabling them to generate additional revenue from their Intellectual Property beyond their original commission. The ToT only apply to ‘true indie’ production companies such as those which are wholly independent, not owned by a PSB or US studio, or part of a ‘super indie’ group.¹⁴⁹

68. Prior to the ToT being introduced, the indie sector was “highly fragmented” and highly dependent on the PSBs, and independent producers had little scope to negotiate production fees.¹⁵⁰ The ToT have played a huge role in the growth of the UK independent production sector: in 2003, it was estimated that the sector was worth £850m but today, according to Pact, the sector is estimated to be worth in excess of £3bn.¹⁵¹

69. The ToT arrangements currently only apply to PSBs in the UK. SVoDs, which are becoming major players in the market, are not subject to the same rules, and similar arguments that were historically made about the imbalance of power between PSBs and the production sector are now being made about SVoDs.¹⁵² However, SVoDs have a fundamentally different business model when it comes to commissioning content: they have bigger budgets, and secure exclusive rights to content with large upfront fees to production companies in exchange for the intellectual property assets. For example Michaela Coel, creator and star of the BBC series *I May Destroy You*, has spoken out about how she turned down a \$1m offer from Netflix for the show because it would have

147 Ofcom, [Media Nations 2020](#) (5 August 2020), p 83; Q412

148 Q229

149 The success of the Terms of Trade being introduced meant that independent production companies suddenly became much more attractive to larger companies for takeover. As a result, ownership of previously independently-owned content libraries became consolidated in the hands of a few umbrella owners. These groups of companies, owned by one organisation, are known as ‘super indies’. However, Pact recently commissioned research which showed that this consolidation, between 2003 and 2010, had “increased the number of new entrants into the market” (Pact ([PSB0058](#))).

150 Oliver & Ohlbaum Associates Ltd., [‘The evolution of the TV content production sector’](#), accessed 9 November 2020

151 Pact, [‘Pact Membership 101: Terms of Trade—what are they and why should you care?’](#), accessed 9 November 2020

152 CREATe ([PSB0065](#))

required her to relinquish all of her rights to the content.¹⁵³ When we questioned Netflix about this in September, it told us that it was not a blanket policy to insist on acquiring 100% of the intellectual property rights of all the shows fit commissions.¹⁵⁴

70. Whilst a possible next step to address the imbalance could be to apply ToT to SVoDs as well as PSBs, CREATE (UK Copyright and Creative Economy Centre) cautions that:

[...] given that offering subscribers access to bundles of exclusive content on a multi-territory basis is at the heart of the VoD model, allowing producers to retain control of secondary rights presents significant challenges to a coherent and effective windowing strategy by the platform owners. It is plain, therefore, that simply attempting to transpose existing ‘terms of trade’ onto VoDs is both unwise and unworkable. It may well lead to VoD investment into new production leaving the UK.¹⁵⁵

Professor Philip Schlesinger, Professor in Cultural Theory at Glasgow University and Deputy Director of CREATE, also told us that whilst it is unlikely that relationships between PSBs and independent production companies could be replicated with SVoDs, “there are still questions about what rights should be handed over in receipt of a one-off payment on the purchase of the production”.¹⁵⁶

71. Current requirements on PSBs have generated a thriving production economy that has attracted the attention of streaming services, but the rise of video on demand is putting pressure on the Terms of Trade. Subscription video on demand services should invest in the production ecology as well as benefit from it, but any move to reform the Terms of Trade must take into account the diverging business models of the different commissioners in the UK production ecology.

153 [‘I May Destroy You’s Michaela Coel Rejected Netflix’s \\$1 Million Offer In Favor Of The BBC Because Of Ownership’](#), Forbes, 7 July 2020

154 Q281

155 CREATE ([PSB0065](#))

156 Q573

3 Regulation and legislation

72. Under the Communications Act 2003 (‘the Act’), public service broadcasting obligations extend to all BBC television channels and linear channels 3 (ITV, STV and UTV), 4 (Channel 4) and 5 (Channel 5).¹⁵⁷ The obligations do not extend to additional channels (such as ITVBe, E4 or 5STAR) or to on-demand services for ITV, Channel 4 and Channel 5. Subscription video on demand (SVoD) services in the UK, like commercial broadcasters such as Sky, are not subjected to any obligations in terms of the type of content they produce. They have no regional quotas to fulfil and no specific content categories they are obliged to produce in, as is the case for public service broadcasters (PSBs).

Prominence

73. According to the Act, public service channels are entitled to “such degree of prominence as Ofcom consider appropriate” within the electronic programme guides (EPGs).¹⁵⁸ EPGs are an on-screen menu which allows the viewer to navigate through the channels available on their TV set.¹⁵⁹ The channels which are given prominence on EPGs (including BBC channels, Channel 3 services, Channel 4, Channel 5 and S4C) are outlined within the Act.¹⁶⁰ The Act requires Ofcom to draw up a code to regulate this provision and to review that code “from time to time”.¹⁶¹ In 2017, the Digital Economy Act added a requirement for Ofcom to report how EPGs provided information about, and access to, PSB channels and video on demand content.¹⁶²

74. In 2019, during its review of prominence, Ofcom made a number of recommendations to Government to ensure PSB content remained easy for viewers to find on internet-connected services and devices.¹⁶³ The Act, which essentially pre-dates the widespread availability of TV content online, only covers linear prominence and one key recommendation of Ofcom’s review called for a new legislative framework.¹⁶⁴ Ofcom also recommended that the initial focus should be on internet-connected TVs, including those connected through a set-top box or streaming stick.¹⁶⁵ In December 2020, Dame Melanie Dawes, Chief Executive of Ofcom, told us that whilst Ofcom did not consider the issue of prominence to be “a crisis or a cliff edge”, Ofcom was still concerned that:

the situation has potentially slipped away still further because people are increasingly using smart TVs, smart sticks, and some of the new TVs you can buy do not necessarily have any of the public service broadcasters’ apps on the platform, let alone provided in a prominent way where you can find them easily.¹⁶⁶

157 Ofcom, [‘Public service broadcasting \(PSB\)’](#), accessed 13 January 2021

158 Communications Act 2003, [section 130](#)

159 BBC, [‘What is an EPG?’](#), accessed 25 January 2021

160 Communications Act 2003, [section 130\(4\)](#)

161 Communications Act 2003, [section 130](#)

162 Digital Economy Act 2017, [section 95](#)

163 Ofcom, [Review of prominence for public service broadcasting](#) (4 July 2019), p 1

164 Ofcom, [Review of prominence for public service broadcasting](#) (4 July 2019), p 3

165 Ofcom, [Review of prominence for public service broadcasting](#) (4 July 2019), p 1

166 Q633

75. In terms of prominence legislation, the BBC says that “updates to prominence legislation [should be] enacted without further delay”,¹⁶⁷ ITV says “public service programming [must maintain] its prominence in the digital, online, on-demand era,¹⁶⁸ and Channel 4 says that “updating and reforming the PSB prominence regime ... should remain an urgent priority”.¹⁶⁹ Channel 5 agrees that they should be established “without delay”,¹⁷⁰ and S4C also says that it is “imperative that legislation is passed as soon as possible”.¹⁷¹ However, in December 2020, Rt Hon John Whittingdale MP, Minister for Media and Data, told us that it was “probably likely” that any legislative change in this area was at least two years away.¹⁷²

Achieving prominence

76. Not all organisations within the sector agree that legislative changes to prominence are required. For example, Samsung Electronics UK told us that:

Mandatory prominence requirements for PSB players on Smart TVs would generate costs for the sector in the UK, raising prices for consumers and also prevent them from benefiting from the latest technological advancements.¹⁷³

Samsung also notes that any new obligations would need to be applied to all platforms hosting content, not just Smart TVs, to ensure that competition is not “stifled” and Smart TV manufacturers are not disadvantaged.¹⁷⁴ PSB player apps already feature on Samsung’s TV ‘launch bar’ for free because it acknowledges the “economic, creative and societal role that PSBs play in the UK”.¹⁷⁵

77. Sky also remains unconvinced by calls for extended prominence rules. It told us that “partnerships and commercial incentives tend to drive more effective outcomes than complex legislation”,¹⁷⁶ Sky went on to say that PSB content is already “easily discoverable because we know that is what our customers and audience want”.¹⁷⁷ Amazon also told us that whilst there are no requirements for it to provide PSB players with prominence on its Fire Sticks and Fire TV interfaces, “BBC, ITV and Channel 4 [players] are prominent”.¹⁷⁸

78. However, Digital UK, the operators of Freeview, told us of the issues facing organisations which try to negotiate with global platforms. Digital UK is regularly engaged in negotiations with platforms and TV manufacturers but told us that “even with its UK scale, it can prove difficult [for Digital UK] to negotiate for PSB prominence on televisions”.¹⁷⁹ This chimes with the findings of research commissioned for Ofcom’s

167 BBC ([PSB0038](#))

168 ITV plc ([PSB0047](#))

169 Channel 4 ([PSB0036](#))

170 ViacomCBS ([PSB0100](#))

171 S4C ([PSB0013](#))

172 Q733

173 Samsung Electronics UK ([PSB0073](#))

174 Samsung Electronics UK ([PSB0073](#))

175 Samsung Electronics UK ([PSB0073](#))

176 Q318

177 Q318

178 Q464

179 Digital UK ([PSB0083](#))

recent Small Screen: Big Debate consultation: “no PSB, with the exception of the BBC, has the ‘must have’ characteristics that are associated with leverage and bargaining power in relation to the global content aggregators”.¹⁸⁰

79. **We are not persuaded by arguments that prominence can be left to the market simply because PSB content is popular and if an organisation such as Freeview, which represents the interests of over 70 TV channels, finds it difficult to negotiate with global platforms and TV manufacturers, it is unlikely that individual PSBs will find it any easier. As we touch on later in the Report, competition policy authorities are currently evolving their approach to platforms and applications with ‘strategic market status’ and how these can act as gatekeepers in online markets with potential for anti-competitive exercise of market power. Manufacturers of TV hardware (and their operating systems and consolidator TV apps) should be thought of in exactly the same way.**

80. **The Government has been too slow to act on Ofcom’s 2019 recommendations to update prominence legislation. We are frustrated that the Government expects the process to take a further two years; new primary legislation is urgently needed and the media ecology advances far too quickly for the Government to delay any further. We recommend that the Government prioritise new primary legislation to update the Communications Act 2003 and grant PSBs prominence which extends beyond the Electronic Programme Guide. The Government should seek to publish the Bill in draft in the upcoming parliamentary session, ahead of finding time to introduce and enact this legislation before the end of 2022. To ensure that prominence can be extended to online viewing platforms, such as smart TVs, we also recommend that PSB video on demand players be covered by their public service broadcasting remits.**

The rise of streaming

81. Since 2015, the popularity of streaming services in the UK has increased significantly. Netflix had 14.8m subscribers in 2020 and Amazon Prime Video had 9.5m, compared to 4.4m and 1.2m respectively in 2015.¹⁸¹ At least 60% of households in the UK now subscribe to at least one SVoD service.¹⁸²

Relationships between PSBs and SVoDs

82. The streaming services we took oral evidence from during this inquiry had a variety of views on what they contribute to PSB ecology in the UK. YouTube view themselves as a “partner” of PSBs, offering them a “shop window” for their content for a “sufficient amount of money”.¹⁸³ Amazon described themselves as having a “very collaborative relationship” with PSBs,¹⁸⁴ and Netflix said it was trying to “constantly support” PSBs¹⁸⁵ and that PSBs were “essential to maintaining and growing the creatively and commercially dynamic production landscape in the UK”.¹⁸⁶ Between 2014 and 2018, co-commissions between

180 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 26

181 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 25

182 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 24

183 Q48

184 Q396

185 Q225

186 Netflix ([PSB0084](#))

SVoDs and broadcasters almost doubled from 16 to 30,¹⁸⁷ in addition to which Netflix also recently released its first natural history co-production with the BBC: ‘Life in Colour’ with Sir David Attenborough.¹⁸⁸

83. Whilst SVoDs remain “relatively free from regulation” in the UK,¹⁸⁹ they are still able to benefit from some of the horizontal interventions which have been introduced across the industry, such as the High-end Television Tax Relief scheme.¹⁹⁰ They also benefit from the strong independent production sector which has, in the large part, developed and been maintained as a result of the existence of PSBs.¹⁹¹ The production of UK content still disproportionately falls to PSBs. For example, in 2019 PSBs funded 77% of primary commissions in the UK.¹⁹² PSBs also commission in a full range of genres, whereas SVoDs have made it clear that they do not intend to move beyond scripted dramas and documentaries into genres such as news and current affairs.¹⁹³ Without this investment from the PSBs, it is unlikely that the production sector in the UK would be as strong as it is today.

