Media, Meddling and Mediocrity

By Eben Wilson

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Media, Meddling and mediocrity

A horse already bolted?

A new industry is emerging with many competitive suppliers, a wide diversity of quality product, no personal safety hazards, no particular national strategic importance, a plural distribution system and a widespread growing global customer base. Is it good governance for the government to regulate it?

In a market economy the generally accepted answer would be ‘no’. Yet the description above is of the emerging broadcasting industry and in Britain, as far as broadcasting media are concerned, the answer appears to be an emphatic ‘yes’. The UK's broadcasting industry is part-nationalised, almost wholly controlled by licence, and regulated by no less than four separate bureaucracies[1] – soon to become one in the shape of OFCOM.

A peculiar industry?

What is it about broadcasting that energises politicians so much that they feel the need to regulate it so comprehensively?

The argument is based around two linked areas of regulation – the first addressed to the idea that channels to market are limited with high entry costs, the second that the product supplied might not be of desirable quality or diversity without regulation.

Both views are wrong, being based on a strange alliance of historical accident and cultural totalitarianism.

Crucially also, I believe there is strong evidence that state ownership, control and regulation, if continued, is likely to do a lot more harm than good as new changes in the production and delivery of electronic media and services take root.

[1] Namely the Independent Television Commission, the Office of Communications, the Radio Authority,

Is broadcasting really different?

The early case for controls

National control of radio transmission today is a hangover from its earliest days.

Military communications. Noisy, low-fidelity, bandwidth hogging transmissions were used to communicate with the Royal Navy around the world. There was paranoia about spies with receivers listening in to military communications and using short-wave transmitters to pass on intelligence. Use of the 'wireless' would have to be regulated. And later, there was the need to communicate with the nation at time of war, a task for which radio broadcasting, with its content controlled by a central authority, proved highly effective.

Huge investment. When television broadcasting began, delivering pictures to the people's homes was the frontier technology of its day. The cameras, recording studios and transmitters were custom built technologies using some of the latest ideas in electronics. The large-scale technical systems that were required were seen as something that only the government could and should undertake.

Television and radio receivers were also clumsy, crude technology, subject to capturing signal interference from who knew where or, it was even suggested, deliberate re-tuning for clandestine purposes. Licensing the owners of such receivers seemed only prudent.

Authoritarian culture. This state-controlled technical infrastructure was accompanied by a cultural infrastructure that accepted the role of recognised authorities in matters of manners and the mind. The Reithian ideal of broadcasting to educate and inform was seen as a cultural norm; public service information through the war period and later with the development of a collectivist welfare state was part of the purpose of radio and television broadcasting.

Still different today?

Cultural custodians? This relationship between the technical realities and the content of broadcasting remains of key importance in determining the regulation that endures even to this day. Historically, the control of the difficult technologies has allowed the control of content; while the desire to control content has demanded control over the technology. But, like the regulation of pub opening hours, state regulation often endures long after the original social or economic reasons for it have become outdated.

And so an industry has developed in which the state sees itself as having a policy role, not only as a promoter and defender of complex technology, but also as an arbiter of the cultural uses to which the technology is put.

Lack of competition? This establishment view of broadcasting as something special – both different from other sectors, and more important – leads broadcasters and regulators to see it as quite different from the open, dynamic, competitive, global marketplace described at the beginning of this paper. The consensualists observe that there is no real competition between suppliers: the BBC monolith and the big ITV companies dominate the customer market. So how can normal rules apply in this very special sector?

But it is a circular argument to say that the observed lack of competition justifies state control and regulation, when it was state control and regulation that created the oligopoly in the first place. The real question is, first, what competition would there be without regulation and, second, what innovations would be adopted as a result of competition?

A shared experience? Those favouring regulation also deny that a deregulated broadcast media would offer a wide diversity of quality product. This is a difficult argument to combat, not because it is good one, but because ‘diversity and quality’ is a slogan that means different things to different people – one person's delight in *Frasier* can be another person's scorn of ‘American junk’. Any evaluation of the diversity and quality of output of a regulated versus a de-regulated broadcast media is interwoven with the cultural interests (and, very often, the nationalism) of those who focus on this slogan.

Indeed, the ‘diversity but quality’ slogan is often linked to the view that broadcasting is of national strategic and cultural importance. The idea is that we ‘ought’ to have diversity and quality as a cultural norm, and that there is a moral imperative for the state, through regulation, to help provide, through television, what we all ‘ought’ to like in a ‘shared cultural experience’.

Arguing for both diversity and shared tastes at the same time is a tortuous logic at the best of times, but it makes some sense if you look at the two historically. When content channels were few and choice limited, audiences were forced to share tastes by default – how many childhood Sundays of the baby boom generation were defined by the family watching the *Black and White Minstrel Show*? Diversity, on the other hand, has been growing as the number of channels has grown, with the corollary that audiences have become divided. That, however, has been the public’s free choice.

Standards or prejudices? Mature television markets offer enormous diversity (and indeed, quality) without regulation. But the predictable regulatory response to audiences who freely divide themselves between channels is to force them back into taking what is ‘good’ for them. Thus the 1992 Broadcasting Act requires all broadcasters to broadcast a specific amount of news at set times and also to provide within their schedules a volume of ‘quality’ programming as determined by the regulator.

Anyone reading these strictures will recognise that the sloganeering for diversity and quality within a framework objective of a shared experience is a good example of a supposed public interest (a ‘shared cultural experience’) disguising the private interests of politicians (‘share my fascination with politics’).

