



# **SECOND REPORT OF THE SELECT COMMITTEE ON PUBLIC SERVICE MEDIA**

**2018-19**



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On 16<sup>th</sup> January 2018 it was resolved –

*That Tynwald reaffirms its commitment to public service broadcasting and is of the opinion that it should be provided in an efficient manner using a variety of channels; and that a Select Committee of three Members be appointed to review the current licence conditions, delivery model and funding thereof, and connected matters, to take account of technological advances and demographic changes; and report with recommendations by July 2018.*

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### **Committee Membership**

Dr A J Allinson MHK (Ramsey)

Mr T M Crookall MLC

The Hon J P Watterson SHK (Rushen)

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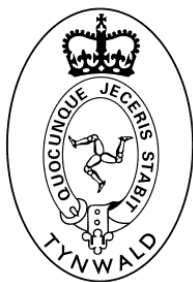
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To: The Hon Stephen C Rodan, President of Tynwald,  
and the Hon Council and Keys in Tynwald assembled

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### **I. INTRODUCTION**

1. On 16<sup>th</sup> January 2018 it was resolved:

*That Tynwald reaffirms its commitment to public service broadcasting and is of the opinion that it should be provided in an efficient manner using a variety of channels; and that a Select Committee of three Members be appointed to review the current licence conditions, delivery model and funding thereof, and connected matters, to take account of technological advances and demographic changes; and report with recommendations by July 2018.*

2. Our Interim Report was published on Wednesday, 4<sup>th</sup> July 2018 and laid before Tynwald on Tuesday, 17<sup>th</sup> July 2018.<sup>1</sup> Under the normal procedure it would therefore be due to be debated in November 2018. However, we are minded not to move it until December 2018 and at the same sitting to move also this Second Report, so that the two Reports can be debated together without undue delay. The conclusions and recommendations of both reports are reproduced at the end of this Report, Recommendations 1 to 6 being from our Interim Report.

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<sup>1</sup> PP 2018/0107

3. We explained in our Interim Report that we had not completed our work in time to report by July 2018 on every element of our remit, and that we intended to gather more evidence and to report further in due course on:
  - the efficiency with which public service broadcasting is provided, and
  - the connected matter of the Island's relationship with the BBC.

We felt it important, however, to share our initial conclusions at that stage with Tynwald Members to assist with discussion on the Communications Bill 2018 which had its first reading in the Keys on 26<sup>th</sup> June 2018. The present report, which should be read in conjunction with our Interim Report, addresses the remaining two points specified above.

4. Isle of Media and Manx Radio have submitted written responses to our Interim Report. These responses are published as part of this Report.<sup>2</sup>
5. The Audit Advisory Division of the Treasury has undertaken a piece of work on our behalf, which is discussed below and appended to this Report.<sup>3</sup>
6. No new oral evidence has been heard in public since the publication of our Interim Report. The full transcripts of the oral evidence referred to in this Report can be found in our Interim Report.
7. We are grateful to Helen Thomas, the BBC's recently appointed Director, England, for spending some time with us in private during her first visit to the Island in October 2018. Leo Devine (Head of BBC South West Region at BBC News and BBC England's representative on the Celtic Media Association) was also present. This meeting was a useful opportunity for an exchange of views at a very early stage in Ms Thomas's posting. We explained to Ms Thomas that people in the Isle of Man feel they pay twice for public service broadcasting (once through the BBC television licence fee, and again through the Isle of Man Government's public service subvention to Manx Radio); that other Crown Dependencies benefit from significantly greater investment by the BBC; and that the shortfall in BBC provision in the Isle of Man had been estimated at around £1 million per year. Ms Thomas listened to our concerns and undertook to bring back proposals within a few months. Ms Thomas later added that, historically, there had been little appetite among policy makers for a BBC Local Radio service on the Isle of Man. She undertook to continue on-going engagement and to share all proposals in a reasonable timeframe.

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<sup>2</sup> Appendices 1 and 9

<sup>3</sup> Appendix 8



## II. THE EFFICIENCY WITH WHICH PUBLIC SERVICE BROADCASTING IS PROVIDED

8. All broadcasters in the Island are required to provide some element of public service broadcasting as part of their licence conditions. However, we have concentrated for this part of our remit on Manx Radio because it, uniquely, benefits from an annual public service subvention paid by the Treasury. It is assumed that the subvention is for public service broadcasting; Tynwald resolved in 2014 that Manx Radio should show in its accounts which activities are funded from the public subvention and which from commercial income.
9. For this element of our remit we are grateful for the support of the Audit Advisory Division of the Treasury. That Division undertook a piece of work on our behalf, acting independently of the Treasury Board, independently of Radio Manx Limited and independently of the Select Committee beyond the fact that we set their remit. Their findings are published as part of this Report.<sup>4</sup> We initially outlined 20 potential areas to review in terms of effectiveness and efficiency, but in order to ensure a manageable workload and better focus, we concentrated on three areas: whether advertising is sold at less than cost, transmission costs, and Broadcasting House.

### **The price at which radio advertising is sold**

10. In our Interim Report we presented evidence from an unnamed businessman, and from Mr Ron Berry of 3FM, which suggested as a possibility that Manx Radio might be selling advertisements at less than cost – something which Manx Radio denied. We concluded that Manx Radio's commercial activities distorted the market for radio and other advertising in the Island, and recommended that the Treasury, as shareholder of Manx Radio, should work towards a delivery model for public service media in which reliance on commercial advertising is progressively reduced and ultimately removed.<sup>5</sup>
11. In its response to our Interim Report, Manx Radio wrote:

*Mr Berry drew the Committee's attention to a business development product which was also referred to by an anonymous contributor in their written evidence. The product has been available for years on a global basis to any radio, news print, TV, outdoor or online service provider. Any of the stations in the Island could have taken the opportunity to secure this*

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<sup>4</sup> Appendix 8

<sup>5</sup> PP 2018/0107, paragraphs 61 to 66

*licensed product. Manx Radio was innovative in securing the Isle of Man rights and has been able to grow its revenues as a consequence.*

*This product does not distort the market for radio and other advertising it effectively pre sells the unsold inventory which is a common factor to all media businesses and is frequently a first step into radio advertising for many companies before they progress to more sophisticated and tailored advertising or sponsorship products. Additionally, it represents only a part of the station's trading (a bi-annual sales seminar), is unrepresentative of the station's day to day trading position and has only been the subject to the most cursory investigation by the Committee.<sup>6</sup>*

12. We asked the Audit Advisory Division to look at the relationship between on the one hand the price at which advertisements are sold by Manx Radio and 3FM, and on the other hand the cost of delivering the respective platforms upon which those advertisements are carried. The Audit Advisory Division's initial comment was that it was difficult to compare like with like, because the stations operated on such different business models. They decided that it would not be informative or appropriate to attempt a like for like comparison on the basis of the proportion of speech content in the two stations.<sup>7</sup>
13. Instead, the Audit Advisory Division based their comparisons on the proportion of automated versus live content time in the programming offered by Manx Radio and 3FM. They analysed the cost of production based on three different assumptions: first, the amount of time given to automated and live content; second, the ratio of 5:95 cited by Manx Radio for the cost of automated and live content; and third, a ratio of 55:45 described as a breakeven point of public service broadcasting costs. They summarised their findings as follows:

*Manx Radio sales team have generated a positive contribution to the entity.*

*The actual cost of sales incurred falls significantly below the level which would be required for breakeven point within all scenarios presented.*

*The figures prove that advertising has not been sold at potentially less than cost.*

*When compared to 3FM, Manx Radio sales and marketing strategy does not appear to be as efficient at generating income as the commercial radio stations model, however they are two distinctly different models.*

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<sup>6</sup> Appendix 1

<sup>7</sup> Appendix 8, paragraphs 1.31 to 1.33

*Further work would be required to analyse costs into a correct input ratio, and to verify this ratio, before placing reliance on it as a means of assessing PSB subvention. This has not formed part of the current review.<sup>8</sup>*

14. Audit Advisory Division also advised us that 3FM sell their advertising on a “spot-booked” basis, where clients know exactly when their advertisements will be played; and that 3FM do not carry advertising during the night or during automated programming. Manx Radio, by contrast, sells some advertisements in large blocks where clients are guaranteed a certain amount of airtime but without specifying time of day (although it sells some spot-booked slots during peak listening times around its news and current affairs programming); carries advertisements 24 hours a day; and has the opportunity to sell advertisements on its AM frequency which has different programming to the FM frequency for certain hours of the day. Because Manx Radio has an AM frequency and has chosen to adopt a policy of 24-hour advertising, it is in a position to supply a greater amount of advertising time to the market. Some of the differences between Manx Radio and the other stations are due to commercial decisions which either company could make, but some are due to the different programme formats which go back to Manx Radio’s privileged position as national public service broadcaster.
15. In particular, we note that Manx Radio is able to benefit financially from its public service broadcasting remit, in that it can sell advertisements at a high price during its news and current affairs programming – programming on which, in 2017/18, 58.4% of its subvention was spent.<sup>9</sup> Although Manx Radio’s public service remit and licence conditions will always make it different from a purely commercial operator, we consider that it would be a significant step towards a level commercial playing field if Manx Radio were restricted in carrying advertisements during its main news and current affairs programmes. This could be achieved by changing Manx Radio’s licence conditions.

**We conclude that advertising is not being sold by Manx Radio at less than the cost of production.**

**We conclude that Manx Radio has a greater amount of airtime available to carry advertisements for two reasons:**

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<sup>8</sup> Appendix 8, paragraphs 2.1 to 2.17

<sup>9</sup> Manx Radio Annual Report 2017/18, page 7

**(a) its policy of broadcasting advertisements 24 hours a day. This we consider to be reasonable and fair competition in the market, as there is nothing to prevent others from doing likewise; and**

**(b) the high quality public service broadcasting, funded by the taxpayer, which generates a large audience and therefore allows Manx Radio to charge a premium for advertising during peak news slots. This we consider to be an unfair distortion of competition in the marketplace.**

#### **Recommendation 7**

**That Tynwald calls on the Office of Fair Trading to assess whether Manx Radio's ability to supply a greater amount of advertising space is creating unfair competition in the radio advertising market.**

#### **Recommendation 8**

**That Manx Radio's licence conditions should be altered to provide for a level playing field in terms of its ability to place advertising during times of peak listenership generated by taxpayer-funded programming.**

#### **Broadcasting House**

16. We asked the Audit Advisory Division to consider the cost effectiveness of Manx Radio's premises and whether Broadcasting House is the best option going forward. They provided a helpful timeline of activity on this issue from 2007 to the present and a summary of written evidence previously submitted to us by Manx Radio.<sup>10</sup>
17. Options for the location of Manx Radio were last costed in 2007. The cheapest option at the time was relocation to leasehold premises, which was costed at £1.7 million plus £144,000 per year rent thereafter. The option selected by the Treasury in 2008 was a refurbishment of Broadcasting House, which was then costed at some £3.2 million. Following the renegotiation of the revenue sharing agreement in 2009 and 2010, the project was deferred and some "minor capital works" were done instead. In 2014 a reduced-cost scheme was developed. Overall, since 2008, the amount spent is £926,734 and the amount required to finish the (reduced) scheme is £1,149,440. The Audit Advisory Division commented:

*This review has not attempted to re-cost a relocation of Broadcasting House. Whilst it is acknowledged that commercial premises no longer attract the*

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<sup>10</sup> Appendix 8, paragraphs 3.1 to 3.34 and Appendix 4

*leasehold rates as quoted in 2007, the level of sunk costs and recent investment in complex technical infrastructure at Broadcasting House weigh strongly in favour of completing the project as opposed to re-starting/re-locating to leasehold premises.<sup>11</sup>*

18. While we are grateful to the Audit Advisory Division for a helpful presentation of such evidence as exists, we are confirmed in our view that there is more work to be done on this issue. The Audit Advisory Division itself acknowledges that commercial premises no longer attract the leasehold rates quoted in 2007. During that time period we have seen communications hardware become smaller and lighter; and we have seen both Energy FM and 3FM relocate without any apparent difficulty from central Douglas to alternative premises on the edge of Douglas that were not purpose built as radio stations. It might be appropriate to locate some or all of Manx Radio's activities in the Cultural Quarter of Douglas.
19. As we look to the future, we do not see any merit in continuing to take into account money which has already been spent on Broadcasting House. It is the long term future cost of accommodating the broadcaster that is of significance, not money spent to date (although future costs will by necessity include loan costs on any money borrowed and expended in the past).
20. Tynwald resolved on 16<sup>th</sup> November 2010:

*That where a proposal is put to Tynwald for a capital infrastructure initiative designed to be delivered over a period of ten years or more, the proposal should include a strategic review at least once every five years, such review or reviews to be carried out by an independent person appointed by the lead Department and to be reported to Tynwald with recommendations.*

It seems to us that the project to refurbish Broadcasting House is exactly the sort of long-running project which should have been subject to a thorough review long before now.

**We conclude that a price of around £1 million to complete the work which has been planned at Broadcasting House seems significant when in the modern era there is no need for bespoke premises.**

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<sup>11</sup> Appendix 8, paragraph 3.28

## **Recommendation 9**

**That the Treasury should reassess the long term cost and benefit of Broadcasting House as compared with alternative Government-owned or commercially rented premises.**

### **Cost of broadcasting operations**

21. We asked the Audit Advisory Division to look at the costs incurred by Manx Radio for maintenance and operation of the existing systems of FM and AM radio transmission. They provided a useful summary of the available information.<sup>12</sup>
22. We also note that the commercial operators outsource their engineering while Manx Radio provides this in-house. Manx Radio's engineers also provide external work in the market, which makes comparability of engineering costs more complicated.
23. It appears from the table on page 30 of the Audit Advisory Division's report that Manx Radio is paying £60,689 to Arqiva for FM transmission, while other radio stations are paying £30,000 to £40,000 for the same thing.

**We conclude that it is difficult to compare the cost of broadcasting operations between Manx Radio and the other stations in the Island because of the complexity of the broadcasting ecology which has evolved and of the associated legacy funding arrangements.**

## **Recommendation 10**

**That the Treasury should examine the apparent lack of value for money which Manx Radio is achieving with respect to FM broadcasting infrastructure.**

## **III. THE ISLAND'S RELATIONSHIP WITH THE BBC**

24. The background to the Island's relationship with the BBC is outlined in our Interim Report at paragraphs 8 to 16. We concluded there that:
  - the Council of Ministers' action from 2015 to 2018 in resolving the issue of television licences for Manx residents aged 75 and over was to be welcomed.

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<sup>12</sup> Appendix 8, paragraphs 4.1 to 4.34

- the delay in resolving this issue, and the associated costs to the Manx taxpayer, were matters of regret; and
- it was unfortunate that this issue had prevented any attention being paid over the past three years to the wider question of value for money from the television licence.<sup>13</sup>

### **A continuing shortfall**

25. As noted in our Interim Report, the Select Committee which reported in 2011 considered that it would be equitable for the BBC to contribute a further £1 million per year to the Isle of Man either through services in kind or as a direct financial payment in support of public service broadcasting in the Island. This conclusion was not accepted by Tynwald; but later in 2011 the Communications Commission wrote to the BBC saying that “according to the BBC’s own figures, the shortfall in spending on the Island is around £700,000 per year”.<sup>14</sup>

26. Manx Radio said in its submission to the present inquiry of February 2018 that:

*In 2014 Manx Radio carried out research based on the information published in the BBC’s annual report. It provided an indication of the level of contribution the BBC could be making to the Isle of Man based on services provided at that time to various British regions. It showed that dependent on which criteria you used, a comparable BBC contribution to the Isle of Man would be in the range £896k to £1.76m pa.*<sup>15</sup>

27. We asked the BBC to produce figures equivalent to those supplied in 2010 which had led our predecessors to their conclusion about the £1 million shortfall.<sup>16</sup> At Question 4 of our letter we asked about the per capita costs of BBC services in the Isle of Man as compared with England, Wales, Scotland, Northern Ireland and the Channel Islands. Mr MacQuarrie advised that the BBC had had to change its methodology as compared with 2010. The methodology used this time was to take the BBC’s overall expenditure, deduct costs for those services not available in the Isle of Man, and then to apportion the costs of the remaining

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<sup>13</sup> PP 2018/0107, paragraph 15

<sup>14</sup> PP 2018/0107, paragraphs 12-13, quoting GD 0055/11

<sup>15</sup> At Manx Radio’s request we have not published the submission. The research referred to in the extract from the submission quoted here was published as Appendix 2 of our Interim Report.