Reaching audiences

84. In June 2020, Ofcom Chief Executive told us that PSBs needed to look further at their methods of distribution and, instead of “fighting a losing battle of drawing people to the more traditional ways of viewing”, they should go “to where the viewers are” and “strike a deal” with more platforms.¹⁹⁴ However, some submissions to our inquiry have raised an issue with such an approach: that it may be easier said than done. In relation to online advertising, which is examined in further detail later in this Report, we have been told that platforms such as YouTube have standard terms and conditions which PSBs either have to accept, or accept that they simply cannot reach those audiences.¹⁹⁵ Channel 4 told us that if it were to produce a programme and distribute it only on YouTube, with the current arrangements it “would not make enough revenue [...] to cover the cost of creating it”.¹⁹⁶

SVoDs as customers of PSBs

85. As well as co-producing content with PSBs, SVoDs such as Netflix and Prime Video are also significant customers of the PSBs: it is estimated that there is approximately 1,276 hours of UK PSB content on Netflix alone.¹⁹⁷ In addition, content from the BBC, ITV and Channel 4 made up 3% of catalogues and 8% of viewing across Netflix, Prime Video and NOW TV combined in Q1 2019.¹⁹⁸ According to Ofcom, the ability to access PSB content

187 COBA, ‘[New era for British TV drama as co-commissioning reaches record high](#)’, accessed 4 September 2020

188 ‘[David Attenborough’s Life in Colour release date: All the details on BBC One’s nature documentary](#)’, Radio Times, 28 February 2021

189 Dr Caitriona Noonan ([PSB0026](#))

190 British Film Commission, ‘[High-end Television Tax Relief](#)’, accessed 14 January 2021

191 Netflix ([PSB0084](#)); Pact ([PSB0058](#))

192 Pact, ‘[Huge international growth generates record revenues for independent TV production sector](#)’, accessed 25 January 2021

193 Q398; Q261

194 Oral evidence taken on 23 June 2020, HC (2019–21) 439, [Qq55–56](#)

195 Channel 4 ([PSB0036](#))

196 Q91

197 Ofcom, [Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–18\)](#) (27 February 2020), p 55

198 Ofcom, [Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–18\)](#) (27 February 2020), p 55

on platforms such as Netflix creates a “second window” and can drive engagement with younger audiences.¹⁹⁹ For example, 16–34 year olds are more likely to watch BBC content on streaming services rather than through BBC iPlayer.²⁰⁰ However, Ofcom did note that there was a risk that these viewers would not associate the content with the PSB channel it originated on, which could “negatively affect the extent to which people value the PSB channels”.²⁰¹

86. When asked about the way in which PSB content, hosted on other streaming services, is labelled, Amazon told us that:

All of our content is labelled, and all of the people producing that are accredited. We would obviously expect that in a reciprocal fashion. If you went into Prime Video and looked up BBC shows, they will have a logo as the producer that physically produced that show. It is my understanding that we are accrediting everybody involved with the right branding.²⁰²

Despite these assurances, it was easy for us to find examples of PSB content which was not labelled or branded clearly. A quick search on Prime Video’s iOS app for ‘ITV’ brings up some programmes with the ITV logo clearly displayed on the title image, the same for some of the Channel 4 content. However, typing ‘BBC’ into the search bar brings up a whole host of well-known BBC programmes, available on Amazon Prime Video, which do not have any obvious BBC branding.²⁰³ **We acknowledge that some of the programmes have a small print acknowledgement of the original producers, but question whether this is quite within the spirit of accrediting everyone involved with the right branding. We believe that it is important that PSB originated content is clearly identifiable as such.**

87. There are also questions to be raised about platforms and streaming services and their use of viewing data. Platforms are able to harvest data about their audiences but both Amazon and Netflix told us that they do not share any such data about the PSB content being hosted on their sites with Ofcom or the PSB from which the content originated. Amazon said that “there is good sharing of knowledge but [Amazon] don’t share finite numbers”,²⁰⁴ and Netflix told us that it doesn’t share data “because it would be commercially sensitive”.²⁰⁵ **We do not believe that sharing top line viewer data about PSB-originated content with Ofcom and the relevant the PSB would be commercially sensitive. Streaming services are an important ‘second window’ for PSB content but without viewer data, it is difficult to fully assess the reach of PSBs.**

88. ***We recommend the Government impose two specific requirements in relation to PSB content hosted on other streaming services in new media legislation. First, PSB***

199 Ofcom, ‘[Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–18\)](#)’ (27 February 2020), p 54

200 Ofcom, [Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–18\)](#) (27 February 2020), p54

201 Ofcom, [Small Screen: Big Debate—a five-year review of Public Service Broadcasting \(2014–18\)](#) (27 February 2020), pp 54 - 55

202 Q422

203 As an example, popular BBC drama ‘The Fall’ is currently hosted on Amazon Prime Video. If you select this programme, and then select the ‘More details’ tab and scroll down, you come to some small print which states that the studio which produced the programme was ‘RJL Entertainment’ for series 1–2, and ‘BBC 2’ for series 3. There is also no BBC branding - for example, a logo - on any of the imagery.

204 Q423

205 Q243

content should be clearly labelled as such and branded with the logo of the PSB from which the content originated. Secondly, streaming services should be required to share top line viewing data—at the very least, the number of viewers—for PSB content they host with Ofcom and the relevant PSBs to enable full analysis of PSB reach, and the audio-visual landscape as a whole.

Online advertising

89. During the course of this inquiry, the issue of online advertising regulation has been raised on a number of occasions. Commercial PSBs told us that “competition for viewers and advertising spend has dramatically increased with the growing dominance of advertising-funded online digital services”²⁰⁶ and that “urgent action” is needed to address the inequality of regulation between broadcasters and online platforms.²⁰⁷ TV advertising revenue in the UK has been gradually falling over the last five years,²⁰⁸ and it is now estimated that television advertising revenues have fallen by £1bn since 2015.²⁰⁹ The market also took a significant hit during the Covid-19 pandemic.²¹⁰

90. However, it is challenging for PSBs to generate significant revenue from the sale of advertising on online platforms. Digital UK told us that “the demands that some of these technology giants place on commercial PSBs to share advertising revenue” for their content hosted on platforms is a real threat to PSBs.²¹¹ Indeed, Channel 4 also highlighted its concern that “the unbalanced bargaining relationship between online platforms and content producers” creates a risk to the “sustainability of public value content”.²¹² Platforms such as YouTube have standard terms and conditions for any content hosted on their platforms, including PSB content. PSBs need to be on these platforms in order to reach certain audiences but Channel 4 told us that:

The scale, market power and lack of viable alternatives mean that Google and Facebook can also set the terms by which they do business. This means content creators are forced to accept unequitable terms or fail to reach audiences on these platforms.²¹³

The Digital Markets Unit

91. The concerns highlighted to us were echoed in a report published by the Competition and Markets Authority (CMA) in July 2020 which concluded that the Government needed to establish a “pro-competition regulatory regime for online platforms” to “act swiftly to address both the sources of market power and its effects”.²¹⁴ Although the CMA did not consider broadcast advertising, the read-across is clear and in October, the Secretary of

206 ViacomCBS (PSB0100)

207 Channel 4 (PSB0036)

208 Statista, ‘Television advertising revenue in the United Kingdom from 2011 to 2019’, accessed 3 February 2021

209 Ofcom, [Media Nations 2020](#) (5 August 2020), p 91

210 In April and May 2020, Channel 4 reported a drop of approximately 50% in advertising revenue and the broadcaster forecasted a 40% drop in the second quarter of 2020, mainly due to the steep decline of the travel industry. ITV also reported that its advertising revenues dipped by 9% from January to March 2020, and by 42% in April 2020. Channel 4’s [Annual Report](#) has since stated that the market has showed some signs of recovery.

211 Digital UK (PSB0083)

212 Q204

213 Channel 4 (PSB0036)

214 Competition & Markets Authority, [Online platforms and digital advertising](#) (1 July 2020), p 5

State told us that regulation of online advertisers would be brought into line with that of broadcasting: “at a time when traditional broadcasters are under revenue pressures, I do not want to accentuate a trend by creating a disparity”.²¹⁵

92. On 27 November 2020, the Government announced that a Digital Markets Unit would be formed to “support the sustainability of the news publishing industry, and help rebalance the relationship between publishers and online platforms”.²¹⁶ When asked what success would look like for the Unit, the Minister for Media and Data said:

As long as we can be satisfied that there is a better competitive marketplace operating and that there is not abuse of what is a dominant position by one or two of the major platforms, I think that is a very important part of what needs to be done to support publishing.²¹⁷

The Minister also confirmed that legislation would be needed to regulate online advertising, and that a Digital Markets Bill could be expected within the current Parliament.²¹⁸

93. The CMA report notes that the concerns it raises in relation to dominance of platforms in the online advertising market can lead to “wider social, political and cultural harm through the decline of authoritative and reliable news media”.²¹⁹ The ability for platforms like YouTube to control both revenue share from online advertising and also to control the distribution of news (and other content) online affects the viability of news media, reducing their ability to invest in news. In addition, broadcasters and other news providers are unable to control their own content and data, manage traffic to their websites and target advertising. However, these problems extend beyond news to public service broadcasting more generally; as PSBs have to rely more on YouTube and other social media sites to reach younger audiences in particular, advertising revenue from YouTube and other social media platforms becomes more important.

