



Department for  
Digital, Culture,  
Media & Sport

# Up Next

The Government's vision for the broadcasting sector



April 2022



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The Government's vision for the broadcasting sector

Presented to Parliament by  
the Secretary of State for Digital, Culture, Media and Sport  
by Command of Her Majesty

April 2022



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# Foreword from the Secretary of State for Digital, Culture, Media and Sport

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**The Rt Hon  
Nadine Dorries MP**

Secretary of State  
for Digital, Culture,  
Media and Sport

The UK's creative economy is a global success story. Our production sector is booming, UK-created content is in demand, and our mixed broadcasting ecology is admired internationally.

This thriving and diverse ecosystem has built a virtuous circle. It makes the UK a very attractive place in which to invest, and allows UK creatives to produce high quality and original content that audiences love.

Our public service broadcasters are key to that success. Sitting at the centre of this landscape, they develop skills and talent, drive growth right across the creative industries, and deliver distinctive yet instantly recognisable British content.

But rapid changes in technology, viewing habits and the entrance of global players have introduced new challenges for British broadcasters.

Against that backdrop of rapid change, we need to take action to support British broadcasters in meeting the most pressing of those challenges, to protect our mixed ecology, and ensure public service broadcasters remain at the heart of our plans. We will:

- Ensure TV-like content, no matter how audiences choose to watch it, is subject to similar standards. These changes will mean UK audiences will be better protected from harmful material and be better able to complain to Ofcom if they see something they are concerned about.
- Introduce a new prominence regime for on-demand television to ensure that public service content is both available and easy to find on designated TV platforms.
- Update the remit which our public service broadcasters must contribute to so that it delivers for today's viewers.
- Give our public service broadcasters more flexibility in terms of how they deliver their obligations to reflect how audiences are viewing content.
- Pursue a change of ownership of Channel 4 to ensure it can continue to thrive and grow its impact for years to come, as part of the wider public service broadcasting ecology in the UK.

These reforms really matter. They will enable our broadcasters to thrive – an outcome that is good for audiences, good for our economy and good for our ability to project British values globally.

## Executive summary

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The UK's creative economy is a global success story, and our public service broadcasters are the beating heart of that success. They produce great British content loved across the UK and the world over. The Government wants it to stay that way.

Radio and TV remain strong, valued media in the UK delivering significant public value. 89% of the population listens to radio every week, a figure which has remained remarkably consistent in the last decade. Total linear TV set viewing was 2 hours, 33 minutes *a day* in March 2022, with viewers continuing to turn to our public service broadcasters for trusted news and high quality, original programming.

The Government believes this will remain the case long into the next decade. Future listening projections prepared for the recent Digital Radio and Audio Review show that radio will retain a central role in UK media for at least the next 10-15 years. And while nearly half of UK adults now consider online video services to be their main way of watching TV and film, 17.3 million homes still access digital terrestrial TV via an aerial, 8.4 million households subscribe to satellite television and 3.9 million have a cable TV subscription.

But the headwinds facing our radio and television broadcasters are intensifying. Competition is increasing, audience habits and technology are changing constantly, and global giants are making their presence felt.

The Government therefore intends to act to support our system of public service broadcasting, using our new legislative freedoms to deliver a regulatory framework in the best interests of the UK. We must now deliver much needed reform to the 'compact', the balance of benefits and obligations conferred on our public service broadcasters, to ensure they can continue to deliver for audiences across the United Kingdom.

This white paper sets out how we are taking action to:

- **Freeze the price of the TV licence at £159 for two years.** It will then rise in line with inflation. The Government believes this settlement will give the BBC the money it needs to fulfil its mission and public purposes effectively, while making sure we support households through a difficult time.
- **Increase the BBC's commercial borrowing limit from £350 million to £750 million,** pending the agreement of appropriate oversight mechanisms, to support the BBC in accessing capital and investing in ambitious growth plans.
- **Pursue a change of ownership of Channel 4.** This will ensure that Channel 4 can continue to thrive and grow its impact for years to come as part of the wider public service broadcasting ecology in the UK. Channel 4 is and will remain a public service broadcaster, just like other successful public service broadcasters – ITV, STV, Channel 5 – that are already privately owned.

- **Make the importance of programmes broadcast in the UK's indigenous regional and minority languages clear in legislation**, by including it in our new public service remit for television. We believe that regional and minority language broadcasting has an important role to play in the UK's broadcasting ecology, providing not only an opportunity for speakers to access content in a language familiar to them, but a means of cultural expression for communities across the UK.
- **Update S4C's public service remit to include digital and online services** and remove the current geographical broadcasting restrictions. These changes will allow S4C to broaden its reach and offer its content on a range of new platforms in the UK and beyond. We will also legislate to support S4C and the BBC in moving away from the current, somewhat rigid, framework requiring the BBC to provide S4C with a specific number of hours of television programming, so that they can together agree an alternative arrangement that better suits the evolving broadcasting landscape and the changing way in which people access content.
- **Replace the outdated set of fourteen overlapping 'purposes' and 'objectives' that our public service broadcasters must contribute to with a new, shorter remit**, focussed on the things that they are uniquely positioned to deliver and that would make us poorer as a nation – culturally, economically and democratically – if they were not provided. We will make it clearer that public service broadcasters must contribute to this remit and will be accountable for the extent of their contributions.
- **Give our public service broadcasters greater flexibility in how they deliver their remits**, while ensuring there are effective powers available should intervention be necessary. This will make it easier for them to make their content available on a wider range of free-to-air platforms.
- **Introduce a new prominence regime for on-demand television**. This will ensure public service content is both available and easy to find on designated TV platforms. This includes appropriate recognition for the unique relevance of the public service content produced by STV and S4C in particular areas of the UK. Our new prominence regime for on-demand services will be proportionate and flexible, so it can adapt to the differences across the market and ongoing changes, without creating undue burdens and negatively impacting consumer choice and experiences. Ofcom will also be given the necessary new enforcement powers.
- **Make changes to the local TV licensing regime to enable the extension of the local TV multiplex licence until 2034** and subject to the same conditions that apply to the national digital terrestrial television (DTT) multiplexes. We will consult on options for the renewal or relicensing of individual local television services at the same time.
- **Protect the UK's terms of trade regime**, while simultaneously updating it to reflect changes in technology and the way viewers are watching content from our PSBs. We will also consider whether there is a need to extend aspects of this regime to radio and audio producers that produce programming for the BBC.
- **Bring larger TV-like video-on-demand providers that are not currently regulated in the UK but who target and profit from UK audiences under Ofcom jurisdiction**. We will also give Ofcom powers to draft and enforce a new Video-on-demand Code, similar to the Broadcasting Code, to ensure TV-like content, no matter how audiences choose to watch it, will be subject to similar standards. These changes will mean UK audiences will be better protected from harmful material and better able to complain to Ofcom if they see something they are concerned about. Respecting issues of free speech and proportionality, smaller, lower risk on-demand services in the UK will continue under existing rules.



- **Close the loophole that allows unregulated internet-delivered services to appear on TV sets in the UK by designating additional regulated electronic programme guides.** This will have the effect of bringing internet-delivered services listed on those guides within the scope of regulation by Ofcom. We will also keep under review the information gathering and enforcement powers available to Ofcom in this area.

The Government is also keenly aware of the medium and long term challenges for broadcasting in the UK. This white paper sets out a vision for the future of broadcasting in the UK, and the Government's intentions on how to deliver it, including:

- **Carrying out a review of the licence fee funding model ahead of the next Charter period.** We will set out more detailed plans for that review – which will complement the previously announced Mid-Term Review of the BBC Charter – in the coming months.
- **Continuing to support long term commitments to support cross-border broadcasting on the island of Ireland** including funding for the Northern Ireland digital terrestrial television multiplex that has carried RTÉ and TG4 services to Northern Ireland since 2012. We will also consider the scope to ensure the prominence of regional and minority language services.
- **Consulting on embedding the importance of distinctively British content directly into the existing quota system.** We will be clear that this includes programmes that reflect the lives and concerns in different parts of the UK, and any legislative approach we take will allow for further consideration to ensure it is proportionate and achieves its aim of guaranteeing the continued production of content that could only have been made for British audiences.
- **Looking at making qualification for the listed events regime a benefit specific to our public service broadcasters,** in recognition of the key role that they play in distributing content which is both distinctively British and of interest to British audiences, and recognising that all current services that qualify for the listed events regime are operated by public service broadcasters. We will also undertake a review to look at whether the scope of the listed events regime should be extended to include digital rights.
- **Conducting an evaluation of the contestable fund pilot.** This will include considering in detail the lessons in determining whether a contestable fund model would – in the longer term – provide additional value to the breadth and availability of high quality UK produced public service content, which might better meet audience needs.
- **Initiating a review looking at whether to introduce a revenue cap for 'qualifying independent' producer status,** to ensure that that status remains an effective lever in promoting the growth of the sector.
- **Continuing to support our highly skilled and innovative creative industries through creative sector tax reliefs.** Recent research has demonstrated their phenomenal impact, with every £1 of High-end TV Tax Relief delivering returns of £6.44. At the same time, production supported by that tax relief increased from £1.2 billion in 2017 to £4.1 billion in 2021.
- **Supporting the British Film Commission to facilitate the growth of seven geographic production hubs – including one in each nation – and numerous new studio developments all across the UK.** In each of these regions there are already some of the most talented creative and commercial individuals of any industry, and the skills landscape must evolve to take advantage of this opportunity.

- **Consulting in early 2023 on new proposals to champion the community radio sector** and, where necessary, bringing forward changes to licensing requirements through amendments to the Community Radio Order 2004. In addition, the Government remains committed to legislating to give effect to the conclusions of the 2017 consultation on radio deregulation when parliamentary time allows.
- **Exploring ways to support UK broadcasters through possible changes in the wider advertising ecosystem.** For example, through the Online Advertising Programme we intend to consider how to create a more level playing field between broadcast and online advertising, including on the issue of platform liability, as we consider what measures could be introduced to improve accountability and transparency.
- **Ensuring that the UK's trade policy complements and protects the UK's audiovisual public policy framework,** including maintaining our membership of the Council of Europe's Convention on Transfrontier Television and, consequently, our European Works status. This status ensures that the UK continues to contribute to vital cultural enrichment across nations, allowing us to collaborate effectively with our European neighbours and distribute culturally important works across Europe.
- **Establishing a new, pro-competition regime in digital markets.** This will drive a more vibrant and innovative digital economy across the UK and will complement the existing competition regime and regulatory powers available to sectoral regulators such as Ofcom.
- **Working with Ofcom to develop legislative proposals to address the divergence in provision of access services between broadcast and on-demand services.** We will engage with relevant stakeholders to ensure that legislation is clear, proportionate and fit for purpose.
- **Enabling the long term renewal of DTT multiplex licences through to 2034.** In addition, the Government will ask Ofcom to continue to track changes to DTT viewing and to undertake an early review on market changes that may affect the future of content distribution before the end of 2025.
- **Engaging further with the radio industry,** and gaining a deeper understanding of the policies and practices of the smart speaker platforms, in order to ensure that we are putting in place the best possible regime to allow radio to continue to reach its listeners well into the future.

This ambitious policy programme will take time to deliver, but it is essential if the UK is to continue to benefit from a vibrant and successful broadcasting ecosystem.

# Chapter 1: Market context

The UK's creative economy is a global success story. Our production sector is booming, UK-created content is in demand, and our mixed broadcasting ecology is admired internationally. In 2019 the UK's creative industries contributed £115.9 billion to the economy, with the film, TV, video, radio and photography sectors alone contributing £21.6 billion.<sup>1</sup>

This thriving and diverse ecosystem has built a virtuous circle. It makes the UK a very attractive place in which to invest and allows UK creatives to produce high

quality, original content that audiences love. And as we level up, our creative industries are playing a vital role in increasing opportunity and outcomes across the UK.

Our public service broadcasters are key to that success. Sitting at the centre of this landscape, they develop skills and talent, drive growth right across the creative industries, and deliver distinctive yet instantly recognisable content. In 2020 they showed 30,000 hours of new, original UK content, made in every corner of the country.<sup>2</sup> This in spite of the challenges presented by the COVID-19 pandemic.

Our broadcasters played a key role **during the COVID-19 pandemic** in supporting the nation through an extraordinarily difficult time. Examples of this support include:

- The BBC provided educational content throughout the schedule to help those children unable to attend school. BBC local radio teamed up with manufacturers, retailers, and charity Wavelength to offer free DAB radios to the most vulnerable people aged over 70.<sup>3</sup>
- ITV relaunched their Britain Get Talking campaign ('Apart. But never alone') on air and on social media.<sup>4</sup>
- Channel 4 broadcast a 'Stay at Home' on-screen graphic during all Channel 4 programming to help deliver this vital public health message. This graphic reached 78% of the UK population, seeing the message on average thirteen times.<sup>5</sup>
- Community radio stations, through the efforts of volunteers, overcame disruption to stay on air to provide valuable local information and support to their communities including local public health messaging targeted at harder to reach groups.
- Local commercial radio stations increased their commitment to news and information significantly throughout lockdown, broadcasting 25% more news bulletins on average that lasted 28% longer.<sup>6</sup>

At the same time, our production sectors demonstrated their resilience and their ability to innovate. Even when faced with the challenges of COVID-19, the industry reached near record levels of spend – the combined spend by film and high end television production during 2021 reached £5.64 billion, the highest ever reported and £1.27 billion higher than for the pre-pandemic year 2019.<sup>7</sup>

<sup>1</sup> On a GVA basis: DCMS. *DCMS Economic Estimates 2019 (provisional): Gross Value Added*. 2021.

<sup>2</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>3</sup> BBC. *Free DAB radios for over 70s as BBC local radio aims to Make a Difference*. 2020.