<sup>16</sup> The written response we received from Mr Ken MacQuarrie was published as Appendix 6 of our Interim Report. We are publishing it again as Appendix 4 of the present report, this time alongside our questions (many of which quote the BBC’s previous evidence from 2010) which are now published as Appendix 3 of the present report.

services across the entire population of the UK and Crown Dependencies. We are not convinced that this is the best way to assess the BBC's investment in the Isle of Man.

28. According to the revised methodology, the gap between the Isle of Man and neighbouring jurisdictions had narrowed. However, in his oral evidence on 31<sup>st</sup> May 2018 Mr MacQuarrie was unable to explain why this was, and the further written explanation he promised on that day has yet to materialise.<sup>17</sup>
29. At Question 5 of our letter we asked about the total value of services provided by the BBC to the Isle of Man. Their approach taken in response was to take the per capita figure from Question 4 and to multiply by the population of the Island. The reservations we have expressed in relation to the BBC's response to Question 4 therefore apply equally to its response to this Question. The calculation given suggested that the gap between the amount collected by the BBC from Manx residents in licence fees and the amount spent by the BBC in delivering services in the Island appeared to have closed, as set out in the following table. We are sceptical about this finding.

	BBC income from the Isle of Man (estimated)	BBC services to the Isle of Man (estimated)
2008/09	£4.5 million	£4.3 million
2016/17	£4.8 million	£4.8 million

30. At Question 6 of our letter we asked about per capita local (as opposed to regional) spend. On this measure, our predecessors who reported in 2011 were given an estimate of £4 per head for the Isle of Man and £3.75 for England, but were advised that the equivalent figure for the Channel Islands would be up to five times that. We have not received any update on these figures, Mr MacQuarrie explaining in his oral evidence that:

*we are having difficulty, to be honest, sorting in an attempt... with some of the construct, the data that was used there, the individuals have left the organisation.*<sup>18</sup>

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<sup>17</sup> QQ 393 to 397 (Hansard reproduced as part of our Interim Report)

<sup>18</sup> Q 398



**We conclude that there remains a significant shortfall between the amount contributed by Manx residents to the BBC through the licence fee, and the amount invested by the BBC in services to Manx residents. The estimate of £1 million per year calculated by our predecessors in 2010 remains credible. Since then the Communications Commission has estimated the shortfall at £700,000 per year and Manx Radio has estimated it at between £896,000 and £1,760,000 per year.**

**What more could the BBC reasonably be expected to do?**

31. Manx Radio, in its written submission to us in February 2018, recommended that a concerted approach should be made to the BBC to secure future funding for public service broadcasting in the Isle of Man. It suggested that such funding could be used to fund Manx Radio in whole or in part, or as an alternative to run a BBC radio station for the Island instead of Manx Radio.
32. A further option is the possibility that the BBC might supply locally produced and edited news and other public service content for broadcast by Manx Radio (and potentially by the other radio stations in the Island). A first step towards such a model has already been taken by the BBC funding the appointment of a Local Democracy Reporter who works within the Manx Radio environment but supplies content both to Manx Radio and to others.
33. The idea of a BBC radio station for the Island has the support of Mr Juan Turner of Energy FM. He said:

*I think we are almost in danger of reinventing the wheel here when it already exists, and it is right under our nose.*

*The reason the BBC never came here in the first place was because Manx Radio was set up in the 1960s. It did not have to. That is where I would like to focus on comparison with what the Channel Islands are getting, Jersey and Guernsey, and I think that the Committee should maybe focus on that rather than trying to come up and reinvent the wheel.*

*The BBC is, of course, renowned as one of the world's greatest broadcasters in terms of what it does both in Britain and overseas with its World Service. It is a very trusted organisation. It is a very professional organisation. Yes, you can pick holes at it about the salaries that some of the big stars are paid and whether some of the editorial is to your taste, you could have that discussion all day long, but the fact remains the BBC is one of the world's greatest broadcasters.*

*It also has a job of serving distinct identities. It is not just BBC England, it serves Wales, it serves Northern Ireland and Scotland, and of course the*

*Channel Islands – very different areas, different cultures, different tastes, different requirements. So why shouldn't it serve the Isle of Man? ...*

*They have had BBC services in the Channel Islands since 1982 Jersey and Radio Guernsey. Was that funded by the taxpayers of the Channel Islands? No, it was not. Yet we have poured millions and millions into Manx Radio over the years.*

*My whole point is that we should be looking possibly to move Manx Radio on to the BBC and get them to run it. They are drawing enough licence fee out of the Isle of Man.<sup>19</sup>*

34. Dr Richard Arning commented:

*if we look at the BBC licence fees, roughly £5 million paid by the residents here, and the return of investment which is not coming back in terms of content coverage by the BBC. If part of that could be used for funding Manx Radio or something else; if part of that could be made available to whatever type of process to be defined for other content creators to contribute to that maybe in a tendering-type of a process – that would be an appealing situation.<sup>20</sup>*

35. We put to Mr Ken MacQuarrie, the BBC's Director of Nations and Regions, the ideas of the BBC providing financial support to Manx Radio, or setting up a BBC radio station for the Isle of Man. He did not indicate great enthusiasm for either idea.

36. As regards the question of setting up a BBC radio station for the Isle of Man, Mr MacQuarrie said:

*I think within this financial constraint that we have at the moment, that would be extremely difficult, Chairman. But what I do firmly believe is that the future is about through the sort of services which Laura leads delivering value to young audiences, in a digital environment, if we take a ten-year time horizon which is what we have over the life of this charter, that the best value in the medium- and longer-term is investment in digital, as opposed to in the provision of a radio service.<sup>21</sup>*

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<sup>19</sup> QQ 35, 36

<sup>20</sup> Q 74

<sup>21</sup> Q 413

Laura Ellis (Head of Digital, BBC English Regions), added:

*About 10 years ago, maybe slightly less, we had the last set of proposals on the table for creating new local radio stations. I do not know if you will be familiar with these. An example was in Cheshire, which is one of the places in the UK where the local radio map, if you like, has a gap. So there is no station for Cheshire, parts of the county are covered by Liverpool, by Manchester and by our Stoke and Staffordshire service. Those proposals came reasonably close to fruition, but were then ruled out by a round of savings which meant that we could not deliver them. And I think that was the last time we ever considered opening a new radio station.<sup>22</sup>*

37. On the question of the BBC providing financial support to Manx Radio (by analogy with the arrangement for S4C in Wales), Mr MacQuarrie wrote:

*As far as I am aware, there have never been any detailed discussions about the BBC providing funding for Manx Radio, either supplementary to or in place of its Manx Government subvention. There would be a number of issues to consider, including the Island's commercial competition and questions around Grant in Aid funding.<sup>23</sup>*

38. In oral evidence he expanded on this as follows:

*The BBC Board, where we spend money or make an investment, it is obligated to understand as to whether there is an impact on the marketplace within which it is making that, that the BBC Board formally considers this on a case-by-case issue to ensure that in terms of the public spend we are not disrupting or distorting the economy of the market. It is an obligation, and the BBC Trust had a very formal mechanism for doing that – which was called a ‘market impact assessment’. That power now rests with the BBC Board to determine whether there is materiality or not in the market that they are investing in. However, there is a check on that, in that OFCOM, our regulator, could come to a different conclusion and decide there was market impact and call in the particular issue to examine and study that.<sup>24</sup>*

**We conclude that the BBC has not ruled out making a financial contribution to public service broadcasting in the Isle of Man.**

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<sup>22</sup> Q 413

<sup>23</sup> PP 2018/0107, Appendix 6

<sup>24</sup> Q 409

**We conclude that there is considerable scope for the BBC to do more for licence fee payers in the Isle of Man. Now that the question of television licences for those aged 75 and over has been resolved, the Island's Government should have capacity to discuss a wider agenda with the BBC.**

**We conclude that it is unreasonable for the Manx public to be paying twice for public service broadcasting.**

#### **Negotiating position and approach**

39. It is clear to us that the BBC should be asked to increase significantly its support to public service radio broadcasting in the Island, either through financial support to Manx Radio or by operating its own local radio station. If this does not work, we believe that the law should be changed so that Isle of Man residents would be released from the obligation to pay the BBC television licence fee.
40. As mentioned in our Interim Report, Isle of Man residents are obliged to pay the BBC television licence fee by operation of UK law extended to the Isle of Man by Order in Council.<sup>25</sup> This obligation could only be removed by the revocation of that Order by a further Order in Council, meaning that the change could only be made with the consent of the UK Government. That being the case, we wrote to the Secretary of State for Department of Digital, Culture, Media and Sport asking if he anticipated any obstacles to the revocation of the relevant legislative provisions and, if so, how these might be overcome.
41. In his reply, he wrote:

*Firstly I should be clear that the licence fee is payment for a licence to watch or receive television programmes. It is not a fee or a charge for BBC services and is payable regardless of whether the licence holder ever watches the BBC. I also note that licence fee revenue is not just used to fund the BBC, it is also used for other strategic public service objectives including local television and S4C.*

His Department later provided more detail on the “other strategic public service objectives” referred to.<sup>26</sup> We do not think that residents of the Isle of Man should be required to contribute to the costs of S4C or of “local television” which does not exist in the Isle of Man.

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<sup>25</sup> PP 2018/0107, paragraph 11

<sup>26</sup> Appendix 7

42. The Secretary of State continued:

*... a situation where Isle of Man residents are able to watch or receive (non-BBC) television content without having to pay the licence fee (which everyone else pays) would set an unwelcome precedent. These issues are something we would need to carefully consider in taking forward a request to revoke the Order in Council.*

This comment betrays a misunderstanding of the Island's unique constitutional position. The Order in Council which requires Isle of Man residents to pay the licence fee is an instrument made under UK statute law which only has legitimacy to the extent that it is supported by the legislature of the Island. Moreover, we do not accept that any arrangement applying to the Isle of Man would represent a precedent applicable to any other jurisdiction whether in the United Kingdom or anywhere else.

43. The Secretary of State commented finally that:

*removing the BBC's obligation to provide services on the Isle of Man would require amending the BBC Charter and Framework Agreement ... the Charter is very seldom reopened once it is sealed ... this will certainly raise significant parliamentary and public debate and would also include a lengthy Privy Council approval process.*

While we acknowledge that the BBC's Charter and Framework Agreement refers to the Isle of Man, the references it contains have not been enough to ensure an acceptable level of investment in the Isle of Man by the BBC. If we get to the stage where Tynwald seeks a change in the law to remove the Isle of Man from the licence fee regime, then any consequential change to the Charter and Framework Agreement between the UK Government and the BBC will be no concern of ours.

44. Our predecessors on the Select Committee which reported in 2011 concluded that, while it would theoretically be possible to make independent arrangements to receive BBC television and radio programmes via cable or satellite, as in the Republic of Ireland, there could be no guarantee that this would cost less than the licence fee. They therefore recommended that Tynwald should not consider withdrawing from the licence fee but should concentrate its efforts on obtaining value for money from the BBC.
45. Our approach is the opposite. We do not think the Island will make any headway in negotiations over the licence fee unless it is clear to the BBC and to the UK Government that we are prepared to withdraw – to countenance “no deal”. If we were not paying the licence fee, the BBC would not be obliged to provide us

with its networked television and radio services and could charge us a commercial rate for accessing those services online, via satellite or otherwise. However, we believe that such a model would be an improvement on the status quo for residents of the Isle of Man, many of whom are already paying subscriptions for on-demand television services – the charges for which are considerably more than the BBC television licence fee.

#### **Recommendation 11**

**That the Council of Ministers should pursue negotiations with the UK Government and the BBC aimed at securing one of the following outcomes:**

**(a) as a first preference, an increase in financial support for Radio Manx Limited sufficient to allow the station to provide high quality public service radio broadcasting (and other public service media provision) without the need for cross-subsidy from commercial income and without substantial financial support from the Isle of Man Government; or**

**(b) as a second preference, for the BBC to supply high quality locally produced news and other public service content for broadcast (and for distribution via other media) by Radio Manx Limited, on a scale and to the extent that Radio Manx Limited could thereby fulfil its public service remit without the need for cross-subsidy from commercial income and without significant financial support from the Isle of Man Government; or**

**(c) as a third preference, the establishment of a BBC radio station for the Isle of Man similar to those operating in Jersey and Guernsey, allowing the public service broadcasting obligations of Radio Manx Limited to be dismantled and the associated public financial support to be removed; or**

**(d) as a final fallback option, the release of Isle of Man residents from any obligation to pay the licence fee and at the same time the release of the BBC from any obligation to provide services to the Island on a licence fee basis. This option would keep some £4.8 million per year in the Island and would allow the Island to exercise for the first time true self-determination in relation to public service broadcasting.**

#### **IV. COMBINED LIST OF CONCLUSIONS AND RECOMMENDATIONS (INTERIM REPORT AND SECOND REPORT)**

46. The conclusions and recommendations of our two Reports are reproduced here for ease of reference.

### **Background: debate and delay**

47. We conclude that the 2011 Select Committee report presented a coherent case that the BBC should be spending significantly more in the Island. This case was put to the BBC by the Communications Commission between 2011 and 2016 but the outcome was disappointing. (Interim Report, paragraph 13)
48. We conclude that the Council of Ministers' action in resolving the issue of television licences for Manx residents aged 75 and over is to be welcomed. At the same time the delay in resolving this issue, and the associated costs to the Manx taxpayer, are matters of regret. It is unfortunate, moreover, that this issue has prevented any attention being paid over the past three years to the wider question of value for money from the television licence. (Interim Report, paragraph 15)
49. We conclude that it is disappointing that the public service broadcasting legislation referred to in the Tynwald resolution of March 2014 was not introduced into the Branches until June 2018. We now see that there is an opportunity and we hope that our conclusions and recommendations may be taken into account as the Bill goes through the Branches. (Interim Report, paragraph 21)

### **Technological change: "content is king"**

50. We conclude that communications media are changing rapidly. While traditional broadcast radio still has a place, it is more important for Tynwald to ensure the provision of a successful public service media operation than just to continue supporting public service broadcasting per se. (Interim Report, paragraph 29)
51. We conclude that the opportunities afforded by digital technology include new and potentially more accurate ways of measuring audience reach and engagement. The interpretation of data on such measurables as "hits", "impressions" and "views", however, remains a matter of debate, with some claims of success appearing to us spurious. In this fast-moving environment, providers should seek to establish more effective success criteria against which to measure their own performance. (Interim Report, paragraph 29)

### **Definitions of public service media**

52. We conclude that the essential characteristics of any public service media operation in the Isle of Man are the provision of impartial Manx news and of other content which is distinctly Manx. (Interim Report, paragraph 33)

## **Recommendation 1**

**That the definition of “public service broadcasting” in primary legislation should be redrafted to distinguish between mandatory and discretionary components. The mandatory components should be limited to impartial news and other distinctly Manx content. The other elements of the existing definition, such as entertainment which responds to the tastes, interests and concerns of the community, should be discretionary components.** (Interim Report, paragraph 37)

### **Audio distribution: past, present and future**

53. We conclude that FM radio provides very high quality output with receivers still being widely available including in cars. There is likely to be value in maintaining an FM transmission system for years to come. (Interim Report, paragraph 46)
54. We conclude that the AM network in the Island used by Manx Radio has, for the moment, a continuing purpose. However, the business case for maintaining it will weaken as other technologies become more widely used. (Interim Report, paragraph 46)
55. We conclude that the Treasury was right to respond cautiously, and on the basis of independent expert advice, to Manx Radio’s proposals to construct a DAB+ multiplex for the Island. (Interim Report, paragraph 50)
56. We conclude that it seems inevitable that the distribution of audio over the Internet will increase. It also seems likely that the disadvantages of Internet distribution which have been identified by Manx Radio may be mitigated by future developments in technology. (Interim Report, paragraph 52)

## **Recommendation 2**

**That the Island’s public service media provider should “leapfrog” DAB and move straight from the existing distribution framework, which relies only on FM and AM, to a future framework in which FM sits alongside an Internet Protocol-based infrastructure.** (Interim Report, paragraph 52)