94. **We are concerned that the full potential of the Digital Markets Unit is not being realised under its current proposed remit. We recommend that the Government should broaden the Digital Markets Unit’s remit to consider whether the dominance of online platforms gives them undue influence over the ability of consumers to access public service broadcasting content online and through streaming.**

95. **Where an established media brand is providing programming, it is not right to make the default assumption that YouTube’s contribution to the viewer deciding to watch that programme, and therefore its share of the value chain, is the same as where content is user-generated. For news, this approach would, if allowed to continue, over time erode the ability of PSBs such as ITV and Channel 4 to actually produce quality, well-researched news coverage. The Digital Markets Unit should also consider whether the standard terms and conditions for revenue sharing which are used by some platforms offer a fair return for PSBs in exchange for their content.**

215 Oral evidence taken on 14 October 2020, HC (2019–21) 157, [Q204](#)

216 UK Government, ‘[New competition regime for tech giants to give consumers more choice and control over their data, and ensure businesses are fairly treated](#)’, accessed 15 January 2021

217 Q711

218 Qq713–714. Legislation to regulate online advertising would be in addition to the updated legislation we have called for in this Report to replace the Communications Act 2003.

219 Competition & Markets Authority, [Online platforms and digital advertising](#) (1 July 2020), p 9

Collaboration between PSBs

96. In November 2019, the BBC and ITV launched an SVoD service called ‘BritBox’ in the UK. The joint venture, which had already launched in North America in 2017, allows subscribers to access content from the broadcasters’ extensive libraries of drama and comedy at a cost of £5.99 per month or £59.99 per year.²²⁰ BritBox has not released any UK subscriber figures but in September 2020, its Managing Director Will Harrison said it was “ahead of [its] plan in terms of subscribers”.²²¹

97. BritBox is not the first time that PSBs have tried to collaborate on a commercial level. In 2007, BBC Worldwide, ITV and Channel 4 announced that they planned to collaborate on a video on demand service. Referred to as ‘Project Kangaroo’, it was planned that the service would launch in 2008 but in July of that year, the Office of Fair Trading referred the plans to the Competition Commission due to concerns that Project Kangaroo would stifle competition.²²² In February 2009, it was announced that the Competition Commission had blocked the venture, concluding that such a service “would be too much of a threat to competition in this developing market”.²²³ The project was abandoned, and the PSBs continued to build their own individual online offerings.

98. Whilst the BritBox collaboration appears to have been well-received, and Ofcom has already recommended that PSBs collaborate and share knowledge to help them all reach younger audiences, we believe that there is more which can be done. Ofcom’s research shows that users value content being available “under one roof”.²²⁴ Whilst we recognise that the Freeview Play app offers live and on-demand content from Freeview channels, we believe that PSBs should be collaborating to create a ‘one-stop shop’ for their video on demand content. Not only could aggregating PSB content into one easy-to-navigate app encourage users to browse and watch their content more easily, it would also strengthen their position when negotiating with platforms and manufacturers for prominence.

99. Furthermore, research commissioned by Ofcom found that deals between content providers and platforms tend to be struck at an international level, whereby hardware shortcuts and pre-installed apps can be rolled out across several territories. International manufacturers may be “reluctant to make country-specific changes to hardware design”, as would be required for an individual PSB button,²²⁵ so collaborating to create a single on demand player could afford PSBs more bargaining power. **That reluctance should not be allowed to relegate the UK PSBs to a less prominent position on hardware than non-PSB commercial content providers who purchase prominence. There is little point in requiring a PSB regime if it can be hidden from view by the actions of hardware providers. We recommend that the Government should make international manufacturers aware of the importance of prominence of PSB content to the UK and its willingness to consider regulation should PSB prominence be undermined by hardware design.**

220 For comparison, the cost of the basic subscription to the top three SVoD services in the UK are as follows: Netflix (£5.99 per month), Prime Video (£7.99 per month/£79 per year), Disney+ (£7.99 per month/£79.90 per year).

221 ‘[BritBox: ‘Ahead of subs plan’](#)’, Advanced Television, 29 September 2020

222 ‘[Project Kangaroo: a timeline](#)’, The Guardian, 3 December 2008

223 ‘Project Kangaroo’ - Final Report’, Competition Commission news release, [05/09](#), 4 February 2009

224 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 53

225 MTM, [Review of TV user interfaces in the UK market](#) (May 2019), p 30

100. The findings of the Competition Commission in 2009 are now outdated, given the rate at which the market has changed and the dominance of global streaming services, and PSBs should be allowed to collaborate so that they have a better chance of competing in the now crowded video on demand market. Whilst we hope that prominence legislation will be extended to online platforms within the next 18 months, the Government's track record on addressing issues within the media ecology does not fill us with confidence so PSBs should be taking steps to maximise their own bargaining power, and attract audiences, in this digital age. *Rather than waiting for the Government to help them, we recommend that PSBs help themselves by exploring options for collaboration on a single video on demand platform, and Ofcom should support PSBs in this endeavour. We call on the competition policy authorities to make clear that, given the evolution of the broadcasting landscape, there is no automatic objection to such collaboration on market dominance grounds.*

4 Diversity and representation

Diversity within the industry

Workforce data

101. Since 2017, Ofcom has produced an annual report on diversity and equal opportunities in broadcasting.²²⁶ The report, which now combines monitoring of both TV and radio, analyses workforce diversity data provided by broadcasters, outlines areas for improvement and compares the data to national working age population benchmarks.²²⁷ Data from all of the major broadcasters is analysed across key characteristics such as gender, race and ethnicity, disability, sexual orientation, age, religion or belief, and socio-economic background.

102. However, streaming services in the UK do not share any such data with Ofcom. Netflix told us that they have not historically collected this data because of “the speed at which [its] footprint here in the UK is growing”.²²⁸ When pressed, Netflix confirmed that it does not currently know the gender or ethnicity of its UK workforce,²²⁹ despite claiming that it takes “the diversity of [its] workforce incredibly seriously”.²³⁰ Similarly, Amazon told us that it did not collect such data about its workforce in the UK because it was “not legally obliged to”.²³¹ However, Amazon did acknowledge that it needed to do better and recognised that was “not right”. Amazon told us that it was “now working on how to collect that information internally in an accurate way”.²³² Given the rate at which streaming services in the UK are growing, and the increasing role they play in the UK’s media ecology, Ofcom told us that “it would be great if they participate in the work we do [...] At the moment, we do not have that transparency”.²³³

103. **The lack of workforce data collected and shared by streaming services in the UK is of great concern. The Government must ensure that regulators have access to top line data, in line with that provided by traditional broadcasters, to enable accurate analysis of diversity and equal opportunities within the industry. We recommend that a requirement to provide data, including a breakdown by gender, race or ethnicity, disability, age, sexual orientation, religion or belief, and socio-economic background should be included in the new primary legislation we have called for to replace the Communications Act 2003.**

104. We have also noticed that some areas of data collected from broadcasters, including public service broadcasters (PSBs), remains patchy. Ofcom says that there have been some “encouraging signs” in terms of data collection by broadcasters but we are concerned by the gaps that still exist. In 2018–19, only three of the main TV broadcasters collected data on the socio-economic background of their staff and ITV did not begin collecting this

226 Ofcom, ‘[Diversity and equal opportunities in television](#)’, accessed 15 January 2021

227 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020)

228 Q287

229 Q289

230 Q291

231 Q439

232 Q441

233 Q650

data until 2019–20.²³⁴ There are also surprising data gaps in a number of other categories: there was an overall industry data gap on disability of 26% in 2019–20, and a 28% data gap for both sexual orientation and religion or belief.²³⁵ Furthermore, some of the individual broadcasters' gaps are even more significant: ViacomCBS's data gap for disability currently stands at 64%.²³⁶ **PSBs should be leading by example. The current gaps in employment data supplied to Ofcom are of significant concern. We recommend that Ofcom place minimum requirement obligations on PSBs, in terms of the employment data they provide, in order to drive down the industry-wide gaps in data that currently exist. Ofcom should hold PSBs to account if they do not meet the minimum requirements.**

105. There is no information available in Ofcom's report about representation of transgender people within the broadcasting industry. This information is collected by other bodies, such as the Creative Diversity Network,²³⁷ but such data is not included in Ofcom's analysis. **We are concerned that, without monitoring, there is no way to tell whether transgender people are being fairly represented in the workplace. Whilst there should be no requirement for someone to declare to their employer that they are transgender, we would encourage the Government to work with Ofcom and broadcasters to expand diversity monitoring forms to include the option for people to declare that they are transgender should they wish to. That requirement should also be extended to streaming services to bring the data they collect in line with that collected by broadcasters.**

Off-screen

106. Diversity and representation within some areas of the broadcasting industry has improved in recent years.²³⁸ Gender balance has slightly improved, but there are still many areas where improvements appear to have stalled. For example, disabled people remain under-represented at all levels and BAME people at management levels.²³⁹ Whilst many broadcasters have introduced their own initiatives to focus on improving representation, Amazon told us that many of the problems with diversity and representation off-screen lie with the production industry:

Broadcasters and commissioners are not in control of the hiring of the crew.

[...]

[Amazon has] a very rigorous internal hiring process. We get unconscious bias training, diversity training, but that is not necessarily happening in the production environment.²⁴⁰

107. Amazon also said that there is a “total lack of management training” within the production industry, as well as a “lack of HR resource for independents and freelancers”.²⁴¹ However, John McVay, Chief Executive of Pact, told us that “all the domestic broadcasters will monitor and discuss what you are doing in terms of each production and whether you are promoting, encouraging or supporting inclusion and diversity”.²⁴²

234 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 18

235 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 38

236 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 38

237 Creative Diversity Network, [Diamond: The Fourth Cut](#) (January 2021)

238 Ofcom, [Diversity and equal opportunities in television 2018](#) (27 September 2018), p 6

239 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 3

240 Q444

241 Q444

242 Q604

108. **We find it hard to accept the excuse that diversity of production crew is out of the control of commissioners and broadcasters. We are pleased to hear that domestic broadcasters prioritise diversity within production and we do not believe that it is beyond the power of powerful commissioners such as Amazon to insist on diversity within production teams.**

109. To improve opportunities for people from diverse backgrounds within the production sector, Jacqueline Baker of the B Inclusive Task Force suggested the formation of a central point where jobs can be advertised which is “accessible for everyone” in order to tackle the nepotism which currently exists within the industry.²⁴³ Ms Baker told us that:

When it comes to recruiting, people will often go to the networks they know, the networks they have worked with before. That can often exclude people, not necessarily just BAME people but also people who come from the regions and people who are working class.²⁴⁴

110. Every annual report on diversity within the industry that Ofcom has published has highlighted the fact that things are not progressing as quickly as they should be. In its report on the issue in 2017, Ofcom said that the “whole industry needs to do much more”.²⁴⁵ In its most recent report, Ofcom said that “progress is still far too slow and too many people are being left behind”.²⁴⁶ Speaking to us in December 2020, Ofcom Chief Executive Dame Melanie Dawes acknowledged that “it is just going to take time to tackle what is quite a long legacy of lack of representation of certain groups in our broadcasting industry [...] and we need to speed it up”.²⁴⁷ In particular, BAME representation at senior levels within broadcasting has plateaued in recent years²⁴⁸ and currently stands at 8%, compared to a national workforce average of 12%.²⁴⁹

111. Jacqueline Baker of the B Inclusive Task Force told us that “mid-level BAME workers are leaving the industry at a much higher rate”.²⁵⁰ Without diversity in the mid-levels of broadcasting and production, there will be no one to step into the higher-level roles, and the ongoing plateau will continue or, worse still, start to decline. Ms Baker highlighted Channel 5’s work on promotion opportunities for people at the mid-levels who want to progress, and we have been told of a number of different targets and initiatives from other broadcasters. Channel 4, for example, has set targets of “50% women in the 100 most highly paid, and 20% BAME”.²⁵¹ ITV told us that it is “embedding [its] head of diversity in the heart of [its] commissioning operation and strengthening [its] internal apprenticeship, training and development, focusing on underrepresented groups”.²⁵² The new BBC Director-General, Tim Davie, also told us of his target of making the BBC a 50/20/12 organisation.²⁵³ However, broadcasters have had similar targets for years, and underrepresentation is not a new phenomenon. Organisational change takes time, but in four years the number of BAME people in senior management roles has barely changed.