<sup>4</sup> ITV. *Written evidence submitted by ITV plc*. Digital, Culture, Media and Sport Committee. 2020.

<sup>5</sup> Channel 4. *Written evidence submitted by Channel 4*. Digital, Culture, Media and Sport Committee. 2020.

<sup>6</sup> *Digital Radio and Audio Review*. 2021.

<sup>7</sup> BFI. *Official 2021 BFI statistics reveal a record £5.64 billion film and high-end TV production spend in the UK*. 2022.

Of course, it was not just industry or broadcasters alone who have achieved this, with Government intervention during the pandemic ensuring the safe continuation of production. Over 1,100 productions have signed up to the Government's Film and TV Restart Scheme so far and over £2.9 billion of production spend would not have been possible without the scheme, which has supported more than 95,000 jobs.

Radio also makes a vital contribution to the UK's broadcasting landscape. The intimate feel of radio broadcasting and its ability to mix news, information, music and entertainment have ensured its enduring popularity. Its provision of national and local news and information strengthens plurality and places radio as among the most trusted media in the UK – not to mention its key role in connecting communities and helping to address social issues including loneliness and mental health.

But rapid changes in technology, viewing habits and the entrance of global players have introduced new challenges for British broadcasters.

## 1.1 Arrival of new technologies

Radio and television rightly remain hugely important parts of everyday life for millions of listeners and viewers. In 2020 the average adult in the UK watched almost 40 hours of video content a week,<sup>8</sup> and 89% tuned into the radio.<sup>9</sup>

The way we choose to 'tune in' is changing, however. The rapid growth in the take-up of superfast broadband and the proliferation of devices capable of connecting to the internet is changing the way we access audio and video content. For example, 79% of households with a TV set now choose to connect it to the internet, giving them access to a wide array of additional services.<sup>10</sup> Equally, internet-delivered audio services have grown rapidly in the past three years and will be part of radio's future. It is particularly striking that smart speakers, which emerged only five years ago, are now owned or accessed by a third of all adults.<sup>11</sup> These trends have already driven average internet usage in the UK to more than 453 gigabytes per connection per month – equivalent to more than 150 hours of high definition content – and show little sign of stopping.<sup>12</sup>

These technologies are not only changing how we watch, but also where we watch. In particular, the proliferation of portable devices – particularly smartphones – means that people are no longer restricted when it comes to where they watch TV, and can now watch on the go wherever they might be.

The advertising we see – a vital source of income for many of our TV and radio broadcasters – is also changing. While linear TV advertising, as a share of all display advertising, was broadly consistent between 2000 and 2015 at approximately 40%, between 2015 and 2020 its share fell to 27% as advertisers increasingly moved online.<sup>13</sup>

## 1.2 Increase in choice for viewers and listeners

These advances in technology mean that today's viewers and listeners now have a huge amount of choice in terms of what they watch and how they watch it – and they are taking advantage of that choice. In addition to the vast amount of content from our public service broadcasters, viewers also enjoy an increasingly wide range of high quality, UK-based original programming from commercial broadcasters. Sky News and, since 2020 Sky Arts, are available free-to-air, while Discovery's already significant spend on UK content continues to rise as it looks to compete in the global streaming market.

Alongside live TV and radio, audiences now divide their time amongst an increasing number of providers and devices. For example, as of 2021, there were 574 radio stations available on DAB across the UK, in addition to thousands of online stations and streams, 333 analogue commercial and BBC stations, and over 300 community stations.<sup>14</sup> For those looking

<sup>8</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>9</sup> RAJAR. *RAJAR data release: Quarter 1, 2020*. 2020.

<sup>10</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>11</sup> *Digital Radio and Audio Review*. 2021.

<sup>12</sup> Ofcom. *Connected Nations 2021*. 2021.

<sup>13</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>14</sup> *Digital Radio and Audio Review*. 2021.

for something to watch, there were 294 television channels available in the UK<sup>15</sup> and more than 500 hours of video were uploaded to YouTube every minute.<sup>16</sup>

The result is the end of an era of mass media dominated by linear television and radio, delivered over the airwaves via a box in the front room. In fact, in 2020, less than half of video viewing went to traditional live services.<sup>17</sup> While particularly evident in younger age groups, this trend is now apparent in almost all age demographics.<sup>18</sup> For radio, the BBC and commercial radio have responded by investing in new online services, for example app-based services such as BBC Sounds, Global Player, Kiss Kube or the Times Radio app, and by hosting content on streaming services such as Spotify or YouTube to continue to retain listeners and attract new younger audiences.

The main beneficiary of this change in the way we consume television has been video-on-demand services. Delivered over the internet, they allow viewers to select from a catalogue of hundreds or even thousands of hours of programmes, all at the touch of a button. In April 2021, Amazon Prime Video's content library boasted 41,000 hours of programmes, Netflix's 38,000 hours and public service broadcasters a combined 37,000 hours of content – 12 years' worth, watching 8 hours a day.<sup>19</sup> In the fifteen years since the BBC iPlayer first launched, the popularity of these services has grown rapidly: more than three-quarters of UK households now use a video-on-demand service, including those offered by existing broadcasters (BBC iPlayer, ITV Hub) or available on subscription (Netflix, Amazon Prime Video).<sup>20</sup> Notably, use of subscription video-on-demand services, such as Netflix, rose rapidly amongst the over 55s during the early part of 2020 as people stayed at home.<sup>21</sup> More recently, there is increasing evidence of viewers shopping around to find the services that best meet their needs, in what is becoming an increasingly competitive marketplace.<sup>22</sup>

They are not the only beneficiaries, however. A modern television or radio broadcaster must also compete for our eyes and ears with the significant investment in new content from video sharing platforms,

podcasters, music streaming platforms and video game companies – all international multi-billion pound industries in themselves.

This increase in choice and competition is a good thing. Nevertheless, it has significant implications for the UK's broadcast sectors which need to be considered. The UK's public service broadcasters in particular are facing substantial challenges in today's broadcasting and technological environment – an environment far removed from that of the 1920s when the BBC was founded, or even the 1990s when the most recent public service broadcaster, Channel 5, was launched. This challenge is addressed in more detail in Chapters 2 and 3.

### 1.3 Entrance of big international players into UK domestic markets

In addition to increasing the choice available to viewers and listeners, the adoption of internet-based distribution methods – paired with the increasing desire of audiences to seek out new shows – has prompted a new wave of globalisation. British programming has long had a brilliant reputation overseas, and American shows have been mainstays on British TV channels for decades. But the landscape has changed and it is now clearer than ever that our broadcasters are competing on an international stage. This has been felt primarily in two ways.

Firstly, UK-based broadcasters now compete directly with services based overseas, many of whom have been able to leverage the significant financial resources arising from their global scale. In 2019, the UK's public service broadcasters were able to spend just under £2.8 billion on new content – by no means an insignificant amount.<sup>23</sup> Yet at the same time, Netflix alone spent an estimated \$13.9 billion (£11.5 billion).<sup>24</sup> This effect is felt most keenly in particular genres, including high end drama, where the average spend per hour on purely domestic productions has remained well under £2 million per hour, while the budget for shows with international investment is now almost £6 million

<sup>15</sup> BARB. *TV since 1981*. 2021.

<sup>16</sup> YouTube. *YouTube by the numbers*. 2022.

<sup>17</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>18</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>19</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>20</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>21</sup> Ofcom. *Media Nations 2020*. 2020.

<sup>22</sup> Sunnebo, Dominic. *Cost of living crisis bites: GB Streaming market shrinks*. Kantar. 2022.

<sup>23</sup> Ofcom. *Recommendations to Government on the Future of Public Service Media*. 2021.

<sup>24</sup> Low, Elaine. *Netflix Reveals \$17 Billion in Content Spending in Fiscal 2021*. Variety. 2021.

per hour.<sup>25</sup> This funding disparity risks making it harder for our domestic broadcasters to access the best facilities and attract the best on- and off-screen talent.

At the same time, our broadcasters are having to work harder and harder to secure their presence on new global platforms – operated by digital giants who are quickly becoming the gatekeepers of content discoverability. Some of these companies also operate their own services, which are, in turn, given pride of place on the platforms they operate.

These new global players – the Googles, Amazons, and Apples of this world – are successful because they provide convenience and integration. But the growing power of these players, and the data they have at their fingertips, will inevitably impact how rights of access, carriage and prominence are negotiated moving forward. While the increase in range and ownership of distribution platforms generates potential benefits around consumer choice and innovation, there is a risk that the broadcasters that we in the UK know and love are simply crowded out.

In other sectors the emergence of global tech giants and the wave of consolidation they have prompted have raised questions about the impact on competition and the risk to the range of potential perspectives available to consumers. In the broadcasting sector there has been a growing trend towards consolidation, most noticeably with major mergers in North America and Europe. We want to make sure viewers and listeners experience the benefits flowing from the evolution of the sector, whilst ensuring we continue to support consumer choice and the success of our mixed ecology. These challenges are addressed in more detail in Chapters 3, 4 and 5.

## 1.4 Growth of the UK production sector

Amidst this backdrop of increasing choice and technological innovation, the UK television production sector is thriving, both domestically and internationally. In 2019 total sector revenues grew to over £3.3 billion, their highest level to date, even before accounting for the individual successes of production

studios wholly owned by the BBC, ITV and Channel 5.<sup>26</sup> While commissions from UK broadcasters made up the majority of that revenue, international revenues (commissions from foreign broadcasters and streaming services) are becoming increasingly important. This revenue stream has increased rapidly since the middle of the last decade, and in 2019 it exceeded £1 billion for the first time.<sup>27</sup>

Despite the obvious challenges presented by the COVID-19 pandemic, sector revenues proved resilient in 2020. Facilitated by the Government's world-leading Film and TV Production Restart Scheme, they fell just 14% to £2.9 billion, still the sector's third highest total annual revenue ever.<sup>28</sup> The sector's bounceback has been remarkable and evidence of how resilient and dynamic the UK production sector has become.

In line with the Government's ambition to level up the United Kingdom, production outside of London has risen considerably in the last decade. This trend has been driven primarily by our public service broadcasters, who now make more than half of their content outside London.<sup>29</sup> All around the UK thriving production hubs have built up. The BBC and ITV have already established a vibrant media cluster in Salford's MediaCityUK from where major UK national programmes including BBC Breakfast and Coronation Street are made and broadcast. Similarly, Cardiff has become one of the UK's largest media centres outside London, hosting BBC Wales, ITV Wales and Welsh language broadcaster S4C.

This growth is not confined to television. Over recent years, live radio has also been strengthened by the emergence of a small – but dynamic – independent production sector. These companies produce content for the BBC and commercial radio, as well as adding to the growing presence of UK audio content on podcast and other audio platforms.

## 1.5 Looking to the future

The contribution of the creative industries to the UK economy increased significantly in the last decade – nearly 50% between 2010 and 2019.<sup>30</sup> The number of the people they employ has grown by more than a third

<sup>25</sup> British Screen Forum. *High-end Television Drama Investment: An Update*. 2021

<sup>26</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2021*. 2021.

<sup>27</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2021*. 2021.

<sup>28</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2021*. 2021.

<sup>29</sup> Ofcom. *Small Screen: Big Debate Consultation: The Future of Public Service Media*. 2020.

<sup>30</sup> On a GVA basis: DCMS. *DCMS Economic Estimates 2019 (provisional): Gross Value Added*. 2021.

since 2011.<sup>31</sup> We want to see these trends continue, and our internationally renowned broadcasting sector – which forms a key pillar of the creative economy – go from strength to strength.

This strength was recognised in the *Plan for Growth*, which identified the creative industries as one of the four key sectors to drive the country's growth after the pandemic.<sup>32</sup> Through the development of a Sector Vision we will set out our joint government and vision for the sector to 2030. This strategy will ensure that all parts of the creative industries continue to play a central role in maximising global trade and investment opportunities, reaching our net zero targets, and levelling up the country.

Radio and TV remain strong, valued media in the UK delivering significant public value. As noted above, 89% of the population listens to radio every week, a figure which has remained remarkably consistent in the last decade.<sup>33</sup> Total linear TV set viewing was 2 hours, 33 minutes *a day* in March 2022,<sup>34</sup> with viewers continuing to turn to our public service broadcasters for trusted news and high quality, original programming.

We think this will remain the case long into the next decade. Future listening projections prepared for the recent Digital Radio and Audio Review show that radio will retain a central role in UK media for at least the next 10-15 years. And while nearly half of UK adults now consider online video services to be their main way of watching TV and film,<sup>35</sup> 17.3 million homes still access digital terrestrial TV via an aerial, 8.4 million households subscribe to satellite television and 3.9 million have a cable TV subscription.<sup>36</sup>

The broadcasting sector has experienced significant change, and the rate of further change shows no sign of letting up as we look further into this decade and beyond. Total subscriptions to video-on-demand services reached 31 million in the second half of 2020, up 54% on the previous year.<sup>37</sup> And tellingly, 42% of users of those services say they can imagine watching no broadcast TV at all in 5 years' time, rising to almost half (46%) of 18-34 year-olds.<sup>38</sup>

These trends are clear and unlikely to be reversed. But as much as they create challenges, they also create opportunities – to deliver new services for viewers and listeners. To not just retain audiences, but to attract new ones around the world.

The proposals set out in this white paper will support British broadcasters in meeting those challenges, ensuring the continued success of our mixed ecology, with public service broadcasters at the heart of our plans.

<sup>31</sup> DCMS. *DCMS Sector National Economic Estimates: 2011 to 2020*. 2021.

<sup>32</sup> HM Treasury. *Build Back Better: our plan for growth*. 2021.