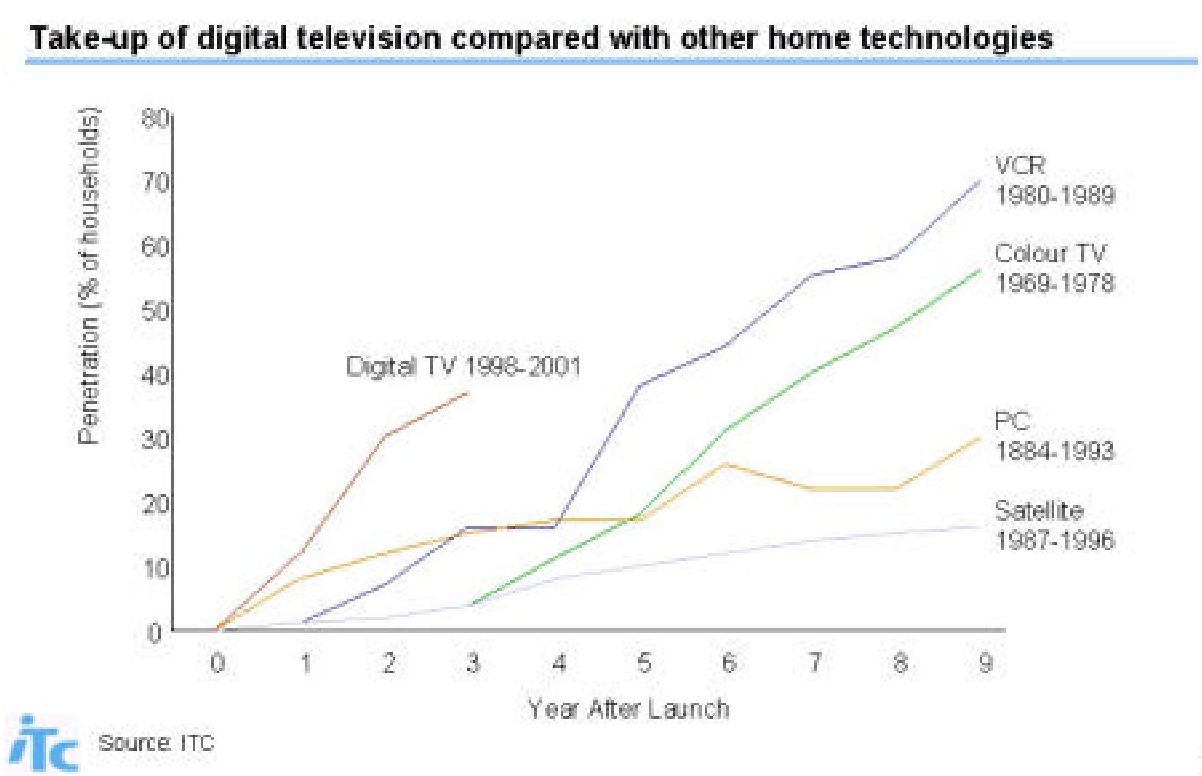
Unintended errors. The unintended consequence of the regulation – which the encumbent large broadcasting companies, especially the BBC, are happy to accept – is that those who can afford to offer low-audience programming in their output mix share an interest in maintaining the regulatory *status quo* because it makes competition against them more difficult.

In summary, the regulatory view that assumes an OFCOM is necessary is based on the unwarranted assumption that broadcasting is somehow different from other industries. This in turn imposes rules and limitations on producers and distributors that is unlikely to lead to products that consumers actually prefer and probably leads to a lack of diversity detrimental to those very consumers the regulation is meant to protect.

New realities in television

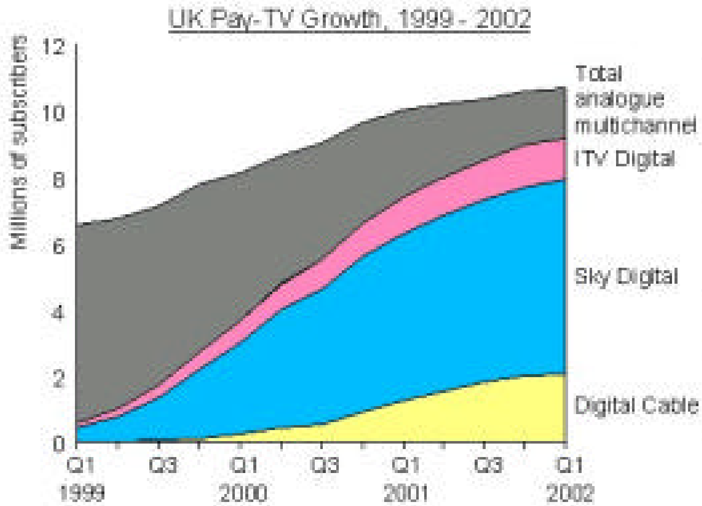
Monopoly in distribution? It is often argued that broadcast media cannot be truly competitive because the (monopolistic) transmitter network denies the chance for a truly plural distribution system.

This again is a historical truth, but anyone looking at the growth of digital terrestrial television, cable, telecom and satellite networks can see that technology and take-up has been accelerating rapidly and that the technical barriers to competition have been falling fast. This reality will change even faster in the future as broadband internet expands. In the second quarter of 2002, for example, broadband internet connections rose from 309,000 to 467,000 and this trend is expected to continue (see charts).



Growth in routes to market is rapid – digital television has now reached nearly half the UK audience in the space of only a few years

Pay TV take-up by platform



UK Multichannel Pay-TV Penetration, Quarter 1, 2002

Platform	Households ('000s)	% of UK TV households
Digital Satellite	5,887	24.4%
Analogue Cable	1,516	6.2%
Digital Cable	2,028	8.3%
Digital Terrestrial	1,263*	5.2%*
Total	10,694	43.9%

* Please note: As no figures are publicly available for subscribers as of 31 March 2002, ITV Digital subscribers are assumed to be equal to the latest figures released (i.e. for Q4, 2001). We have not allowed for churn, return of STBs or conversion to the other platforms. ITV Digital went into Administration on 27 March 2002.

Source: Company literature.

Change, and how it happens, is the key to find a sensible policy regime for broadcasting. The regulatory framework should recognise that the future will be different, and that new ways of competing will be found – making regulation itself less necessary.

A regulated system will change in a way that the regulators decide as desirable, usually slowly and in fits and starts. A competitive system will change as producers react to consumer interests and generate new televisual treatments to satisfy their tastes using a delivery method that offers the right price. All historical evidence points to the latter happening more flexibly and economically where price rather than regulatory fiat is the catalyst of change.