### **Manx Radio’s commercial activity**

57. We conclude that the provision of radio advertising capability is not in itself a public service. If Manx Radio were to stop carrying advertisements, businesses in the Isle of Man would not be significantly inconvenienced. (Interim Report, paragraph 58)
58. We conclude that there is a risk that over-reliance on commercial income could undermine the ability of a provider to deliver public service media. (Interim Report, paragraph 60)



59. We conclude that Manx Radio's commercial activities distort the market for radio and other advertising in the Island. (Interim Report, paragraph 66)

### **Recommendation 3**

**That Tynwald calls on the Treasury as shareholder of Manx Radio to work towards a delivery model for public service media in which reliance on commercial advertising is progressively reduced and ultimately removed.** (Interim Report, paragraph 66)

### **Manx Radio funding and governance**

60. We conclude that following the Tynwald debate of March 2014, when Tynwald rejected the linking of Manx Radio's public service subvention to the station's licence term or to inflation, Manx Radio's strategy was to carry on increasing its services and seek to fund this by increasing its commercial income. The strategy failed. The hoped-for increase in commercial income did not materialise and the company reported losses of £48,713 in 2015/16 and £82,406 in 2016/17. (Interim Report, paragraph 71)

### **Recommendation 4**

**That legislation should be introduced to provide that a public service broadcaster in receipt of public funds for the purpose of meeting public service obligations should be obliged to budget for a surplus each year; and if such a broadcaster should find itself in the position of forecasting a loss in any particular year, then before the end of that year it should be obligatory for Tynwald to be asked, on behalf of the broadcaster, to approve a Supplementary Vote.** (Interim Report, paragraph 72)

61. We conclude that by July 2017 the Board of Manx Radio could see that its strategy of maintaining existing services by growing commercial income was failing. It correctly identified that its options were to increase income from public funds (whether from the Isle of Man Government or from the BBC), or to reduce expenditure. Having been advised by the Treasury Minister to reduce expenditure, it nevertheless submitted to the Treasury a bid for an increase in its subvention. (Interim Report, paragraph 77)
62. We conclude that Manx Radio's 2018/19 Budget bid showed an astonishing disregard for the constraints which exist at present on all public finances. At a time when every publicly funded body is being expected to find savings, the station requested an increase in its public subvention of 38%. We are not surprised that the Treasury rejected this request. (Interim Report, paragraph 77)

63. We conclude that the Directors of Manx Radio have shown, within their 2018/19 Budget bid, that they are capable of identifying options to live within their means. We acknowledge the Directors' concern that, if these options were to be implemented, there could be a conflict with the station format laid down in the licence issued by the Communications Commission. However, it does not follow, in our view, that these options should be ruled out. Instead a dialogue is needed with the Communications Commission, which can be expected to appreciate the constraints which exist on public expenditure. (Interim Report, paragraph 77)
64. We conclude that Manx Radio's approach to programming has changed little over the past ten years. We consider that opportunities have been missed to show creativity within the station format laid down by the Communications Commission, and to negotiate changes to that format when the licence has been renewed. (Interim Report, paragraph 77)
65. We conclude that, although in principle a public service broadcaster should be operationally independent of Government, the arm's length approach of the Treasury as shareholder of Radio Manx Limited has not worked. A wide disconnect has arisen between the strategic approach of the directors and that of the shareholder. We do not believe it is in the public interest for this to continue. (Interim Report, paragraph 80)
66. We conclude that the disconnect between, on the one hand, the directors of Radio Manx Limited, and on the other, the Treasury as the company's shareholder, has arisen because of a lack of strategic engagement by the Treasury. Symptoms of this lack of engagement include a failure to agree medium- and long-term plans with the directors, and a policy of allowing the directors to appoint their own successors without any substantive input from the shareholder beyond formal approval of appointments at the AGM. (Interim Report, paragraph 80)

#### **Recommendation 5**

**That the public body which owns Radio Manx Limited should play an active role in the strategic direction of the company including engagement with medium- and long-term planning, and recruitment of the directors of the company. If the Treasury does not have time to do this, ownership should be transferred to another body.** (Interim Report, paragraph 80)

67. We conclude that there is a perception that Manx Radio has been placed in an impossible position. The station is obliged, under the terms of a licence issued by the Communications Commission, to deliver a particular station format; at the same time the station is expected to operate on the basis of a public service subvention determined by the Treasury; and yet there appears to be no co-

ordination between the Communications Commission and the Treasury. (Interim Report, paragraph 83)

68. We conclude that this perception is not entirely accurate. The Communications Commission has the ability to vary the station format from time to time, and could do so in such a way as to licence a less costly operation. This option appears to have been discussed by the Communications Commission and Manx Radio, but not to have been taken forward. (Interim Report, paragraph 83)
69. We conclude that the Communications Commission, in fulfilling its role of licencing a public service broadcaster, should not be allowed to disregard financial matters. Experience shows that the Commission's decisions in this area can have a direct impact on public expenditure. The Commission should accept this and should be prepared to co-operate with the Treasury to develop a realistic environment for the public service broadcaster in which available inputs (the subvention) are aligned with expected outputs (the station format). (Interim Report, paragraph 83)
70. We conclude that the level of the subvention together with the station format should be the subject of a four-way agreement between:
- the Treasury (as guardian of public funds)
  - the Communications Commission
  - the Treasury or whichever other public body acts as shareholder of Radio Manx Limited
  - the directors of Radio Manx Limited. (Interim Report, paragraph 83)

#### **Recommendation 6**

**That legislation should be introduced to provide that no public funds may be committed to public service broadcasting, and no broadcasting licence or station format may be issued or amended, in the absence of agreement between the Treasury, the Communications Commission, and the owners and directors of the public service broadcaster.** (Interim Report, paragraph 83)

#### **The efficiency with which public service broadcasting is provided**

71. We conclude that advertising is not being sold by Manx Radio at less than the cost of production. (Second Report, paragraph 15)
72. We conclude that Manx Radio has a greater amount of airtime available to carry advertisements for two reasons:

(a) its policy of broadcasting advertisements 24 hours a day. This we consider to be reasonable and fair competition in the market, as there is nothing to prevent others from doing likewise; and

(b) the high quality public service broadcasting, funded by the taxpayer, which generates a large audience and therefore allows Manx Radio to charge a premium for advertising during peak news slots. This we consider to be an unfair distortion of competition in the marketplace. (Second Report, paragraph 15)

#### **Recommendation 7**

**That Tynwald calls on the Office of Fair Trading to assess whether Manx Radio's ability to supply a greater amount of advertising space is creating unfair competition in the radio advertising market.** (Second Report, paragraph 15)

#### **Recommendation 8**

**That Manx Radio's licence conditions should be altered to provide for a level playing field in terms of its ability to place advertising during times of peak listenership generated by taxpayer-funded programming.** (Second Report, paragraph 15)

73. We conclude that a price of around £1 million to complete the work which has been planned at Broadcasting House seems significant when in the modern era there is no need for bespoke premises. (Second Report, paragraph 20)

#### **Recommendation 9**

**That the Treasury should reassess the long term cost and benefit of Broadcasting House as compared with alternative Government-owned or commercially rented premises.** (Second Report, paragraph 20)

74. We conclude that it is difficult to compare the cost of broadcasting operations between Manx Radio and the other stations in the Island because of the complexity of the broadcasting ecology which has evolved and of the associated legacy funding arrangements. (Second Report, paragraph 23)

#### **Recommendation 10**

**That the Treasury should examine the apparent lack of value for money which Manx Radio is achieving with respect to FM broadcasting infrastructure.** (Second Report, paragraph 23)

### **The Island's relationship with the BBC**

75. We conclude that there remains a significant shortfall between the amount contributed by Manx residents to the BBC through the licence fee, and the amount invested by the BBC in services to Manx residents. The estimate of £1 million per year calculated by our predecessors in 2010 remains credible. Since then the Communications Commission has estimated the shortfall at £700,000 per year and Manx Radio has estimated it at between £896,000 and £1,760,000 per year. (Second Report, paragraph 30)
76. We conclude that the BBC has not ruled out making a financial contribution to public service broadcasting in the Isle of Man. (Second Report, paragraph 38)
77. We conclude that there is considerable scope for the BBC to do more for licence fee payers in the Isle of Man. Now that the question of television licences for those aged 75 and over has been resolved, the Island's Government should have capacity to discuss a wider agenda with the BBC. (Second Report, paragraph 38)
78. We conclude that it is unreasonable for the Manx public to be paying twice for public service broadcasting. (Second Report, paragraph 38)

### **Recommendation 11**

**That the Council of Ministers should pursue negotiations with the UK Government and the BBC aimed at securing one of the following outcomes:**

**(a) as a first preference, an increase in financial support for Radio Manx Limited sufficient to allow the station to provide high quality public service radio broadcasting (and other public service media provision) without the need for cross-subsidy from commercial income and without substantial financial support from the Isle of Man Government; or**

**(b) as a second preference, for the BBC to supply high quality locally produced news and other public service content for broadcast (and for distribution via other media) by Radio Manx Limited, on a scale and to the extent that Radio Manx Limited could thereby fulfil its public service remit without the need for cross-subsidy from commercial income and without significant financial support from the Isle of Man Government; or**

**(c) as a third preference, the establishment of a BBC radio station for the Isle of Man similar to those operating in Jersey and Guernsey, allowing the public service broadcasting obligations of Radio Manx Limited to be dismantled and the associated public financial support to be removed; or**

**(d) as a final fallback option, the release of Isle of Man residents from any obligation to pay the licence fee and at the same time the release of the BBC**

**from any obligation to provide services to the Island on a licence fee basis. This option would keep some £4.8 million per year in the Island and would allow the Island to exercise for the first time true self-determination in relation to public service broadcasting.** (Second Report, paragraph 45)

A J Allinson (Chairman)

T M Crookall

J P Watterson

October 2018

# **WRITTEN EVIDENCE**





**Appendix 1: 28th September 2018 –  
Submission of Manx Radio (response to  
Interim Report)**



**From:** Anthony Pugh [Contact details redacted]  
**Sent:** 28 September 2018 09:40  
**To:** Jonathan King  
**Subject:** Manx Radio feedback to Interim Select Committee report.

Dear Jonathan,

**Re: Manx Radio feedback to Select Committee interim report.**

Please find attached Manx Radio's response to the Select Committee Interim Report on Public Service Broadcasting, highlighting factual errors contained within the report.

The board is also concerned the Committee has not taken the advice of an independent broadcast expert or considered the audience's requirements in determining its recommendations. Instead, it has only taken aural evidence from individuals, each of which has a vested interest in the outcome. As a consequence, we believe many of the conclusions are based on industry misunderstandings, on perception and are not evidence based.

Kind regards,

Anthony Pugh  
Managing Director



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Manx Radio, Broadcasting House, Douglas Head, Douglas, Isle of Man, IM1 5BW

[Contact details redacted]

**manxradio.com**



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Radio Manx Limited. Registered in the Isle of Man No, 1486.

**Manx Radio response highlighting factual errors  
contained in the  
Select Committee interim report on Public Service Broadcasting.**

The Radio Manx Ltd board have now had the opportunity to consider the Select Committee's interim report on Public Service Broadcasting.

For clarity, we have, in this document, limited our observations to what we feel are a number of factual errors.

1. We note the report is titled 'Interim Report of the Select Committee on Public Service Media 2017-18'.

However, on 16<sup>th</sup> January 2018 Tynwald resolved:

*That Tynwald reaffirms its commitment to public service broadcasting and is of the opinion that it should be provided in an efficient manner using a variety of channels; and that a Select Committee of three Members be appointed to review the current licence conditions, delivery model and funding thereof, and connected matters, to take account of technological advances and demographic changes; and report with recommendations by July 2018.*

We note the remit of the Committee has been expanded (note the title of the interim report) without reference to Tynwald.

Furthermore, the term 'media' refers to a broad range of services and includes published media (newspapers, magazines etc) and TV amongst other media which have not been considered by the Committee in the report.

2. Clause 18.

The Select Committee report on Public Service Broadcasting of 2014, (which also included the Myers Report) advocated further financial transparency by Manx Radio within its Annual Report. Clause 61 of the 2014 Select Committee Report specifically says:

*We do believe that Manx Radio should be able to say more clearly which of its activities are funded by commercial income and which by public service subvention.*

The 2018 Select Committee interim report states in Clause 18:

*... an additional £80,000 was transferred from the Department of Home Affairs at Manx Radio's request for maintenance of AM transmitters.*

This is incorrect.

It was the 2014 report that directed Manx Radio to seek the transfer of assets from DHA together with the associated transmission running costs budget. Manx Radio consequently approached Treasury and the DHA to explore the transfer to the company so that the costs

could be included within the Annual Report. It has taken several years for the running costs to be transferred to Manx Radio and the assets themselves are yet to be transferred. Additionally, the figure of £80,000 quoted in the report does not refer solely to the AM transmitter network. It refers to the partial running costs of both the AM and FM networks.

This assertion is also incorrect in the 2018/19 Pink Book and this has already been brought to Treasury's attention.

3. Clause 19.

The Clause states:

*Manx Radio also receives public support in the form of capital costs for the maintenance of its headquarters, Broadcasting House on Douglas Head....*

Manx Radio does not receive public support for the maintenance of Broadcasting House nor is any part of the annual subvention utilised for these purposes. The maintenance is funded solely from the station's commercial revenues.

Manx Radio receives, from time to time, capital support for improvements to Broadcasting House. Each one is subject to a business case approval by Treasury. These funds are used for minor capital works which are amortised over appropriate periods. Were they to be maintenance, they would be charged directly to the P&L in the period in which the works take place.

4. Clause 26,

Clause 26 states:

*At the start of the present inquiry we were aware from our own experience that broadcasting today was taking place within a complex media landscape, in which it was increasingly difficult to say whether any one medium of communication had precedence over any other. The evidence presented to us bears out this perception.*

Timely research is carried out by industry recognised bodies to provide definitive data by which the consumption of various media is measured. This is utilised by various providers to track the effectiveness of their businesses:

- TV – Barb - <https://www.barb.co.uk/>
- Print – Audit Bureau of Circulations - <https://www.abc.org.uk/>
- Radio – Rajar - <https://www.rajar.co.uk/>
- Internet – Google Analytics - <https://marketingplatform.google.com/about/>
- Facebook – Facebook insights - <https://www.facebook.com/business/a/page/page-insights>
- Twitter - Twitter Analytics - <https://analytics.twitter.com/about>

Furthermore, significant analysis on the effectiveness of each media is carried out by various bodies. This is so that clarity can be brought to identify the effectiveness of various media across multiple measures and is there to counter any 'perception' that may exist. The research, carried out over many years, is freely available to provide evidence for the Committee's conclusions. Just two such examples include:

- Ofcom - <https://www.ofcom.org.uk/research-and-data>
- Radiocentre - <https://www.radiocentre.org/re-evaluating-media/>

It is worth restating a point Manx Radio has made to the Select Committee on numerous occasions. Manx Radio has remained in the Top 5 of all British radio stations (as measured by audience Reach) and has done so since it joined Rajar some 15 years ago. No other Isle of Man media provider can claim such audience penetration. What is equally illuminating is that Manx Radio is the only PSB broadcaster to appear in the Top 5 - clearly showing that the station's unique mix of information, education and entertainment remains hugely attractive to our audience.

5. Clause 29

Clause 29 states:

***We conclude that the opportunities afforded by digital technology include new and potentially more accurate ways of measuring audience reach and engagement. The interpretation of data on such measurables as "hits", "impressions" and "views", however, remains a matter of debate, with some claims of success appearing to us spurious. In this fast-moving environment, providers should seek to establish more effective success criteria against which to measure their own performance.***

There are clear definitions, parameters and standards used to measure the use of all popular communication platforms. The information provided via the links noted in 4. above leave little doubt as to which platforms perform well.

6. Clause 41.

Clause 41 states:

*As mentioned previously, in the 2018 Pink Book an additional £80,000 was transferred from the Department of Home Affairs at Manx Radio's expense for maintenance of AM transmitters. This AM network enables Manx Radio to broadcast two channels at the same time. Most of the time Manx Radio AM and FM carry the same programming; however, the AM frequency is used to carry a music programme as an alternative to the morning news and current affairs programme; and for parliamentary proceedings and the TT.*

This perpetuates the error detailed in 2. above. There was no expense involved in the transfer.