<sup>33</sup> RAJAR. *RAJAR data release: Quarter 1, 2020*. 2020.

<sup>34</sup> Thinkbox. *Monthly TV Viewing Report: March 2022*. 2022.

<sup>35</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>36</sup> BARB. *BARB Establishment Survey*. 2020.

<sup>37</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>38</sup> Ofcom. *Media Nations 2021*. 2021.

## Chapter 2: Ensuring our publicly owned broadcasters can continue to thrive

The UK benefits from six public service broadcasters, all of which are operationally and editorially independent of government. Three are publicly owned. Those broadcasters – the BBC, Channel 4 and Welsh language broadcaster S4C – vary in their size, remit and funding models. The UK's privately owned public service broadcasters – ITV, STV and Channel 5 – will be discussed in Chapter 3.

We want all of those broadcasters to continue making high quality, original content, which people all over the UK love, trust and learn from. We also want them to be at the forefront of developments for getting that content in front of audiences. However, to make sure they are set up to achieve this, there are some specific changes we need to see from our publicly owned broadcasters.

The BBC is a great national institution. Over the past 100 years it has touched the lives of almost everyone in the UK and made a unique contribution to our cultural heritage. It is also respected globally, and reaches hundreds of millions of people across the world every week. No other country in the world has anything quite like it.

The BBC also plays a vital role in supporting the creative economy across the UK, and makes a significant economic contribution across each of the UK's nations and regions through its spending and wider activities. Every £1 of the BBC's direct economic activity generates £2.63 in the economy, and approximately half of the BBC's economic impact is outside of London.<sup>39</sup> The BBC also plays an important role in the UK's wider public service broadcasting ecosystem, including through commissioning distinctive public service content and developing talent and skills from communities across the UK.

The BBC has been entertaining UK audiences, and serving millions more globally, since 1922. In its centenary year, the Government wants to not only

celebrate the BBC's successes over the past 100 years, but also to look to the future and take this as an appropriate moment to undertake further reforms that can secure the BBC's future in the decades to come. The BBC needs to be forward looking so it can meet the challenges of modern broadcasting as it serves audiences across the breadth of the UK. As the Director General said in his first speech upon assuming his role, the BBC must be a "simpler, leaner organisation" that offers "better value" to licence fee payers.<sup>40</sup> The BBC also needs to address issues around impartiality and groupthink, and to do so it needs to make material and swift progress on its 10-Point Impartiality and Editorial Standards Action Plan. The Government's Roadmap for Reform sees the forthcoming Mid-Term Charter Review and upcoming Funding Model Review as two key milestones in preparation for the next Charter Review. This agenda will ensure the BBC is able to continue to thrive and be a global beacon for decades to come.

Channel Four Television Corporation began broadcasting in 1982. A self-financing public corporation, it is publicly owned but generates most of its income from advertising. Channel 4 is an integral part of our public service broadcasting system. It contributes to the UK's creative economy and creates fun, daring, and provocative programming enjoyed by a broad range of audiences. But it is uniquely constrained in its ability to meet the challenges of the changing media landscape under its current ownership and operating model. Its borrowing is accounted for as public sector borrowing and scores against public sector net debt. It cannot derive significant revenues from production due to its publisher-broadcaster status, largely prohibiting Channel 4 from producing its own content – and limiting revenue from the sale of secondary rights. In the landscape that Channel 4 is operating within, which has evolved significantly and continues to evolve, these constraints inhibit its ability to grow and succeed. Easing these constraints within public ownership could lead to increased public sector

<sup>39</sup> KPMG. *An Assessment of the Economic Impact of the BBC*. 2021.

<sup>40</sup> BBC. *Tim Davie's introductory speech as BBC Director-General*. 2020.



net debt and risk to the Government and, ultimately, the taxpayer, if Channel 4 could not service additional debt or its financial position deteriorated. Therefore, given the pace of change in the media landscape and the importance of safeguarding Channel 4's distinctive position within it, the Government consulted on the best ownership and operating model to secure Channel 4's future sustainability.<sup>41</sup> This Government's response to that consultation is discussed in section 2.4.

The UK also has a number of broadcasters who serve the UK's regional and minority language audiences. S4C, which started broadcasting in 1982, provides a wide range of content in Welsh across traditional and digital platforms to viewers in Wales, playing a vital role in promoting the Welsh language. MG ALBA is the UK's Gaelic language media service, with the remit to ensure the provision of a wide and diverse range of high quality programmes in the Gaelic language is made available to persons in Scotland. It makes an incredibly valuable contribution to the lives and wellbeing of Gaelic speakers across Scotland and the UK as a whole including through its partnership with the BBC in providing BBC ALBA.

The Government has an important role to play as we look at ensuring the continued success and sustainability of our publicly owned broadcasters – recognising their significant contributions to British life while being mindful of the fact that changes may be necessary if they are to continue to flourish. This chapter sets out the Government's proposals for this change.

## 2.1 Licence Fee Settlement and BBC reform

The BBC is funded by the licence fee, which was introduced first as a wireless licence fee in 1923. This became the television and radio licence fee in 1946, which cost £2 for a single channel. The output of the BBC, and the licence fee, has evolved massively since then, from the addition of the colour television supplement in 1964 to the closure of the iPlayer loophole in 2016.

On 17 January, the Government announced the Licence Fee Settlement to the end of the current Charter period. The price of the TV licence will stay at £159 for two years, before rising in line with inflation from April 2024. The Government believes this settlement

will give the BBC the money it needs to fulfil its mission and public purposes effectively, while making sure we support households through a difficult time.

The Licence Fee Settlement gives the BBC certainty on its funding over the remainder of the Charter period. Looking forward, the Government also wants to see the BBC taking steps to reform over the next six years. This includes taking action to improve on its impartiality, which is central to the BBC's Mission and to maintaining trust with audiences. In that context we welcome the BBC's 10-Point Impartiality and Editorial Standards Action Plan, published in October 2021, which aims to raise standards by ensuring that BBC programmes and content are fair, accurate, unbiased, and reflect the UK public. Alongside this, the BBC adopted the findings of the Serota Review into the BBC's governance and culture in full. While the Action Plan is a good start, changes are necessary and they need to be delivered.

To demonstrate the Government's support for the BBC's wider reform agenda, we have recently agreed to update the Framework Agreement between the Government and the BBC to include the BBC's new reform commitments, and to ensure that the Framework Agreement accurately reflects the new obligations and responsibilities that the BBC will deliver over the remainder of the Charter period. These updates will be published shortly.

## 2.2 Mid-Term Review of the BBC Charter

The next phase of our roadmap towards reform of the BBC is the Mid-Term Charter Review. This was established by the current Charter, and is a key tool with which the Government can consider whether the BBC is heading in the right direction.

We have already begun work on the review, which will report by 2024 and feed into the Charter Review process, due to start in 2025. While the review will not look at the BBC licence fee and funding issues, it will consider whether the current governance and regulation arrangements are working effectively, or if further reform is required.

We are consulting the BBC, Ofcom and the devolved administrations in determining the scope and Terms of Reference of the review. The Government is interested in the effectiveness of the BBC's governance

<sup>41</sup> DCMS. *Consultation on a potential change of ownership of Channel 4 Television Corporation*. 2021.

and regulation arrangements in enabling progress against our ambitions for greater impartiality, more accountability for its editorial standards including the handling of complaints, and a BBC that represents the breadth of the audience it was established to serve. This is not just about how well the BBC is doing – we also want to look at the effectiveness of the framework by which Ofcom holds the BBC to account. In doing so, we will consider Ofcom's findings from its review of the future regulation of the BBC.

We will set out more details in the coming months.

## 2.3 BBC Funding Review

Looking further forward along the roadmap for reforming the BBC, we need to consider the future of the BBC's funding model. When the Government last reviewed the licence fee model in 2015/16, it recognised that there were a number of drawbacks to the licence fee, but concluded that it remained the most appropriate funding model for the BBC for this Charter period.

However, the broadcasting sector continues to change rapidly. As set out in more detail in Chapter 1, technology has revolutionised how, when, and where audiences can access and watch content. An increasing number of households are choosing not to hold a TV licence, as fewer people choose to watch live TV or other activities that require a TV licence.

Should this trend continue as expected there are clear challenges on the horizon to the sustainability of the licence fee. For example, if fewer households are required to hold a TV licence, and there is a desire to maintain the BBC's current level of funding, then the price of the licence fee would need to increase, potentially significantly, for those households who continue to be required to hold a TV licence.

The Government also remains concerned that the licence fee is enforced by criminal sanctions, which the Government sees as increasingly disproportionate and unfair in a modern public service broadcasting system. We are particularly concerned that, following the end of the free TV licence concession for over-75s, there is the potential for licence fee enforcement action to be taken against vulnerable elderly people. The Government also sees the ongoing disparity in the

proportion of sanctions against women as unfair, with 74% of people convicted for TV licence evasion in 2019 being women.<sup>42</sup>

In recent years several countries have, reflecting on similar challenges, changed the funding models for their public service broadcasters and we will be able to draw on their experiences. At the same time, the BBC is a unique institution globally. It is therefore necessary to identify a unique approach that works best for the continued sustainability of the BBC as it continues to serve the whole of the UK.

The Government wants to see the BBC continue to succeed, which is why we need to consider the most fair and appropriate funding mechanism to be introduced at the end of the current Charter period. We want to see the BBC continuing to play its important role producing compelling programmes, contributing to our thriving creative industries, and supporting thousands of jobs across the UK. We also want to see the BBC continuing to provide high quality and impartial news to global audiences through the World Service, which is currently partly funded by the licence fee, and partly by general taxation. In addition, we want to ensure that S4C, which receives all of its public funding from licence fee income, continues to receive a sustainable and predictable level of funding.

The Government will therefore carry out a review of the licence fee funding model ahead of the next Charter period and we intend to set out more detailed plans for that review in the coming months.

The Government will also continue to support the BBC in diversifying its income streams, becoming more commercially successful and less reliant on the licence fee. The Government recently agreed to increase the BBC's commercial borrowing limit from £350 million to £750 million, pending the agreement of appropriate oversight mechanisms, to support the BBC in accessing capital and investing in ambitious growth plans.

## 2.4 A sustainable future for Channel 4

Channel 4 is an integral part of our public service broadcasting system. It contributes to the UK's creative economy and creates fun, daring, and provocative programming enjoyed by a broad range of audiences.

Channel 4 has done an excellent job in delivering its founding purposes – providing greater choice for audiences, and supporting the British production

<sup>42</sup> Ministry of Justice. *Statistics on Women and the Criminal Justice System*. 2019.

sector. Forty years on, independent production in the UK is now booming, with companies increasingly less reliant on Channel 4 for commissions. Choice is no longer a problem, in a world of smart TVs and streaming sticks, catch-up and on-demand.

Channel 4 delivers commercially successful content that appeals in particular to young and valuable audiences, which underpins its distinctive brand. However, the market in which it operates has changed radically and is continuing to change. The company's current financial position and its short-term outlook cannot therefore be our sole focus. Its historical performance does not guarantee its future sustainability – we must pay attention to the longer-term outlook too and consider what tools will be necessary for future success.

As is the case for other public service broadcasters, Channel 4 faces growing competition for audiences, programmes and talent, from new global video-on-demand providers with greater spending power. Audiences are increasingly likely to consume content on non-linear platforms such as video-on-demand services. Whilst overall daily viewing is increasing, rising from 4 hours 49 minutes in 2017 to 5 hours 40 minutes in 2020, linear TV's share of total viewing fell from 74% in 2017 (3 hours 33 minutes) to 61% in 2020 (3 hours 27 minutes). At the same time, subscription video-on-demand services' share of total video increased from 6% in 2017 (18 minutes) to 19% in 2020 (1 hour 5 minutes).<sup>43</sup> In addition, the TV advertising market has changed significantly, with spending on linear TV advertising, which constituted 74% of Channel 4's revenue in 2020, declining substantially in the last decade in favour of digital. Linear TV advertising revenues fell 31% sector-wide between 2015 and 2020.<sup>44</sup> We set out more detail on the changing context in which Channel 4 is operating in the decision rationale and sale impact analysis published alongside this white paper.

In the Government's view, Channel 4's public ownership model is constraining its ability to respond to the challenges and opportunities of this changing broadcasting market in the long term. That is why we consulted on the best means of ensuring its future success and sustainability as a public service broadcaster. It is our conclusion that now is the right time for the Government to pursue a change of ownership of Channel 4. We need to ensure that

Channel 4 can continue to thrive and grow its impact for years to come as part of the wider public service broadcasting ecology in the UK.

We are at a unique turning point. Channel 4 has fulfilled its original mission and now it is the Government's responsibility to take a long term view. We believe that the investment in content and technology needed to succeed in this rapidly changing media landscape will be delivered at greater scale and with greater pace under private ownership, supported by private-sector capital, rather than asking the taxpayer to bear the associated risk. We have the opportunity to make Channel 4 bigger and better without losing what makes it so distinctive. Channel 4 is and will remain a public service broadcaster, just like other successful public service broadcasters – ITV, STV, Channel 5 – that are already privately owned. A change of Channel 4's ownership forms part of the Government's wider broadcasting reforms to support all public service broadcasters into the future, as set out elsewhere in this document.

Channel 4 itself has set out that it both wants and needs to grow. We welcome that ambition, and to achieve it Channel 4 will need to invest and innovate, more and faster. As for all other public sector broadcasters, it needs to be able to generate and own its own content. Having greater access to capital, and the ability to produce and sell its own content will give Channel 4 the best range of tools to accelerate and unleash its potential.

This can allow it to create more great programming made by people who live and work across the UK. It can allow it to invest more in technology to make watching Channel 4 content easier, faster and more engaging. It can enable Channel 4 to think genuinely big in terms of the next evolution of its business model and strategy to help it lead the way in defining 'what's next' in the global TV market.

