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CMS 270915/asg
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Dear Sharon

Ofcom's Review of Public Service Broadcasting

I would like to thank Ofcom for their review of public service broadcasting. This is a critical examination of the health of public service broadcasting in the UK at an important time. The evidence and issues raised by the report will feed into the BBC Charter Review and our consultation on the balance of payments between broadcasters and TV platforms as well as our consideration of policies affecting broadcasting generally.

I welcome the overall positive bill of health you give to our PSB system and I note your conclusion that the PSB system to date “has been broadly working, delivering the outcomes for which Parliament has legislated”.

However, as your report makes clear, there are some areas of concern. I am worried about the slight decline in investment in public service content and the reduction in the output of particular genres like Children’s TV, current affairs and drama. We also need to think about how PSBs better represent and reflect the interests of different people in different parts of the UK.

I agree with your conclusions that we need to consider how we future proof our PSB system so it continues to deliver in an increasingly connected society. That might mean, as the report suggests, we need to think about updating the models and structures of our commercial PSBs to enable them to meet their public service remit.



However, I am not clear from the report about the extent to which regulation in the production sector is having a positive or negative impact on our objectives for PSB. I note from the report that you are also open to further views about the detailed operations of the regulatory regime.

The original objectives of the regulatory regime were: to promote cultural diversity and to open up the production system to new energies and voices; to stimulate the growth of small and medium sized enterprises, promoting creativity and fostering new talent; and to tackle vertical integration within the UK programme supply market.

I think those objectives still hold good but I also want to add two new priorities: that the regulations promote content production, particularly in the public service genres that have been identified as being at risk; and that vertical **and** horizontal integration are considerations in how and the extent to which we protect the supply market.

I am therefore requesting a further report from Ofcom that will take a more detailed look at the operation of the production sector. In the context of increasing consolidation in the production sector, concerns around the extent to which the current system may unfairly disadvantage PSBs in commercial negotiations, and changes in the structure of the market for commissioning, I am interested in your assessment of how the regulatory framework for the production sector, set out in the Communications Act 2003, is affecting content investment by the public service broadcasters, including the BBC.

Specifically, I would like to know in more detail (a) the full range of options for reform of the main elements of regulation (terms of trade, quotas and definition of qualifying independent producer); and (b) your assessment of the likely impact of each of these options for public service broadcasters, independent producers and any other relevant parties. It will clearly be for Government to determine the trade-offs associated with any reform. But I am keen that decisions are made on the basis on the firmest possible evidence base of the potential market impact of any changes. I would be grateful for this analysis by the end of the year.

In addition, I would like Ofcom to help further feed into the evidence base for Charter Review, potentially working with my Department and the BBC Trust to provide an assessment of the market impacts of the options for reform of the BBC's approach to content production as set out in the Charter Review consultation paper. This will be one part of a wider programme of work to look at this question through the Charter Review and so I would like my officials to discuss with yours what form this work might take, how it feeds into the overall review process and to highlight any interdependencies or constraints across the wider review programme.

If agreed, my officials will work closely with Ofcom to facilitate and establish the parameters for these reports, and will maintain regular contact as this work progresses. Please do not hesitate to raise any questions regarding this direction, or any other aspect of this work, with the Commercial Broadcasting Team.

Finally, can I thank you again for all the work Ofcom have done on the review of Public Service Broadcasting. This is a valuable contribution to our understanding of the media landscape and I will be raising the issues contained in the report and our response during my next public engagements. The first of those engagements will be at the Guardian International Television Festival at Edinburgh. If you agree to my request for further reports on the production sector, I would very much like to announce that at this event.

Yours sincerely

John Whittingdale

Rt Hon John Whittingdale OBE MP
Secretary of State for Culture, Media and Sport