

SELECT COMMITTEE ON COMMUNICATIONS**Public service broadcasting in the age of video on demand****CALL FOR EVIDENCE**

The House of Lords Select Committee on Communications, under the chairmanship of Lord Gilbert of Panteg, is to hold an inquiry into the future of public service broadcasting in the context of the rising popularity of video on demand services. The Committee invites organisations and individuals to submit written evidence by **Friday 26 April 2019**.

The Committee expects to hear oral evidence from invited witnesses from March to July 2019 inclusive and intends to report in the autumn. The Government has undertaken to respond in writing to reports from select committees.

Background

Public service broadcasters, such as the BBC, ITV and Channel 4, face mounting challenges. In 2018 conventional TV viewing fell by 5 per cent. Annual reductions in viewing by the 16–24 and 24–35 year-old age groups were the steepest on record. Conventional TV viewing by under-25s has halved since 2010.¹

In recent years, video streaming services have emerged as powerful global distributors and producers, particularly ‘subscription video on demand’ services. Between 2015 and 2018 the number of UK homes with access to a subscription video on demand service doubled. Over 10 million households now have access to Netflix, the most used service. These services have made available thousands of hours of content for subscriptions which start at £5.99 per month—less than half the cost of a TV licence. Viewers can watch content at any time, either through a connected TV or on a portable device. Research for Ofcom suggested that Netflix had particular appeal to BAME groups, who saw it as more representative than the BBC.² YouTube, a video-sharing platform, is especially popular with younger children³.

On-demand services are increasingly competing with public service broadcasters, especially in producing high-quality drama and factual content. Services such as Netflix and Amazon Prime can spend over £15 million per hour on original content. It has been suggested that these big budget productions are pricing public service broadcasters out of the market by inflating production costs and raising viewers’ expectations. There are also concerns that on-demand services have become less willing to co-produce programmes with public service

¹ Enders Analysis, *TV set viewing trends: linear audiences tumble in 2018* (7 February 2019)

² Kantar Media, *Representation and portrayal of audiences on BBC television* (25 October 2018) https://www.ofcom.org.uk/data/assets/pdf_file/0016/124252/kantar-bbc-qualitative-research.pdf [accessed 6 March 2019]

³ Ofcom, *Children and parents: Media use and attitudes report 2018* (February 2019) https://www.ofcom.org.uk/data/assets/pdf_file/0024/134907/Children-and-Parents-Media-Use-and-Attitudes-2018.pdf [accessed 6 March 2019]

broadcasters. Although 80 per cent of investment in UK production is from public service broadcasters, subscription video on demand services increasingly commission UK content, including high-profile programmes such as *The Crown* and *The Grand Tour*.

The popularity of on-demand services has implications for commercial public service broadcasters' revenue. Further decline in viewing figures threatens television advertising, which has traditionally been attractive because of the scale of its 'reach'. Public service broadcasters are concerned about maintaining visibility in a fragmented market operating across different platforms. For example, it is not always clear when content on video on demand services is produced by a public service broadcaster.

Public service broadcasters have a range of obligations, including on the volume and type of adverts they show, programming in specific genres, the commissioning of content, the audiences they serve, and the watershed. On-demand services do not have the same obligations. Although the European Parliament voted to impose a minimum quota of 30 per cent European content on these services, only 15 per cent of content on the UK version of Netflix is European. The remainder is mostly of US origin. There is also a debate on financial obligations. Despite an estimated gross annual revenue of over £800 million in the UK in 2017, Netflix's UK subsidiary declared taxable profits of just £1.12 million.⁴ France and Germany have introduced levies on on-demand services which are used to finance original locally produced content.

Public service broadcasters have launched their own on-demand services, including iPlayer, ITV Hub and All4. While these have focused on 'catch-up' services, in February 2019 the BBC and ITV announced 'Britbox', a new subscription service providing a range of archive and specially-commissioned content.⁵ A similar initiative, known as Project Kangaroo, was blocked in 2009 by the Competition Commission.⁶

Aim of the inquiry

The Communications Committee wishes to investigate:

- whether the popularity of video on demand services has made the concept of public service broadcasting redundant, in whole or in part;
- if so, what form public service broadcasting should take in future and how it could remain financially viable; and
- what action policy-makers, regulators and public service broadcasters should take.

⁴ Simon Duke, 'Tax chiefs have Netflix in their sights over profits declared in Britain' *The Times* (3 December 2018) <https://www.thetimes.co.uk/article/tax-chiefs-have-netflix-in-their-sights-over-profits-declared-in-britain-mtrj20s6n> [accessed 6 March 2019]

⁵ BBC News, 'BBC and ITV set to launch Netflix rival' (27 February 2019) <https://www.bbc.co.uk/news/business-47383559> [accessed 6 March 2019]

⁶ Mark Sweney, 'Project Kangaroo blocked by Competition Commission' *The Guardian* (4 February 2009) <https://www.theguardian.com/media/2009/feb/04/project-kangaroo-blocked-by-competition-commission> [accessed 6 March 2019]

The Committee seeks written evidence which addresses the following questions. Witnesses need not answer every question; experts in a particular area are encouraged to focus on that area. Witnesses may address relevant issues that are not covered below provided that they explain the significance of the issues.

Questions

- 1) What is the value of public service broadcasting? Is the concept becoming outdated? Does public service broadcasting do enough to reflect and serve the demographics of the UK? In answering respondents may wish to consider characteristics such as:
 - a) age,
 - b) gender,
 - c) ethnic background,
 - d) the nations and regions of the UK,
 - e) mental and physical ability,
 - f) ability to pay for services.
- 2) What are the consequences of the rise of on-demand providers and the decline of linear television viewing for the production of original UK content for UK audiences?
- 3) What has been the effect of changes in the market on the UK television production sector more widely, including on training, job opportunities and the business models of independent producers?
- 4) Are the obligations on public service broadcasters appropriate? Does the regulatory regime allow them to do so?
- 5) Have public service broadcasters responded adequately to market changes?
- 6) How can commercial public service broadcasters fund original productions for UK audiences at a time of declining advertising revenues? How might public service funding regimes—including the BBC licence fee—be adjusted?
- 7) How important is prominence for public service broadcasters? Can it be maintained in the face of rapid technological development and greater personalisation of content?
- 8) Should there be new regulation of on-demand services? Does the revised Audio-visual Media Services Directive provide appropriate measures to ‘level the playing field’? How could on-demand services be encouraged to produce more content in the UK?
- 9) What should the relationship be between public service broadcasters and on-demand platforms? What are the risks and opportunities of collaboration, for example in co-production?
- 10) What are the implications of ‘Britbox’? Is there scope for more collaboration amongst public service broadcasters? What more could PSBs do to compete with on demand services?

ANNEX: GUIDANCE FOR SUBMISSIONS

Written evidence should be submitted online using the written submission form available at www.parliament.uk/public-service-broadcasting-vod-submission-form. This page also provides guidance on submitting evidence.

The call for evidence deadline is 23.59 on Friday 26 April 2019.

Short submissions are preferred. A submission longer than six pages should include a one-page summary. Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically by email.

Evidence which is accepted by the Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions which have been previously published will not be accepted as evidence.

Once you have received acknowledgement that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication, but will be retained by the Committee Office and used for specific purposes relating to the Committee's work, for instance to seek additional information.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster and broadcast online; transcripts are also taken and published online. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Substantive communications to the Committee about the inquiry should be addressed through the clerk of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy direct.

The committee values diversity and seeks to ensure this where possible. We encourage contributions from people of all backgrounds.

You may follow the progress of the inquiry at www.parliament.uk/public-service-broadcasting-and-vod.