This is not a decision the Government has taken lightly. Our consultation generated 56,293 responses – including 40,411 campaign responses, 15,727 individual responses, and 155 responses from organisations, campaign groups or sectoral stakeholders – and there is a clear strength of feeling on this issue. The Government has taken the consultation responses into account, and examined a broad range of other options outside of a change of ownership. The summary of the consultation responses we

<sup>43</sup> Ofcom. *Media Nations 2021*. 2021.

<sup>44</sup> Ofcom. *Media Nations 2021*. 2021.

received, our response, and the decision rationale and sale impact analysis have been published alongside this document.

We acknowledge that a substantial number of consultation responses did not agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 under public ownership. However, as set out above, we must pay attention to the longer-term outlook for Channel 4 and ensure it has the best range of tools available for future success. We believe that a change of ownership will provide this.

We acknowledge the concerns raised about the impacts removing the publisher-broadcaster restriction (effectively prohibiting Channel 4 from producing its own content) could have on the independent production sector. However, we do not agree with those who have argued that it is necessary to retain the restriction in order for the sector to continue to succeed. Independent production sector revenues have grown from £500 million in 1995 to £2.9 billion in 2020, whilst the contribution of public service broadcaster commissions to sector revenue fell from 58% in 2010 to 41% in 2020,<sup>45</sup> due in large part to the growth of international commissioning revenues. Of the £2.9 billion sector revenues in 2020, public service broadcasters accounted for £1.2 billion, with Channel 4 spending £210 million on external commissions, less than each of the BBC (£508 million) and ITV (£356 million), who both have their own in-house production studios.<sup>46</sup> Whilst Channel 4 therefore still plays an important role, the sector is increasingly benefitting from commissions from other sources and can continue to prosper without the publisher-broadcaster restriction on Channel 4. The Government will remove this restriction to enable Channel 4 to diversify its revenue streams into content and improve its business resilience. Channel 4 will still be required to commission a minimum volume of its programming from independent producers, in line with the quotas placed on other public service broadcasters, ensuring its continued contribution to the sector.

It has also been argued that these changes will result in a reduction in revenues from primary commissions for small and medium sized producers. Channel 4 has excellent relationships with independent producers right across the UK and there is no reason this should change – its work with these creatives has made it the

success it is today, and part of its business model is to produce risky content that speaks to audiences across the UK. As such, we expect a new owner to want to grow and develop those relationships, even as it begins to produce and sell its own content. The Government's continued support for the independent production sector will be underpinned through protecting and updating the "terms of trade" regime and associated independent production quotas which apply to all public service broadcasters. This is explored further in Chapter 4.

The Government also recognises Channel 4's commitment to levelling up, and its support for national and regional economies. Channel 4's existing obligations in terms of regional production, and production outside of England, will be maintained. We expect Channel 4's access to networks outside London and its ability to speak to a diverse range of audiences across the UK to be an attractive asset that any potential buyer will look to nurture and develop. Indeed, there is no reason that a sale could not accelerate the process of growing the broadcaster's impact outside of London.

The Government acknowledges the material and continued impact of Channel 4's investment in the UK film sector. Film4 has a distinctive brand and track record of delivering successful Oscar-winning films that could be seen as an asset by many potential buyers.

The Government does not believe that private ownership has to be to the detriment of public good. It is not a binary choice, and the right owner will provide more investment, and support Channel 4's role in delivering public good. Some people are concerned that a private owner will make fundamental changes to what Channel 4 does, and how it sees its place in the public service broadcaster family. Although it is not possible to predict precisely how its future obligations would be operationalised by any particular buyer, we would expect buyers to see the value in making decisions that continue to deliver outcomes in line with those we see today, as they are linked to Channel 4's brand.

The right owner for Channel 4 will be one who shares our ambition for the business and our belief in what makes it special. The Government will require this new owner to adhere to ongoing commitments, similar to those Channel 4 has today, whilst allowing Channel 4 to adapt and grow, keeping its distinctive voice on our

<sup>45</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2021*. 2021.

<sup>46</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2021*. 2021.

screens for years to come. This will include retaining its remit to provide distinctive, educational, innovative and experimental programming that represents the breadth of society. It will also include equivalent obligations for news and current affairs provision, to show original programmes, and to continue to make programmes outside London and across the UK. In particular, we will expect a Channel 4 under new ownership to continue working with independent production companies right across the UK. We are not trying to change the distinctive role Channel 4 plays; we are proactively giving it the best set of tools to succeed in the market context that is emerging.

New opportunities and investment, facilitated by a change of ownership, will complement continued Government support for the creative economy (discussed further in Chapter 4). The Government will look to use some of the proceeds from the sale of Channel 4 to deliver a new creative dividend for the sector. The Government will also consider funding for the creative industries in the round at the next Spending Review.

## 2.5 Regional and minority language broadcasting

Broadcasting in regional and minority languages has an important role to play in the UK's broadcasting ecology, providing not only an opportunity for speakers to access content in a language familiar to them, but a means of cultural expression for communities across the UK.

The Government has a strong record of demonstrating its commitment to regional and minority language broadcasting. For example, the Government has embedded a duty to regional and minority languages as part of the BBC's general duties under the current BBC Charter, with a further set of responsibilities in the current Framework Agreement.

We can now go further. As part of the changes to the public service remit for television described in Chapter 3, we will for the first time make the importance of programmes broadcast in the UK's indigenous regional and minority languages clear in legislation, by including it in our new public service remit for television.

The Government remains committed to helping S4C adapt to the changing media landscape and remain relevant as an independent modern public service broadcaster in the UK.

As the Government announced on 17 January, S4C have received a strong licence fee settlement for the next six years. This provides £88.8 million per annum for the first two years, then rises in line with inflation thereafter. It includes a new commitment of £7.5 million per annum to support S4C's digital development, ensuring S4C's offering remains sustainable in the digital age. Through its provision of a wide range of content in Welsh across traditional and digital platforms to viewers in Wales, S4C is vital to the people of Wales, and this settlement will enable S4C to continue to support the Welsh economy, culture and society, reach more Welsh language speakers including younger audiences, and the UK Government's commitment to support the ambition of 1 million Welsh speakers by 2050.

Building on this settlement, and in line with the broader reforms described in Chapter 3, we will update S4C's public service remit to include digital and online services and remove the current geographical broadcasting restrictions. These changes will allow S4C to broaden its reach and offer its content on a range of new platforms in the UK and beyond. S4C will have greater clarity on its ability to invest and generate commercial revenue, and the new unitary board and audit arrangements, implemented following the 2017 independent review of S4C, *Building an S4C for the future*, will be reflected in updated legislation.

We will also legislate to support S4C and the BBC in moving away from the current, somewhat rigid, framework requiring the BBC to provide S4C with a specific number of hours of television programming, so that they can together agree an alternative arrangement that better suits the evolving broadcasting landscape and the changing way in which people access content.

The Government recognises the hugely valuable contribution that MG ALBA makes to the lives and wellbeing of Gaelic speakers across Scotland and the UK, including through its unique partnership with the BBC in the provision of BBC ALBA. Such a partnership must ensure high quality, diverse Gaelic language content continues to be readily available so that Gaelic culture is protected in the years to come. We also recognise that certainty of future funding is important for MG ALBA being able to deliver for Gaelic speakers.

The Government also funds the Irish Language Broadcast Fund and Ulster-Scots Broadcast Fund to provide high quality content for a Northern Ireland audience and to support the independent production

sector in Northern Ireland. Following the commitment in the *New Decade New Approach* political agreement in 2020, the Government provided an additional £2 million funding in further support of these objectives.

We will also continue to support long term commitments to support cross-border broadcasting on the island of Ireland including funding for the Northern Ireland digital terrestrial television multiplex that has carried RTÉ and TG4 services to Northern Ireland since 2012. We will also consider the scope to ensure the prominence of regional and minority language services.

# Chapter 3: A new system of public service broadcasting for a new era

The UK's system of public service broadcasting for television is second-to-none. At the touch of a button, viewers have access to thousands of hours of high quality, locally produced programmes, whether in the form of TV staples or new cutting edge dramas and documentaries. This has been helped by the fact that our public service broadcasters (PSBs) have often led the way globally when it comes to delivering that content to audiences. The BBC started to roll out iPlayer in 2005, and Channel 4 undertook a full launch for 4OD – the precursor to All4 – back in 2006, when Netflix was still a DVD rental business. British content is loved by audiences across the UK and envied the world over – and this is how the Government wants it to stay.

Audiences in the UK have access to hundreds of TV channels, but only a fraction of these are **public service channels**. The main public service channels are BBC One, BBC Two, Channel 3 (currently ITV1 or STV depending on region), Channel 4, S4C, and Channel 5.

These channels are operated by our **public service broadcasters** (PSBs): the BBC, ITV, STV, Channel 4, S4C and Channel 5. By virtue of their status as PSBs these broadcasters have additional obligations – for example to broadcast a certain amount of news and current affairs programmes. However, they also get benefits, including the right to appear prominently on electronic programme guides (see section 3.2). This exchange is sometimes referred to as the PSB 'compact'.

Unlike many other countries internationally, the UK benefits from having multiple PSBs. As set out in Chapter 2, some are publicly owned, and others are privately owned, but they are all responsible for the success of the overall system. And, in turn, our PSBs sit at the heart of a vibrant broadcasting sector (see Chapter 4).

This chapter sets out the conclusions of the Government's strategic review of public service broadcasting, and the immediate steps we are taking to protect what is most important.

## 3.1 A new public service remit for television

The Government's strategic review has been considering whether public service broadcasting remains vital in the modern media age, and if so, how the PSB system should contribute to economic, cultural and democratic life across the UK.

In response to the first question, the answer is a resounding yes. Public service broadcasting continues to be associated with a wide range of high quality content that is made available to, and highly valued by, viewers from all backgrounds and in all corners of the UK.

Nevertheless, the last time the system was significantly updated was in 2003 – when television broadcasting was still predominantly analogue, and prior to the emergence of video-on-demand services and global streaming services. This means that if we want the system to continue to deliver for audiences – into the coming decade and beyond – then it is vital that it is updated in the context of the latest trends and developments in the sector which are addressed in Chapter 1.

This leads into the second overarching question from the review: what is the purpose of a modern system of public service broadcasting? We believe the answer is simple: to ensure that viewers continue to have access to a wide range of public service content on a free-to-air basis.

In the context of this new remit, we recognise that public service content takes many forms, including:

- Culturally relevant content that reflects the United Kingdom of today and the values that define it;

- Economically important content produced by independent producers and across the UK; and
- Democratically impactful content such as trusted, impartial news and current affairs.

Given the answers to these questions, we will replace the outdated set of fourteen overlapping 'purposes' and 'objectives' that our public service broadcasters must contribute to with a new, shorter remit, focussed on the things that they are uniquely positioned to deliver, and would make us poorer as a nation – culturally, economically and democratically – if they were not provided. We will make it clearer that PSBs must contribute to this remit and will be accountable for the extent of their contributions.

In light of the changes in technology that we have witnessed since 2003, the Government will legislate to give our public service broadcasters greater flexibility in how they deliver their remits, while ensuring there are effective powers available should intervention be necessary. This will make it easier for them to make their content available on a wider range of free-to-air platforms.

In addition to ensuring more culturally relevant content that reflects the United Kingdom, and the values we share, forms a part of the new remit as described above, we will consult on embedding the importance of this distinctively British content directly into the existing quota system. Any legislative approach we take will allow for further consideration to ensure it is proportionate and achieves its aim of guaranteeing the continued production of content that could only have been made for British audiences.

We will be clear that this includes programmes that reflect the lives and concerns in different parts of the UK, from Bangor to Bognor and Dunmurry to Dunblane. And we will take action to support regional and minority language broadcasting in the UK (see Chapter 2).

The Government also continues to recognise that public service broadcasting needs to produce content that people want to watch and engage with – shows that are loved and admired not just at home, but around the world. As now, PSBs will have their own individual channel remits, which will help ensure that the current high standards of programme quality are maintained, and that they continue to produce a wide range of content for viewers to enjoy irrespective of their precise tastes and preferences.

### 3.2 Ensuring public service content is easy to find and watch

An important aspect of the UK's PSB system is ensuring that public service content is readily available to as wide an audience as possible and easy to find.

To enable this, broadcasting legislation incorporates a 'prominence' framework which makes valued public service content easy to find and watch. This is currently achieved for linear broadcasting through rules set out by Ofcom that affect the position (channel numbers) of designated channels when accessed via an electronic programme guide. The current legal framework guarantees that the first five channels the British public find when they switch on their TVs are operated by PSBs.

This framework not only provides important cultural and societal benefits, allowing viewers to easily discover their favourite programmes, but also provides important commercial and economic benefits for PSBs. PSB prominence plays a crucial role by boosting viewership and engagement, which is important to advertising revenue and brand value for PSBs. This ensures that they can continue to deliver high quality, original programming. It therefore forms a key part of the PSB compact referred to above.

There are also separate rules which require PSBs to 'offer' their channels to broadcast TV platforms, which are in turn required to 'carry' them. These rules collectively ensure that the Freeview platform and current satellite and cable services like Sky and Virgin have to make PSB channels available on their platforms.

However, the current regulatory framework for prominence, and the existing rules covering what must be offered and what must be carried, do not extend to the PSBs' on-demand services. Due to a range of factors discussed in Chapter 1, such as increased competition, PSBs are finding it increasingly difficult to secure their presence on global platforms, maintain their prominence on those platforms, and secure fair value for the services they provide.

