

Patricia Hodgson, Chief Executive, Independent Television Commission, UK delivered the keynote address on the first day of the ABA annual conference in May. In part two of the series, Ms Hodgson discussed key market developments. In this final part, Ms Hodgson looks to the future.

What communications developments mean for governments and regulators



First, communications is a truly global business, dominated by companies with global scale. In these circumstances, how do governments, let alone regulators think about national markets and making their own writ run, where necessary? The UK Government has decided it must err on the side of deregulation and market forces if it wants the sector to flourish. In new legislation, currently before the House, it removes the ban on non-EU companies owning ITV, our main commercial network and lifts the restrictions that prevent Murdoch (as a newspaper owner) owning Channel 5, the smaller, more recent commercial network. If Murdoch buys into Five, as I expect he will, he'll combine a network front end that can be used to promote his cable and satellite channels, just as he does with the Fox Network in the States. Murdoch is still not allowed to buy ITV, because of his newspaper interests, but Disney, Viacom or Berlusconi can. If that happened, both

the UK's commercial networks would be in foreign hands. In my view there is a high chance of this being the case by this time next year.

Does that matter? Probably not. Audiences need networks run by the most competitive and forward-looking companies. The UK should not raise barriers against the rest of the English-speaking world. Sky has revolutionised broadcasting in the UK and brought real consumer benefit. But, and there is a but, open markets work best in combination with measures to support original local production.

The second major issue is the way more competition and global channels fragment audiences and therefore revenues, leading to lower investment in indigenous productions, less appetite by channels for risky and demanding programmes and blander, more commoditised output. This is undoubtedly happening. I don't conclude that regulators should stand against this tide. To do so would be

condemn your market to a side-road on the global highway. But steps are needed to support and protect local programming and the kind of public service output the market won't provide.

There are three approaches.

- Requiring commercial channels to produce certain percentages of original and public service output – news, children's, arts, religion etc.
- Requiring certain levels of investment in original local output.
- Separate funding for public service.

In my experience, regulating for public service on commercial channels will, in the end, fail. It subjects companies to an impossible conflict between serving their shareholders and pleasing the regulator. That was sustainable for networks in the old analog world where access to scarce

This is the final of a three-part series. See *ABA Update*, June 2003 for part one, and July 2003 for part two.

spectrum made their business possible; but in the multi-channel digital world, it's not a trade that will work much longer. In the interim, requiring investment in original programmes, without too much bureaucratic interference in what those programmes should be, is a half-way house.

But the only real solution is a public policy judgement about the extent to which the market fails to produce certain cultural goods – serious news, high value drama, arts and science and so on – and a willingness to fund public service broadcasting as we, in the UK, fund the schools, libraries, galleries and universities that also define our culture. This autumn, work will start on whether the BBC's Charter should be renewed in 2006 and, if so, what should be funded and how. In

my view, as the market fragments, we need our public service broadcasters more.

Finally, governments and regulators need to make judgements about the extent to which they encourage and welcome big global players without, in so doing, handing control of a sector vital to their economy and culture to a third party. I joked earlier about Microsoft being a 'sovereign state'. There is certainly a degree to which governments need their biggest media players more than the media players need the government.

This thinking was, I believe, part of the reason for merging the five UK communication regulators into Ofcom. Part of the reason was convergence. Did it make sense to regulate television and telecoms separately when it would soon be hard to

disentangle them technically? Partly it was about creating a powerful, well resourced body able to take tough competition decisions, if necessary in the face of pressure from global companies.

With such a regulator, it should be possible to welcome the entrepreneurs of new media, whether that's Gates, Murdoch or Bertelsmann, whilst making sure that small local companies can reach their customers. The test for any regulator in the next 10 years, will be whether they keep open the gateways to the home the barons seek to control.

The task for the regulator now is to achieve the unexpected; to ensure the ABC and the BBC, the small independent producer and the regional broadcaster, can flourish alongside the global giants that inevitably drive our business. 