Content change. What is happening in content provision? Those who insist on a regulated model for broadcast media already have some difficulty with its widespread global and growing customer base. On the one hand, they welcome it as a sign of the success of British culture, skills and talent in the global marketplace. Yet, on the other, they balk at the invasion of 'cheap American rubbish' or 'continental softporn and gameshows' – that is, our exports are good, other people's imports are bad.

The great temptation is of course to extend the moral notion of what 'ought' to be made available through British media to rules governing what 'ought not' to be made available. As in most interventions of this kind, horse-trading ensues with arbitrary percentage-based rules being drawn up for home-grown versus foreign content. The danger of a spiral into some sort of intolerant cultural carve-up over permissible genres, funding, contributors, artistes and participants, not to mention programme languages, all based entirely on nationalistic prejudices, is frightening.

Audience dispersion. Another new content-based reality is creeping audience dispersion. As multiple channels (see chart) emerge through new technologies alongside

Cable channels and homes passed for those in the UK

This list is not exhaustive as other non-UK channels are available via satellite downlinks to cable systems

Name of Channel	Homes	Name of Channel	Homes
Bid-Up TV	3.44	Performance Channel	1.01
Screenshop	3.44	Discovery Civilisation	1.00
Shy News	3.44	Discovery Sci-Trek	1.00
QVC	3.43	MTV Base	0.99
TV Travel Shop	3.40	Discovery Travel & Adventure	0.97
BBC News 24	3.36	UK Gold 2	0.91
Eurosport	3.07	TV Warehouse	0.81
Sky One	2.99	Sky Sports 1	0.73
CBBC	2.72	Sky Sports 2	0.72
ITN News Channel	2.72	Sky Sports 3	0.68
ITV2	2.72	UK Food	0.68
BBC Parliament	2.65	Euronews	0.67
UK Gold	2.34	Hallmark Channel	0.66
Trouble	2.31	Disney Channel	0.66
Living TV	2.19	Sky Premier	0.64
Cartoon Network	2.08	Extreme Sports	0.63
Cbeebies	2.05	Sky Moviemax	0.63
Bravo	2.02	Sky Cinema	0.62
TCM	1.98	Smash Hits	0.59
Paramount Comedy Channel	1.85	Kerrang	0.59
Bloomberg Info Channel	1.79	Kiss	0.59
Discovery Channel	1.76	Magic	0.59
VH1	1.64	Q	0.59
Challenge TV	1.59	Channel Guide	0.48
UK Horizons	1.58	Disney Playhouse	0.37
Carlton Cinema	1.58	Toon Disney	0.37
Play UK	1.58	Discovery Health	0.12
History Channel	1.57	The Biography Channel	0.12
UK Style	1.56	Discovery Kids	0.12
Sci Fi Channel	1.50	Discovery Wings	0.12
Nickleodeon	1.49	Adventure One	0.12
MTV	1.48	Channel Health	0.12
Discovery Home & Leisure	1.47	Vision	0.11
Discovery Animal Planet	1.43	Channel One Liverpool	0.09
Granada Plus	1.36	TV5	0.07
Fox Kids	1.34	MATV	0.05
Studio	1.34	Zee TV	0.03
Travel Channel	1.32	Adult Channel	0.01
MTV2	1.27	TVX	0.01
Granada Men & Motors	1.26	PCNE	0.01
The Box	1.26	B4U Movies	0.009
MTV Hits	1.24	God Channel	0.008
VH1 Classic	1.24	B4U Music	0.005
Front Row	1.23	Star Plus	0.002
UK Drama	1.23	Sky Travel	0.002
CNN	1.22	Asianet	0.001
Home Shopping Europe	1.20	Star Bundle	0.001
National Geographic	1.06	Star News	0.0007
Nick Jnr	1.02		
Boomerang	1.01		

the existing monoliths, they each begin to carve a small niche for themselves, usually bundled into a subscription or provided on a pay-per-view basis. Old movies, music channels, weather channels, adventure sports slots, police activity monitoring, pay-per-view boxing; the list of innovative uses of camera footage, graphics, text and voice – usually at very low cost per minute – is growing all the time. Each new offering takes a little bit more from the established big players as audiences are migrated from free-to-air services to a paid-for 'publishing' (or new advertising) model.

The reaction of the regulators to this phenomenon has been characteristic. For a while they pretended it wasn't happening: the numbers taking up subscriber television was so small that it had little effect. More recently, however, as both ITV audiences and the BBC have begun to see their audiences whittled away (particularly in sport), regulators have begun to react in the only way regulators can, by acting to prevent damage to the status quo:

- First, on the channel to market side, they cave into pressure from the affected larger players and change the rules to allow them to swallow up others in the market.

- Second, on the content side, they propose draconian must-carry content rules, encompassing both public service broadcasting and major sporting events, declaring them as national shared experiences that should be available through all channels.

At their best, these rules protect larger players, institutionalising access to audiences in a form of meddling that supports mediocre mass-market programming – wholly against the trend to the specialist product that a publishing model would provide.

At their worst, these impositions are state-supported theft of private property rights. For example, where a sports event is mandated as a national event of public interest, we can never know for certain what damage is done to the sport's finances, or to the event's promoters, or to the venue owners, or to the rights-holding producer and distributor. But it is clear that all these parties in the sport *will* be damaged, or they would not have sought exclusivity in the first place.

It is also clear that moving the contracting and pricing of such events from commercial markets to politicised horse-trading between rival producers and distributors is highly unlikely to best serve either the customers or the shareholders of the broadcasters involved. The recent debacle over ITV Sports Digital shows what happens when over-enthusiasm about a key property right takes over from a stern eye on profit and loss and a strong balance sheet.

Regulation is not competition

Unconvincing arguments

Proposals for OFCOM and responses to them repeatedly stress the need for any new regulator to promote competition. Aside from the fact that the emerging markets in media broadcasting are becoming more competitive due to technical change, suggesting that the need for any regulator is diminishing, one has to be doubtful about any regulator's commitment to encouraging real competition in such a distorted marketplace.