Audiences increasingly watch content online, and in many cases bypass traditional distribution platforms altogether. These trends are likely to further accelerate, creating challenges to the long term sustainability of the PSB system in the UK. If PSBs are not given adequate prominence online, then our longstanding commitment to ensuring public service content is widely available and easy to find will also be at risk.



As the DCMS Select Committee made clear in their report *The Future of Public Service Broadcasting*, swift action is required to address this disparity between traditional TV platforms and new ones. Building on the recommendations made by Ofcom in 2019 and 2021, we will introduce a new prominence regime for on-demand television.<sup>47</sup> This will ensure public service content is both available and easy to find on designated TV platforms. This includes appropriate recognition for the unique relevance of the public service content produced by STV and S4C in particular areas of the UK.

We will achieve this by legislating for a new principle-based legislative framework, whereby the providers of designated TV platforms – those used by a significant number of UK viewers as a main way of watching television content on-demand – will be required to give appropriate prominence to PSBs' designated on-demand services. We expect TV platform providers which are in scope to include popular Smart TVs, pay TV operators, and global TV platform providers. This new regime is to be enforced by Ofcom, who will be required to develop and maintain guidance on the new framework.

Our new prominence regime for on-demand services will be proportionate and flexible, so it can adapt to the differences across the market and ongoing changes, without creating undue burdens and negatively impacting consumer choice and experiences. Ofcom will also be given the necessary new enforcement powers, including information gathering powers and the ability to impose financial penalties where appropriate in the event of non-compliance.

The regime will incorporate new rules to ensure availability of content on relevant TV platforms by requiring PSB providers to offer their designated on-demand services to platforms and requiring platforms to carry these PSB on-demand services. This will be underpinned by statutory objectives which include:

- ensuring that PSB on-demand services are available to view by as many members of their intended audiences as practicable;
- ensuring that PSB on-demand services are given appropriate prominence on relevant TV platforms; and

- ensuring that PSB on-demand services are made available on terms that are consistent with the sustainable delivery of PSB obligations, but which also do not place disproportionate restrictions on consumer choice or TV platforms' ability to innovate.

Ofcom will also be given a dispute resolution function, in line with the recommendations made in its *Small Screen: Big Debate* review. PSBs and platforms should always seek to pursue mutually beneficial commercial arrangements in the first instance, but if for whatever reason that is not possible then it is appropriate for the regulator to have the necessary powers to intervene in support of effective negotiations.

### 3.3 Events of national interest

As set out above, it is important that viewers have easy access to culturally relevant content. This includes certain sporting events of national interest, like the FIFA World Cup and the Wimbledon Tennis Finals. The Government believes that where possible these events should be shown on free-to-air television so that they can be enjoyed by as wide an audience as possible.

The **listed events regime** works by prohibiting the broadcast of exclusive rights of an event on the list without prior consent from Ofcom. The current list is divided into two categories (Group A and Group B) and where rights holders make an event available, full live coverage must be offered for purchase first to free-to-air channels for events in Group A. Group B events may have live coverage on subscription TV provided that secondary coverage or highlights are offered for purchase first to free-to-air broadcasters. However, no rights holder can be compelled to sell its rights, and no broadcaster can be compelled to acquire rights.

The Government recognises that the sale of broadcasting rights to subscription TV providers generates income for sports bodies, which enables them to invest in their sports at both the elite and grassroots level. The legal framework therefore needs to strike an appropriate balance between retaining free-to-air sports events for the public, while allowing rights holders to negotiate agreements in the best interests of their sport. We believe the current list of events achieves this. However, we are also of the view that more could be done to improve the diversity of the list, which is why

<sup>47</sup> Digital, Culture, Media and Sport Committee. *The Future of Public Service Broadcasting*. 2021.

we added the Paralympics in 2020, and have recently added the FIFA Women's World Cup and the UEFA Women's European championships.

However, the current framework was devised in a different media landscape where competitors to free-to-air broadcasters were limited and UK-focused. The consumption habits of viewers are changing rapidly and broadcasters are now required to compete for rights with global media platforms. As such we see a need for a small number of important reforms to modernise the current framework.

In recognition of the key role that our public service broadcasters play in distributing content which is both distinctively British and of interest to British audiences – and recognising that all current services that qualify for the listed events regime are operated by the PSBs – we will look at making qualification for the listed events regime a PSB-specific benefit.

The current legal framework was established in 1996 at a time when just 4% of UK households had access to the internet.<sup>48</sup> Consequently, although digital rights, including on-demand rights, have now become an important element in the sale of sports rights, they are not covered by the listed events regime. This raises questions about whether the objectives of the existing regime are still being met and whether they will continue to be met in the future. If for example the Olympic 100 metre final was broadcast live in the middle of the night on the BBC, but all streaming and catch-up rights were sold to a different broadcaster and kept behind a paywall, then a culturally relevant event might not be available to a wide audience on a free-to-air basis.

We want to ensure that as viewing habits change and technology evolves the regulatory framework remains fit for purpose. We will therefore undertake a review to look at whether the scope of the listed events regime should be extended to include digital rights.

### 3.4 Contestable funding

The UK is home to a thriving broadcasting industry, and the Government is determined to make sure it continues to go from strength to strength. To do so, it must ensure that all UK audiences have access to a broad range of high quality content which reflects the diversity of our nation. It must also provide

opportunities for our world-renowned production sector to innovate and grow even as technology and viewing habits change at an unprecedented pace.

To support these ambitions, the Government has been piloting contestable funding, a new way to directly support underserved public service content. Since 2019 the Young Audiences Content Fund and Audio Content Fund have received almost £48 million of public funding and supported 220 hours of children's television content and more than 700 hours of radio content to date.

The three-year pilot phase of the Contestable Fund concluded on 31 March 2022. We will conduct an evaluation of the pilot and will consider in detail the lessons in determining whether a contestable fund model would – in the longer term – provide additional value to the breadth and availability of high quality UK-produced public service content, which might better meet audience needs.

### 3.5 Channel 3 and 5 licensing

The size and plurality of public service broadcasting provision in the UK is one of the aspects that makes it unique. An important element of this is the Channel 3 and Channel 5 commercial licences, which set out the detailed obligations on individual licensees. The Channel 3 licences in England, Wales, Northern Ireland, the Channel Islands and the south of Scotland are held by ITV plc; and the licences for northern and central Scotland are held by STV plc. Channel 5 Ltd, controlled by Paramount Global (formerly ViacomCBS), provides the Channel 5 service.

These broadcasters play a specific and important role not only in the public service broadcasting system, but also in the wider broadcasting ecology. ITV employs more than 6000 people and spends more than £1 billion per year on content, the majority of which is on original UK content, including regional news.<sup>49</sup> Channel 5 was awarded 'Channel of the Year' at both the Broadcast Awards and Royal Television Society Programme awards in 2020<sup>50</sup> and its children's programming block, *Milkshake!*, reached 19.5 million viewers in 2019.<sup>51</sup>

Both the Channel 3 and Channel 5 licences are due to expire in 2024. As required by the Communications Act 2003, the Government is expecting to receive a

<sup>48</sup> DCMS. *The Review of the BBC's Charter*. 2003.

<sup>49</sup> ITV. *2021 Annual Report and Accounts*. 2022.

<sup>50</sup> Ganatra, Shilpa. *Channel 5's drive for drama*. 2021.

<sup>51</sup> ViacomCBS and Channel 5. *Written evidence submitted by ViacomCBS and Channel 5*. Digital, Culture, Media and Sport Committee. 2020.

report from Ofcom in June 2022 in connection with the potential renewal of the Channel 3 and Channel 5 licences. We look forward to reviewing Ofcom's report later in the year.

### 3.6 Opening up the system to new providers

**Commercial providers** such as Sky, Discovery and BT, whilst not being public service broadcasters themselves, still play a hugely valuable role in our broadcasting ecology. In particular they commission and produce a wide range of high quality content, including news, and invest in new technology and production facilities.

Sky operates the largest non-PSB TV news service – Sky News – which is available free-to-air, and has been named 'News Channel of the Year' at the Royal Television Society Awards for five years running.<sup>52</sup> As of 2020, their Sky Arts channel is also available to watch without subscription on Freeview and Freesat. In 2019, Sky announced plans to double its investment in UK originated content by 2024, and is developing a new studio complex at Elstree which it estimates will add £3 billion to the creative economy during its first five years of operation.<sup>53</sup>

Discovery are significant investors in original UK content, particularly in genres such as natural history and factual – and that spend continues to rise as they compete in the global streaming market. BT Studios is used to create sports programming and is also available for UK independent production companies to hire. BT have also fronted a number of high profile public interest campaigns, such as its 'Draw The Line' campaign targeting online abuse and hatred.<sup>54</sup>

The Government recognises that a wide range of providers produce high quality, UK-originated programmes for television. This includes the public service broadcasters themselves. But it also includes a wide range of commercial broadcasters who produce hundreds of hours of public service-like content despite being under no obligation to do so – in particular UK-based original news, drama and arts programming.

In their recent recommendations to government, Ofcom recommended opening up the public service broadcasting system to new providers by putting in place a system for designating additional public service broadcasters. They suggested that this could boost innovation and help with sustainability.<sup>55</sup>

As set out above, the Government is taking forward a number of other changes to the UK's system of public service broadcasting, and is minded to let these bed in before considering further reforms. Nevertheless, we will continue to consider the case for future reforms as we work to update the PSB framework to ensure its long term sustainability.

### 3.7 Local TV

Since 2013, a total of 34 local television services have been launched across the UK, each serving a particular area with local news and local content.

The climate for local television since 2013 has been a challenging one in terms of services being able to develop local advertising. A number of the initial licence holders – including STV in 2018 – sold their interests as the sector consolidated operations and services in order to reduce costs. Ofcom has supported this process by agreeing to proposals to reduce the number of local production hours that stations were required to deliver while ensuring that all local television services continue to provide a core local news service. In addition, the licensees in Belfast, Brighton, London, Maidstone, Nottingham and Sheffield have been able to operate local services as single entities and continue to deliver bespoke local services with a strong ethos towards training, skills as well as to local journalism.

The launch of local television was initially supported by up to £40 million of BBC licence fee funding which covered the development of the local digital terrestrial TV (DTT) multiplex and support for news content. The scheme to provide local television news, run by the BBC, ended in 2020 and local television currently receives no public subsidy but continues to benefit from significantly reduced DTT transmission costs due to the commercial revenues generated by the spare DTT video streams as well from prominence on DTT and other TV platforms.

<sup>52</sup> Sky News. *Sky News wins three RTS awards including News Channel of the Year*. 2022.

<sup>53</sup> Sky. *Written evidence submitted by Sky*. Digital, Culture, Media and Sport Committee. 2020.

<sup>54</sup> BT. *Draw The Line: BT launches campaign to tackle online hate*. 2021.

<sup>55</sup> Ofcom. *Recommendations to Government on the Future of Public Service Media*. 2021.

In September 2021, the Government announced changes to national DTT multiplex licensing legislation. The changes enable Ofcom to extend licences issued to the BBC, other PSBs and to other commercial operators until 2034 (subject to a new revocation power, which cannot take effect before the end of 2030).

In the light of this, the Government intends to make changes to the local TV licensing regime to enable the extension of the local TV multiplex licence until 2034 and subject to the same conditions (including revocation power) that apply to the national DTT multiplexes. We plan to consult by the end of 2022 on the detailed arrangements for the renewal of the local television multiplex licence and conditions for renewal. We will consult on options for the renewal or relicensing of individual local television services at the same time.

### 3.8 The benefits of collaboration

As described in more detail in Chapter 4, the UK's broadcasting sector is a rich and varied one, with many different actors. The Government believes that changes and consolidation in the sector pose strategic questions as to whether our public service broadcasters need to pursue more collaboration, either with each other or with external partners.

**Radioplayer** was established in 2010 as a way to offer simple and accessible listening to radio online. It is a not-for-profit venture between the BBC and commercial radio broadcasters (its current shareholders are the BBC, Global, Bauer Media and Radiocentre). Since 2014 it has licensed its technology to consortia of broadcasters in other territories and has partnership agreements with 14 other countries.

In recent years, Radioplayer has significantly expanded its activities using its backend technology to deliver broadcaster metadata to vehicles to power hybrid radio. This allows drivers to seamlessly switch between FM, DAB/DAB+ and streaming while providing a richer and more visual experience. Radioplayer has signed partnership agreements with VW Group and BMW Group, which together represent a third of all European car sales, and has produced a hybrid radio app (DAB, DAB+, FM, Internet) in Android Automotive which can be adapted by car companies for free or at cost.

There are plenty of examples of this collaboration happening already. For example, Freesat – a venture first established by the BBC and ITV in 2007 to create a free-to-view satellite platform to support TV switchover – recently merged with Freeview to create a shared platform for the BBC, ITV, Channel 4 and Channel 5. Similarly, Radioplayer, a not-for-profit venture between the BBC and commercial radio broadcasters, has licensed its technology to consortia of broadcasters in other territories and has partnership agreements with 14 other countries since 2014.<sup>56</sup> Channel 4 and Sky's partnership – particularly sharing sports rights – has helped create moments that bring the country together.

In the context of a fragmented but highly competitive broadcasting landscape, especially where broadcasters are no longer just competing with each other for viewership and revenues, but also with other types of content and global platforms, these strategic partnerships become even more important. We do not want to repeat the mistakes of the past – mistakes which, for example, led to the Competition Commission blocking Project Kangaroo (a video-on-demand joint venture between ITV, Channel 4 and BBC Worldwide) in 2009 after it was deemed too much of a threat to the UK's nascent streaming market. This allowed international competitors to steal a march on our domestic broadcasters and left them playing catch up.