The AM network also carries Manx language programming, the Festival of Motorcycling, Pre and Post TT races from Billown, the Southern 100, the Budget analysis programming as well as ad hoc events and programming throughout the year.

7. Clause 48.

Whilst the Committee's report accurately reflects the Treasury's submission to the Committee, the independent JFS Technical Consulting Ltd report of November 2016 (commissioned jointly by the Treasury and Communications Commission) has been miss-quoted. Treasury's submission stated:



*The report suggested that DAB may not be the right vehicle or operating model in the long-term.*

The Conclusions and Recommendations of the consultant's report actually said:

*Should it prove to be uneconomical to maintain the AM masts then DAB/DAB+ is the obvious alternative. I would propose that Manx Radio re-cast their cost estimate as accurately as possible and show any contingency separately. They should take into account Ofcom's small-scale DAB model and use of the Government communications network to feed the sites in order to provide as economical a network as possible.*

The consultant had envisaged a particular cost to maintain the AM masts and his report stated:

*A mast inspection should cost around £3,000 and painting and stay greasing around £50,000.*

However, subsequent to a tender process and more detailed examination of the masts, the scope of work necessary to maintain the masts is significantly greater than originally envisaged. The contractors engaged to carry out the first phase of tower maintenance at Foxdale (step bolt, link plates and stay shackle replacement), were unwilling to progress this work after their survey visit, due to the deteriorating condition of the stays (guys wires). The cost of carrying out this first phase of work, which now includes the replacement of the stays, will be of the order of £60,000. Additionally, the masts will require re-painting within two years at a further cost estimated to be circa £20,000. This puts serious doubts around the validity of maintaining the AM facility and will fail to deliver the cost savings envisaged for Government.

Manx Radio also carried out the suggested re-costing of its DAB case and re-submitted its conclusions to Treasury. Manx Radio's conclusions are detailed in the paper already submitted to the Committee (*March2017 ManxRadio\_JFSConsulting\_FollowUpPaper.pdf*) and shows considerable savings over the life expectancy of the transmission network.

8. Clause 50.

Clause 50 refers to the BBC's evidence given by Mr Ken MacQuarrie. Mr MacQuarrie states (whilst referring to DAB):

*But to build a specific transmitter at the moment, no there is not a plan to do so.*

Mr MacQuarrie, however, fails to state the BBC has already invested in three DAB transmitters for the areas of greatest population in the Isle of Man and that the reception is further enhanced for the population living on the west coast of the Isle of Man with signals from the BBC's Northern Ireland DAB transmitters.

The BBC's DAB service carries 11 BBC radio services.

As a consequence the Committee concludes:

***We conclude that the Treasury was right to respond cautiously, and on the basis of independent expert advice, to Manx Radio's proposals to construct a DAB+ multiplex for the Island.)***



We note that this conclusion fails to take account of the view of the independent consultant, engaged jointly by the Treasury and the Communications Commission, to consider Manx Radio's DAB/DAB+ proposal in November 2016. His report states:

*As a longer-term solution, I foresee that a DAB/DAB+ network will be required.*

9. Clause 52.

Recommendation 2 within this clause states:

**Recommendation 2**

***That the Island's public service media provider should "leapfrog" DAB and move straight from the existing distribution framework, which relies only on FM and AM, to a future framework in which FM sits alongside an Internet Protocol-based infrastructure.***

The same independent consultant engaged to review Manx Radio's DAB/DAB+ proposal details in his introduction the aims of his report. One noted aim was to 'Propose alternative, more cost effective transmission options'.

The consultant did not consider an Internet Protocol-based structure as a realistic alternative option.

The submission provided by Rajar to the Committee indicates the low level of internet listening to radio in the UK. Their research for the Isle of Man also shows that less than 10% of the population listen to radio in this manner.

In July 2018 comparison website Cable published its 2018 Worldwide Broadband Speed league table which showed the Isle of Man had slipped backwards in a new ranking of countries based on internet connectivity from 50<sup>th</sup> position last year to 62<sup>nd</sup> this year. The figures come a few weeks after Chief Minister Howard Quayle announced a national strategy on broadband would be published this autumn - with a target of tripling our average offering by 2020. However, the European Broadcasting Union has identified two key indicators for PSB transmission. They are:

1. It should be free at the point of use
2. Resilient at times of emergency

No Internet Protocol based structure meets these requirements.

10. Clause 56.

Clause 56 states:

***Nevertheless we observe that the other two radio stations have managed to survive on the basis of commercial income alone.***

This observation is not valid as you are comparing the provision of a low-cost 'juke box' operation including a token of community output, against the cost associated in running a full PSB, speech-based, service.





11. Clause 58.

Clause 58 states:

*This suggests that the number of businesses who might be inconvenienced by a cessation of Manx Radio advertising would be less than twenty.*

The evidence provided by Manx Radio has been misunderstood. The evidence was given to provide a context of the number of advertisers who spend at the top end of the scale in the Isle of Man. It does not represent, in anyway, the number of business who utilise Manx Radio for their marketing or might be inconvenienced by a cessation of Manx Radio advertising.

To give you a sense of the number of clients who would be inconvenienced, Manx Radio invoiced 225 active clients in May 2018 alone.

12. Clause 60.

Clause 60 states:

When we put this concern to Manx Radio, Mr Mummery said:

*.... with a 60%-40% predominance of commercial advertising, we are having to take decisions which a public service broadcaster should not really be expected to take.*

***We conclude that there is a risk that over-reliance on commercial income could undermine the ability of a provider to deliver public service media.***

The comment should not be attributed to Mr Mummery but to Mr Pugh.

This statement has also been misunderstood. The statement was made to indicate that programme schedules are determined to provide opportunities for commercial revenues and are not intended to suggest that there is any editorial compromise to the output. Many public service broadcasters worldwide successfully deliver independent editorial content together with commercial opportunities.

13. Clause 66.

Clause 66 states:

***We conclude that Manx Radio's commercial activities distort the market for radio and other advertising in the Island.***

Mr Berry drew the Committee's attention to a business development product which was also referred to by an anonymous contributor in their written evidence. The product has been available for years on a global basis to any radio, news print, TV, outdoor or online service provider. Any of the stations in the Island could have taken the opportunity to secure this licensed product. Manx Radio was innovative in securing the Isle of Man rights and has been able to grow its revenues as a consequence.

This product does not distort the market for radio and other advertising it effectively pre sells the unsold inventory which is a common factor to all media businesses and is frequently a first step into radio advertising for many companies before they progress to more sophisticated

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and tailored advertising or sponsorship products. Additionally, it represents only a part of the station's trading (a bi-annual sales seminar), is unrepresentative of the station's day to day trading position and has only been the subject to the most cursory investigation by the Committee.

14. Clause 72.  
Clause 72 states:

*Radio Manx Limited has been able to report losses year after year without having to provide any explanation or justification of this to the public;*

Manx Radio has not been able to report losses year after year without having to provide any explanation or justification to the public.

Radio Manx Limited reports under the Companies Acts 1931 to 2004 to its shareholder, The Treasury. The annual audited financial statements form part of the company's comprehensive annual report which is laid before Tynwald in October each year and, consequently, it becomes a matter of public record.

We would also wish to point out that additionally, the company's annual accounts are reported each year on Manx Radio, are available on the company's website, available via the Tynwald library and are reported by the Isle of Man Newspapers.

The annual report describes the varied activities of the radio station in detail and includes a Statement of Compliance from its regulator, the Communications Commission. In addition, ongoing contact with The Treasury has been maintained by the regular attendance, over a period of at least ten years, of an officer from The Treasury at Radio Manx Limited's audit committee meetings which are held three times a year and where the company's finances are comprehensively discussed.

15. Clause 76.  
Clause 76 states:

*An additional £80,000 was also provided for maintenance of AM transmitters; this had been transferred from the budget of the Department of Home Affairs at Manx Radio's request.*

The information regarding the additional £80,000 running costs for the transmitter networks is incorrect. (See 2. and 6. above).

16. Clause 77.  
a) Clause 77 states:

***We acknowledge the Directors' concern that, if these options were to be implemented, there could be a conflict with the station format laid down in the licence issued by the Communications Commission. However, it does not follow, in our view, that these options should be ruled out. Instead a dialogue is needed with the Communications Commission, which can be expected to appreciate the constraints which exist on public expenditure.***



The Committee concludes that it is the Director's responsibility to instigate a dialogue with the Communications Commission about the possibility of redefining the parameters of its licence.

It is not for Manx Radio to determine the licence so that we can deliver the required output within a defined budget by changing the licence format on a regular basis. The population of the Isle of Man through their Tynwald representatives should outline the core requirements of the service required, the licence should then be set by the Communications Commission and Treasury should then take steps to fund the station appropriately so that it can deliver the output required under the terms and duration of its licence.

However, the Directors did have exploratory talks with the Communications Commission regarding this matter as evidenced by Mr Pugh during his aural hearing with the Commission. In his answer to Q201 Mr Pugh said:

*We have discussed with the Communications Commission as to whether our 40% station format of speech output is about right and I think I am right, in that the Commission and ourselves strongly believe that that is set at about the right level.*

During our discussion with the Commission the Chairman told us his personal preference was for more music during the afternoon programming and that he was of the opinion the 40% speech quota could be reduced. However, the overwhelming view of the Commission was that the 40% quota was about right for the Island's public service broadcaster.

We note the Chairman of the Communications Commission in his evidence to the Committee, (Clause 83) reiterated his personal view and did not refer to the Commission's view as communicated to Manx Radio.

b) Clause 77 also states:

***We conclude that Manx Radio's approach to programming has changed little over the past ten years. We consider that opportunities have been missed to show creativity within the station format laid down by the Communications Commission, and to negotiate changes to that format when the licence has been renewed.***

This conclusion is not evidence based.

Inspection of the company's annual reports over the period show the regular launch of new programme and digital services, improved interaction between the station and our audience and the development of a multi-platform approach to programme and news delivery. The improvements to our service have been both creative and have utilised new technologies to deliver efficiencies whenever possible.

Our approach is further evidenced as Manx Radio's audience Reach has remained within the Top 5 of all British Radio stations (measured by Radio joint Audience Research) at all times over 15 years.



It is acknowledged that a lack of dialogue between the shareholder and the station has allowed a situation to develop where there is a disconnect between fulfilling our licensed obligations as a PSB and the necessary agreed level of funding.

17. Clause 80.

Clause 80 states:

***Symptoms of this lack of engagement include a failure to agree medium- and long-term plans with the directors, and a policy of allowing the directors to appoint their own successors without any substantive input from the shareholder beyond formal approval of appointments at the AGM.***

***Recommendation 5***

***That the public body which owns Radio Manx Limited should play an active role in the strategic direction of the company including engagement with medium- and long-term planning, and recruitment of the directors of the company. If the Treasury does not have time to do this, ownership should be transferred to another body.***

There is no 'policy of allowing the directors to appoint their own successors' at Manx Radio.

Since the Select Committee Report on PSB in 2014, which encouraged Manx Radio to provide greater transparency, all appointments to the Radio Manx Ltd board (three in total) have been approved by Treasury prior to appointment to the board and not, as stated, by formal approval of appointments at the AGM.

In addition, since 2016, appointments to the board have been openly advertised.

This error has subsequently informed a Committee recommendation.

## Confidentiality

In addition to the factual errors noted above there is one point we would also like to draw to the Committee's attention.

This concerns an extract utilised in the interim report, (in Clause 75), regarding a budget of cuts prepared by the management team so that the company could trade at a surplus.

This extract, taken from Manx Radio's 2018/19 budget submission to Treasury, was passed to the Committee for background information. A specific request was made for it not to be published. For this information to enter into the public domain is unnecessarily unhelpful and damaging, hence the original request for confidentiality.

We hope all the information provided in this letter is useful and hope the errors can be remedied in the final report. If you have any further queries, please don't hesitate to contact the Managing Director.

Yours faithfully,

The Radio Manx Ltd Board



**Appendix 2: 10th October 2018 – Letter  
from Mr W D Mummery, Chairman,  
Manx Radio**



Dr Jonathan King  
Clerk to the Select Committee on Public Service Broadcasting(2018)  
Legislative Buildings  
Finch Road  
Douglas  
IM1 3PW

10 October 2018

Dear Dr King

**Treasury Audit Advisory Division Forensic Accountancy Report**

I write with reference to the report from Treasury Audit and Assurance Division which was reviewed by Manx Radio's board last week.

The board wishes to express its concern with the principle of making a cost comparison of Manx Radio, a licenced public service broadcaster, with commercial radio stations. Manx Radio's evidence to the Committee illustrated at some length the difference between commercial broadcasting and public service broadcasting. We believe it is a broadcasting industry expectation that a public service broadcaster would pay higher wage rates than a commercial broadcaster, generally speaking. The provision of speech and the required greater variety of content is more demanding and more costly to provide.

The cost comparison work on pages 11-20 of the AAD report refers to a comparison with elements of commercial activity of commercial broadcasters (1.27). It is important to appreciate that the programming schedule or station format of a licenced public service broadcaster is first and foremost designed to provide public service broadcasting. Supplementary income earning activities have to fit around these licence requirements. It is only to be expected that such scheduling priorities would have an impact on the public service broadcaster's cost structure and the potential for earning revenue. Additionally, Manx Radio would not utilise the comparison methodology used in the report to assess the effectiveness of its commercial activities.

Yours sincerely

[Signature redacted]

W D Mummery  
Chairman

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**manxradio.com**

Manx Radio • Broadcasting House • Douglas Head • Douglas • Isle of Man • IM1 5BW

[email] reception@manxradio.com

Radio Manx Ltd Directors: WD Mummery Chairman • DA Pugh • JN Marsom • DS Leeming • CR Guard • Mrs S Roberts • CP Eaton  
Registered Number 1486 Isle of Man





**Appendix 3: 29th March 2018 – Letter  
from Clerk of the Committee to Lord Hall  
of Birkenhead, Director General, BBC**



Legislative Buildings  
Douglas  
Isle of Man  
IM1 3PW  
British Isles



*Oikyn Slattyssagh*  
*Doolish*  
*Ellan Vannin*  
IM1 3PW  
*Ny Ellanyn Goaldagh*

Telephone: 01624  
Fax: 01624 685504

**Deputy Clerk of Tynwald**  
*Lhiass Cleragh Tinvaal*  
Jonathan King

*Chellvane:* 01624  
*Facs:* 01624 685504

Thursday 29<sup>th</sup> March 2018

Lord Hall of Birkenhead  
Director General  
British Broadcasting Corporation  
Broadcasting House  
London  
W1A 1AA

Dear Lord Hall

Tynwald, the legislature of the Isle of Man, has established a Select Committee to review the current licence conditions, delivery model and funding of public service broadcasting in the Island, and connected matters, to take account of technological advances and demographic changes; and report with recommendations by July 2018. The Members of the Select Committee are Dr Alex Allinson MHK (chair), the Hon Juan Watterson SHK and Mr Tim Crookall MLC.

The Select Committee has already received a submission dated 20<sup>th</sup> February 2018 from Laura Ellis, Head of Digital, BBC English Regions, for which it is grateful. It also has studied evidence provided by the BBC to two previous Tynwald Committees, published within the June 2011 Report of the Select Committee on the Television Licence Fee (PP 108/11) and the February 2014 Report of the Select Committee on Public Service Broadcasting (PP 2014/0029).

The Select Committee has identified a series of further questions and would be most grateful if you would now please supply answers to these, if possible by Wednesday 25<sup>th</sup> April 2018. The Select Committee will assume that your response may be published unless otherwise stated. If there is any part of your response which you would not wish the Select Committee to publish, please would you indicate this clearly and explain why.

The Select Committee would also like to invite you to nominate a panel of up to five representatives of the BBC to give oral evidence in public covering the range of issues identified in the questions below. The most suitable time from the Select Committee's point of view would be the afternoon of Thursday 3<sup>rd</sup> May 2018. The meeting would be held in Douglas.

The Select Committee's specific questions are as follows.

### **Licence fee payers in the Isle of Man**

1. In a letter dated 26<sup>th</sup> January 2010, the former Deputy Director General, Mark Byford, advised our predecessors that licence fee income from the Isle of Man was estimated at £4.5 million. Please would you provide an updated estimate, explaining how it has been calculated.
2. How many subscribers are there to BBC iPlayer in the Isle of Man?
3. Is the Isle of Man represented on the BBC Audience Council?