Double investment? One of the most pernicious arguments of the regulators is the notion that the present arrangement where the BBC is paid for by licence fees and the ITC companies are paid for by advertising leads to a form of double investment in television that benefits us all as consumers. As a piece of do-it-yourself nonsense economics this takes some beating.

The present system of oligopoly licensing of the ITC companies protects and benefits them over the emergence of other competing specialist media franchises that might provide more targeted cost-effective audiences for advertisers. The BBC licence fee is a tax of more than a hundred pounds a year on every household in the land. It transfers choice from individuals with multiple tastes, via a vast deluge of beneficial revenue, to a voracious BBC whose taste is in anything it can lay its hands on.

No working model? One of the arguments put forward against the emergence of new media operating to a publishing model based on subscriptions, advertising or pay-per-view is that no-one has yet managed to achieve commercial success on this business model. Some even go as far as to say that this is a reason for pushing the BBC to become a key leader in the development of on-line and other new media technologies.

This is like arguing that *The Sun* should be encouraged to take over the entire newspaper publishing industry because its circulation figures are bigger than anyone else's. But a single BBC is highly unlikely to be as innovative and effective in its offerings as thousand upon thousand of small new media suppliers. It is also likely to be a lot more expensive in its execution when its revenues are guaranteed even before a service has been tested against consumer interests. Worse still, those revenues are money that would have been available to competitor private companies were they not given to the BBC through the licence tax. Such a vast distortion in the economy of the communications industries is certainly the most serious misallocation in resources to be found in any growth industry anywhere.

Undetected damage. The protected position of the BBC with its licence tax is doubly damaging because we cannot see what damage it leads to – economic activity that might take place simply does not appear. What we can point to are the successes in new media that survive and command a proportion of household income. Anyone with a teenager in the house will know that expenditure on internet subscriptions and mobile phone messaging is a 'must have' for that age group. How much UK-based development in these new fields is being curtailed because the BBC licence tax limits the household revenue available is anyone's guess.

BBC and independent audience levels

Channel	Audience – %	Channel	Audience – %
Total BBC	43.8	ITV1	25.7
BBC One	38.4	ITV2	0.2
BBC Two	26.5	Channel 4	9.9
BBC Choice	11.1	E4	0.4
BBC Four	0.7	Channel 5	5.9
BBC News 24	0.1	All Sky Channels	6.1
CBBC	0.0	Sky One	1.8
Cbeebies	0.5	Sky News	0.4
BBC Knowledge	0.0	Discovery	0.2
		Nickleodeon	0.6
		Nick Junior	0.2
		UK Gold	1.0
BBC Radio	50.2	Virgin	1.5
BBC Radio 1	9.7	Classic	4.2
BBC Radio 2	14.1	TalkSport	1.6
BBC Radio 3	1.1		
BBC Radio 4	10.5		
BBC Radio Five Live	4.1		
BBC Local Radio	10.7	All local commercial radio	39.9

The dominance of the UK comes from the plurality of its offering as well as its audience share. The BBC has extended its digital channel output greatly in preparation for the new multi-channel world.

The new realities in broadcasting are that new products, new channels and new pricing methods are emerging. Regulation and state ownership or confiscation of assets operates against these newly discovered ways of serving consumers.

One of the most vital subcurrents in any market is the losses and bankruptcies of those who fail to match up to the market. Seeing these failures, competitive players, learn more about the true state of consumer preferences and adapt and innovate so as to satisfy them. But regulators – however much they may try to emulate competition in a controlled market – have a natural aversion to such failures, which make them look ineffective. Instead, they much prefer such loss to be hidden inside corporate inefficiencies.

Under the present institutional arrangements, regulators have no real way of measuring how consumers perceive value. Instead they are inevitably captured by political and corporate interests who demand that broadcasting is used for their political and financial purposes to the detriment of the diverse preferences of the consumer.

Contracts and carve-ups

The ownership of television's limited distribution channels has until recently been a bar to the development of competition in another way – through contractual arrangements that are organised such that producers of content become slaves to the distribution channels.

Encouraging independents? Since the early 1980s, broadcasting has operated under the ruling that 25% of output has to be produced by independent producers. There were hopes that this would lead to the emergence of a new commercially independent production sector.

The early commercial reality was that in fact, most independent producers became supplicants to commissioning editors who held both the keys to airtime and, crucially, the keys to the treasury of all further exploitation and distribution rights.

Many of those early independent producers were barely more than freelance boutiques contracted back into the corporations they used to work for as employees. But realities change, and through time, some of the independent producers have grown to the point where they can now negotiate on the basis of intellectual properties with real asset value.

Value in the world of commercial media means access to audiences – either subscribers or advertising targets. Media, in this sense of a tradable asset, means repeatable formats and merchandising opportunities. These formats, both intellectual and physical property rights, are re-saleable around the world to other production companies for local adaptation, or to distributors for repeat sales.

The difficulty for any independent producer is that success in developing a saleable format will always depend on the pre-arrangement of distribution rights. Clearly, where state control has created a powerful commissioner oligopoly with control over air time and rights allocations, the prospect of developing an asset-rich independent sector is severely curtailed.

To some extent, more recently, cracks have begun to appear in this control system. The central scheduler for ITV provides some autonomy for producers, and larger independents have set up international co-production deals that have then been sold into the major UK players. The fact remains, however, that any policy for broadcasting must look ahead to a multi-channel world operating on a publishing model and ensure that any regulatory framework does not curtail the development of saleable media formats through over-zealous control of access to audiences.

BBC's response. In this respect, any observer must once again be cautious about the BBC. The attempt by the BBC to ask for an increase in its licence fee for digital services shows clearly that senior BBC management are well aware of the future realities of a multi-channel world. That they failed to obtain an increase owes much to those who pointed out the detrimental allocative effects on new commercial media channels of the big blue whale sailing through the digital television market in a sea of subsidy.