243 Q597

244 Q597

245 Ofcom, [Diversity and equal opportunities in television](#) (14 September 2017), p 2

246 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 3

247 Q651

248 According to Ofcom in 2017, BAME representation in senior roles stood at 6%. In 2018 it was 7%, in 2019 it was 8% and in 2020 it was 8%.

249 Ofcom, [Diversity and equal opportunities in television and radio 2019/20](#) (25 November 2020), p 38

250 Q596

251 Q104

252 ITV plc ([PSB0047](#))

253 Q238

112. **Diversity within the industry has improved in recent years—for example, there is a better gender balance—but progress continues to be too slow. It is taking too long to address inequality within the industry and much more needs to be done to increase diversity, notably disabled people and BAME representation and particularly in the upper levels of management. *PSBs and streaming services alike need to do better, and in the response to this Report, Ofcom and the Government should explain how they intend to ensure that improvements are made much more quickly.***

On-screen

113. In recent years, PSBs have begun to move some of their operations away from London. Channel 4 has recently opened new offices in Leeds, Bristol and Glasgow,²⁵⁴ and the BBC now has over 50% of its employees based outside the M25.²⁵⁵ However, there are still calls for more content from across the UK to be produced to ensure authentic on-screen representation:

commissioners—individuals with a budget and the power to greenlight new programmes—should be based across the UK for each PSB, ideally in cities that already part of the UK PSB ecology and have, as a result, the necessary talent base.²⁵⁶

114. Quotas have clearly played a large role in developing the production sector in the nations and regions. S4C told us that, as a direct result of the growth stimulated by PSB quotas, production companies have then been able to “seek commissions from non-PSBs and SVODs”.²⁵⁷ Whilst quotas for out of London production have clearly made a difference, concerns have been raised that, historically, the guidelines governing the quota system have “failed to prevent London-based companies complying only with the letter rather than the spirit of the guidelines”.²⁵⁸ Ofcom undertook a review of the guidelines in 2019 and concluded that the criteria that defining regional production would be strengthened and clarified.²⁵⁹ The new guidelines came into effect on 1 January 2021.²⁶⁰

115. **We recognise the importance of regional diversity in commissioning roles and we welcome Ofcom’s previous decision to strengthen the criteria for regional and national production. *We recommend that Ofcom’s guidelines for regional and national production should be reviewed on an annual basis to ensure that the commissioning of authentic regional content continues to improve.***

116. Issues also exist in terms of on-screen diversity. Whilst diversity on-screen has improved in recent years, problems remain with the way in which people from different backgrounds are portrayed on screen. According to Ofcom, “disabled people are one of the groups that is least likely to feel satisfied by the way they are portrayed, certainly for the BBC but also for other broadcasters”.²⁶¹

254 Channel 4 (PSB0036)

255 BBC, [BBC Group Annual Report and Accounts 2019/20](#) (15 September 2020), p 31

256 Screen Scotland (PSB0092)

257 S4C (PSB0013)

258 TAC (Teledwyr Annibynnol Cymru/Welsh Independent Producers) (PSB0057)

259 Ofcom, [Review of Regional TV Production and Programming Guidance](#) (19 June 2019), p 3

260 Ofcom, [Review of Regional TV Production and Programming Guidance](#) (19 June 2019), p 2

261 Q664

117. Ofcom reported in 2019 that newer content providers, such as Netflix, were “mentioned by LGBT people, people from minority ethnic backgrounds more broadly and younger audiences as providing good examples of authentic portrayal”.²⁶² Viewers from minority ethnic groups tend to be less satisfied with PSBs overall²⁶³ which is a concern, particularly given Channel 4’s statutory requirement to provide “a broad range of high quality and diverse programming which [...] appeals to the tastes and interests of a culturally diverse society”.²⁶⁴ Jacqueline Baker of the B Inclusive Taskforce also told us of the importance of more BAME-led authorship within broadcasting:

it is so important, when you are talking about a particular racial group, that you are reflecting the full picture and that it isn’t just one repeatedly negative narrative that is constantly being pushed. We think it is important that we are able to tell our own stories and reflect our own narrative.²⁶⁵

118. Increasing diversity in commissioning and production roles is crucial for improving on-screen diversity. We recommend that Ofcom introduce requirements for the number of BAME, LGBTQ+ and disabled people in commissioning and senior production roles to improve authentic on-screen representation of the UK’s diverse communities.

Minority language content

119. The UK has two minority language PSBs: BBC Alba, run by Meadhanan Gàidhlig Alba (Gaelic Media Scotland) and funded by the Scottish Government,²⁶⁶ and S4C, funded in the majority by the licence fee and in part by the UK Government and S4C’s own commercial income.²⁶⁷ From 2022, all of S4C’s public money will come from the licence fee, and the negotiations are currently ongoing between S4C, the BBC and the UK Government to agree a new settlement.²⁶⁸

120. S4C and BBC Alba have been described to us as playing a “vital role in sustaining linguistic vitality and cultural diversity”,²⁶⁹ and the BFI told us that requirements for the BBC to support minority language content “help preserve these languages and explore their role in our shared heritage”.²⁷⁰ However, concerns have been raised about discoverability of minority language content. Professor Philip Schlesinger told us that “BBC Alba has problems being discovered. It is not just BBC Alba, it is also Scottish BBC channels that are not easy to discover if you are going straight into a smart TV”.²⁷¹

121. Dr Caitriona Noonan told us that, with the development of voice activation technology, it is increasingly difficult to access content which is not in English.²⁷² As it stands, voice assistants support a number of languages but none of the big names (such as Apple’s Siri, Google Assistant or Amazon’s Alexa) support minority UK languages.²⁷³ Dr Noonan said that:

262 Ofcom, [Representation and portrayal on BBC television](#) (25 October 2018), p 10

263 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 29

264 Q98; Communications Act 2003, [section 265\(3\)](#)

265 Q597

266 MG Alba ([PSB0075](#))

267 [‘S4C set to lose UK government funding by 2022’](#), BBC News, 29 March 2018

268 Q748

269 Dr Caitriona Noonan ([PSB0026](#))

270 British Film Institute ([PSB0103](#))

271 Q540

272 Q538

273 Globalme, [‘Voice Assistants Compared’](#), accessed 20 January 2021

there is the risk of digital extinction for many minority languages; again, there is the idea of where minority language fits within the discussions around discoverability and prominence. How do you verbalise, or how do new people to the language find the content? That is something that has been overlooked.²⁷⁴

122. There have also been some also been some calls for further minority language content and providers to be developed in other areas of the UK. For example, Cornwall Council has called for a Cornish Public Service Media to be established:

The current PSB is entirely metropolitan and fails to provide content for the Cornish national minority—the only UK national minority without its own service and the UK’s only indigenous language without its own content.²⁷⁵

123. We welcome the recent promotion of S4C in Wales to channel 104 on Virgin Media but we are concerned about the lack of discoverability for minority language content in this increasingly digital market. The role that minority language broadcasters play is an important one and confirms the need for updated prominence legislation to protect the ability for their content to be found by viewers. We recommend that the Government’s work on updating media legislation ensure that minority language content is given sufficient prominence on the relevant platforms.

274 Q571

275 Cornwall Council ([PSB0012](#))

5 The road ahead

124. In its recent consultation, Ofcom recommended that a new regulatory framework was needed “to support an effective transition to public service media (PSM)”.²⁷⁶ There is no doubt that public service broadcasters (PSBs) today do a lot more than broadcasting, and it is right that the regulator should recognise this and seek to adapt. Just as their competitors have proliferated, so too has the range of content PSBs produce. They continue to offer conventional linear broadcasting services, but PSBs also publish blogs and news articles, produce podcasts, make their content available on their video on demand players, and post content on a plethora of social media platforms.

125. In the past, if PSBs wanted to identify their competitors, they could simply look at the other names on the electronic programme guide. Today they find themselves in competition with other publishers, from newspapers now distributing video content to streaming services with programming budgets PSBs could only dream of. Alongside them are online platforms which may or may not produce content but do control the means of distribution which PSBs must access in order to reach key sections of their audiences.

126. We applaud Ofcom for seeking to get to grips with this ever more complex landscape. Its intention is the right one—to ensure that the societal benefits we rely on PSBs for endure, even as the nature of the arena in which they are operating evolves. At the beginning of this Report, we outlined the core principles of public service broadcasting: universality, trusted news, and freedom from political inference. These principles are every bit as important as when the Communications Act 2003 was passed but the effective regulation of public service media will require a scope for action beyond Ofcom’s current remit, taking in the wider landscape of streaming and online platforms. It is therefore vital that the Government itself considers how public service media can be allowed to thrive and acts accordingly, acknowledging the continuing importance of PSB institutions whose overriding mission is to provide public service media content.

127. The Digital Markets Unit is well placed to address these issues and should be instructed to do so, but ongoing uncertainty of what the future may or may not hold for PSBs is damaging. We hope that the Government will recognise that speedy decisions on some longstanding issues are needed: the implementation of Ofcom’s recommendations to secure prominence for PSBs in a digital age is long overdue, and continuing uncertainty regarding the Government’s intentions around decriminalisation of TV licence fee evasion is also a distraction. Dealing with such questions, as well as issues we have highlighted such as diversity and representation within broadcasting, would be a step in the right direction, and would allow Ministers and PSBs alike to concentrate on the more profound challenges that confront them if the public service benefits we all value are to be secured for future generations.

276 Ofcom, [Small Screen: Big Debate Consultation—The Future of Public Service Media](#) (8 December 2020), p 4

Annex: Funding for public service broadcasting

1. Funding is at the heart of the public service broadcasting debate. The purpose of this annex is to examine how other countries that support public service broadcasting have chosen to modify funding models to accommodate technological, social or political change. We focus primarily on Western Europe where publicly funded media is most developed as a system.

2. The overall theme is that a significant minority of public service broadcasting countries in Europe have attempted to move away from the model of a licence fee attached to device/media use; in each case this has resulted in significant (and often unforeseen) disruption. In a number of cases, the change has made public service broadcasting funding less stable and has eroded broadcasters' independence from politicians. It is worth noting that none of the countries addressed in this annex have a public service broadcasting system that is as entrenched, and whose value to the local population is as widely acknowledged, as that of the UK.