### **Expenditure by the BBC in the Isle of Man**

4. In a letter dated 14<sup>th</sup> May 2010, Mr Wilf White advised our predecessors of the following estimated per capita service costs based on the BBC Annual Report published in 2009:

Wales	£73.10
Northern Ireland	£61.80
Scotland	£58.00
England	£53.60
Isle of Man	£53.20

Please could you update these figures, explaining how the updated figures have been calculated.

5. In his January 2010 letter Mr Byford provided an estimate of the total value of services delivered to the Isle of Man of £4.283 million. Please could you provide an updated estimate, explaining how it has been calculated.

6. Mr Byford also provided the following assessment for average per capita local (as opposed to regional) spend defined as radio and online services:

England and the Crown Dependencies	£2.00
Isle of Man	£2.35

When television services were taken into account the estimates for all regional and local services rose to:

England and the Crown Dependencies	£3.75
Isle of Man	£4.00

Please could you update these figures, , explaining how any new estimates have been calculated, and also say whether it remains the position that the equivalent figures for the Channel Islands are up to five times that amount.

7. How much does the BBC spend on its radio stations for, respectively, Scotland, Wales, Northern Ireland, Jersey and Guernsey; and how much is each of these on a per capita basis?

8. In oral evidence on 24<sup>th</sup> March 2010 Ms Laura Ellis gave an estimate of between £100,000 and £200,000 for "purely local provision". Please can you update this figure, explaining how it

has been calculated, and also explain how it can be reconciled with the figures for local spend given in answer to Question 4 above.

9. What fee does the BBC now pay to the Isle of Man Post Office to collect the licence fee?

**Other points**

10. How is S4C funded at present and what plans are there for its funding in the future? Would the BBC be prepared to make a financial contribution to Manx Radio by analogy with the S4C funding arrangements?

11. What arrangements exist today to allow people in the Republic of Ireland to receive BBC services?

12. If Manx Radio ceased to exist, would the BBC feel obliged to offer a local radio service in its place and what form would this be likely to take?

Many thanks.

Yours sincerely

[Signature redacted]

Jonathan King  
Deputy Clerk of Tynwald



**Appendix 4: 3rd May 2018 – Letter from  
Mr K MacQuarrie, Director of Nations  
and Regions, BBC**





## **BBC** Nations and Regions

Mr Jonathan King  
Legislative Buildings  
Douglas  
Isle of Man  
IM13PW

3 May 2018

Dear Mr King,

Many thanks for your letter to Tony Hall, dated 29th March, explaining that Tynwald had established a Select Committee to review the current licence conditions, delivery model and funding of public service broadcasting on the island. As the BBC's Director of Nations and Regions I am replying on behalf of the Director-General and please let me apologise for the slight delay in getting these responses to you.

As ever, we are supportive of any discussions that might take place about how best to serve the island's licence fee payers and we're keen to assist in any way we can. I was delighted, for example, to see that we were able to recently announce agreement between the Isle of Man Government and the BBC regarding the funding of television licences for people aged 75 and over. Under the terms of the new arrangement, the BBC will issue TV licences to eligible pensioners free of charge and contribute to the cost on a phased basis, with a commitment to meeting the full amount from 2020-2021. This is the final step in ensuring that the age-related concession is now available in the Isle of Man on the same basis as the UK.

The below provides further detail and answers to your specific questions, grouped in the areas set out in your letter. As you know from discussions with officials here, a response to your question 6 is not included below. This is due to the fact that we no longer have access to the methodology that was used to produce the figures quoted to you in 2010. As such, further analysis is required to produce data that can provide the best possible analysis of the current position, and which can be compared with the figures previously quoted from 2009. We will provide an update on this question to you as soon as possible.

### **Licence fee payers in the Isle of Man**

**Question 1:** As we said in our submission to you of 2010, for the purposes of administering the TV licence system, there is no reason for licence fee income to be recorded by geographic area so the BBC does not hold this figure. However, we have estimated income on the same basis as we did in 2010 by applying the proportion of licensed premises in the Isle of Man to the total licence fee income. At the end of 2016/17 there were an estimated 33k licences in force in the Isle of Man. As such, the updated estimate for licence fee income from the island in the financial year 16/17 is £4.8m. Please note that we do not have audited figures for FY 17/18 as yet.

The income calculated in this way is only an estimate because, where a premises has more than one licence, it is only counted as one. In addition, by taking the volume of licences in force and applying it to total licence fee income we do not take into account that a proportion of people may have a concessionary licence or may not pay the full amount for a licence because, for example, they drop out of a payment scheme before the licence is fully paid. We therefore request that this figure is made public only if the basis of estimation is included with any release.

**Question 2:** We have around 7.5k signed in weekly users of BBC iPlayer in the Isle of Man (this figure relates to signed-in users with accounts that have an Isle of Man postcode).

**Question 3:** The Audience Council structure has changed in recent years and there are now no formal councils based in, or representing the Nations and Regions. The councils were run by the BBC Trust which is no longer in existence under the new Charter and Agreement, put in place by the UK Government. The new BBC Board is currently finalising how it engages more widely with audiences and a structure enabling dialogue with licence fee payers across the nations and regions will be central to this. We would very much welcome your view on how Isle of Man audiences might engage in this process.

### **Expenditure by the BBC in the Isle of Man**

**Question 4:** The proportionate spend in each of the Nations has not changed significantly since the figures you refer to in your letter were compiled although, as you may be aware, some additional investments are about to be made in Scotland, Wales and Northern Ireland.

You should however be aware that, with respect to the questions in this section, we have had to change our methodology slightly due to the availability of updated data on population levels and BBC spend. We have taken your questions to refer to the totality of BBC spend in each of the specified areas, and have adjusted the calculations accordingly to remove specific areas of spend that are not available in those areas.



As such, and for ease of reference, in each of the tables below we have stated three different figures: the current position, the 2009 position as reported to you in January 2010, and the 2009 position adjusted for the updated data we are using. The assumptions and sources have been updated as follows:

- Up to date population data has been taken from [www.worldometers.info](http://www.worldometers.info). Data here is available for 2017, 2010 and 2005. A comparative 2009 population figure is therefore taken as a proportion between the 2010 and 2005 results.
- Costs are taken from note B3 of the BBC's Annual Report and Accounts 2016/17<sup>1</sup>, representing total spend of £4,098.8m, less total spend on the local services adjusted to include relevant local services for each Region/Nation as below:

	BBC Alba	BBC Local Radio	BBC Radio Scotland	BBC Radio nan Gaidheal	BBC Radio Wales	BBC Radio Cymru	BBC Radio Ulster/Foyle	S4C
Wales					✓	✓		✓
Northern Ireland							✓	
Scotland	✓		✓	✓				
England		✓						
Isle of Man								

The calculations we have made, based on the above assumptions, lead to the results below. These show a current per capita spend of £57.49 in the Isle of Man, compared to a figure of £53.20 as reported to you in 2010.

	Costs £'000	Population '000	Per Capita £	2009 equiv £	Orig Report £
Wales	3,879,200	66,182	58.61	51.07	73.10
Northern Ireland	3,829,100	66,182	57.86	50.34	58.00
Scotland	3,848,400	66,182	58.15	50.72	61.80
England	3,955,600	66,182	59.77	52.17	53.60
Isle of Man	3,804,500	66,182	57.49	50.05	53.20

**Question 5:** Using the per capita data set out above (and continuing to use the population assumptions as described) the total value of services in Isle of Man has increased as follows:

	Population	Per Capita	Cost (£'000)
2017	84,287	57.49	4,845
2009 adj	79,281	50.05	3,968
2009 orig	80,500	53.20	4,283

**Question 7:** The spend figures for our radio stations in the areas requested are set out below, including on a per capita basis, using population data for the respective Nations from [www.ukpopulation.org](http://www.ukpopulation.org) and Wikipedia for Jersey and Guernsey.

<sup>1</sup> Available online at: <https://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc-annualreport-201617.pdf>

	Cost £m	Population '000	Per Capita £
Scotland	35.7	5,430	6.57
Wales	39.0	3,170	12.30
Northern Ireland	24.6	1,877	13.11
Jersey	2.6	100	25.71
Guernsey	2.0	63	32.20

Source and assumptions:

- Spend for Scotland, Wales and Northern Ireland have been extracted from note B3 in the BBC's Annual Report & Accounts 2016/17, representing total service spend for their local services as detailed within the table in point 4.
- Jersey and Guernsey are not reported separately within the ARA but incorporated within the BBC Local Radio service. Cost of Transmission numbers of £1.7m and £1.3m respectively were therefore obtained and compared to the English Regions total cost of transmission of £99.5m. They were therefore grossed up on a proportionate basis to represent their share of the total BBC Local Radio service spend (£151.1m).

As you will be aware, our investment in the Channel Islands comprises two radio stations and a television opt out alongside a digital team.

**Question 8:** The amount spent on island has risen slightly through various cost inflations and investment in new cameras, phones and editing kit. It stands at just under £200k and covers three members of staff, our contribution to Manx Radio for their accommodation and connectivity and our investment in Manx Radio's Manx language programme. It does not cover training activity, management costs of staff based off island or expenses for those travelling to and from the island. These are met out of the BBC Academy budget and English Regions budgets as appropriate.

**Question 9:** The IoM Post Office has told us that they consider the contract fees paid by the BBC to collect the licence fee to be commercially confidential and has requested that we do not disclose them. They have confirmed they are content to disclose the value of licence fees collected by them which, for 2017/18, was just over £1m.

#### **Other points**

**Question 10:** With regards to S4C funding, as part of the 2015 licence fee settlement between the UK Government and the BBC and the subsequent 2017 Charter and Agreement - in each financial year from 2017/2018 to 2021/2022 the BBC is required to pay £74.5m to S4C, with any additional S4C funding coming from grant-in-aid (via DCMS) or commercial income. You will be aware that this position is currently under review, through the report on S4C provided recently to the DCMS by their reviewer Euryng Ogwen Williams.



As far as I am aware, there have never been any detailed discussions about the BBC providing funding for Manx Radio, either supplementary to or in place of its Manx Government subvention. There would be a number of issues to consider, including the island's commercial competition and questions around Grant in Aid funding.

On the same basis, under your **question 12**, any consideration to provide enhanced services in the event of Manx Radio ceasing to exist would have been taken carefully with the full benefit of a market impact assessment and other considerations. Given the early establishment of Manx Radio as one of the first commercial radio services, there was little appetite for us to establish a service on the island at the time the Channel Island stations were opened in the early eighties and this has inevitably led to the Crown Dependencies operating in significantly different media markets.

**Question 11:** On the Republic of Ireland question, I can confirm that BBC One NI and BBC Two NI are available on the Irish EPG, though iPlayer is not available in the region. There is complementary access to services north and south of the border as a result of the Good Friday Agreement, so viewers in Northern Ireland can get RTE 1 and 2 and TG4 on Freeview, Sky and Virgin but those broadcasters are not allowed to broadcast those channels into the rest of the UK.

I hope the above answers will provide you with the detail you require. I should also stress that, as you will be aware from previous correspondence with Laura Ellis, we have maintained a close relationship with the island's media over the years. As I write, a reporter from 3Radio is preparing to join the BBC's journalism foundation and eight members of Manx Radio's team have been or are due to be hosted in recent weeks at the BBC in Salford.

Please be assured it is our aim to ensure that Manx licence fee payers receive the best possible value for money from the BBC and we are always open to suggestions as to how our offering could be improved. I would be very happy to attend a session of the Committee to give evidence and my office will be in touch to find a time that works for all. Once a date has been arranged, I will confirm other BBC attendees. Please let us know the timing and format of sessions so we can prepare accordingly, and any areas where you would like further information.

Yours sincerely,

[Signature redacted]

Ken MacQuarrie  
Director, Nations and Regions



**Appendix 5: 13th September 2018 –  
Letter from Mr K MacQuarrie, Director of  
Nations and Regions, BBC**





## **BBC** Nations and Regions

Dr Alex Allinson MHK  
House of Keys  
Legislative Buildings  
Douglas  
Isle of Man  
IM1 3PW

13 September 2018

Dear Dr Allinson

When I gave evidence to your Public Service Broadcasting Select Committee in May we discussed a number of issues that were under consideration by the committee. We agreed the value of maintaining an on-going dialogue so that these issues can be properly considered and addressed.

Since our meeting I have appointed Helen Thomas as Director, BBC England. This is a new role in the BBC and Helen is now responsible for the BBC's regional and local offer in England and our offer in the crown dependencies of the Isle of Man, Jersey and Guernsey. She is a member of the BBC Nations & Regions Board which I chair and will bring focus and vigour to the role. As she starts her new role, I have tasked her to make the issues you raised a priority. I've also asked her to visit the Isle of Man in the near future. I know she is keen to engage with Members of Tynwald and I've asked her to report back to me regularly.

You may also be aware that Laura Ellis has been working with the BBC's Head of the North West Region on some of the ideas that came forward at our evidence session, such as ensuring that some key editorial decisions are now taken on the Isle of Man. Laura also visited the Isle of Man last month to discuss a number of ideas with Anthony Pugh, Bill Mummery and Ron Berry and I hope this will lead to some positive outcomes around how the BBC can support new broadcasting talent there.

I know we are all keen to ensure that the public service media needs of residents of the Isle of Man are properly understood and appropriately met, and I look forward to our continuing dialogue.

Yours sincerely,

[Signature redacted]

Ken MacQuarrie  
Director, Nations & Regions



**Appendix 6: 18th September 2018 –  
Letter from Rt Hon Jeremy Wright MP,  
Secretary of State, Department for  
Digital, Culture, Media and Sport**





Department for  
Digital, Culture,  
Media & Sport

Rt Hon Jeremy Wright MP  
Secretary of State for Digital, Culture,  
Media and Sport  
4th Floor  
100 Parliament Street  
London SW1A 2BQ

[www.gov.uk/dcms](http://www.gov.uk/dcms)  
[enquiries@culture.gov.uk](mailto:enquiries@culture.gov.uk)

Dr Alex Allinson MHK  
Member of the House of Keys for Ramsey  
House of Keys  
Legislative Buildings  
Douglas  
Isle of Man  
IM1 3PW

Our ref: TO2018/12933/DC  
Your ref: AA/sb

*JBW* September 2018

*Dear Dr. Allinson,*

#### **BBC licence fee**

Thank you for your letter of 26 July in relation to the Tynwald Select Committee review of public service broadcasting on the Isle of Man. Please accept my apologies for the delayed response.

In the Communications (Isle of Man) Order 2003, sections 361-366 and 368 of the Communications Act were extended to the Isle of Man, with some minor modifications. This has the effect of applying the entire television licensing regime to the Isle of Man which includes requiring that Isle of Man residents must pay the licence fee.

The Isle of Man Government can request that this Order in Council be revoked. However the Tynwald Select Committee should be aware there are wider issues which would need to be considered in taking forward this request.

Firstly I should be clear that the licence fee is payment for a licence to watch or receive television programmes. It is not a fee or charge for BBC services and is payable regardless of whether the licence holder ever watches the BBC. I also note that licence fee revenue is not just used to fund the BBC, it is also used for other strategic public service objectives including local television and S4C.

I note the Committee's intention is to release the BBC from any obligation to provide services on the Isle of Man. However, as a licence is required for the installation and use of a television receiver (which is necessary to watch television content), removing obligations to pay the licence fee would consequently mean that the provision of all other (non-BBC) television content on the Isle of Man would be free of charge for residents, which is not currently the case. Clearly a situation where Isle of Man residents are able to watch or receive (non-BBC) television content without having to pay the licence fee (which everyone else pays) would set an unwelcome precedent. These issues are something we would need to carefully consider in taking forward a request to revoke the Order in Council.

You should also be aware that taking forward a request to revoke the relevant Order in Council would be a relatively lengthy process. Revoking Orders in Council requires Privy Council approval. The Privy Council meets monthly with agendas set well in advance, so it is unlikely the Council would be able to consider revocation until next year.

Alongside this, revoking the Order and removing the BBC's obligation to provide services on the Isle of Man would require amending the BBC Charter and Framework Agreement. This is because the BBC's duties set out in the Charter currently include the Isle of Man. Amending the Charter would mean the BBC would no longer be required to consider the needs of the Isle of Man as part of its mission and public purposes. As you will know, the Charter is very seldom reopened once it is sealed, and amending the Charter to remove the BBC's obligations in the Isle of Man is a significant undertaking. This will certainly raise substantial parliamentary and public debate and would also include a lengthy Privy Council approval process.