The response of the BBC to this has been to continue developing pseudo-commercial services, but offer them free where no one will pay, and move in (and out of) joint ventures where commercial revenues are available. No-one can criticise the BBC for defending its market share – that is what any management should do – but it has to be recognised that the BBC is now operating both a state-supported public service and other commercial or quasi-commercial services in the same accounting wrapper.

Technically, the 1996 Broadcasting Act demands that any new service be subject to separate accounting, but the provisions of the Act have been side-stepped by both Channel Four and the BBC. The real lesson for any policy is to ensure that any public service broadcasting – in the sense of broadcasting that a private company would not produce – is institutionally and legally separated from commercial activity.

Competitive alternative. Is there any coherent approach that can be taken to ensuring optimal allocation of access to audiences for producers? Competitive models used in privatization of utility markets have de-linked physical delivery networks from the traffic within them and this has often be suggested as a way forward for broadcasting. I am less enthusiastic about applying this approach. The gas or electricity delivered through a pipeline or high-tension cable network from competitive suppliers is a standardised commodity with more or less the same value from each supplier. Building a new network in these cases is a massive undertaking with a long timescale.

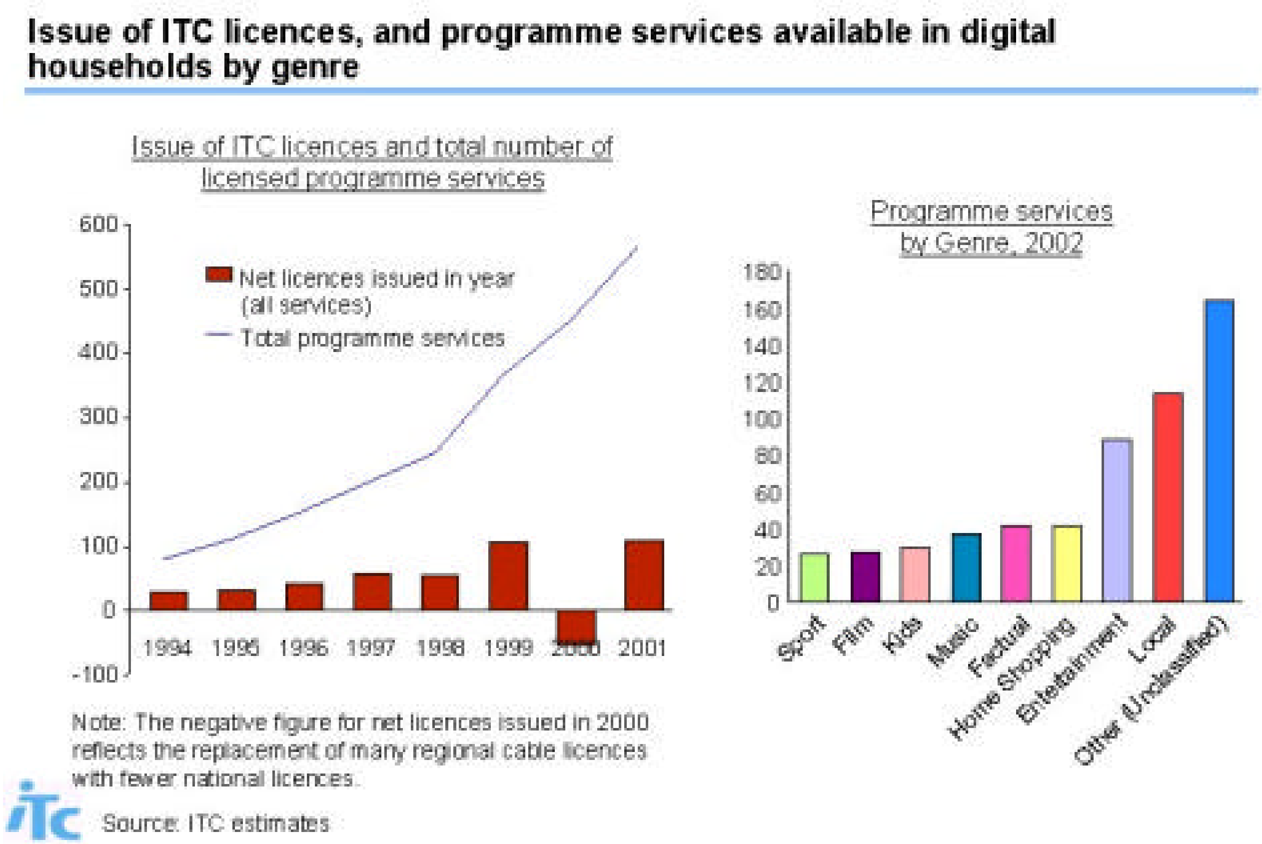
Compare this with broadcasting. Content is not standardised and of hugely differing value, building new networks used to be difficult, but as digital network bandwidth and technologies develop on the back of other data-communication uses, particularly those using standardised internet protocols, new access points to audiences become ever more prevalent.

It is important to recognise that in this world of diversity the desired goal is ‘optimal’ allocation not ‘fair’ allocation or a ‘level playing field’. The role of markets in generating optimal solutions is well established. What is required to create those is freedom in pricing, secure and transferable property rights and rules that avoid barriers to entry. These, as always, are pre-requisites for the optimum operation of markets and it should be the aim of government policy to create them.

In such an environment there would be a plurality of institutions ranging from large integrated producers and distributors, through large and small independent producers and large and small independent distributors with varying contracted alliances, to small integrated producers and distributors using novel delivery channels for novel products.

Crucially, also, that plurality would be supported by a market that would include priced product through which audiences would become familiar with making viewing choices based on their perceived value of what it was worth to them against other alternatives for their money. This would be a far better way to generate real quality and diversity than a controlling regulator who (for example) allows the BBC to take part in a new channel called Free Vision that has invaded the broadcasting spectrum to the detriment of the development of the emerging publishing model.

Where the role for any regulator is in such an arrangement exists is a moot point. Once private property rights and trading rules are legally secure there is little need for any regulation of the channels to market.