In addition to supporting the sustainability of the sector, the Government believes that these partnerships also bring benefits to viewers – for example, being able to discover content more easily in one place, or providing the technology that allows broadcasters to help reach new and diverse audiences around the world. The BBC Charter contains a requirement for the BBC to work collaboratively with other organisations, particularly in the creative economy, and we will continue to look at how this behaviour can be encouraged throughout the wider PSB system. Collaboration can also help ensure that audiences continue to benefit from a plurality of voices and perspectives.

<sup>56</sup> *Digital Radio and Audio Review*. 2021.

## Chapter 4: A vibrant broadcasting ecology

The contribution of the creative industries to the UK economy increased significantly in the last decade – nearly 50% between 2010 and 2019.<sup>57</sup> The number of the people they employ has grown by more than a third since 2011.<sup>58</sup>

This thriving and diverse ecosystem has built a virtuous circle. It makes the UK a very attractive place in which to invest and allows UK creatives to produce high quality, original content that audiences love. We want to see these trends continue, and our internationally renowned broadcasting sector – which forms a key pillar of the creative economy – go from strength to strength.

This chapter sets out the steps we are taking both to protect that virtuous circle, and to help the sector respond to the challenges and opportunities it faces.

### 4.1 Championing our production sector

Thanks to the Government's action and intervention, TV production is booming across all parts of our union. As set out in Chapter 1, this success has been fuelled both by traditional investment from our domestic broadcasters and by the UK's success in attracting international investment.

Total TV production revenues more than doubled between 2004 and 2020, with more than £1 billion of annual revenues coming from inward investment from outside the UK.<sup>59</sup> Even when faced with the challenges of COVID-19, the industry reached near record levels of spend – the combined spend by film and high end television production during 2021

reached £5.64 billion, the highest ever reported and £1.27 billion higher than for the pre-pandemic year 2019.<sup>60</sup>

Of course, it was not just industry or broadcasters alone who have achieved this, with Government intervention during the pandemic ensuring the safe continuation of production. Over 1,100 productions have signed up to the Government's Film and TV Restart Scheme so far and over £2.9 billion of production spend would not have been possible without the scheme, which has supported more than 95,000 jobs. PACT, the industry group representing film and television producers recognised this when they said that, "...the Government's Film & TV Production Restart Scheme provided the critical business support for the sector, enabling them to start or restart their productions, keeping people in jobs and getting new content on UK screens".<sup>61</sup>

This is a truly globally leading sector and its success is felt in all four corners of the nation, be that *Line of Duty* in Northern Ireland, *Poldark* in Cornwall, *Peaky Blinders* in Yorkshire, *Outlander* in Scotland, or *Brassic* in Wales – this Government will safeguard and build on that success. Recognising that at the highest end, the gap between TV and film production requirements has fallen away, the Government is also determined to help the broadcast and wider screen production sector, including film, thrive together, including introducing measures which enable film production companies to switch between Film Tax Relief and High-end TV Tax Relief during production.<sup>62</sup>

<sup>57</sup> On a GVA basis: DCMS. *DCMS Economic Estimates 2019 (provisional): Gross Value Added*. 2021.

<sup>58</sup> DCMS. *DCMS Sector National Economic Estimates: 2011 to 2020*. 2021.

<sup>59</sup> Oliver & Ohlbaum for PACT. *UK Television Production Survey: Financial Census 2021*. 2021.

<sup>60</sup> BFI. *Official 2021 BFI statistics reveal a record £5.64 billion film and high-end TV production spend in the UK*. 2022.

<sup>61</sup> Quoted in BFI. *Peaky Blinders, Midsomer Murders for television; feature films Mothering Sunday, Benediction and a Christmas Number One in £1.9 bn Production Recovery Thanks to Restart Scheme*. 2021.

<sup>62</sup> HMRC. *Switch between Film Tax Relief and High-End TV Relief during production*. 2021.

Beyond TV, UK audio production continues to diversify away from radio as demand for podcast content continues to grow. Around 10 million adults listen to podcasts weekly and UK podcast advertising revenue is expected to double to £75 million per year by 2024.<sup>63</sup>

As discussed in Chapter 1, the UK's independent television production sector has grown rapidly in the last decade, with revenues increasing over 50% between 2010 and 2019.<sup>64</sup> Now, in shaping the future landscape of UK broadcasting, we will ensure the UK remains a thriving production hub for both domestic and international content producers. This means protecting the UK's 'terms of trade' regime, while simultaneously updating it to reflect changes in technology and the way viewers are watching content from our PSBs. We will also consider whether there is a need to extend aspects of this regime to radio and audio producers that produce programming for the BBC.

At the same time we want to ensure that the benefits of the terms of trade regime, and the quota for independent production which operates alongside it, accrue to SMEs who will benefit most from these interventions. The sector's impressive growth has facilitated the emergence of so-called 'super indies' which – whilst still classed as independent – are often larger than the broadcasters they work with. We therefore plan to initiate a review looking at whether to introduce a revenue cap for 'qualifying independent' producer status, to ensure that that status remains an effective lever in promoting the growth of the sector.

We also recognise that the UK's success in attracting inward investment is based on the unique interplay of those attributes which make us the number one global destination for production: a stable and generous tax relief system; a skilled workforce; strong and growing physical infrastructure; supportive institutions and wider screen ecosystem, and the creativity and dynamism of UK citizens.

As the Chancellor has previously noted, the Government will continue to support our highly skilled and innovative creative industries through creative sector tax reliefs.<sup>65</sup> Recent research has demonstrated their phenomenal impact, for example every £1 of High-end TV Tax Relief delivers returns of

£6.44.<sup>66</sup> At the same time, production supported by that tax relief increased from £1.2 billion in 2017 to £4.1 billion in 2021.<sup>67</sup>

In addition, recognising that all this investment, particularly for larger productions, requires suitable infrastructure, the Government stepped in to fund the British Film Commission an extra £1.6 million a year from 2020/21 to 2022/23 to facilitate the development of more sound stages UK-wide. This investment has already played a significant role in meeting the huge demand for screen infrastructure, supporting productions of all sizes.

TV is a global marketplace and we both want to attract inward investment and want to help UK content to find the widest possible international audiences. We know other nations are doing the same, and looking to the UK with envy, so we must act to ensure our reforms support what works and protect the UK's status as a leading destination for TV and film production.

These measures, as well as others set out in this document, form part of our vision for the creative industries. The Creative Industries Sector Vision, due to be published in summer 2022, will set out a long term strategy for the sector and deliver on the Government's levelling up, Global Britain and net zero objectives. This strategy will be developed as a partnership between government and industry.

## 4.2 Supporting the UK's commercial radio sector

Radio broadcasting has been a part of the UK media landscape for more than 100 years and remains a cornerstone of public broadcasting. In recent years – and never more so than during the pandemic – the BBC, the commercial radio sector (which will be 50 years old next year) and community radio have all shown radio's extraordinary resilience and value to the nation, be this keeping people up to date with the impacts of COVID-19 within their community, being a free-to-air source for entertainment and discovery, or simply in providing companionship.

The Government wants to support and strengthen UK radio. We will continue to encourage and foster cooperation between the BBC, commercial radio and

<sup>63</sup> *Digital Radio and Audio Review*. 2021.

<sup>64</sup> Oliver & Ohlbaum for Pact. *UK Television Production Survey: Financial Census 2020*. 2020.

<sup>65</sup> Olsberg+SPI with Nordicity for the BFI. *Screen Business*. 2021.

<sup>66</sup> Olsberg+SPI with Nordicity for the BFI. *Screen Business*. 2021.

<sup>67</sup> BFI. *Official 2021 BFI statistics reveal a record £5.64 billion film and high-end TV production spend in the UK*. 2022.

community radio – as most recently demonstrated through the Digital Radio and Audio Review.<sup>68</sup> The Government strongly welcomes the recent announcement by the BBC and commercial radio of new investment in, and continued support for, Radioplayer to help secure radio's place across a range of digital platforms as more radio and audio listening goes online.

The current rules for licensing commercial radio were developed as part of the 1990 and 1996 Broadcasting Acts in order to open up the airwaves for more choice to FM and to support the development of digital radio services. But while commercial radio is among the most trusted parts of UK media, it is coincidentally the most regulated sector, a legacy of restrictive localness requirements on analogue licensed services introduced nearly two decades ago.

With digital now accounting for 64.4% of UK radio listening<sup>69</sup> and with new challenges from online audio providers that operate with no regulation, we remain of the view that the regulatory structure for commercial radio needs bringing up to date. We want to ensure that commercial radio is able to operate under a more flexible regulatory framework that is fit for the modern age. We will therefore – as soon as parliamentary time allows – introduce measures to remove outdated character of service requirements such as music formats and reform the current rules on where local radio programmes are produced, while at the same time strengthening requirements for its vital local news and local information services, including measures which allow for the protection of local news on digital platforms.

The Government consulted on a package of measures to deregulate commercial radio in 2017. Since then the Digital Radio and Audio Review, which was published in October 2021, has assessed the potential impact of the rapid changes in technology and listener behaviour on future radio listening, reaching a clear conclusion that a greater focus is needed on investment in radio and audio content and in how this reaches listeners. The Government remains committed to legislating to give effect to the conclusions of the 2017 consultation on radio deregulation<sup>70</sup> when parliamentary time allows. This will include allowing Ofcom to be able to license some overseas radio services for the first time –

specifically those based in the Republic of Ireland – and for the DCMS Secretary of State to add other countries to the list of services that Ofcom can license.

The Government also agrees with the main conclusion of the Digital Radio and Audio Review that a switch off of FM services should not take place until at least 2030. However, there is a need to update the legislation to help encourage the ongoing transition towards digital radio. We therefore plan to:

- give Ofcom powers to extend FM licences in the event of confirmation of a switchover date to ensure that FM services can continue, if required, right up to any transfer date;
- ensure that the three independent national radio services (Classic FM, TalkSport and Absolute Radio) are able to access guaranteed capacity on the D1 national DAB multiplex should they decide at some point before a future switchover to cease broadcasting on AM or FM and hand back their analogue licences to Ofcom; and
- remove onerous requirements for local multiplex operators to have to seek Ofcom consent when station lineups change.

### 4.3 Strengthening community radio

Community radio stations typically cover a small geographical area and are run on a not-for-profit basis. They can cater for whole communities or for different areas of interest – such as a particular ethnic group, age group or interest group. There are stations which cater for urban or experimental music, while others are aimed at younger people, religious communities or the Armed Forces and their families.

Community radio has grown since its formal establishment in 2005 and has become a vibrant and increasingly mature part of the UK's radio sector. There are now more than 300 community radio stations on air all across the UK and new digital services are planned as part of the successful development of small-scale DAB, something strongly championed by the Government.

This growth is in part thanks to the Government's sustained support through the Community Radio Fund. Administered by Ofcom, the fund provides grants to support the development of community radio stations.

<sup>68</sup> *Digital Radio and Audio Review*. 2021.

<sup>69</sup> RAJAR. *RAJAR data release: Quarter 4, 2021*. 2021.

<sup>70</sup> DCMS. *Commercial radio deregulation consultation: Government response*. 2017.

The fund received targeted uplifts of £200,000 in both 2020/21 and 2021/22, enabling Ofcom to allocate more funding to more stations than ever before.

However, licences for the first community stations launched in 2005 are due to expire in 2025.<sup>71</sup> We want to make sure that community radio has the right structure to ensure that existing stations can continue to develop their services and that new community radio stations can be developed on digital radio.

While we want to maintain community radio's model of delivery through community based, not-for-profit companies or charities, we want to look again at the restrictions on advertising revenue that prevent some community radio stations from fully monetising their content. We also want to ensure that there is a much wider availability of community radio services, such as through Ofcom's digital licensing process, as part of the Government's broader levelling up agenda.

We therefore plan to consult in early 2023 on new proposals to champion the community radio sector and, where necessary, will bring forward changes to licensing requirements through amendments to the Community Radio Order 2004.

#### 4.4 Improving access and representation in the sector

Broadcasters and the wider media have an important responsibility to reflect 21st century life in the UK. It is important that the broadcasting industry – both on- and off-screen – is representative of the country in which we live and offers opportunities for people from all backgrounds to contribute and achieve. A more diverse workforce can also directly benefit broadcasters, helping them to find new audiences and create more authentic and informed content.<sup>72</sup>

Although the Government recognises the editorial and operational independence of the broadcasting sector, we do want to ensure that we see progress in representation and inclusion across the sector. UK broadcasting – as well as the wider creative industries – should represent the whole of the UK population. Evidence suggests there are multiple hidden barriers,

particularly for under-represented groups and those from working class backgrounds, to entry and progression in these sectors. Research by the Creative Industries Policy and Evidence Centre into social mobility in the creative economy found that “those from a privileged background are twice as likely to be employed in the Creative Industries than their working class counterparts”.<sup>73</sup> Furthermore, COVID-19 has worsened this divide, with the proportion of workforces from working class backgrounds dropping up to four percentage points in ‘Film, TV, Video and Photography’ by September 2020, compared to 2019.<sup>74</sup>

Under the Communications Act 2003, Ofcom has a duty to promote equality of opportunity in relation to employment in the broadcasting sector (for both TV and radio) and has powers to ask broadcasters to provide information about their diversity policies and the make-up of their workforce. Although Ofcom's five year review of diversity in broadcasting (published in September 2021) demonstrated a general trend towards a more representative industry, there is a lot of room for improvement, particularly in terms of the proportion of TV employees who are disabled, which is projected to fall over the next five years, as well as poor levels of representation of ethnic minority groups at senior levels.<sup>75</sup> Ofcom also found that greater progress was particularly needed in the retention and development of diverse talent in the sector.