The shift away from the licence fee

3. There is a noticeable trend in the EU away from maintaining a traditional licence fee model tied to device use. In most instances, this has led to a universal fee implemented either as a household/individual fee (e.g. Finland, Germany, Sweden) or as a state grant (e.g. Iceland, Netherlands, Romania). This shift has been driven by a variety of factors, six of which are outlined below:

- The increased number of people accessing radio and TV through computers, smartphones and tablets, which has made a licence fee tied to ownership of a TV set and/or radio anachronistic.
- The issue of free-riders, where people continue to access public service broadcasting content and services without paying a licence fee.
- Difficulties and costs of collection and enforcement.
- A perceived unfairness where flat licence fees are not tied to people's ability to pay.
- Questions surrounding the legitimacy of, and public dissatisfaction with, the licence fee.
- Governments seeking to reduce the independence of public service broadcasters (PSBs).

The challenges of making the change

4. Changing the funding model for public service broadcasters is consuming of time and energy for regulators and broadcasters alike. In most cases democratic consultation has been required, which can lead to challenges to the legitimacy of public service broadcasting and legal challenges to the new system (see the German and Finnish cases

detailed below). For example, in 2015 Switzerland’s proposal to shift from a licence fee tied to radio/TV set ownership to a universal fee payable by households and businesses,²⁷⁷ led to a vociferous anti-public service broadcasting campaign by small businesses facing increased fees, culminating with a referendum on public service broadcasting.²⁷⁸ In this case, proposals to change the funding model put the very legitimacy of public service broadcasting at risk and challenged the social consensus. Although the referendum result was strongly in favour of public service broadcasting, the Swiss PSBs had to make concessions which led to reductions in revenues.

5. The experiences of countries such as Germany, Finland and Switzerland suggest that the disruption of moving to a new funding model is only merited where the perceived legitimacy of the existing system has collapsed. In countries where there are low evasion rates, safeguards against political interference, continued public support and adequate funding for public service broadcasting, it could be argued that there is little to be gained from the disruption of shifting to a new model. At present, these conditions broadly apply to the UK but this could change if evasion rates were to increase, public support for the BBC and/or the licence fee was to decline, or the BBC was subject to further cuts to its funding (for example, from decriminalisation of TV licence fee evasion).

The trade-offs in different funding models

6. All models for publicly funding PSBs involve trade-offs between:
- a) Sustainability: whether it provides stable and adequate funding to enable PSBs to fulfil their remits.
 - b) Political independence: the extent to which government is able to interfere in the level of funding in ways that could undermine the ability of PSBs to hold governments to account.
 - c) Legitimacy: the extent to which the funding model appears fair and is supported by the public.

The implications of shifting away from the current UK licence fee

7. In Table 2, we highlight some of the potential implications of shifting away from the licence fee model currently in place in the UK.

Table 2: Implications of shifting away from the current UK licence fee model

Advantages	Disadvantages
The ability to create a more progressive funding model based on ability to pay, rather than a flat fee.	The licence fee is the most stable and predictable form of funding for publicly-funded public service broadcasting.
Requiring all citizens to pay regardless of media use removes free-rider problems.	Requiring all citizens to pay regardless of media use could be unpopular and seen as unfair.

277 Swissinfo, ‘[Wafer-thin majority votes for public radio/TV funding reform](#)’, accessed 4 February 2021

278 Swissinfo, ‘[Swiss licence fee vote: the demands and potential consequences](#)’, accessed 4 February 2021

Advantages	Disadvantages
A simpler model could address the anachronism of the licence fee being tied to live TV and iPlayer viewing, but not radio and PSB content distributed via the internet (including social media).	Could be hugely disruptive for the BBC (and S4C) and direct energy from programme-making towards defending public service broadcasting as a concept.
Reduced collection and enforcement costs.	Can be costly to implement a new funding model.
Could address the financial deficit that the BBC might face if decriminalisation of TV licence fee evasion is introduced.	Non-licence fee funding models are more open to political interference.

Principles and practices of publicly funding public service broadcasting

8. Within the European Broadcasting Union (EBU) area in 2019, the vast majority of public service broadcasting funding (77.6%) was public.²⁷⁹ Of this public funding, 59.9% was from a licence fee.²⁸⁰ A number of European countries (Sweden, Norway, Denmark) have shifted, or are planning to shift, to an alternative source of public funding, such as a household/individual fee or state grant. Most PSBs in Europe combine public funding with other revenues, including advertising, programme sales/IP, sponsorship, pay services, merchandising, and charitable grants. In 2019, within the EBU area, commercial sources accounted for only 18.9% of total revenue for PSB.²⁸¹

9. Levels of funding equate with spend on public service content, relevance and legitimacy. Data from EBU members in 2019 revealed that better funded PSBs spend more on content. Severe cuts to funding are strongly correlated with a decrease in programming expenditures.²⁸² There is also a strong correlation between PSB operating revenues and TV/radio market share. Properly funded PSBs have the resources to compete in their markets, retain talent, attract audiences and fulfil their public service remits. Funding cuts can lead to a downward spiral: less funding = less relevance = less legitimacy.²⁸³

The four core principles for funding public service broadcasting

10. In 2017, the EBU proposed four principles that can act as a guide and benchmark against which to measure different funding models for PSB.²⁸⁴

- Stable and adequate
 - This enables long-term investment and innovation and ensures PSBs have the funds to fulfil their remits.

279 European Broadcasting Union Media Intelligence Service, [Funding of Public Service Media: 2020](#) (December 2020) p 10

280 European Broadcasting Union Media Intelligence Service, [Funding of Public Service Media: 2020](#) (December 2020) p 10

281 European Broadcasting Union Media Intelligence Service, [Funding of Public Service Media: 2020](#) (December 2020) p 10

282 European Broadcasting Union Media Intelligence Service, [Funding of Public Service Media: 2020](#) (December 2020) p 7

283 European Broadcasting Union Media Intelligence Service, [Funding of Public Service Media: 2020](#) (December 2019) p 9

284 European Broadcasting Union, [Legal Focus: Public funding principles for public service media](#) (December 2017), p 3

- Independent from political interference
 - This enables PSBs to fulfil their role as trusted sources of objective and impartial information.
- Fair and justifiable
 - Citizens must understand what they pay and why in order to ensure continued legitimacy.
- Transparent and accountable
 - This is essential to ensure legitimacy and trust in PSBs.

Terms and conditions for publicly funding public service broadcasting

11. The funding models for PSB vary according to the terms of payment (who is required to pay, at what level and under what conditions) and the conditions for funding (how and by whom is the amount of funding determined).

Terms of payment

- Device-dependent: tied to use/ownership of a TV set, radio, computer etc. as is typical for licence fee models.
- Use-dependent: tied to use of particular services, such as live TV/iPlayer, as in the UK.
- Flat fee: everyone pays the same. More typical in licence fee models.
- Variable fee, according to ability to pay. More typical in household/individual fees and state grants.
- Reductions for certain groups (e.g. the disabled, those on benefits). Typically, funding for PSB is only paid by adults.
- Individual, per household and/or from businesses/organisations.

12. Where there has been a shift away from the licence fee in recent years it tends to be towards variable fees that are not device/use dependent and so are paid by all citizens.

Conditions of funding

- Government sets level and length of funding settlement. This can undermine the political independence of PSBs and, therefore, their legitimacy and trust.
- An independent body sets the level and length of funding. Independent bodies provide fewer opportunities for political interference in PSB funding.
- Indexing of funding. The level of public funding can be indexed to other measures (e.g. in line with cost of living, or dependent on ensuring a specific income level for PSBs).

- Allocation of funds. The funding can go directly and wholly to the PSB organisations or can be used to fund other media activities.

Evaluation of the principal public funding models for public service broadcasting

Licence Fee

13. There are variations to licence fee models, but this broadly refers to public service broadcasting funded directly through purchase of a licence by individuals, households and/or businesses/organisations. Licences are often tied to specific technologies (e.g. TV set, radio, computer) or sometimes to a media use, as in the UK. With the rise of internet-delivered TV and radio, there has been a move towards divorcing licence fee payment from the TV set and broadening it out to include ownership of other devices, such as computers, smartphones and tablets.²⁸⁵

14. Licence fee levels can be set by independent bodies or directly by government. Independent bodies can help to limit government interference in both the level of the licence fee and how much of that income comes to PSBs or is diverted to other areas.

15. Licence fees require collection, which can be undertaken by:

- State department—can undermine independence.
- Independent body—less scope for political interference.
- Third party organisation (e.g. telecoms provider, post office or electricity provider)—can lead to problems if the organisation (e.g. telecoms provider) has no interest in enforcing collection. Can cost more as the fee for collecting the licence fee needs to be negotiated with the commercial company. Tends to be adopted by Southern European countries (e.g. Portugal) where the licence fee is very low and so could be harder to adopt for more substantial licence fees.
- Subsidiary of public service broadcasting—generally the least expensive and most efficient option with lower evasion rates.

16. There is evidence to suggest that there is no clear link between the cost of the licence fee and evasion rates in Europe. Higher evasion rates have been linked to lower legitimacy of public service broadcasting, lower risks for non-payment and a lack of effective procedures to collect and enforce payment.²⁸⁶ Table 3 summarises the advantages and disadvantages of the licence fee model.

285 Before moving to a household fee, Germany expanded required people to pay the licence fee for TV sets, radios, computers and mobile phones.

286 European Broadcasting Union, [Legal Focus: Public funding principles for public service media](#) (December 2017), p 7; C.E Berg & A.B. Lund, '[Financing Public Service Broadcasting: A Comparative Perspective](#)', *Journal of Media Business Studies*, vol 9 (2012), pp 13–14

Table 3: For and against the licence fee model

Advantages	Disadvantages
A stable and predictable form of income, although this can depend on the length of licence fee settlements.	Collection: there are costs involved in determining who is required to pay and collecting fees.
Independent from political interference, although this can depend on how the level and length of the licence fee is set.	Enforcement: there needs to be some kind of penalty for non-payment of the licence fee.
Accountable to the public as citizen, creating a direct link with the public.	Free-riders: people can avoid paying and still use public service broadcasting services.

Household/Individual Fee

17. There are variations within this model, but it generally refers to the funding of public service broadcasting through a household or individual fee that sits outside of the state budget and is sometimes (as in Germany) still referred to as a licence fee. In this model, funding for public service broadcasting is not tied to the ownership of a specific device or the use of particular media services. As with other public services, all citizens pay, regardless of their use of public service broadcasting. Depending on how it is established, the household/individual fee can be collected at source (removing the costs of collection) and can be income-based or include exemptions for certain groups. A number of countries have shifted from the licence fee to some form household/individual fee in the past decade, most notably Finland and Germany. Table 4 summarises the advantages and disadvantages of the household/individual fee model.

Table 4: For and against the household/individual fee model

Advantages	Disadvantages
Simplicity: could minimise evasion and the cost of collect and/or enforcement if funding can be deducted directly and is payable by all citizens.	More easily subject to political interference and/or pressure than the licence fee. Would need to be set up with safe-guards to minimise the possibility of political interference.
Fairer and more progressive than a flat licence fee, depending on the terms of payment.	Can be less transparent than a licence fee.
Not tied to specific devices or types of media; all citizens pay.	Payable by all citizens, including those who do not use public service broadcasting so could be unpopular.