The trend in content availability across multiple-genres is dramatic. Each of these genres has a different cost-base and audience preferences that affects their demand and supply characteristics. The notion of a 'level playing field' in these varying markets is of little value.

Is broadcasting important?

The emergence of novel delivery channels for media is a crucially important change. Too often, the debate over ‘broadcasting’ limits itself to discussion about television. The arrival of broadband internet and new internet-based mobile messaging is bringing forward a huge number of new services that compete with television for audiences.

Any institutional arrangements for the future must reflect this trend, maintaining optimal cost allocation of access to audiences across all channels to those audiences.

Public service broadcasting

Why no ‘public service publishing’? The confusion in today's debate emerges from an historic insistence on the importance of ‘public service broadcasting and its preservation. As we have said, there is a circular argument here. Our centrally designed institutional arrangements have created protected monoliths that, in turn, need to be controlled through regulation. And it serves the interests of both the regulators and the regulated institutions themselves to support a view of public service broadcasting that justifies the need for regulation rather than competition.

Yet no one argues for the special preservation of ‘public service publishers’. The government has to pay commercial rates for the information it believes important to communicate to the public, whichever media channel it decides to use. These costs are transparent and government is sometimes rightly criticised for its expenditure. The COI, for example, spent £272 million on government communications in 2001 and figures for each category and department (which spend other funds in addition to this) are freely available in their annual report.

Government spend on Public Service Publishing, 2001
By medium and by department (£’000s)

Advertising	162,629	Cabinet Office	8,388
Direct Marketing and Promotions	24,996	DTI	10,893
Events	9,143	Environment, Food and Rural Affairs	6,907
Films and Television	1,647	Education and Employment	46,820
Publications & Digital Media	29,212	Transport, Local Government and Regions	22,757
Radio	359	Health	28,421
Regional Network	9,671	Home Office	28,076
Total	272,949	MOD	35,631

Figures for government spending on publicity are often criticised but are at least publicly available. The hidden ‘spend’ for governmental propaganda within the output of state mandated public service broadcasting is in contrast unquantifiable
Source: COI Annual Accounts.

High set-up costs. In television, the argument is used that broadcasting is expensive and that certain content strands, which would never normally be made but which seem desirable to the regulator, therefore need supporting for the public good. This is a smokescreen.

The physical costs of producing television are indeed high. Producers, directors, camera operators, equipment and edit suites all cost a lot, and hence each television programme is expensive to make. This is especially true when you consider that most television programmes are ephemera shown only once or twice.

However, a more realistic measure of television cost is the cost per member of the audience. A one hundred thousand pound show watched by four million people is in fact a rather cheap 25p per person. It is this 'reach' that ITV companies rely on to support their free-to-air advertising-funded model. And the BBC uses figures like this to promote its value as a service to its licence payers. It is also the 'reach' that those who support public service broadcasting are eager to legislate access to.

Commercially, one reality of this high upfront cost with commoditised income stream is that broadcast television production is risky. The ability to guarantee an audience is vital. Arguments that protect public service broadcasting are merely arguments that remove risk to public service broadcasts by guaranteeing access to audiences.

Why only broadcasting? The argument for this exploitation is couched in terms of the democratic desirability of having programmes made which explore so-called public interest issues. Unlike the printed press, broadcasting is required to explore these issues under rules of impartiality, fairness and objectivity.

It may seem self-evident that these strictures are democratically desirable but, given the new multi-channel, dispersed audience world, is it true? Few people believe that the output of our newspapers, or even the booklists of our commercial publishers, would be as lively, as incisive, as readable, or as informative if they all had to devote equal space to opposing views, had to balance the contributions of opposing political parties, or could not fire the public debate with views of their own.

Indeed, most people would think it outrageous to suggest that we should shackle our print media in this way. So why should broadcasting be any different? Comparing the alternatives suggests that in 'public service broadcasting' we have created a chimera.

Broadcasters in thrall to politicians

Political news-management. Within news and current affairs departments in Britain, there is a generally accepted editorial consensus that what the job is often about is 'reporting and debating governance'. Of course there are human-interest stories, tragedies and global security events to be reported as well; but these are transient news events. A major part of the journalistic effort in newsrooms goes into working as 'the fourth estate' – describing, explaining and of course questioning the work of politicians, the bureaucracy and other quasi-public agencies.

What has emerged along with the expansion of government activity and media growth is an alliance of interest in communicating governance. A good measure of this is the IPO Directory, produced by the COI and available only to journalists. This now has 154 pages covering more than 300 government departments and public corporations, with contact details for thousands of press and information officers.

This is the contact network for the information that the public obtain from government through the broadcasters. Newsrooms call it 'on-diary' reporting – news that is known before it becomes news because a government news manager has announced that there is news to be written about. The question has to be asked, is this information likely to be impartial, fair and objective? Is it really in the 'public interest' or is it self-interested?

Given that it is only human nature to present one's achievements in their best light and to seek to preserve the worth and value of what you do in life, government information is naturally tainted by these realities.

Journalists however aren't stupid and their job is to weed out oddities, smokescreens, economies with the truth, and plain cock-ups. Much of the press release material from government is instantly recognised as self-serving and ignored, which is why journalists tend to concentrate on personal inadequacies among policy makers. But crucially, when dealing with an on-diary assignment, they inevitably reflect a government-centric interest in their broadcast reporting.

It is important to stress that this is not bias. Reporting in more depth, off-diary reporting, is still done, and where comment is made and debate takes place, opposing viewpoints can be heard. The problem is that broadcasting in public service journalism tends almost entirely to emerge from the news-managed source, where government is in control of the agenda.

There is a difficulty here for a free democratic community. Democracy is not only about us all agreeing to accept what the government decides we should do. A democratic society also encompasses free individuals who act voluntarily, both individually and in groups, to achieve things that are important to them. Indeed, ordinary people see these closer-to-home issues as much more important than the political wrangling at Westminster, which bores them.