I hope the Committee finds this information helpful as part of its deliberations, and my officials would be happy to discuss further.

I am copying this letter to the Secretary of State for Justice, the Chief Minister of the Isle of Man, the BBC Director-General and the CEO of Ofcom.

[Signature redacted]

**Rt Hon Jeremy Wright MP**  
Secretary of State for Digital, Culture, Media and Sport

**Appendix 7: 10th October 2018 – Email  
from Ms A Forbes, Head of BBC and S4C  
Sponsorship, Department for Digital,  
Culture, Media and Sport**





**Archived:** 24 October 2018 16:58:42

**From:** [Amy Forbes]

**Sent:** 10 October 2018 13:55:33

**To:** [Jonathan King]

**Cc:** [Andy Cooke]

**Subject:** Re: FW: BBC Licence Fee: strategic public service objectives

**Importance:** Normal

---

Hi Jonathan,

Here's more detail below on the areas you requested.

Thanks,

Amy

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### **Local television**

In the 2010 licence fee settlement, the BBC agreed to provide from the licence fee up to £25m to build the transmission network to support new local television services and up to £5m per year over 3 years to enable local television stations to access content funding from the BBC. The local television transmission network programme was completed in July 2017. The network is operated by Comux and supports 34 local television services detailed [here](#)\*. The BBC local content fund will end in March 2020.

This is set out in clause 43 of the BBC Framework Agreement.

\*<https://www.ofcom.org.uk/manage-your-licence/tv-broadcast-licences/current-licensees/local-tv>

### **S4C**

S4C currently receives £74.5m each year from the licence fee. This level is specified in clause 39 of the BBC Framework Agreement and fixed until 2021/22.

### **Other strategic public service objectives**

Decisions about the use of the licence fee are part of funding negotiations between the UK government and the BBC. Alongside local television and S4C, the licence fee is also used to fund broadband rollout and use. This was first agreed in the 2010 licence fee settlement and the current arrangement is set out in clause 48 of the BBC Framework Agreement.

Licence fee revenue will also be used to pilot a contestable public service content fund. The fund will provide up to £60m of funding over 2-3 years for organisations to create public service broadcasting content for underserved programme genres. This was set out in the BBC White Paper in May 2016. Funding for the pilot was made available from unspent funds from the 2010 licence fee settlement, following agreement between the BBC and the UK government.

**Amy Forbes**  
Head of BBC & S4C Sponsorship  
Media Team

Department for Digital, Culture, Media and Sport, 100 Parliament Street, London SW1A 2BQ  
[Contact details redacted]

On Thu, 4 Oct 2018 at 08:38, Jonathan King

wrote:

Dear Amy

The Tynwald Select Committee was grateful to the Secretary of State for the attached letter dated 18<sup>th</sup> September 2018.

The Secretary of State says in the letter: "licence fee revenue is not just used to fund the BBC, it is also used for other strategic public service objectives including local television and S4C". The Committee would be grateful if you could provide more detail on this, please. It would like to know:

- how much licence fee revenue is used to fund local television, and which localities are served by this?
- how much licence fee revenue is used to fund S4C?
- what strategic public services other than local television and S4C are funded using licence fee revenue, by whom is this decided and where is this use of licence fee revenue publicly reported?

If an answer were possible by Wednesday 10 October that would be very much appreciated. It is likely that the Committee will wish to publish your response as part of its next report to Tynwald.

With all best wishes

Jonathan

Jonathan King

Deputy Clerk of Tynwald and Clerk of the Legislative Council

Legislative Buildings, Douglas, Isle of Man IM1 3PW

**Appendix 8: 9th October 2018 – Audit  
Advisory Division Report: Tynwald Select  
Committee – Public Service Broadcasting**



# **The Treasury**

## **Audit Advisory Division**

### **TYNWALD SELECT COMMITTEE – PUBLIC SERVICE BROADCASTING**

**9<sup>th</sup> October 2018**

*Prepared By:*

*M. Dykes ACMA, Dip IoD.*

*Financial Programme Manager & Forensic Accountant.*

*Assisted By:*

*S. Hind FCCA.*

*Director Audit Advisory Division.*



**Isle of Man**  
**Government**  
*Reiltys Ellan Vannin*

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**ASSIGNMENT CONTROL:**

<b>Report issued:</b> 9 October 2018	<b>Service:</b>	Mrs M Dykes, Financial Programme Manager & Forensic Accountant, Audit Advisory Division, Treasury.  Mr S Hind, Director, Audit Advisory Division, Treasury.	<b>Final Report</b>
	<b>Distribution:</b>	Tynwald Select Committee re. Public Service Broadcasting.	<b>Final Report</b>

## BACKGROUND, TERMS OF REFERENCE & CONFIDENTIALITY

### Introduction:

- 1.1 A Tynwald Select Committee (TSC) with responsibility for reviewing Public Service Broadcasting approached the Audit Advisory Division (AAD) Treasury, seeking assistance with the performance of financial analysis, to aid them in the furtherance of certain aspects of their inquiry, such financial analysis to be undertaken under the supervision of the committee:

<b>Committee Members:</b>
Dr AJ Allinson MHK (Ramsey)
The Hon. JP Watterson SHK (Rushen)
Mr TM Crookall MLC

- 1.2 The Audit Advisory Accountancy Service (AAAS) is currently provided by Mrs M Dykes (a Member of the Chartered Institute of Management Accountants), supported by Mr S Hind (a Fellow of the Association of Chartered Certified Accountants).
- 1.3 A delegation of authority was agreed by the TSC and Mr S Hind, Director of Audit Advisory Division, detailing the scope of works, the authorisation to AAD to access information on behalf of the TSC and the requirement for absolute confidentiality concerning all aspects of assistance provided.
- 1.4 It was agreed that the AAAS will support the TSC by the provision of financial analysis following the examination of four areas:

Whether Manx Radio (MR) has been advertising sales at potentially less than cost;
The cost effectiveness of Manx Radio's premises and whether Broadcasting House is the best option going forward;
The cost of Manx Radio's broadcasting operations (especially around AM & FM);
Wage comparability.

1.5 The following information has been provided to the AAD by the Select Committee;

1	One Memory Stick containing files submitted to the TSC Committee by Manx Radio (detailed in Appendix 1).
2	One document folder containing the Annual Report and Unaudited Financial Statements of 3FM Limited a commercial radio station for the three years 2015, 2016 & 2017.
3	Selection of financial statements from small commercial radio stations in the UK.

### **Confidentiality of commercially sensitive information:**

- 1.6 Manx Radio (MR) senior management have been fully co-operative in the facilitation of the review, and made available for review a wide range of detailed financial information.
- 1.7 AAD agreed to a request by Manx Radio senior management, to guarantee that all information provided for the purposes of this review, will be held in confidence by AAD and returned to Manx Radio on completion. The request arises from concerns that commercially sensitive information may end up in the public domain as a result of this exercise.
- 1.8 In addition to this, AAD has provided a final draft of the MR information contained in the report to MR senior management, for comment, prior to submission to the TSC in order for them to confirm that the proposed presentation did not divulge commercially sensitive information. MR senior management had been advised that they couldn't influence the content or the context of the disclosure, however they could request alternative means of displaying/ communicating commercially sensitive facts as found.
- 1.9 3FM Limited senior management have also been fully co-operative in the provision of additional information as requested under this review. They have also been assured that commercially sensitive information will not be publicly disclosed and were presented with relevant extracts of the report prior to submission to the TSC and agreed with the proposed presentation of facts as found and relevant to them.

### **Clarification of the Terms of Reference:**

- 1.10 The Hon. Juan Watterson SHK has clarified various elements of the terms of reference, together with providing an overarching statement that effectiveness and efficiency are the key principles under review.

## **Business models and assumptions:**

### **Communications Commission:**

- 1.11 Under the Broadcasting Act 1993, the Communications Commission licenses and regulates the content of programme services provided from places in the Isle of Man.
- 1.12 All local broadcasters must comply with the Communication Commissions Code of Practice on programme content and advertising and sponsorship. Programme output is monitored off air and from recordings, which all broadcasters must keep for 42 days. The Commission considers and investigates complaints.
- 1.13 At the outset of each 10 year licence term, the Communications Commission sets out the Station Format which prescribes the stations output.
- 1.14 There are three indigenous FM radio stations on the Isle of Man: two fully commercial stations and the national public service radio station Manx Radio which broadcasts on both AM and FM.

### **Difference between the public service broadcaster and commercial radio stations:**

- 1.15 It must be stated at the outset that commercial radio and public service broadcasting are two very different things. They serve different purposes and operate on different models. They cannot be directly compared in their entirety as to do so would not be comparing like with like.

### **Funding, purpose and format of public service broadcaster v's commercial radio stations:**

#### ***Funding:***

- 1.16 Manx Radio is revenue funded partly by commercial means, advertising and engineering sales and partly through an annual Government subvention.
- 1.17 Commercial radio broadcasting is the broadcasting of radio programming by privately owned corporate entities. Revenue is derived from commercial means, primarily the sale of advertising.

#### ***Purpose:***

- 1.18 Manx Radio's purpose as a public sector broadcaster has been defined in various reports over the years as to provide information, education and entertainment for the whole community. It is required to provide impartial and independent, balanced reporting through its coverage of events, news and current affairs.
- 1.19 The purpose of PSB has traditionally been broadly defined as to inform, educate and entertain around the core principles of availability, inclusivity and distance from vested interests. Whilst the PSB receives public funding it operates independently.
- 1.20 The existence of commercial radio stations provides an environment that ensures maximum choice for listeners. The Darwin report (2002) indicated this as being of positive benefit to the Island. The purpose of commercial radio stations is to

predominately serve as special interest/ music led local radio stations, aimed at specific target audiences and not the whole community.

***Manx Radio format:***

- 1.21 As PSB, Manx Radio's output format is required to include a minimum of 40% speech content within peak pre-defined times. They provide coverage of locally gathered news, current affairs and weather, sport, community and events, and specialist PSB elements including religion.
- 1.22 Manx Radio operates 24 hours per day, 365 days per year with an automated schedule for 30% of the time.
- 1.23 Manx Radio air advertisements 24 hours per day.

***Commercial radio station format:***

- 1.24 Commercial radio output format includes significantly less speech content than the public service broadcaster together with shorter form news bulletins, weather, coastal reports, traffic and travel and local information reporting essential to the daily needs of listeners.
- 1.25 Commercial radio does not attempt to duplicate Manx Radio's long form speech programming, lengthy local news reporting or variety of specialist community and music shows.
- 1.26 Commercial radio used in this comparison operates 24 hours per day, 365 days per year with an automated schedule for circa 46% of the time.
- 1.27 Commercial radio used in this comparison does not air advertisements during automated/ down time.

***Benchmarking:***

- 1.28 Part of the criteria of this review was to specifically benchmark certain elements of the PSB with comparable elements of commercial radio stations, such as sales and marketing strategy and staff costs.
- 1.29 Financial aspects of Manx Radio have been restated in order to be benchmarked against non PSB information made available for the purposes of the review.
- 1.30 Limited information can be disclosed under this review due to the commercially sensitive nature of the topics under review.

***Assumptions to try to compare like with like:***

- 1.31 Public Service Broadcasting and commercial radio stations have been demonstrated to operate on different business models. The approach to this analysis therefore required a set of assumptions regarding the definition of Public Service Broadcasting, in order to try to create a like for like comparison.

**Speech content: 60%: 40%**

1.32 Public service broadcasting output ratio is required to be a minimum of 40% speech content within peak pre-defined times. This is in direct contrast to the input ratio, it is widely accepted that the cost of production of speech content is significantly higher than non-speech content.

1.33 This ratio is not deemed to be an appropriate or informative basis of comparison.

**Comparison basis – Automated v's live broadcasting time and cost ratios:**

1.34 Manx Radio have an automated v's live content time ratio of 30%:70% on the basis that Manx Radio offers automated, pre-recorded output for 30% of the time.

1.35 Manx Radio estimate the cost ratio for production and transmission of automated content v's live output to be close to 5%:95%.

1.36 3FM Limited estimate the cost ratio for the production and transmission of overnight automated content v's live output to be in the region of 30%: 70%, which just happens to be Manx Radios own assessment of their time output.

1.37 For completeness commercial radio has an automated v's live content ratio of circa 46%:54% on the basis that they offer automated, pre-recorded output for 46% of the time, however this scenario is not relevant to the below model.

1.38 Comparison of a range of ratios within these bands has been deemed to be an appropriate/ informative approach, to certain financial elements under review.

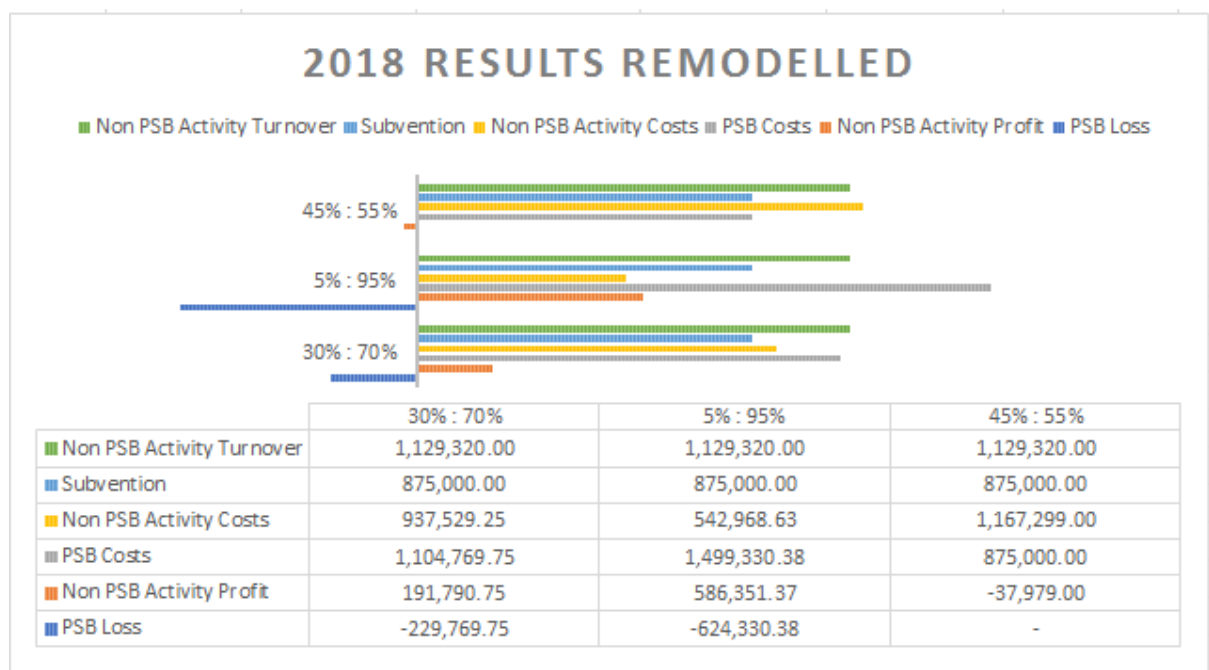
## WHETHER MANX RADIO HAS BEEN ADVERTISING SALES AT POTENTIALLY LESS THAN COST?

### Contribution analysis:

2.1 Based on the assumptions as stated, Manx Radio's audited results for the year ended March 2018 have been reanalysed under various models which demonstrate that non PSB activities/ operations within Manx Radio are self-sufficient.

### Summary of findings:

2.2 It has been demonstrated that Manx Radio has not been selling advertising at potentially less than cost.



### Basis 1 – 3FM's assessment of the cost of automated v's live broadcasting/ 30 %: 70%:

2.3 Allocating operating costs on the basis of 3FM's assessment of the cost of overnight automated broadcasting v's live broadcasting and which happens to be the same as Manx Radio's assessment of it's automated v's live broadcasting time.