State Budget

18. In this model, public service broadcasting is funded directly through state budgets, either directly from government or indirectly through subsidies. As with the household/individual fee, funding for public service broadcasting is not tied to the ownership of a specific device or the use of particular media services: all citizens pay, regardless of their use of public service broadcasting. Funding through state budgets requires no special collection or enforcement and can be progressive by being income-based or including exemptions for certain groups.

19. A number of countries have shifted from the licence fee to funding through state budgets. However, the shift to state budget funding is associated with attempts by governments to curtail the independence of, and financing available to, PSBs. For example, both the Netherlands (in 2000) and Iceland (in 2009) moved from a licence fee to state budget model which led to accusations of politically-motivated interference in the funding of public service broadcasting and cuts to the provision of original programming.²⁸⁷ In Denmark the shift from a licence fee to direct taxation, which will come into force from 2022, has been interpreted as an attempt to reduce the independence of DR (the Danish Broadcasting Corporation) as a PSB and limit its ability to hold government to account.²⁸⁸ Table 5 summarises the advantages and disadvantages of the state budget model.

Table 5: For and against the state budget model

Advantages	Disadvantages
Simplicity: could minimise evasion and the cost of collection and/or enforcement if funding can be deducted directly and is payable by all citizens.	Easily subject to political interference and pressure. Less transparent than a licence fee.
Potentially fairer and more progressive than a flat licence fee, depending on the terms of payment.	Might not be cheap/simple to implement.
Not tied to specific devices or media, so all citizens pay.	Payable by all citizens, including those who do not use public service broadcasting, so could be unpopular.

Other funding models

Advertising

20. A number of European PSBs supplement public funding with additional income derived from advertising. It is unusual for PSBs in Europe to be wholly funded by advertising. Advertising tends not to be favoured as a primary model for funding public service broadcasting because it is oriented to the market/consumer, rather than to the public/citizen. It can, therefore, lead to a de-emphasis on certain forms of programming that are less economically viable such as children's content, investigative journalism, arts, and minority language and regional content. It also lacks the transparency of forms of public funding, such as a licence fee. Income from broadcast advertising has also been declining, particularly with the rise of online advertising subject to different regulatory requirements, making advertising an unstable form of income for public service broadcasting.

Subscription

21. A subscription-based model has not been adopted by any country within the EBU as a mechanism for funding public service broadcasting and is generally not regarded as a public service broadcasting funding model. This is because it is not universal and misses the central role of public service broadcasting as a 'merit good' that contributes

287 C.E Berg & A.B. Lund, 'Financing Public Service Broadcasting: A Comparative Perspective', *Journal of Media Business Studies*, vol 9 (2012), p 18

288 '[Drastic changes ahead for Danish public broadcaster](#)', Public Media Alliance, 19 September 2019

to the creation of a stable, democratic and peaceful society. Merit goods are goods and services that create positive benefits for social welfare but that people are likely to under-consume, and which ought to be subsidised and/or provided free at the point of use so that consumption does not depend on ability to pay.

22. Subscription services are not an adequate funding mechanism for merit goods because they are only available to those who choose (and can afford) to subscribe and only have to provide content for their subscribers. In addition, subscription would require considerable implementation expenses and the creation of some form of conditional access that is not currently possible for FM, AM and DAB radio or Freesat and Freeview TV.²⁸⁹

Taxation as a supplement to public funding

23. Historically, a range of taxes and levies have been used to support the financing of domestic audio-visual production, including levies on cinema admissions (France), private broadcasters (Finland, Estonia), the purchase of certain media and copying devices, such as blank CDs/DVDs and VCRs/DVDRs (Japan, America, Canada, 25 EU-member countries), and internet service providers (ISPs) (France). This form of taxation is a supplement to other forms of public funding and is usually accessible to both commercial and public service providers to support domestic audio-visual and news production. It is often used to tax those who benefit from content production but do not support it financially. It can also reduce the dependence of public service broadcasters on advertising and open up competition.

24. A number of submissions to our inquiry have proposed the introduction of such levies to address the rise of global platforms and subscription video on demand (SVoD) services. However, there are disadvantages to this model for funding public service broadcasting. It requires a new mechanism to collect and distribute the revenue, which could be costly to set up and open to government interference. Revenues from profits on, for example, ISPs and SVoDs, are not stable and the costs can be passed on to advertisers or consumers, particularly given that in many countries there is little competition in these sectors. This could, by turn, harm internet adoption.²⁹⁰

Donations

25. The United States of America's system is the clearest example of funding public service broadcasting primarily through individual donations and corporate sponsorship. Donation models do not ensure protection from the state or the market and are not a stable form of revenue. Donations are subject to economic downturns (recessions) and require directing resources to fundraising. They will favour content oriented to those who donate. It could be argued that, financially, a donation model is not realistic in the European context: the GDP of the USA in 2010 was around \$15 trillion, approximately double that of the five wealthiest countries in Europe combined (France, Germany, Italy, Spain and the UK). Despite this wealth, public service broadcasting in the USA received less in federal public funding in 2008 than YLE received in Finland with a population

289 Enders Analysis ([PSB0051](#))

290 Reuters Institute, [Content taxes in the digital age](#) (February 2014)

of 6m and a GDP of roughly \$246 billion. The USA's funding model for public service broadcasting is arguably not sufficient enough to ensure stable and adequate funding for PSBs and is likely to generate even less per capita revenue in less wealthy economies.²⁹¹

Case studies: Finland and Germany

Finland

26. In 2013, Finland shifted from a licence fee to a progressive 'tax' paid by all individuals on a means-tested sliding scale to fund its public service broadcaster, YLE. The rationale for shifting away from the licence fee was to address declining revenues for YLE, the anachronism of tying licence fee ownership to the TV set, free-rider problems, the practical challenges of collecting and monitoring the licence fee and the perceived unfairness of a flat fee for economically disadvantaged households. In 2012, licence fee evasion rates for individuals in Finland were around 11% and for corporations up to 25%.²⁹²

27. As in Switzerland, the proposed shift to a new funding model led to significant debate about public service broadcasting, opening up space for considerable lobbying from commercial media who demanded a narrower definition of YLE's public service broadcasting remit, particularly online, and advocated for funding from direction taxation.²⁹³ Although these criticisms were rejected, YLE had to invest time and energy in promoting the value of public service broadcasting.

28. The public service broadcasting tax introduced in Finland is paid by individuals on a means tested progressive scale, with those earning least paying nothing. The aim was to expand the number of people paying in order to reduce the fee paid. Although referred to as the 'PSB tax', it is better understood as an individual fee or compulsory excise duty that is not dissimilar to the German household fee discussed below.²⁹⁴ Individuals over 18 years old pay up to €163 per year, depending on their income and individuals who earn less than €14,000 p/a pay nothing. This is a reduction from the €252 licence fee payable before the 2013 reform. Corporate entities with a taxable income per year of at least €50,000 are liable to pay the public service broadcasting tax at a rate of €140 and 0.35% of taxable income over €50,000 up to a maximum of €3,000 p/a.²⁹⁵

29. After the introduction of the public service broadcasting tax, YLE's income has increased from €432.4m in 2011 to around €475m per year.²⁹⁶ The tax has been successful in terms of ensuring adequate funding for public service broadcasting, partly because of a supportive political climate. The fund has also been set up to safeguard against political interference, sitting outside of the state budget.

291 G.F. Lowe & C.E. Berg, '[The Funding of Public Service Media: A Matter of Value and Values](#)', *International Journal on Media Management*, vol 15 (2013), p 83

292 M. Ala-Fossi, '[Social Obsolescence of the TV Fee and the Financial Crisis of Finnish Public Service Media](#)', *Journal of Media Business Studies*, vol 9 (2012), p 39

293 C. Herzog & K. Karppinen, '[Policy Streams and Public Service Media Funding Reforms in Germany and Finland](#)', *European Journal of Communication*, vol 29 (2014), p 427

294 C. Herzog & K. Karppinen, '[Policy Streams and Public Service Media Funding Reforms in Germany and Finland](#)', *European Journal of Communication*, vol 29 (2014), p 427

295 Vero Skatt, '[Public Broadcasting Tax and Åland Islands Media fee](#)', accessed 4 February 2021

296 C. Herzog & K. Karppinen, '[Policy Streams and Public Service Media Funding Reforms in Germany and Finland](#)', *European Journal of Communication*, vol 29 (2014), p 427; YLE, '[Board of Directors' report and financial statements 2019](#)', (2019), p 22

Germany

30. Germany's PSBs were funded by a combination of a licence fee and advertising before 2013, with KEF, an independent organisation, responsible for setting the level of the licence fee. The rationale for shifting away from the licence fee was largely the perceived anachronism of tying the fee to specific receiving devices given the proliferation of online video and streaming services. However, the licence fee was also unpopular with the public and there were concerns about free riders. Changes to media use were also leaving German PSBs ARD and ZDF with an expected reduction in funding of around €1bn by 2020.²⁹⁷

31. A household fee paid by everyone was favoured because it made the monitoring of the possession of a receiving device obsolete. It was also designed to be a simple system that would maintain the current total amount of licence fee income for Germany's PSBs. In addition, the independent organisation responsible for setting the level of the licence fee (KEF) was retained to decide the level of the household fee in order to limit political interference. The fee is collected by a third-party organisation, the Bietragsservice.

32. Various legal complaints were filed against the fee, often related to the impact of the reform on businesses, churches and local municipalities, which had to be dealt with by the Federal Constitutional Court.²⁹⁸ These legal challenges were finally resolved in favour of the fee in 2018.²⁹⁹ Initially the household fee was set at the same level as the licence fee. In 2013, an evaluation by KEF found that this would lead to an expected budget surplus of €1145.9m for 2013–16 and so the monthly fee was recommended to be reduced by €0.73 to €17.25 from 1 Jan 2015.³⁰⁰ In 2019, the fee stood at €17.50 per month (€210 p/a).

33. In 2018, academics Phil Ramsey and Christina Herzog modelled the financial impact of the UK shifting from the current licence fee to a household levy along the lines of the German system, based on all adults (even over-75s) contributing.³⁰¹ They claimed that with a 0% evasion rate, a similar household fee in the UK could raise more revenue than the current licence fee and so could lead to reduced costs to the public. With a 3.6% evasion rate the household fee would raise slightly more revenue than at present. However, 5% of German households refuse to pay the household fee and at this rate of evasion in the UK, there would be little financial benefit to the taxpayer from shifting away from the licence fee. However, if a household fee was attached to council tax it could be more progressive than the current licence fee model, enabling those on lower incomes to pay less.