The issues raised by Ofcom's five year review of diversity and equal opportunities in UK broadcasting were also considered by the recent Digital Radio and Audio Review. There have been clear moves by the BBC and commercial radio broadcasters to boost diversity both across their on-air and online services and within their wider organisations, through changes in recruitment and their approach to training and skills. However, research carried out for the Digital Radio and Audio Review highlighted the need and opportunity for radio to ensure that it continues to speak to communities across the UK.<sup>76,77</sup> For this reason the Government will work with radio broadcasters to identify opportunities to expand radio and audio services for underserved communities – building on the existing provision offered by commercial and community radio stations.

<sup>71</sup> Community radio stations that operate on FM or AM are licensed for five years and the legislation allows for three further renewals (20 years in total).

<sup>72</sup> Ofcom. *Diversity and equal opportunities in television 2018*. 2018.

<sup>73</sup> Creative Industries Policy and Evidence Centre. *Social Mobility in the Creative Economy*. 2021.

<sup>74</sup> Creative Industries Policy and Evidence Centre. *Social Mobility in the Creative Economy*. 2021.

<sup>75</sup> Ofcom. *Five-year review: Diversity and equal opportunities in UK broadcasting*. 2021.

<sup>76</sup> Dynata. *Ethnic Minorities Radio Listening Project*. 2021.

<sup>77</sup> Ethnic Opinions. *Ethnic minority audience perceptions and consumption of radio and alternatives*. 2021.



Changes to the global market and the rise of video-on-demand services, as well as the impacts of the pandemic, continue to reshape the sector as we know it. We are keen to see on-demand services become a greater part of the conversation on diversity, and to see more collaboration across industry to find innovative and effective ways to reduce barriers to entry and progression and improve representation.

We also welcome the work being done by a number of our public service broadcasters and other industry participants who have also launched their own diversity and inclusion strategies and initiatives. The Government calls on UK broadcasters to do everything they can to address critical areas of under-representation in their organisations and the wider sector, particularly around accessibility for those from working class backgrounds, and to demonstrate a greater commitment to diversity of opinion amongst staff, rather than group-think. In doing so the ambition should be for real change and not just warm words.

#### 4.5 Protecting free speech

A free media is one of the cornerstones of our democracy. The Government recognises the vital role the media, including our television and radio broadcasters, play in holding people to account and shining a light on the issues which matter most. The central importance of having access to trusted and impartial news in particular has been underscored during the recent invasion of Ukraine, which has seen journalists, working for the BBC, ITN, Sky and other news outlets, risking their lives to bring us unbiased and accurate news from a live war zone.

In support of these principles, we rightly have a robust system of communications regulation led independently by Ofcom. In relation to broadcasting it remains entirely appropriate that Ofcom continues to have responsibility for maintaining the Broadcasting Code as it regulates issues such as fairness, as well as due accuracy and impartiality. A code which wholly reflects broadcasters' right to freedom of expression and audiences' right to receive information and ideas.

In this regard it is also important that UK broadcasting law reflects the UK's freedoms and traditions. Following the implementation of the Audiovisual Media Services Directive, UK legislation currently references the Charter of Fundamental Rights of the European Union in a way that we are concerned may have a chilling effect on free speech. As part of the Government's

broader efforts to amend or remove outdated 'retained EU law' – legacy EU law kept on the statute book after Brexit – we intend to replace the EU definition in the Communications Act 2003 with a UK specific measure over the coming months.

We are also concerned about the implications for media freedom from actions by major tech platforms. UK news publishers – whether on television, radio or in print – have a strong history of championing media freedom and for reporting and commenting fearlessly on events. Television and radio services are directly regulated by Ofcom whilst there is a system of independent self-regulation for the press. However, there is a potential tension between these regulatory frameworks and separate decision-making by online platforms, on whom news publishers are increasingly reliant for distribution of their content. For example, in 2021, YouTube temporarily closed the service of TalkRadio because of content which had already been broadcast on national radio and was therefore subject to direct regulation by Ofcom. The Government is clear that news publishers' content, and wider journalistic material, should be given greater protection online. We have therefore included provisions in the Online Safety Bill to exempt news publishers' content from the safety duties in the online safety legislation and ensure that relevant platforms put in place safeguards for journalistic content shared on their services.

#### 4.6 Levelling up

In February this year, the Government set out an ambitious plan for a complete 'system change' of how government works that will be implemented to level up the UK. At the heart of this new way of making and implementing policy will be 12 bold, national missions. These missions, which will form the heart of our agenda for the 2020s, will be cross-Government, cross-society efforts. The first mission, for instance, will see pay, employment, and productivity grow everywhere, and the disparities between the top and worst performing areas narrow.

Broadcasters and the wider media have significant potential to contribute to levelling up. They can do this by reinvigorating local economies post-pandemic to drive regional growth, and strengthening a sense of identity and connection with local communities, by allowing people to see themselves and their way of life reflected on screen.

Rebalancing spend and activity across the country, with greater emphasis outside London and the South East, will help to bring the economic and social benefits of media and broadcasting to people across UK regions.

Our public service broadcasters have specific quotas for commissioning programmes from outside London. These quotas are set and monitored by Ofcom and have been effective in driving growth across the UK. For example, the BBC and ITV have already established a vibrant media cluster in Salford's MediaCityUK from where major UK national programmes including BBC Breakfast and Coronation Street are made and broadcast. The BBC's Across the UK strategy notes that half of the BBC's economic impact is already outside of London and it has identified further significant new commitments to regional commissioning and talent development.<sup>78</sup> This includes to increase the proportion of BBC TV and radio spend that is outside of London to 60% and 50% respectively by the end of the current Charter period, a commitment that the Government welcomes. Likewise, Channel 4 has commissioned more than half of its programming from producers based outside London every year since 2013.<sup>79</sup>

But we have taken steps to go further. DCMS funding to the British Film Commission is supporting the further growth of seven geographic production hubs – including one in each nation – and numerous new studio developments all across the UK. In each of these regions there are already some of the most talented creative and commercial individuals of any industry, and the skills landscape must evolve to take advantage of this opportunity. The National Film and Television School, with support from DCMS, has opened sites in Glasgow, Yorkshire, and Cardiff with the aim of strengthening local talent pipelines for productions across the UK. There are also a number of cases of individual communities taking action; for example, through the Belfast Region City Deal, £38 million was secured for the Future Screens Northern Ireland Creative Cluster – Northern Ireland's first screen and media innovation lab. This will be complemented by £2.9 million funding from Round One of the Levelling Up Fund for a Flexible Production Studio in Belfast, to expedite the growth of the city as a competitive creative cluster for film and screen. These investments will ensure that the industry is well positioned to expand on its contribution towards driving regional economic growth across the UK.

Of course, levelling up is also about supporting connected communities and fostering pride in place. Here too our broadcast sectors can contribute. As touched on above, community radio is a growing sector, staffed mainly by local volunteers and delivering numerous social impacts to regions, including fostering civic pride, increasing community participation and alleviating loneliness. Stations receiving money from the Community Radio Fund to date have helped to improve lives in their communities, for instance in the promotion of local fundraising causes, coffee mornings for socially isolated or vulnerable groups, and exercise classes. DCMS' recently commissioned evaluation of the fund found that grants had provided a lifeline to smaller stations and boosted their growth.<sup>80</sup>

## 4.7 Meeting our commitment to net zero

The Government recognises the urgency of tackling climate change. Following the successful COP26 UN Summit held in Glasgow in November 2021, the UK will continue to hold the COP Presidency until COP27 in Egypt in 2022, where we will further drive progress on this important issue. We remain committed to achieving net zero emissions by 2050, with a target of reducing emissions by 78% compared with 1990 levels by 2035.

The broadcasting sector has an important role to play here. The Government particularly welcomes the work of BAFTA albert in addressing this issue as the leading sustainability initiative for film and TV production in the UK. By providing practical tools and support, albert is enabling the industry to actively tackle carbon emissions and limit waste from production activities. Many funders, including broadcasters and the Government's arm's length body the British Film Institute, require many if not all of the productions they fund to use BAFTA albert's carbon calculator and certification tools in order to access funding.

<sup>78</sup> BBC. *The BBC Across the UK*. 2021.

<sup>79</sup> Ofcom. *PSB Annual Compliance Report 2021*. 2021.

<sup>80</sup> DCMS/Wavehill. *Evaluation of the Community Radio Fund*. 2022.

**Carbon emissions in the broadcasting sector** have a number of sources, including:

**Production.** According to the latest review from albert, during 2020 there was a 52% reduction in emissions for the average hour of TV from 9.2 tonnes to 4.4 tonnes CO<sub>2</sub> equivalent.<sup>81</sup> Half of this reduction can be attributed to restrictions introduced as a result of the COVID-19 pandemic, particularly the reduction in travel. It is likely that as production not only returns to normal but surpasses previous highs, impacts on the environment will once again rise. However, this should not deter industry from continuing to build on the positives we can take away from this period and the new ways of working that have come about as a result of the pandemic.

**Distribution.** The Carbon Trust has estimated that the average carbon footprint in Europe per hour of video streaming is approximately 55g CO<sub>2</sub> equivalent (comparable to boiling an average electric kettle three times) per viewer. Their white paper published in 2021 estimates that the energy use associated with watching on a 50-inch TV is around 4.5 times that of watching via a laptop, and 90 times that of a smartphone.<sup>82</sup> At the same time, the UK radio industry is calculated to consume around 115 GWh/year for transmission – the electrical energy equivalent to that used by 30,000 households.<sup>83</sup>

**Device manufacture.** Evidence suggests that the manufacture of a typical flat screen television contributes around half of the greenhouse gas emissions of its entire lifecycle.<sup>84</sup> It also requires the use of a number of metals including indium, one of the least abundant minerals on Earth.<sup>85</sup> Extending the useful lifetime of televisions, and ensuring they are ultimately recycled, therefore have a key role to play in supporting sustainability. The Government is pleased that companies are becoming much more conscious about their carbon footprint. For example, last year saw the launch of the world's first certified carbon neutral TV, Sky Glass.<sup>86</sup>

The Government also welcomes the work individual broadcasters are doing to support the UK's net zero target for carbon emissions by 2050, and appreciates the positive precedents the UK sector is already setting. The pioneering work done by Sky has set an especially high bar, and we strongly welcome the subsequent commitments by other broadcasters to being carbon neutral by 2030, including BBC, ITV and Channel 4, and we call on other British broadcasters to follow this example.

This issue is not unique to television. The recent Digital Radio and Audio Review included a comprehensive assessment of energy use resulting from analogue and digital radio broadcasting and a clear commitment from the radio industry that they should, as part of future planning assumptions, commit to targets to lower energy use for transmission and radio sets.

The Government recognises the importance of the broadcasting sector's contribution, not just in terms of emissions but also public service messaging. That is why we were pleased to see the industry jointly announce their 'Climate Content Pledge' during

COP26. This is a new commitment convened by BAFTA's albert, with 12 signatories so far (including the BBC, ITV, Channel 4, Channel 5, STV and Sky) to use their content to educate audiences about the need to tackle climate change, as well as inspire and inform green choices.

In addition, the Government remains active in promoting action on this important matter with our international partners. During 2021 the UK held the Presidency of the European Audiovisual Observatory, a Council of Europe body with a remit covering the audiovisual sector. As part of this, the Government worked with albert, the British Film Institute, and a range of international industry and Government partners to encourage discussion of environmental sustainability, culminating in a UK-led conference on 'Sustainability in film and TV production'. Thanks to the UK's leadership and through discussion with our international partners, the Observatory has confirmed it will incorporate this important topic into its research moving forwards, which will provide the UK and other nations with a valuable evidence base to continue to play a leading role on this important issue.

<sup>81</sup> albert. *Annual Review 2020-21*. 2021.

<sup>82</sup> Carbon Trust. *Carbon impact of video streaming*. 2021.

<sup>83</sup> *Digital Radio and Audio Review*. 2021.

<sup>84</sup> European Topic Centre on Waste and Materials in a Green Economy. *Electronic products and obsolescence in a circular economy*. 2020.

<sup>85</sup> European Topic Centre on Waste and Materials in a Green Economy. *Electronic products and obsolescence in a circular economy*. 2020.

<sup>86</sup> Sky. *Sky Glass: The World's First Carbon Neutral TV*. 2021.

## 4.8 Encouraging responsible advertising

The Government recognises the importance of advertising in contributing to the vitality and strength of media markets, particularly broadcasters. We support the broadly self-regulatory approach taken by the advertising industry, but we also see the value of limited legislation and regulation where we believe it necessary.

This is why, to help tackle childhood obesity, we are introducing restrictions on the advertising of less healthy food and drink products. Our analysis estimates that in 2019 there were an estimated total of 2.9 billion child impacts on TV for less healthy food and drink products. These new measures could remove up to 7.2 billion calories from children's diets per year in the UK, reducing the number of obese children by 20,000.<sup>87</sup>

We recognise that these new restrictions will impact on broadcasters' future revenue streams. That is why we have introduced a number of exemptions and exclusions to balance the anticipated health benefits and impacts on business and create a space for broadcasters to continue to generate revenue. For example, brands will be allowed to continue to advertise, allowing major food and drink companies to continue to market themselves. We will continue to work with broadcasters and monitor the effect of the new measures.

We will also explore other ways to support UK broadcasters through possible changes in the wider advertising ecosystem. For example, through the Online Advertising Programme we intend to consider how to create a more level playing field between broadcast and online advertising, including on the issue of platform liability, as we consider what measures could be introduced to improve accountability and transparency. The Online Advertising Programme consultation was launched on 9 March 2022.<sup>88</sup>

## 4.9 Preserving our cultural heritage

As well as its commercial value, television, alongside film and other screen activities, forms an important part of the UK's cultural wellbeing and heritage. It reflects and shapes opinion, captures moments in time,

and enables us to better understand ourselves and our country. For that reason it is critical that we preserve that culture, and that content, for generations to come.