It is here that journalists working in the national broadcast networks have a difficulty, due to public-choice incentives. In many aspects of life, it might be far better for the government not to get involved at all: but that hardly suits the interests of those journalists who live off the newsfeed of active, interventionist governments. Their interests are served by speculating, sometimes at length, about what the government intend to do. And that heated speculation also serves the interests of politicians, who want to look as if they are taking charge of events. And so between them they create a market for political interventionism.

An example. An example of how this statist tendency becomes a consensus can be seen in the reporting on our national railways. Privatization, whatever its inadequacies in its structure, brought new investment into the railways for the first time for many years.

Traffic and passenger numbers have been rising, while changes in incentives and pay differentials were beginning to make some sense of the diversity of operations in the operating companies.

Following the terrible crashes leading to loss of life at Paddington and Hatton Cross, the media (in particular the BBC) were at pains to examine whether there was any link between private operations and the disasters. There has never been any conclusive evidence to this effect, and it is unlikely that there ever will be. Apart from the underlying non-sequitur, ‘this engineer works for a private contractor therefore he is going to cause a crash’, there is no way of proving whether a set of engineers working for a nationalised company might have led to the same results.

The rhetoric and rubric of the news teams over the issue clearly indicated an underlying belief that complex technical systems need state control to make them safe. This is a common delusion among non-specialists, and it reflects incomprehension rather than any bias. (Made doubly puzzling by the amount of travelling that journalists do on privately owned airlines, sometimes flying to write stories about another crash by a state-controlled airline due to bad maintenance or weak air traffic control operations.)

However, that belief clearly matches the political belief of the present government that nationalisation was a better way to organise the railway network. Despite no democratic wish being expressed by the electorate for anything more than an efficient train service, the mutual support of the politicians and broadcasters for an interventionist solution allowed the government to bring the rail network back under state control at lower political cost (albeit very high cost to the taxpayer).

The media, politicians, and public boredom. The top-down statism that the commitment to public service broadcasting unintentionally promotes may explain some of the disdain of the electorate for the political process.

Free democratic countries retain enough competitive private and voluntary activity for the actions of the state to be compared with free private activity. We can see that good neighbours are often better at providing support for the elderly than local authorities, we can see that private health care can often provide a result six months earlier than the NHS. The state can only fool the people some of the time.

Given the obvious constraints of the one-minute news report, most of us can see that the dominant broadcast media are incapable of providing much useful insight into complex policy matters. Constructed as it is around the sound-bites of politicians, our so-called ‘public service broadcasting’ is at best facile.

The recent debacle over ‘A’ level standards is a case in point, where the issue was quickly reduced to a battle of wits between the chief of the examination body and the Secretary of State for Education. The intricacies of the debate – whether exam grades showed absolute achievement, or reflected relative performance within a declining overall standard, or were being manipulated politically to disadvantage some schools against others – were quietly shelved. Television could not cope with the complexity of the subject, despite the crucial question it raised, of whether teenagers’ futures were being sacrificed to make the politicians of the day look a bit better.

In the same way that journalists are well used to stripping out the 'puff' from government news sources, a public with multiple access points to information is becoming progressively more sophisticated in its interpretation of what the world is really like. We are all much less willing to accept the pronouncements of ministers and officials as clear and disinterested information about the state of events.

This is where the notion of public service broadcasting fails in a plural multi-channel world. Gone for ever is the cosy world of the 1950s, when short Home Office films would remind us that it was unwise to leave children at home with a box of matches. Nor do we believe any longer that 'The gentleman from Whitehall knows best'. Today, public-service communication by broadcasting is, quite simply, ineffective.

New media, politicians, and democracy. In marketing parlance, the very word 'broadcasting' runs counter to contemporary marketing technique, which stresses segmentation, targeting and building relationships with customers on the basis of mutually understood needs. Using broadcasting to promote public interest issues is essentially wasteful.

Government has of course already recognised this with its commitment to use the internet as a new mode of communication with the electorate. Whitehall is spending vast sums on new on-line systems. Whether or not this will be effective is too early to say, but at least this channel is transparent in its costs and competing with other private sources of information rather than appropriating property rights that might be used for other purposes.

Within broadcasting itself, creative broadcasters fulfil their public service remit with innovative visual treatments, trying to retain shrinking audiences with formats that verge on entertainment, playing the statist tune with an ever more photogenic and televisually skilled political orchestra. One has to ask whether this truly does improve democratic debate and the quality of government.

What we should do

It is absolutely essential that any policy on broadcasting is now based on an understanding that digital multiplexing and IP protocols mean that bandwidth for content delivery is no longer scarce. Policy today should be aimed at allowing a truly competitive ‘publishing’ model to emerge.

This change of perspective will break the mould of what has become a comfortable quasi-nationalised industry sector.

In a multi-channel publishing model, world communications channels are available at different costs for different providers, who charge different prices to different users. Technologically, there is no longer a single playing field, there are many; and policy should allow content to be indifferent to the carrier and faithful to the consumer interest. Policy that supports both the consumers’ and the producers’ freedom to move from channel to channel encourages the correct allocation of bandwidth.

A publishing model does not spell the end of free-to-air services supported by advertising. They will survive on their own merits with audiences that choose them. However, they will operate alongside a wider array of new multi-channel subscription or sponsored services.

An alternative framework

The OFCOM proposals, immersed as they are in the presumption that regulation of the broadcasting environment is a ‘given’, propose a three-tier approach to regulation, covering content, quantitative controls and qualitative constraints.

This is promised to be ‘regulation with a light touch’. But as other industries have found, to their distress, regulation rarely turns out to have a ‘light touch’. Its cost, complexity, and intrusiveness have a habit of just growing.

In fact, even the promised ‘light touch’ regulation is unnecessary. A policy for the Twenty-first Century would embrace the following principles.

1) Deregulation of content

Policy should recognise that quality is not a matter for regulation. Cultural junk will exist on numerous channels; but equally, other channels will reflect high level cultural sophistication at a higher price paid by those who want to pay it. Perceived value by consumers will designate content – what we watch will be what we are.

Free the net. *The development of the internet should be allowed to proceed without regulation on content*. Voluntary arrangements between users and providers for the protection of children and against obscene material on all channels should be allowed to emerge.