#### Turnover:

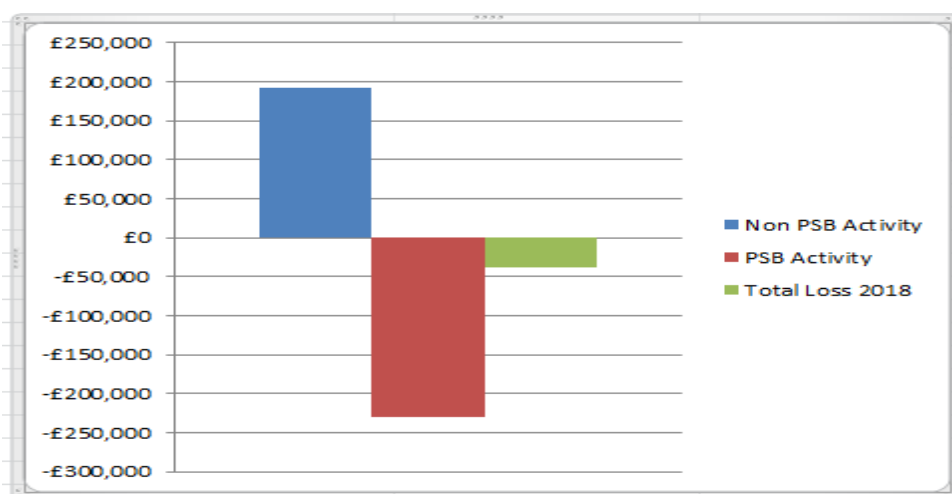
2.4 Turnover is stated as generated.

#### Cost apportionment:

2.5 The basis for apportionment of costs in the scenario deems:

- 2.5.1 the modelled non PSB activity absorbs 100% of the cost of sales associated with generating the actual non PSB revenue and 30% of the remaining operating costs;
- 2.5.2 the modelled PSB activity assumes the remainder, being 70% of total operating costs excluding the cost of sales, which has been allocated to the modelled non PSB activity.

PROFIT & LOSS ACCOUNT REANALYSIS Manx Radio Ratio 1 - 30%: 70%	P&L TOTAL Non PSB Activity	P&L TOTAL PSB Activity	P&L TOTAL 2018 Audited FS
Actual Turnover	1,129,320.00	875,000.00	2,004,320.00
% of turnover	56%	44%	
Reallocated Operating Cost	937,529.25	1,104,769.75	2,042,299.00
Modelled Net Profit/ (Loss)	191,790.75	(229,769.75)	(37,979.00)
Modelled Contribution %	17%	-26%	-2%



### Findings:

2.6 Allocating operating costs by 3FM's assessment of the cost of live broadcasting ratio, which happens to be the same as Manx Radio's % live broadcasting time ratio, demonstrates that in the financial year 2018:

- 2.6.1 Non PSB activity actual revenue of £1.129m or 56% of total revenue, generated a modelled net profit of £192k or a modelled contribution of 17%;
- 2.6.2 PSB activity cost a modelled £230k (26%) more per annum than the subvention paid to Manx Radio.



**Basis 2 – Manx Radio assessment of costs of broadcasting time/ 5%: 95%:**

2.7 Allocating operating costs on the basis of Manx Radio's own assessment of % cost of automated broadcasting v's live broadcasting costs, as being 5%:95%.

**Turnover:**

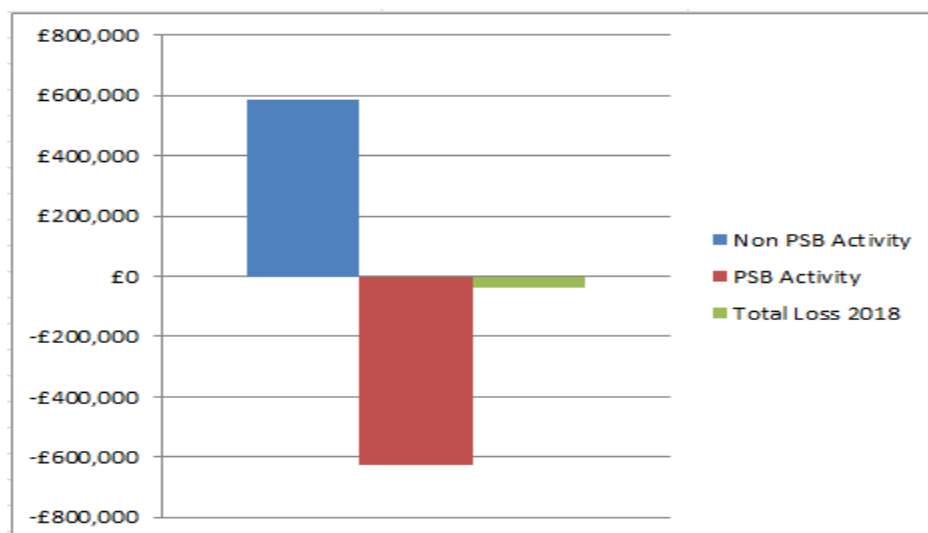
2.7.1 Turnover is stated as generated.

**Cost apportionment:**

2.8 This basis for apportionment of costs in this scenario deems:

- 2.8.1 the modelled non PSB activity absorbs 100% of the cost of sales associated with generating the actual non PSB revenue and 5% of the remaining operating costs;
- 2.8.2 the modelled PSB activity assumes the remainder, being 95% of total operating costs excluding the cost of sales (which has been allocated to the modelled non PSB activity)

PROFIT & LOSS ACCOUNT REANALYSIS Manx Radio Ratio 2 - 5%: 95%	P&L TOTAL Non PSB Activity	P&L TOTAL PSB Activity	P&L TOTAL 2018 Audited FS
Actual Turnover	1,129,320.00	875,000.00	2,004,320.00
% of turnover	56%	44%	
Reallocated Operating Cost	542,968.63	1,499,330.38	2,042,299.00
Modelled Net Profit/ (Loss)	586,351.38	(624,330.38)	(37,979.00)
Modelled Contribution %	52%	-71%	-2%



**Findings:**

2.9 Allocating operating costs on the basis of Manx Radio's own assessment of % cost of automated broadcasting v's live broadcasting costs, as being 5%:95%, demonstrates that in the financial year 2018:

- 2.9.1 Non PSB activity actual revenue of £1.129m or 56% of total revenue, generated a modelled net profit of £586k or a modelled contribution of 52%;
- 2.9.2 PSB activity cost a modelled £624k (71%) more per annum than the subvention paid to Manx Radio.
- 2.9.3 Proof to support this % allocation has not been researched, it is based on an assessment and further work would be required to analyse costs into a correct input ratio, and to verify this ratio, before placing reliance on it as a means of assessing PSB subvention.

**Basis 3 – Breakeven point for PSB under current subvention/ 55%: 45%:**

2.10 Demonstrating the breakeven point of PSB costs and allocating the entire operating loss to commercial operations.

**Turnover:**

2.11 Turnover is stated as generated.

**Cost apportionment:**

2.12 This basis for apportionment of costs in this scenario deems:

2.12.1 the modelled PSB activity costs match the subvention received, being 55% of total operating costs excluding cost of sales.

2.12.2 the modelled non PSB activity absorbs 100% of the cost of sales associated with generating the actual non PSB revenue and the remaining operating costs.

PROFIT & LOSS ACCOUNT REANALYSIS Manx Radio Ratio 4 - 45%: 55%	P&L TOTAL Non PSB Activity	P&L TOTAL PSB Activity	P&L TOTAL 2018 Audited FS
Actual Turnover	1,129,320.00	875,000.00	2,004,320.00
% of turnover	56%	44%	
Reallocated Operating Cost	1,167,299.00	875,000.00	2,042,299.00
Modelled Net Profit/ (Loss)	(37,979.00)	0.00	(37,979.00)
Modelled Contribution %	-3%	0%	-2%

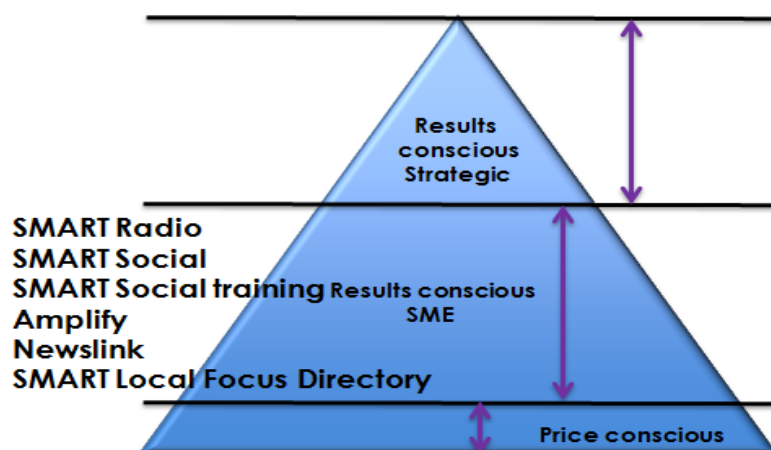
**Summary of findings:**

- 2.13 Manx Radio sales team have generated a positive contribution to the entity.
- 2.14 The actual cost of sales incurred falls significantly below the level which would be required for breakeven point within all scenarios presented.
- 2.15 The figures prove that advertising has not been sold at potentially less than cost.
- 2.16 When compared to 3FM, Manx Radio sales and marketing strategy does not appear to be as efficient at generating income as the commercial radio stations model, however they are two distinctly different models.
- 2.17 Further work would be required to analyse costs into a correct input ratio, and to verify this ratio, before placing reliance on it as a means of assessing PSB subvention. This has not formed part of the current review.

### Additional information: requested in clarifications to ToR:

#### Manx Radio marketing strategy:

- 2.19 Treasury's internal audit report dated June 2012 reported that Manx Radio should revisit its sales and marketing strategy to satisfy itself that its approach is cost effective, and suggested particular focus on considering opportunities to work smarter.
- 2.20 This review has found evidence of continuing development of innovative marketing strategy.
- 2.21 Manx Radio senior management has portrayed a clear pricing strategy and a focused approach to maximising commercial revenue from their target market, whilst balancing their Public Service Broadcaster requirements. They have developed a clearly structured rate card with specific service offerings designed to facilitate all spectrums of the Isle of Man media market. They have devised solutions which maximise multimedia offerings across the market and which minimise redundant time. They offer advertising opportunities 24 hours per day, 365 days per year.



#### In Association programme:

- 2.22 Radio Manx Limited annual report 2017-2018 states 'Manx Radio has continued to provide Island events with marketing support in return for Manx Radio brand recognition. The programme was oversubscribed in 2017/18, however, we managed to support 95% of all applications. These included ISLExpo, Southern Show, Royal Show, Food & Drink Festival, Villa Marine & Gaiety Theatre, Peel Pantaloons, Groudle Glen Railway, Isle of Man Beer Festival, Blues Festival, Dad's Army, Joseph, The Producers as well as many other notable events.

The In Association programme has invested in Island events and activities for the last 12 years and has played a significant role in building the success of these local events. Although the programme does not generate income for the station it keeps Manx Radio at the top of sponsor's minds.'

***Manx Radio's explanation of the In Association programme:***

- 2.23 This programme is standard within public service broadcasting, most PSB and commercial radio stations follow the same model, which adds significant financial value to the community.
- 2.24 Manx Radio branding is placed on event tickets and programmes at zero cost to Manx Radio, typically in return for free air time and a free number of tickets which Manx Radio give away during airtime competitions.
- 2.25 Broadcast costs for outside broadcasting have been reduced in recent years due to 4G technology links, historically a broadcast radio van was required to provide this offering, which is no longer the case, but the outside broadcasting van is still required for particular and complex outside broadcasts.
- 2.26 This programme is allocated a limited amount of airtime, it is usually oversubscribed.
- 2.27 Manx Radio have currently placed this programme on hold due to lack of available air space to fulfil the programme, they estimate their redundant air time to be approximately 5% on a 24 hour operation.
- 2.28 The criteria for inclusion in this programme at Manx Radio was not assessed under the scope of this review.

***Manx Radio website extract:******In Association – be a part of it!***

Do you want to get the best possible coverage of your event through the Nation's most loved radio station?! Manx Radio's In Association programme celebrates all things entertainment on the Isle of Man and aims to help local organisations promote their events through the power of radio, online and social media.

By using the Manx Radio In Association brand you will get these promotional mediums completely free, and all we ask in return is that you display the Manx Radio logo on your posters/flyers/at the event.

Some of the fantastic organisations we've worked with lately include Douglas Borough Council, Ice Skate IOM, Peel Pantaloons, and Groudle Glen Railway to name a few!

If you wish to be considered for the programme for the year 2017, please contact our Sales Director John Marsom on 682611. Manx Radio only takes on a limited amount of companies for our In Association programme so make sure you get in touch quickly to guarantee your spot.

***Commercial radio participation in such programmes:***

- 2.29 Whilst commercial radio undertake this activity, they don't do live outside broadcasts but use technology to link to the studio.
- 2.30 They also explained the use of varying programmes such as Media Partners and Joint Promotions which add significant value to the economy.
- 2.31 Commercial radio tend not to use contra deals but tend to pay for participation and branding whilst earning income from radio time associated with the event.

***Summary of findings:***

2.32 Manx Radio have potentially declined opportunities to earn income from advertising such programmes and competitions but equally ensure that benefit is received for Manx Radio via waived entry fees, free branding and so forth. These are detailed as contra items in their financial statements, the value of which is not significant.

***Community and events programming:***

2.33 Radio Manx Limited annual report 2017-2018 states 'One of Manx Radio's unique strengths is our ability to broadcast from within our community to bring major local events to the widest audience available. One of the great advantages to us is that it also provides an excellent opportunity to meet our audience and to receive direct feedback on our services.

One of the most significant annual cultural events on the island is The Manx Music Festival. As in previous years, our dedicated presenter, Judith Ley, provided twice daily updates from the Villa Marina, as well as a dedicated evening programme featuring recorded highlights of a number of the award winning performances. This level of dedicated coverage has a loyal following and is widely enjoyed by our audience and by the performers alike.

Throughout the year in question, Manx Radio produced a significant number of large outside broadcasts reflecting the wide range of events that takes place within our community. They included:

- The Parish Walk
- Remembrance Sunday
- The Southern Agricultural Show
- IoM Budget Programme
- The Royal Manx Agricultural Show
- Wedding Fair – Empress Hotel
- A number of sponsored Radio Café broadcasts for business around the island
- Etc...'

***Manx Radio's explanation of Community and Events programme:***

2.34 Manx Radio obtain free advertisement for their own brand by attending such events and generally do not have to pay facility fees to attend.

2.35 Where the event is non charitable, non-community such as The Wedding Fair, charges are applied accordingly.

2.36 Proof of charging clients for attendance has been demonstrated.

2.37 The criteria for inclusion in this programme at Manx Radio was not assessed under the scope of this review.

***Commercial radio participation in such programmes:***

2.38 3FM Limited offer significant community and events programming. They offer value for money and quality service to their clients and have numerous Media Partners and charities that regularly work with them such as the Manx Breast Cancer support group.

2.39 Depending on the circumstances, the cost of various elements of a promotion may be borne by different/ various parties and a minimum amount of associated free air time may be given, however in principle they tend not to undertake contra deals.

*Summary of findings:*

2.40 There is little difference between the two entities in their operation of these two programmes.

**Sales salaries & commission analysis:**

2.41 Average sales packages are the same in the PSB as in commercial radio.

2.42 Commission calculations and targets have been submitted which disclose no variation in overall commission %'s payable between commercial radio and the PSB.

## THE COST EFFECTIVENESS OF MANX RADIO'S PREMISES AND WHETHER BROADCASTING HOUSE IS THE BEST OPTION GOING FORWARD?

### Timeline of plans and actions to address the issues:

- 3.1 In 2007 following a Value for Money Committee report into Manx Radio, which recognised infrastructure, operational and technical issues with Broadcasting House, Tynwald supported the VfM Committee recommendation that Manx Radio capital schemes should be included in Government's budgets.
- 3.2 The matter of providing fit for purposes PSB facilities and funding of same has been under debate and consideration in the intervening period.
- 3.3 Appendix 4 provides a timeline from 2007 to the appointment of the current Tynwald Select Committee.

### Options for relocation v's refurbishment have been assessed multiple times:

- 3.4 In 2008 Treasury committed to the redevelopment of Broadcasting House, in the lead up to this, considerable work was undertaken to investigate and cost alternatives to Broadcasting House and a move from Douglas Head.
- 3.5 Options assessed included moving into other Government-owned/ leased properties and new-build on brown-field sites.
- 3.6 Due to the considerable studio, technology and communication costs involved in setting up a new location whilst maintaining mandatory ongoing PSB services, the refurbishment of Broadcasting House was chosen as the lowest cost and most practicable option.

