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MEDIA & ENTERTAINMENT PRACTICE

The future for UK Public Service Broadcasters

Timing, as they say, is everything. The findings of Ofcom's review of public service broadcasting (PSB) were published at the end of a year that also saw the acceleration of structural changes to the UK TV sector.

Although the Covid-19 crisis reinforced the importance of PSB as a trusted provider of news and information, subscription video-on-demand (SVOD) services have retained much of the lockdown uplift from 2020. This boost in streaming, fuelled by changing behaviour and continued stay-at-home messaging, has fortuitously transpired at a time when the main SVOD players are investing more money than ever before in original content.

Having committed to a total production budget of $9 billion by 2024, Disney+ recently announced it has more than 50 Marvel, Star Wars, Disney and Pixar originals in the pipeline. Netflix, meanwhile, on the back of spending $1 billion on UK content alone last year, will be releasing more than 70 originals in 2021 and at least one new film per week. However, potentially the biggest single launch of all will be from Amazon. The industry is aware of the company's inflated budget, having spent $250 million alone on acquiring the rights for Lord Of The Rings, but they have exceeded expectations with a predicted investment of $1 billion into the original series, season one of which is due to be released this year.

Despite plans from both Netflix and Disney+ to increase monthly subscription prices, it is highly unlikely interest and demand for premium SVOD content will wane over the coming years. Given Ofcom's recent findings and the rumours of their soon-to-be published government recommendations for significant change and modernisation of PSB, we do need to ask where this leaves the UK's current public service broadcasters (BBC, ITV, Channel 4, STV, S4C and Channel 5). What truly is their ability to compete with the global streamers?

This paper provides a summary of the Ofcom report, an outline of the next steps to be taken by government, the current state-of-play for broadcasters and some of the areas to consider when discussing the future direction of our PSBs.

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OFCOM & GOVERNMENT REVIEWS, THE PSB ADVISORY PANEL AND NEXT STEPS

Following their *Small Screen: Big Debate* review of the PSB landscape last year, Ofcom's findings call for a radical shake-up of the sector as a result of changes in technology, funding and viewing habits.

The rules and regulations that currently govern PSB were shaped during the early 2000s and before the online world expanded into TV. These laws are now outdated and must be revised and modernised if traditional broadcasters are to survive. Added to this is the need for PSBs to accelerate their own digital transformation and keep pace with alternative SVOD offerings.

The Ofcom review goes on to identify what a new PSB framework could look like, along with a new model for stable funding. It also introduces the concept of public service media, moving away from the constraints of traditional broadcasting and setting out how new providers can help to deliver the new offering in partnership with PSBs.

Having presented their findings in December 2020, Ofcom will consult on the report until March and will make recommendations to the government later in the year. These will feed into the government's own consultation into the future of PSBs, which Culture Secretary Oliver Dowden announced in November.

As part of this strategic review, the government has appointed a PSB Advisory Panel which will provide independent expertise, advice and support when considering the issues raised by Ofcom and the final recommendations outlined in the report. The focus of the panel will be to assess whether the current funding and governance models are fit for purpose; the impact of technology on audience habits; the financial sustainability of broadcasters; and the structure of the TV market, including video streaming.

Although it will not advise on the level of the license fee, the panel is expected to discuss its sustainability and what, if anything, might replace it. The size and scope of the BBC will also be reviewed. Both issues will figure prominently on the immediate to-do list of the corporation's incoming Chair, Richard Sharp.

In terms of implementing any decisions which may follow-on from the review process, it is unlikely anything will happen in the immediate short-term. The renewal of the BBC's Royal Charter runs until the end of 2027 and any changes to existing rules, regulations or funding models will need to follow due process before passing into law.

THE CURRENT STATE OF PLAY FOR PSBs

In the midst of the need for change it shouldn't be forgotten that most of the population still consume PSB on a daily basis and broadcasters spend nearly £3 billion per year on content production which supports a thriving UK creative economy. It is clear, however, they will not – and cannot – wait for any government-led changes before accelerating and executing their own plans for the future.

Given that traditional advertising revenues have declined further during the pandemic, Channel 4 appears to be reacting the quickest. Last month they lauched a new 5-year strategy, setting-out a path for their digital future; Future4 will place more emphasis on the channel's on-demand offering and commissioning for their digital content - where and when it is shown and how it is monetised will be core to future decision-making.

In a similar vein, the BBC have made a significant change of their own by announcing their channel controller roles will cease to exist from April. Previously, each respective controller had final say on what was shown on BBC One, Two and Four. Now, they will be replaced by portfolio editors who will handpick shows commissioned largely for iPlayer by more autonomous genre heads.

There is a school of thought that 'sit-back' TV – where linear channels broadcast daily pre-planned schedules – will continue to be popular amongst an older audience, but this too is changing quickly as a result of pandemic-created behaviours. It is this demographic which will be the largest new group moving to streaming and subscribing to multiple services, particularly as the SVODs continue to broaden their content offerings to attract them. With its back catalogue of British shows and boxsets, BritBox would seem to be the obvious choice, but research shows the majority of their subscribers have at least one other service in their streaming portfolio.

Although traditional thinking around 'prime-time' TV may be coming at an end, there are still parts of the PSB offering which remain popular amongst all audiences. Weekend evening television and live events that are enhanced by the shared experience of watching with others will remain a staple for some time yet. Both linear channels and streaming services have also shown in the last year that releasing weekly episodes of drama shows can still build excitement and engage an audience.

Online platforms, however, hold the edge. In each instance they can offer the viewer the choice between watching live, almost-live or 'wherever, whenever'. Although PSB channels and their schedules will remain, it is this convenience and breadth of choice which will pose the biggest risk to their popularity over time.

THE FUTURE OF PSB – AREAS TO CONSIDER

Ofcom's review and the on-going debate around the future of public service broadcasting raises many questions and issues to consider. Below is a summary covering some of these areas:

Funding

Should the license fee be replaced in favour of a subscription fee and a platform which includes not only UK PSBs but also global content providers? Can the BBC survive without a dedicated funding stream?

Prominence and plurality

If the internet is the main means of future TV distribution, it is likely that it will be via only a small number of dominant global platforms. If so, there's a good chance the likes of BBC iPlayer, ITV Hub and All 4 will lose the prominence many see as a non-negotiable for a PSB. How can PSBs ensure these new gatekeepers not only provide this prominence but also pay fair value for all the viewers they will attract to their platforms? After all, one of the key elements of public service broadcasting is that it should be available to everyone, regardless of how they will choose to consume their content in the future.

What constitutes a PSB?

Should the current group be widened to include others? Sky for example says the scale of its service and contribution to the public is comparable to some PSBs given that it produces original British drama, comedy, entertainment, documentaries and children's programmes. Sky News and Sky Arts are both free to air and having won 12 Baftas in 2020, the quality of Sky's content is also evident.

The future of news

How should trusted news be funded and regulated in the future and who should provide it in a world of unlimited channels and 'fake news'? Is the licensing of news providers a relic of a bygone age?

New partnerships

Is it likely SVODs such as Disney+ or Netflix and pay TV operators such as Sky can be encouraged to provide public service programming? Can partnerships between PSBs and other companies provide a greater ability to compete more effectively with global players and to reach global audiences? Can this stretch to shared research and development, data and back-office activities to reduce costs, improve efficiencies and aid innovation?

If you would like to discuss any of the above in more detail or have any questions with regards to Interim Management, then please contact:

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