297 C. Herzog & K. Karppinen, 'Policy Streams and Public Service Media Funding Reforms in Germany and Finland', *European Journal of Communication*, vol 29 (2014), pp 422–423

298 C. Herzog & K. Karppinen, 'Policy Streams and Public Service Media Funding Reforms in Germany and Finland', *European Journal of Communication*, vol 29 (2014), p 423

299 'German ZDF and ARD public broadcasting household levy ruled constitutional', DW.com, 18 July 2018

300 C. Herzog & K. Karppinen, 'Policy Streams and Public Service Media Funding Reforms in Germany and Finland', *European Journal of Communication*, vol 29 (2014), p 425

301 P. Ramsey & C. Herzog, 'The End of the Television Licence Fee? Applying the German Household Levy Model to the United Kingdom', *European Journal of Communication*, vol 33 (2018), pp 430–444

Conclusions and recommendations

Introduction

1. For public service broadcasting to prosper in the future the Government will need to act—changes that require ministerial authority are needed in order to ensure that the public service broadcasting system remains sustainable in the context of today's greatly expanded and increasingly global media market. (Paragraph 12)

Public service broadcasting: still relevant?

2. Despite the long-term decline in viewing, we recognise that linear television remains crucial to certain audiences. (Paragraph 16)
3. Universality is at the heart of public service broadcasting and should remain so. Linear broadcast television by PSBs remains important and with delays to full fibre broadband rollout, a wholly online public service broadcasting system allowing for universal access is not yet viable. During the current period of transition, whilst a significant amount of content is being made available online, the interests of consumers who rely on linear TV must be preserved. Ofcom continues to tell PSBs to do more with less, but does not detail how they expect this to be done. Expectations for, and the remits of, public service broadcasters have to be realistic in relation to the available funding. *Expectations for, and the remits of, public service broadcasters have to be realistic in relation to the available funding. If budgets are going to continue to decline in real terms, the Government should review the expectations set for PSBs.* (Paragraph 24)
4. The Covid-19 pandemic has highlighted the role that PSB content can play in bringing the country together creating shared national experiences and providing access to topical, UK-specific information and entertainment. (Paragraph 28)
5. The pandemic has reinforced the critical importance of free and easy access to trusted news sources. At a time of crisis, audiences have shown that they value the PSBs. PSBs have played a role in tackling the spread of misinformation online, and broadcast news specials have played a crucial role in disseminating essential information to the general population. However, in the case of Amazon and Google's refusal to allow the BBC editorial oversight of its Covid-19 content and information hosted on their smart speakers, it would appear that these platforms have prioritised control of information over journalistic integrity. (Paragraph 35)
6. The pandemic has reinforced the importance of local and regional-specific news provision. The provision of news to Nations and Regions should not suffer further as a result of budgetary restraints. We perceive a real risk to the provision of regional-specific news programming, and we are adamant that the quality, and relevance to local people, of programming for the Nations and Regions must not be further jeopardised. Regional news programming must be representative of, and relevant to, the audiences it is broadcast to. *We recommend that Ofcom undertake a review into the quality and relevance of the local and regional news provision, to be reported on before the new BBC Charter negotiations begin.* (Paragraph 40)

7. Reaching younger audiences now, and building relationships with them, is of the utmost importance if PSBs are going to remain popular and sustainable in the long-term. The way in which people access content, particularly those under the age of 35, is rapidly changing and the Covid-19 pandemic has accelerated that change. Young audience behaviour is an indicator of future trends and PSBs are at risk of losing touch with under 35s. *Unless PSBs do more to attract younger audiences, the core principle of universality that underpins their existence will be threatened. For these efforts to be successful, we recommend that changes be made to the regulatory structure to enable PSBs to innovate more rapidly and easily, and to be able to better compete online.* (Paragraph 48)
8. We are pleased that Ofcom highlighted the deficits in children's programming across the PSB portfolios in 2018 and consider it vitally important that it continues to keep PSB performance in this area under regular review. *We recommend that the Government evaluate the success of the Young Audiences Content Fund against its goals and extend the scheme if it is found to be increasing the investment in original content for children in the UK.* (Paragraph 52)
9. We recognise that the BBC has provided a record amount of educational resources during the Covid-19 pandemic, and particularly during the periods that schools across the country have been closed. Whilst this is a key example of the value the BBC provides, it took too long for the BBC to make more of its content available on TV. *We applaud the work that the BBC has done to provide these resources but encourage it to continue making more of its content available by means other than the internet to ensure more equal access.* (Paragraph 56)
10. It took the Government almost 10 months to respond to the consultation on decriminalisation of TV licence fee evasion. Delays of this nature by DCMS in reforming other areas of broadcasting, such as prominence, would be of significant concern. Of more concern was that the long-delayed response simply provided further uncertainty. The issue of decriminalisation could be used as a bargaining tool by the Government during the ongoing licence fee settlement negotiations with the BBC and S4C, and thereby undermine one of the core principles of public service broadcasting: that it should be removed from Government interference. *We call on the Government to provide assurances that the issue of decriminalisation will not be used as a bargaining tool during the ongoing licence fee settlement negotiations with the BBC and S4C. We also recommend that the Government conclude its further work on enforcement schemes, and publish its findings, by the end of the current parliamentary session.* (Paragraph 61)
11. The continued rise in TV licence non-payment in the UK is a cause for concern, as is the fact that the BBC's target of a 5.9% evasion rate by March 2021 will be missed by a significant margin. *We are also concerned that the failure to resolve definitively speculation about decriminalisation of TV licence fee evasion could exacerbate the situation and recommend that the Government provides some certainty on this matter as soon as possible.* (Paragraph 64)
12. We recognise the problems associated with the licence fee and, in the annex to this Report, explore the existing alternatives. None of these are sufficiently attractive to justify recommending, for the next Charter period, that they replace the current

licence fee model, not least given the disruption and expense of doing so and on balance, the licence fee remains the preferred option for that period. *The Government either needs to come out with a strong alternative to the licence fee that it can put to Parliament, or strongly support the current model for at least the next Charter period (2028–2038) and actively aid the BBC in driving down evasion.* (Paragraph 65)

13. Current requirements on PSBs have generated a thriving production economy that has attracted the attention of streaming services, but the rise of video on demand is putting pressure on the Terms of Trade. Subscription video on demand services should invest in the production ecology as well as benefit from it, but any move to reform the Terms of Trade must take into account the diverging business models of the different commissioners in the UK production ecology. (Paragraph 72)

Regulation and legislation

14. We are not persuaded by arguments that prominence can be left to the market simply because PSB content is popular and if an organisation such as Freeview, which represents the interests of over 70 TV channels, finds it difficult to negotiate with global platforms and TV manufacturers, it is unlikely that individual PSBs will find it any easier. As we touch on later in the Report, competition policy authorities are currently evolving their approach to platforms and applications with ‘strategic market status’ and how these can act as gatekeepers in online markets with potential for anti-competitive exercise of market power. Manufacturers of TV hardware (and their operating systems and consolidator TV apps) should be thought of in exactly the same way. (Paragraph 80)
15. The Government has been too slow to act on Ofcom’s 2019 recommendations to update prominence legislation. We are frustrated that the Government expects the process to take a further two years; new primary legislation is urgently needed and the media ecology advances far too quickly for the Government to delay any further. *We recommend that the Government prioritise new primary legislation to update the Communications Act 2003 and grant PSBs prominence which extends beyond the Electronic Programme Guide. The Government should seek to publish the Bill in draft in the upcoming parliamentary session, ahead of finding time to introduce and enact this legislation before the end of 2022. To ensure that prominence can be extended to online viewing platforms, such as smart TVs, we also recommend that PSB video on demand players be covered by their public service broadcasting remits.* (Paragraph 81)
16. We acknowledge that some of the programmes have a small print acknowledgement of the original producers, but question whether this is quite within the spirit of accrediting everyone involved with the right branding. We believe that it is important that PSB originated content is clearly identifiable as such. (Paragraph 87)
17. We do not believe that sharing top line viewer data about PSB-originated content with Ofcom and the relevant the PSB would be commercially sensitive. Streaming services are an important ‘second window’ for PSB content but without viewer data, it is difficult to fully assess the reach of PSBs. (Paragraph 88)
18. *We recommend the Government impose two specific requirements in relation to PSB content hosted on other streaming services in new media legislation. First, PSB content*

should be clearly labelled as such and branded with the logo of the PSB from which the content originated. Secondly, streaming services should be required to share top line viewing data—at the very least, the number of viewers—for PSB content they host with Ofcom and the relevant PSBs to enable full analysis of PSB reach, and the audio-visual landscape as a whole. (Paragraph 89)

19. We are concerned that the full potential of the Digital Markets Unit is not being realised under its current proposed remit. *We recommend that the Government should broaden the Digital Markets Unit’s remit to consider whether the dominance of online platforms gives them undue influence over the ability of consumers to access public service broadcasting content online and through streaming. (Paragraph 95)*
20. Where an established media brand is providing programming, it is not right to make the default assumption that YouTube’s contribution to the viewer deciding to watch that programme, and therefore its share of the value chain, is the same as where content is user-generated. For news, this approach would, if allowed to continue, over time erode the ability of PSBs such as ITV and Channel 4 to actually produce quality, well-researched news coverage. *The Digital Markets Unit should also consider whether the standard terms and conditions for revenue sharing which are used by some platforms offer a fair return for PSBs in exchange for their content. (Paragraph 96)*
21. That reluctance should not be allowed to relegate the UK PSBs to a less prominent position on hardware than non-PSB commercial content providers who purchase prominence. There is little point in requiring a PSB regime if it can be hidden from view by the actions of hardware providers. *We recommend that the Government should make international manufacturers aware of the importance of prominence of PSB content to the UK and its willingness to consider regulation should PSB prominence be undermined by hardware design. (Paragraph 100)*
22. The findings of the Competition Commission in 2009 are now outdated, given the rate at which the market has changed and the dominance of global streaming services, and PSBs should be allowed to collaborate so that they have a better chance of competing in the now crowded video on demand market. Whilst we hope that prominence legislation will be extended to online platforms within the next 18 months, the Government’s track record on addressing issues within the media ecology does not fill us with confidence so PSBs should be taking steps to maximise their own bargaining power, and attract audiences, in this digital age. *Rather than waiting for the Government to help them, we recommend that PSBs help themselves by exploring options for collaboration on a single video on demand platform, and Ofcom should support PSBs in this endeavour. We call on the competition policy authorities to make clear that, given the evolution of the broadcasting landscape, there is no automatic objection to such collaboration on market dominance grounds. (Paragraph 101)*

Diversity and representation

23. The lack of workforce data collected and shared by streaming services in the UK is of great concern. *The Government must ensure that regulators have access to top line data, in line with that provided by traditional broadcasters, to enable accurate*

analysis of diversity and equal opportunities within the industry. We recommend that a requirement to provide data, including a breakdown by gender, race or ethnicity, disability, age, sexual orientation, religion or belief, and socio-economic background should be included in the new primary legislation we have called for to replace the Communications Act 2003. (Paragraph 103)