The British Film Institute (BFI) currently operates the BFI National Archive, to which commercial PSBs are required to make financial contributions. Under the Broadcasting Act 1990, Ofcom oversees these contributions and determines the amount appropriate for the holders of the Channel 3, Channel 4 and Channel 5 licences to contribute towards the expenses of maintaining the Archive. The BFI also works closely with the BBC and its archival activity to avoid duplication.

Over time, relevant screen content which shapes UK culture is increasingly being made outside the PSB ecosystem. It is therefore important that the Archive continues to stay aligned to the changing cultural output of the UK, and we would welcome more proactive engagement from non-PSB content makers with the Archive about how they will contribute to and support the UK's store of culturally significant content moving forwards. Looking ahead, and working with relevant partners, we will consider and act on how best to secure the nation's cultural screen heritage so that it can be understood by generations to come.

## 4.10 Working with our global partners

Free trade is evolving, and the UK has an important opportunity to trade more and trade differently. We are embarking on a new era in our trading relationships, negotiating innovative and world-leading free trade agreements with the markets of the future. By aligning our trade agreements and relationships to UK priorities, we are creating export opportunities that work for all parts of the UK.

The Government is proud of the UK's strong audiovisual sector, which produces world-class content and attracts investment from around the globe. The UK's talent and infrastructure has made it the destination of choice to shoot major film and TV series such as *Star Wars* and *The Lord of the Rings: The Rings of Power*. The Government is also acting to support UK independent content to be seen more widely and was pleased to confirm that, as part of the wider almost £50 million Creative Industries package announced in the recent Spending Review, we will be investing a further £21

<sup>87</sup> DCMS. *Introducing a 2100-0530 watershed on TV and online restriction for paid advertising of food and drink that are High in Fat, Salt and Sugar (HFSS) products*. 2021.

<sup>88</sup> DCMS. *Online Advertising Programme consultation*. 2022.

million in the UK Global Screen Fund. That Fund will create more opportunities to build international partnerships and share UK stories with the world, with a particular focus on ensuring that even more of our critically acclaimed UK independent screen content reaches global audiences.

The audiovisual sector is a complex ecosystem, and its success is supported by a suite of public policy interventions, many of which are laid out across this document. The Government is committed to maintaining and developing the strength of the sector, including through our international trade agenda.

In particular, we will ensure that the UK's trade policy complements and protects the UK's audiovisual public policy framework, including maintaining our membership of the Council of Europe's Convention on Transfrontier Television and, consequently, our European Works status. This status ensures that the UK continues to contribute to vital cultural enrichment across nations, allowing us to collaborate effectively with our European neighbours and distribute culturally important works across Europe. For example, it means that broadcasters across Europe have access to UK content that is hugely popular with European audiences, increasing choice and engagement, while also helping to ensure UK audiences have access to the best European content. It also supports UK and European producers in working together to produce content across Europe, thereby helping to ensure that countries across Europe maintain their own vibrant broadcasting systems.

#### **4.11 Promoting competition in digital markets**

Rapid changes in technology, viewing habits and the entrance of global players have introduced new challenges for British broadcasters, as explained in Chapter 1.

In other sectors the emergence of global tech giants and the wave of consolidation they have prompted have raised questions about the impact on competition and the risk to the range of potential perspectives available to consumers.

The Government set out its proposals for a new pro-competition regime for digital markets in a public consultation in July 2021, and we will publish our response in due course. This regime will drive a more vibrant and innovative digital economy across the UK

and will complement the existing competition regime and regulatory powers available to sectoral regulators such as Ofcom.

The regime will be overseen by the new Digital Markets Unit inside the Competition and Markets Authority and will include new rules to ensure consumers and businesses are treated fairly and level the playing field so that new and innovative tech firms can flourish. The new rules will apply only to a small number of the most powerful tech firms to shape their conduct in the market and protect those who rely on them, which in some circumstances may include broadcasters and/or platform operators. The Digital Markets Unit will be empowered to tackle both the underlying sources of market power and its consequences through the introduction of conduct requirements and pro-competitive interventions. For example, it will be equipped with a range of tools to ensure the most powerful tech firms operate on fair and reasonable terms with third parties.

The Government will legislate for this new pro-competition regime when parliamentary time allows. It will then be for the Digital Markets Unit, as an independent regulator, to determine how to utilise their new powers.

Over the longer-term, as the broadcasting sector continues to evolve, we will continue to consider how digital markets are impacting broadcasting and whether further bespoke market interventions are necessary.

## Chapter 5: New and emerging technologies

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Advances in technology mean that today's viewers and listeners now have a huge amount of choice in terms of what they watch and how they watch it, and they are taking advantage of it. Alongside live TV and radio, audiences now divide their time amongst an increasing number of providers and devices.

This chapter sets out the Government's approach to regulating these technologies – encouraging innovation while maintaining a level playing field for participants.

### 5.1 Content regulation on video-on-demand services

Video-on-demand services such as Netflix and Amazon Prime Video provide huge value to UK audiences, and in many cases significant, and growing, contributions to the UK economy. Viewers now have access to thousands of hours of on-demand programmes at the touch of a button across hundreds of different video-on-demand services, each of different scale and ambition and audience reach.

However, these on-demand services, other than BBC's iPlayer, are not subject to Ofcom's Broadcasting Code, which sets out appropriate standards for content including harmful or offensive material, accuracy, fairness and privacy. This means that the TV-like content you watch is regulated differently depending on how you choose to watch it. Equally, this is one area of significant innovation and growth in the industry. Consumers enjoy the broad range of on-demand services available and we would not wish regulation to impede this experience or to make the UK a less attractive market in which to operate video-on-demand services.

That is why we launched a consultation to consider whether it is necessary to level the rules for traditional broadcasters and video-on-demand services.<sup>89</sup>

A full response to that consultation has been published alongside this white paper, which outlines that the Government intends to legislate in a light touch manner to give Ofcom powers to draft and enforce a new Video-on-demand Code, similar to the Broadcasting Code, to ensure TV-like content, no matter how audiences choose to watch it, will be subject to similar standards. These changes will mean UK audiences will be better protected from harmful material and better able to complain to Ofcom if they see something they are concerned about.

This world-leading regime will be aimed at the largest, most TV-like video-on-demand services to ensure that major services which engage UK audiences at scale are subject to the same or similar obligations as UK broadcasters. This will also ensure that larger TV-like on-demand providers that are not currently regulated in the UK but who target and profit from UK audiences will now rightly come under Ofcom jurisdiction. The specific services that will be subject to new regulation will be determined by the Secretary of State following a review by Ofcom.

This will mean that larger on-demand streaming services will have the same or similar obligations as traditional broadcasters, including effective handling of complaints. Ofcom tools to regulate video-on-demand, such as information gathering and enforcement powers, will also be brought in line with existing broadcasting regulation.

In our light touch regime, increased conformity on protection tools and measures, like age ratings, PIN codes and warnings, will not be made compulsory. Instead, Ofcom will be given an ongoing duty to assess on-demand providers' audience protection measures. This will ensure that the systems put in place by video-on-demand providers are effective and fit for purpose, and allow Ofcom to secure change if needed.

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<sup>89</sup> DCMS. *Audience protection standards on Video-on-Demand Services*. 2021.

Respecting issues of free speech and proportionality, smaller, lower risk on-demand services in the UK will continue under existing rules, ensuring smaller services are not unfairly or unnecessarily penalised.

## 5.2 Ensuring all audiences can access video-on-demand services

More than three quarters of households now use video-on-demand services, but the provision of subtitles, signing and audio description on these services has lagged behind broadcast TV. While statutory targets exist for access services (subtitles, signing and audio description) on broadcast TV, these are not replicated for on-demand services, meaning that a significant proportion of the UK population is being prevented from enjoying TV at their convenience.

The Government is committed to a digitally inclusive society, in which television content should be accessible for all UK audiences, regardless of the platform chosen to access content. Under the Communications Act 2003 (as amended by the Digital Economy Act 2017), the Secretary of State has the power to impose requirements on service providers for the purpose of ensuring that on demand services are accessible to people with disabilities. This includes requirements in relation to subtitling, audio description and sign language.

As part of the process to implement these new requirements, the Government asked Ofcom to provide recommendations on how legislation could make on-demand services more accessible. Ofcom published an initial report in December 2018, and then, following a request from DCMS, carried out an additional targeted consultation to inform further recommendations on how the new requirements would work in practice. These proposals were published in July 2021 and we are working with Ofcom to develop legislative proposals to address the divergence in provision of access services between broadcast and on demand services. We will engage with relevant stakeholders to ensure that legislation is clear, proportionate and fit for purpose.

## 5.3 Digital terrestrial television

Digital terrestrial television (DTT), better known to audiences as the Freeview platform, is a popular and important part of the UK's broadcasting system. Sufficient spectrum (certain radio frequencies) is

allocated to DTT to ensure that content on the platform is universally available, due to its nearly 99% coverage across the UK.

In December 2020, the Government carried out a consultation which sought views on the renewal of five national multiplex licences on the DTT platform expiring in 2022 and 2026. The consultation closed in February 2021 and the Government published its response on 17 August 2021. In our response we confirmed that we would put in place legislation to give Ofcom the power to carry out a renewal of all five national multiplexes until 2034, accompanied by the appropriate regulatory flexibility via the inclusion of a new revocation power where revocation cannot take effect before the end of 2030.<sup>90</sup>

This legislation is now in force and the longer-term renewals recognise our commitment to the DTT platform. Our expectation, based on the high level of DTT used by households across all parts of the UK, is that it will continue to be an important content distribution channel for at least the remainder of the 2020s and likely into the early 2030s.

We recognise that the DTT platform and its future will continue to remain an ongoing area of interest for the sector and that this will be an important area for the UK in developing the UK's position for the next International Telecoms Union World Radio Conference in 2023 where the future allocation of the spectrum currently allocated to DTT will be a substantive agenda item. Maintaining investment and confidence in the future of the DTT platform is important which is why the Government has enabled the long term renewal of the licences through to 2034. In addition, the Government will ask Ofcom to continue to track changes to DTT viewing and to undertake an early review on market changes that may affect the future of content distribution before the end of 2025.

## 5.4 Internet-delivered television

Despite the arrival of video-on-demand services in the UK and the convenience it offers, live TV remains the go-to choice for millions of households in search of news, entertainment or something new.

<sup>90</sup> DCMS. *Consultation on the renewal of digital terrestrial television (DTT) multiplex licences: full government response*. 2021.

Internet-delivered television – also known as IPTV – raises the prospect of the best of both worlds, combining the convenience and choice provided by modern internet-enabled platforms with the familiarity and serendipity of linear television.

The UK continues to be at the forefront of these innovations, supported by our 96% coverage of superfast broadband<sup>91</sup> and world-leading rollout of gigabit broadband to more than 17.5 million homes.<sup>92</sup> The Government is committed to ensuring that, by 2025, at least 85% of premises have access to gigabit-capable networks and will seek to accelerate roll-out further to get as close to 100% as possible. At the same time, new product launches from platforms including Sky, Virgin and BT and the further development of Freeview Play-enabled devices are extending the take-up of IPTV services to a greater number of households than ever before.

Last year the Government made a clear commitment to DTT as the primary delivery platform for live TV for many years to come, but there are many who believe that IPTV could replace DTT over time, just like DTT replaced traditional analogue television. In time, this could free up the airwaves for other uses – as the switch-off of analogue services facilitated the rollout of the 4G mobile services – though an increased reliance on internet bandwidth for TV distribution could create pressures on fixed networks. Any consideration of switching away from DTT would need to reconcile more wide-ranging issues, such as the fact that receiving and watching DTT is 'free' if you pay for your TV licence, but to receive and watch IPTV also currently requires that consumers have access to a sufficiently fast broadband connection. While the future of distribution is uncertain, and decisions on IPTV do not need to be taken now, there will need to be extensive public debate on these issues in due course. These are also the type of issues we would expect Ofcom's 2025 review of DTT to start to consider.

There must also be a level playing field between the providers of IPTV services and traditional broadcasters. As an initial step, we will close the loophole that allows unregulated IPTV services to appear on TV sets in the UK by designating additional regulated electronic programme guides. This will have the effect of bringing IPTV services listed on those guides within the scope of

regulation by Ofcom. We will also keep under review the information gathering and enforcement powers available to Ofcom in this area.

## 5.5 Connected audio devices used in the home and in vehicles

There has been a rapid change in how people listen to radio over the past five years, since the arrival of the first connected audio devices – 'smart speakers' – into the UK market.

The future of radio is therefore no longer a straightforward question of an analogue to digital switchover – listening over smart speakers already represents nearly a fifth of all radio listening, and this is only likely to increase over the coming years as the base of connected speakers in UK households continues to grow.

The rapid growth of smart speakers places radio in a position in which it has never been before, with third party technology having the capability to manage (and limit) access to much-loved stations.

The Digital Radio and Audio Review has made a strong case for action to protect radio and the huge public value it provides in the face of technological change. We agree with the conclusions of the Review that new measures may be necessary to ensure audiences are able to access radio services on new devices without undue interference to those services or access charges.

However, this will not be straightforward. Any significant intervention in this area will need to be considered in the wider context of other work that we are carrying out, particularly in relation to digital markets and data protection reform. We will also need to engage further with the radio industry, and to gain a deeper understanding of the policies and practices of the smart speaker platforms, in order to ensure that we are putting in place the best possible regime to allow radio to continue to reach its listeners well into the future.

<sup>91</sup> Ofcom. *Connected Nations 2021*. 2021.

<sup>92</sup> Building Digital UK. *Project Gigabit Delivery Plan: Autumn update*. 2021.



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