2) Opening up the marketplace

Policy should aim at removing allocative distortions in bandwidth allocation. The core issues here are (a) the requirements to provide public service output and (b) the privileged position of the BBC, both of which are self-justifying mechanisms for the regulatory status quo. A tertiary issue (c) is the allocation of ownership of distribution channels.

(a) Public service broadcasting. We should consign to history the idea that television has a vital role in allowing the state to communicate objectively to the people. The people are no longer fooled, and the political class is looking increasingly foolish. A sophisticated and educated population deserves better than the sound-bite sparring of party factions and the smooth spin of well-groomed politicians. *There should be no requirement for any broadcaster to provide any public service broadcasting*. Those who think this is a radical move should be reminded that this only puts the broadcasting world on a par with the newspaper and book publishing industries.

(b) Re-shaping the BBC. The licence tax allowed to the BBC is holding back the development of new media channels in the UK. For example, a broadband ADSL connection today costs around £30 per month. But if households did not have to pay £10 or so per month for the licence tax, and instead bought ASDL connections, scale economies would force the cost of ASDL down to comparable levels, or even below.

Simply closing the BBC is not an option, either politically or economically: the Corporation has enormous physical and human assets. Adjusting its terms of trading, however, is possible. *The BBC needs to be privatised – set free to be a commercial concern that can do what any other entrepreneurial business can do*. As part of this, it must be free to accept advertising if it so wishes. And it must be released from all public service broadcasting obligations – although it may well decide to retain a large amount, building on its reputation among news and current affairs audiences.

Precisely because the BBC does have huge assets – its buildings, its radio and television stations, even its huge website – it has a value, variously estimated at between £3.5b and £5.5b, which could be realized on privatization. That amount could provide a windfall of around £130-£190 for every taxpayer in the UK.

As a commercial concern, the BBC should be prepared for a public share offering as a private media conglomerate. It should retain the rights to its own transmitter network, although separate accounting rules must apply, each channel accounting separately for its own transmitter usage.

But it is asking too much for the BBC to become commercial overnight. What then should happen to the licence tax? The fairest and least disruptive policy may be to schedule a regular annual reduction in its size. *The licence fee should be reduced by equal successive decrements down to zero over a period of (say) seven years*. If the BBC wished to seek subscriptions for some high-value services, that would be its business to try.

(c) Growing competition in distribution. In order to maintain transparency, separate accounting rules delineating production, distribution and transmission must apply for all players in the market.

Vertical integration. These rules should not be set to prevent new production services being launched using existing channel ownerships: that is, vertical integration should be allowed. Normal anti-monopoly monitoring should be used to ensure that multiple players have multiple access to channels to market, but there need be no bar to vertical integration where alternative routes to audiences do exist, e.g. through satellite channels, multiplexed fibre, broadband internet or co-operative open access central scheduler arrangements.

Transmission rights. *Ownership of all existing analogue bandwidth channels should be released as private assets to existing players who have them on licence*. This seemingly radical step is less radical than it might appear. The analogue asset is valuable but is depreciating at an unknown rate. The aim is to free these players in the market to act as private innovative publishers, using their own assets to take their own risks in competitive markets.

Digital terrestrial transmission rights should similarly be released by auction as private assets. However, provision should be made for at least one multi-channel player in the terrestrial market that does not own, on launch, any existing production facilities; that is, it is set up as a media carrier alone, offering priced bandwidth on demand.

All spectrum and multiplexed channel rights should be freely tradable by their owners.

Access. To allow for the further development of strong commercial production houses, the present 25% rules preserving access rights for independent producers to the transmitted output of the larger players should be retained for (say) another ten years. Thereafter the percentage ruling should lapse.

Policy should also take a stance that minimises constraints on the development of telephone and satellite data delivery services. To a great extent, local loop unbundling rules, new broadband wireless services and the gradual growth of local cable companies are already creating a competitive marketplace. There is a role here, however, for OFT oversight to prevent any misuse of the dominant position of BT in the market.

3) No tax on education and information

The present policy debate barely mentions the effect of existing tax rules on the way that broadcasting develops as an informational, educational and entertainment channel. Yet there is one glaring anomaly in the present arrangements which needs to be addressed, namely the imposition of VAT on informational and educational products delivered electronically by either pay-per view, pay-per-use or subscription.

While publishers and newspapers benefit from the zero-rated status of printed information, any electronic provider of news, information or education must pay VAT. The absurdity of this becomes more apparent when internet services provide follow-up materials by download. Taking on-line orders for paper materials delivered by van up a motorway (with all the environmental consequences that entails) does not incur VAT; but providing an instant download for a local printout does.

The obvious policy measure to open up competition and support the development of a thriving electronic broadcasting sector in its widest convergent media meaning is to remove the imposition of VAT on informational and educational product delivered electronically, just as it is for printed matter.

4) Removing qualitative controls

How our new, shared cultural experience develops in a multi-channel world is not for regulators to decide. The new freedoms allowed above obviate the need for this tier of regulation as part of any legislation.

5) Limiting the life of OFCOM

The proposed regulatory framework will cover more aspects of the communications industry than just television broadcasting. In that sense, the very creation of OFCOM recognises the emergence of convergent media and media channels and their plurality in a digital world of competing players. Therein lies the seeds of its own irrelevance, and this should be encapsulated in the proposed Communications Bill by making it a ‘sunset’ bill that provides for broadcast regulation to lapse after ten years.

Conclusion

Clearly, our experience of broadcasting is about to become a much broader than the box in the corner of the living room watched by a passive family.

The old technical realities that allowed politicians to keep broadcasters in their thrall are fading fast. The current institutional arrangements that force broadcasting to deviate from optimal market costs and products are no longer sustainable.

It is time to step back and allow the market to provide a plurality of media at a cost the consumer decides is good value. Cohesive civil society in the early Twenty-first Century springs from a much wider and deeper range of shared experiences and cultural traditions than that of the vision of families huddled around a Bakelite radio in their living rooms being informed, educated, and entertained by the state.