24. PSBs should be leading by example. The current gaps in employment data supplied to Ofcom are of significant concern. *We recommend that Ofcom place minimum requirement obligations on PSBs, in terms of the employment data they provide, in order to drive down the industry-wide gaps in data that currently exist. Ofcom should hold PSBs to account if they do not meet the minimum requirements. (Paragraph 104)*
25. We are concerned that, without monitoring, there is no way to tell whether transgender people are being fairly represented in the workplace. *Whilst there should be no requirement for someone to declare to their employer that they are transgender, we would encourage the Government to work with Ofcom and broadcasters to expand diversity monitoring forms to include the option for people to declare that they are transgender should they wish to. That requirement should also be extended to streaming services to bring the data they collect in line with that collected by broadcasters. (Paragraph 105)*
26. We find it hard to accept the excuse that diversity of production crew is out of the control of commissioners and broadcasters. We are pleased to hear that domestic broadcasters prioritise diversity within production and we do not believe that it is beyond the power of powerful commissioners such as Amazon to insist on diversity within production teams. (Paragraph 108)
27. Diversity within the industry has improved in recent years—for example, there is a better gender balance—but progress continues to be too slow. It is taking too long to address inequality within the industry and much more needs to be done to increase diversity, notably disabled people and BAME representation and particularly in the upper levels of management. *PSBs and streaming services alike need to do better, and in the response to this Report, Ofcom and the Government should explain how they intend to ensure that improvements are made much more quickly. (Paragraph 112)*
28. We recognise the importance of regional diversity in commissioning roles and we welcome Ofcom’s previous decision to strengthen the criteria for regional and national production. *We recommend that Ofcom’s guidelines for regional and national production should be reviewed on an annual basis to ensure that the commissioning of authentic regional content continues to improve. (Paragraph 115)*
29. Increasing diversity in commissioning and production roles is crucial for improving on-screen diversity. *We recommend that Ofcom introduce requirements for the number of BAME, LGBTQ+ and disabled people in commissioning and senior production roles to improve authentic on-screen representation of the UK’s diverse communities. (Paragraph 118)*
30. We welcome the recent promotion of S4C in Wales to channel 104 on Virgin Media but we are concerned about the lack of discoverability for minority language content in this increasingly digital market. The role that minority language broadcasters play is an important one and confirms the need for updated prominence legislation

to protect the ability for their content to be found by viewers. *We recommend that the Government's work on updating media legislation ensure that minority language content is given sufficient prominence on the relevant platforms.* (Paragraph 123)

Formal minutes

Wednesday 17 March 2021

Julian Knight, in the Chair

Kevin Brennan	Rt Hon Damian Hinds
Steve Brine	John Nicolson
Clive Efford	Giles Watling
Julie Elliott	Heather Wheeler
Rt Hon Damian Green	

Draft Report (*The future of public service broadcasting*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 127 read and agreed to.

Summary agreed to.

Annex agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No.134.

[Adjourned till Monday 22 March at 3.30 p.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 16 June 2020

Clare Sumner CBE, Director of Policy, BBC; **James Purnell**, Director of Radio and Education, BBC [Q1–67](#)

Alex Mahon, Chief Executive, Channel 4 [Q68–105](#)

Tuesday 14 July 2020

Dame Carolyn McCall, Chief Executive, ITV; **Magnus Brooke**, Director of Policy and Regulatory Affairs, ITV [Q106–217](#)

Tuesday 15 September 2020

Anne Mensah, Vice President of Original Series, Netflix; **Benjamin King**, Director of Public Policy, UK and Ireland, Netflix [Q218–297](#)

Zai Bennett, Managing Director, Content, Sky; **Ali Law**, Director of Policy, UK and Ireland, Sky [Q298–352](#)

Maria Kyriacou, President, Networks UK and Australia, ViacomCBS; **Mitchell Simmons**, Vice President, Government Relations EMEA, ViacomCBS [Q353–385](#)

Tuesday 03 November 2020

Georgia Brown, Director of European Originals, Amazon Studios; **Chris Bird**, Head of Content Europe, Amazon Prime Video [Q386–472](#)

Iain Bundred, Head of Public Policy, UK & Ireland, YouTube; **Richard Lewis**, Head of UK & Ireland Content Partnerships, YouTube [Q473–537](#)

Tuesday 17 November 2020

Dr Caitriona Noonan, Senior Lecturer, Media and Communication in the School of Journalism, Media and Cultural Studies, Cardiff University; **Professor Philip Schlesinger**, Professor in Cultural Theory, Glasgow University; **Professor Jeanette Steemers**, Professor of Culture, Media & Creative Industries, King's College London [Q538–583](#)

John McVay OBE, Chief Executive, Pact; **Jacqueline Baker**, Co-founder, B Inclusive Task Force [Q584–631](#)

Tuesday 15 December 2020

Dame Melanie Dawes, Chief Executive, Ofcom; **Kevin Bakhurst**, Executive Director of Broadcasting and Online Content, Ofcom [Q632–710](#)

Rt Hon John Whittingdale OBE MP, Minister for Media and Data, Department for Digital, Culture, Media and Sport [Q711–776](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

PSB numbers are generated by the evidence processing system and so may not be complete.

- 1 38 Degrees ([PSB0078](#))
- 2 Advisory Committee for Scotland ([PSB0025](#))
- 3 AgeUK ([PSB0043](#))
- 4 Arqiva ([PSB0098](#))
- 5 AudioUK ([PSB0068](#))
- 6 BBC ([PSB0038](#))
- 7 BPI ([PSB0104](#))
- 8 Barnett, Prof Steven (Professor of Communications, University of Westminster) ([PSB0086](#)), ([PSB0091](#))
- 9 Bays, Mr ([PSB0018](#))
- 10 Beveridge, Professor Robert ([PSB0027](#))
- 11 Booth, Professor Philip (Senior Academic Fellow, Institute of Economic Affairs) ([PSB0002](#))
- 12 British Film Institute ([PSB0103](#))
- 13 British Telecom ([PSB0107](#))
- 14 COBA ([PSB0008](#))
- 15 CREATE: UK Copyright and Creative Economy Centre ([PSB0065](#))
- 16 Campaign for Broadcasting Equality CIO ([PSB0044](#))
- 17 Campaign for Press and Broadcasting Freedom (North) ([PSB0010](#))
- 18 Cancer Research UK ([PSB0055](#))
- 19 Cardiff University, School of Journalism, Media and Culture; and Creative Industries Policy and Evidence Centre (PEC) ([PSB0106](#))
- 20 Channel 4 ([PSB0036](#)), ([PSB0046](#))
- 21 Clintons ([PSB0077](#))
- 22 Cornwall Council ([PSB0012](#))
- 23 Craddy, Mr Nick ([PSB0015](#))
- 24 Creative Industries Federation ([PSB0048](#))
- 25 Critchley, Mr Kenneth ([PSB0061](#))
- 26 DMG Media ([PSB0067](#))
- 27 Decentered Media Ltd ([PSB0035](#))
- 28 Department for Digital, Culture, Media and Sport ([PSB0102](#)), ([PSB0111](#))
- 29 Digital UK ([PSB0083](#))
- 30 Directors UK ([PSB0072](#))
- 31 Dowmunt, Tony ([PSB0034](#))

- 32 Drama Republic ([PSB0041](#))
- 33 Enders Analysis ([PSB0051](#))
- 34 Fowler-Watt, Dr Karen ([PSB0022](#))
- 35 Gordon, Mr David ([PSB0014](#))
- 36 Gregory, Mr Paul Charles ([PSB0006](#))
- 37 Harries, Andy ([PSB0060](#))
- 38 Hutchison, Professor David ([PSB0004](#))
- 39 ITV plc ([PSB0047](#))
- 40 Indie Club ([PSB0080](#))
- 41 Jackson, Dr Daniel; Silk, Professor Michael; and Pullen, Dr Emma ([PSB0049](#))
- 42 KMTV Ltd ([PSB0030](#))
- 43 LATEST TV LTD ([PSB0032](#))
- 44 Later Life Ambitions ([PSB0011](#))
- 45 Latest TV Ltd, Brighton ([PSB0029](#))
- 46 Lewis, Professor Justin; and Cushion, Professor Stephen ([PSB0019](#))
- 47 Libraries NI ([PSB0024](#))
- 48 Local TV Ltd ([PSB0039](#))
- 49 Local Television Network (LTVN) ([PSB0052](#))
- 50 MG Alba ([PSB0075](#))
- 51 MeCCSA (Media, Communication and Cultural Studies Association) ([PSB0005](#))
- 52 Media Reform Coalition ([PSB0045](#))
- 53 Musicians' Union ([PSB0033](#))
- 54 National Union of Journalists ([PSB0101](#))
- 55 Netflix ([PSB0084](#)), ([PSB0109](#))
- 56 News Media Association ([PSB0037](#))
- 57 Noonan, Dr Caitriona ([PSB0026](#))
- 58 Northern Ireland Screen ([PSB0105](#))
- 59 Ofcom ([PSB0021](#))
- 60 Open University ([PSB0064](#))
- 61 PPL ([PSB0096](#))
- 62 PRS for Music ([PSB0070](#))
- 63 Pact ([PSB0058](#))
- 64 Perry, John ([PSB0054](#))
- 65 RNIB ([PSB0020](#))
- 66 RadioCentre ([PSB0088](#))
- 67 Reset ([PSB0069](#))
- 68 S4C ([PSB0013](#))
- 69 Sadler's Wells ([PSB0090](#))

- 70 Sailaja, Neelima; and McAuley, Professor Derek ([PSB0063](#))
- 71 Samsung Electronics UK ([PSB0073](#))
- 72 Screen Cornwall ([PSB0009](#))
- 73 Screen Scotland ([PSB0092](#))
- 74 Sky ([PSB0094](#))
- 75 Somethin' Else ([PSB0050](#))
- 76 Steemers, Jeanette ([PSB0099](#))
- 77 TAC (Teledwyr Annibynnol Cymru / Welsh Independent Producers) ([PSB0057](#))
- 78 Taxpayers' Alliance ([PSB0053](#))
- 79 The Advisory Committee for England ([PSB0056](#))
- 80 The Africa Centre ([PSB0097](#))
- 81 The Children's Media Foundation ([PSB0042](#))
- 82 The Ivors Academy of Music Creators ([PSB0089](#))
- 83 Thorne, Jack ([PSB0016](#))
- 84 Together TV ([PSB0066](#))
- 85 UK Coalition for Cultural Diversity ([PSB0017](#))
- 86 UK Music ([PSB0081](#))
- 87 Ulster University ([PSB0085](#))
- 88 ViacomCBS ([PSB0100](#))
- 89 Virgin Media ([PSB0108](#))
- 90 Voice of the Listener & Viewer ([PSB0028](#))
- 91 WGGB (Writers' Guild of Great Britain) ([PSB0076](#))
- 92 What Next? ([PSB0074](#))
- 93 YouTube ([PSB0110](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2019–21

Number	Title	Reference
1st	The Covid-19 crisis and charities	HC 281
2nd	Misinformation in the Covid-19 Infodemic	HC 234
3rd	Impact of Covid-19 on DCMS sectors: First Report	HC 291
4th	Broadband and the road to 5G	HC 153
5th	Pre-appointment hearing for Chair of the BBC	HC 1119
1st Special	BBC Annual Report and Accounts 2018–19: TV licences for over 75s Government and the BBC's Responses to the Committee's Sixteenth Report of Session 2017–19	HC 98
2nd Special	The Covid-19 crisis and charities: Government Response to the Committee's First Report	HC 438
3rd Special	Impact of Covid-19 on DCMS sectors: First Report: Government Response to Committee's Third Report	HC 885
4th Special	Misinformation in the Covid-19 Infodemic: Government Response to the Committee's Second Report	HC 894