### 2007 - Costing of options as presented in 2007:

- 3.7 These costings as produced in 2007 did not include any allowances for disaster recovery.

Potential Location	Estimated Cost £GBP
High visibility location in Douglas	£4,670,833
Low visibility location	£3,520,833
Another identified low visibility location	£3,945,833
Leasehold premises (Annual rental £144,000)	£1,670,833
Refurbishment of Broadcasting House (to take it to 1,229sq m)	£3,231,750
Hills Meadow government owned property	£3,565,264



Dandara new build at 1,800 sq m	£5,705,000
Dandara new build at 1,287 sq m	£3,742,000

**2008 - Decision to proceed with £3.2m Broadcasting House Capital refurbishment scheme:**

- 3.8 Treasury approved the development of Broadcasting House as the lowest cost and most practicable option.

**2009 - £3.2m funding approved by Tynwald for 2013/14:**

- 3.9 In March 2009 Treasury included £3.2m in the budget for 2013/14 and this was approved by Tynwald.

**2010 – VAT shortfall issues - impact of changing landscape on plans:**

- 3.10 Shortly before the plans were due to go to tender, the Island faced a reduction in income through changes to the VAT sharing agreement.

**2010 – Broadcasting House development project deferred:**

- 3.11 In April 2010 the project was deferred by the Council of Ministers.

**2010 – Treasury provided funding under Minor Capital works programme:**

- 3.12 In 2010 Manx Radio submitted a 10 phase scheme of minor capital development and Treasury agreed to a rolling programme of 'Minor Capital' works (£250k pa) intended to address a number of key issues as identified in the original plan.

**2010 – Works commenced:**

- 3.13 Works commenced in May 2010 and costs incurred to date and estimated to completion are quoted below.

**2014 – Treasury appointed VfM reassessment of options and costings for delivery:**

- 3.14 During a Treasury appointed VfM review in March 2014, the architects were asked to reconsider the plans and to develop a lower cost solution to the refurbishment.
- 3.15 A reduced-cost scheme was developed based around a newly constructed fire exit and includes an extension to add space and recoup office space lost accessing the new fire escape under an earlier scheme of work.
- 3.16 The project team estimated the cost at £942,425 after some professional fees already paid and recommended that to achieve efficiencies, the project should progress as a single scheme over a number of years rather than a programme of minor capital works.

**2010 – 2018 Works undertaken, sunk costs and estimate to completion:**

<b>Scheme</b>	<b>Stage</b>	<b>Details</b>	<b>Sunk Cost £GBP</b>	<b>Estimate to completion £GBP</b>
1	Completed	Generator and UPS replacement	54,729	Nil
2	Completed	Staircase - ground floor; and Fire-escape staircase to the rear of the building	227,629	Nil
		General refurbishment	13,165	Nil
		Professional fees	4,995	Nil
3	Completed	Transmission studio refurbishment; and	303,749	Nil
		Newsroom refurbishment	59,398	Nil
4	Tfr Sch 10			
5	Completed	Replacement of PABX (telephone exchange) to VOIP	45,806	Nil
6	Work in progress	Power distribution; and Electrical systems work	40,489	Nil
7	Completed	Refurbishment of external aspects Broadcasting House	149,759	Nil
8	Outstanding	Disaster recovery facility at Grandstand		180,000
10	Outstanding	Refurbishment & extension of Broadcasting House. Disabled internal access; and Disabled toilets	27,015	969,440
4	Included in Scheme 10	Safe access to the building from the road; and Disabled access		Nil
9	Included in Scheme 10	Provision of additional car parking space		Nil
			<b>£926,734</b>	<b>£1,149,440</b>

**Costings for completion of Broadcasting House:**

3.17 Costings for completion of the extension and refurbishment works at Broadcasting House of £969k are from 2016 and would need to be revised. A breakdown has been provided:

Total Capital Cost of Extension & Refurbishment £969,440 (2016 Pre-Tender Estimates)						
	Paid to Date	Year 0	Year 1	Year 2	Year 3	Total
New extension (including M&E)			468,098	12,002		480,100
Refurbishment of existing building (including M&E)			29,250	190,223	5,627	225,100
Car park & associated drainage works				51,968	1,332	53,300
Other external works, signage & drainage			49,628		1,272	50,900
Contingencies			20,000	10,000		30,000
Professional Fees	27,015	30,675	17,000	12,750		87,440
Allowance for insurances			3,000			3,000
Building Regulation fees		9,600				9,600
Allowance for Site Supervision			8,000	7,000		15,000
Allowance for Client furniture & equipment			10,000	5,000		15,000
	27,015	40,275	604,976	288,943	8,231	969,440

### 2016 - Granting of planning permission for extension and final phase of refurbishment:

3.18 Planning permission was granted for the works in 2016 for the proposed extension and the final phase of refurbishment work.

3.19 Planning consent for the proposals to address these difficulties will expire in 2020.

### 2017 - Recent discussions regarding alternative/ multiple locations for Manx Radio:

3.20 Further to SACIC recent queries regarding costs, two ideas were considered by the project team architects who concluded that the additional costs incurred in a partial relocation would quickly outweigh any possible savings to completing refurbishment of Broadcasting House.

3.21 The extension proposed for Broadcasting House is part of a comprehensive scheme of re-development which is already two thirds complete.

3.22 In the event of partial relocation, the extension could be reduced to a single storey however much of the remaining work would still be required.

3.23 The estimated capital saving of same is £170,000, however it was found that this would be quickly eroded by relocation costs.

### Addressing the issues and funding (and/or lack of funding) for same:

3.24 Many of the issues have been addressed in recent years and the benefit of spend can be seen in Broadcasting House.

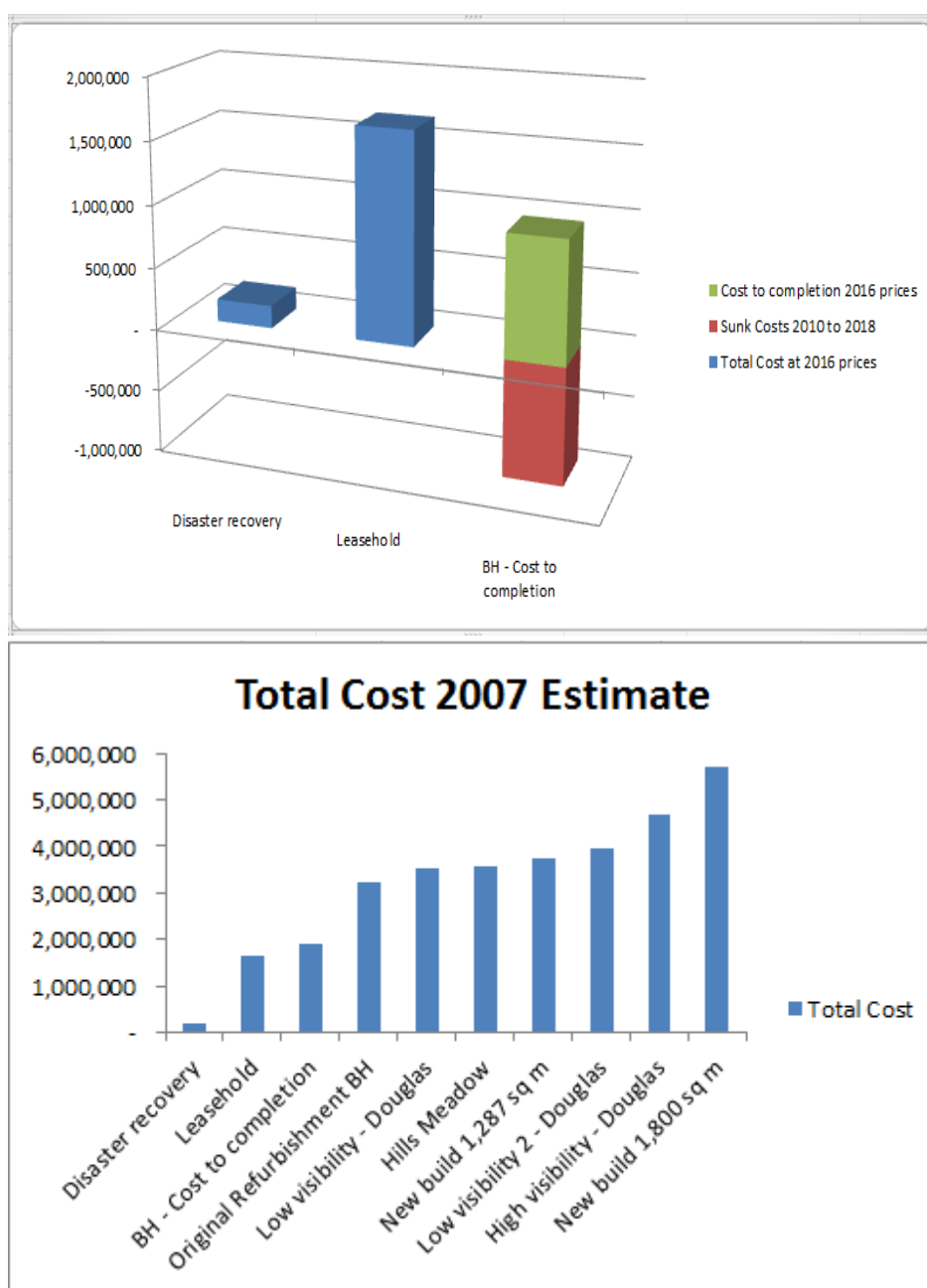
3.25 From 2010 to date funding of £926,734 has been provided to the refurbishment, and as a result of which Manx Radio advise that:

3.25.1 they now have quality studios and electrical services with backup power supplies and capacity for the foreseeable future;

3.25.2 the complex technical infrastructure is fit for purpose;

3.25.3 the external fabric of the building is fit for 50+ years.

- 3.26 Refurbishment plans have been devised and revised many times over the years, in search of lower cost opportunities.
- 3.27 The project has now stalled at a time when significant and legally required works remain outstanding.
- 3.28 This review has not attempted to re-cost a relocation of Broadcasting House, whilst it is acknowledged that commercial premises no longer attract the leasehold rates as quoted in 2007, the level of sunk costs and recent investment in complex technical infrastructure at Broadcasting House weigh strongly in favour of completing the project as opposed to re-starting/ re-locating to leasehold premises.



- 3.29 It is acknowledged that the 2007 costs are as presented at the time and have not been adjusted for inflation or net present value.

**Issues remaining:**

- 3.30 Issues which remain unresolved and which have legal implications include:

3.30.1 lack of disabled access;

3.30.2 health and safety issues;

- over-crowded offices falling below minimum space guidelines;
- access to the ground floor and the attic are considered dangerous; and
- the approach from the car park to the station remains extremely hazardous;
- lack of disabled access in inclement weather;

3.30.3 disaster recovery.

**Disability Discrimination Act breaches:**

- 3.31 In January 2018 Phase 3 of the Disability Discrimination Act imposes a duty on a service provider to take steps to facilitate disabled persons to make use of a service.
- 3.32 From January 2020 Phase 4 of the DDA imposes a duty on service providers to address physical features of a building, or the access or approach to premises, that makes it impossible or unreasonably difficult for disabled persons to use its services.
- 3.33 Manx Radio is now in breach of phase-3 of the Disability Discrimination Act legislation with less than two years before the final phase of DDA implementation, covering physical features of buildings, is enacted.

**Extracts of Reports:**

- 3.34 The content of the two reports have been summarised by AAD in presenting this information:
- 3.34.1.1 Manx Radio Business Case re Broadcasting House: February 2018; and
- 3.34.1.2 A paper to Treasury to Support Manx Radio's 2016 Business Case Update and Seek Concurrence for the Completion of the Programme of Works.

## **THE COST OF MANX RADIO'S BROADCASTING OPERATIONS (ESPECIALLY AROUND AM & FM):**

### **Terms of Reference clarification:**

Background information and a summary of costs is required.

### **Summary**

- 4.1 Numerous reports from 2004 to date have been submitted by Manx Radio to Treasury requesting consideration of the medium to long term requirements for broadcast transmission on the Isle of Man. Such has been the period of review that Manx Radio consider the matter has now become one of serious shorter term concern for them as Public Service Broadcaster.
- 4.2 This report does not consider the future transmission requirements for the changing landscape of broadcasting.

### **Background:**

- 4.3 Manx Radio currently uses both AM and FM transmission networks to deliver its programme services. The two platforms enable the station to provide a diversity of programming essential to it's public service and commercial remits.
- 4.4 Annual transmission statistics reveal 100% transmission from all 5 FM transmitters and 99.9% continuous AM transmission.
- 4.5 Manx Radio's FM schedule provides a minimum of 40% speech output on Weekdays (0600 – 1900) and this is augmented by AM output as detailed below. Speech content is not limited to 40% and is currently estimated at 45%.

### **FM mast ownership & transmission rights:**

- 4.6 The Department of Home Affairs (DHA) own some of the FM masts and during 2018 there is an intention to transfer elements of the ownership to Manx Radio for a nominal sum, together with the operating budgets for same.
- 4.7 Arrangements are also in place with Arqiva for transmission from sites and masts that they own.

### **DHA owned sites:**

- 4.8 FM transmitters and associated equipment are located at the DHA/Comms Division sites at Snaefell, Jurby and Peel.
- 4.9 For these sites only, equipment will be transferred to Manx Radio.

- 4.10 The sites themselves and the lattice towers used by various bodies (TETRA, Telecoms, commercial radio stations etc), will remain under the ownership and control of the DHA Comms Division.
- 4.11 The commercial users who rent equipment space and antenna space on the towers from the DHA, will not be affected by these changes.

**Arqiva owned sites:**

- 4.12 There is also Manx Radio FM transmitter equipment and a DHA building at the Arqiva-owned site on Carnane.
- 4.13 As the building is no longer used by the DHA, it is suggested that Manx Radio assume responsibility for its upkeep.
- 4.14 The Arqiva site is separate from the smaller DHA site and the lattice tower also located on Carnane. This DHA site is not used by Manx Radio and will also remain with the Comms Division.

**The risk and impact of potential FM switch off:**

- 4.15 The UK government has already stated that they are working towards meeting all criteria for FM switch-off. Whilst it is unlikely that all FM frequencies will be switched off, it is not clear what portion of the band will be retained.
- 4.16 Consequently, Manx Radio advises that it is impossible to predict what network re-engineering costs may be faced to accommodate any changes and what longer-term impact this will have on receiver availability.
- 4.17 Manx Radio have worked on DAB proposals for a number of years and believe that DAB is an appropriate platform for delivery of PSB services, some of the criteria of which are outlined in 4.30 below.
- 4.18 3FM Limited are of the opinion that FM switch off is unlikely to happen in the near future and have already future proofed their studio equipment for internet/ IP transmission should that be required in the future. Satellite and internet transmission are likely to be the future of broadcasting.

**AM transmission mast and equipment:**

**AM site:**

- 4.19 Manx Radio's AM service is transmitted from Foxdale. The site and two large medium wave masts, is only used by Manx Radio and solely for its ageing AM transmissions. The 'site' together with the operating budget for same is proposed to be transferred from the DHA to Manx Radio for a nominal sum during 2018.

**AM equipment:**

- 4.20 The system consists of circa 50 year old antenna systems, tuning equipment and a backup generator and two transmitters, 24 and 34 years old respectively. Much of

this equipment has already reached the end of its useful life and significant expenditure is required to replace it.

- 4.21 No maintenance has been carried out to the masts and rigging since 2000 due to the high costs involved and proposals to move to a DAB platform.
- 4.22 The antenna system consists of two 180-foot guyed steel masts, with tuning units housed in separate buildings at the base of each tower and a complex underground earth radial system. The towers require ongoing maintenance and periodic painting to ensure their structural integrity - as do the 48 steel guys (stays).
- 4.23 In addition to the transmitter and ancillary equipment, a standby generator installed in 1966, is also housed within the transmitter hall building. While the Island does benefit from generally robust electrical supplies, the Foxdale area does have overhead lines that are typically more vulnerable to weather-related faults. As part of Manx Radio's role to support the Island's emergency planning response, it is essential that its broadcast services are maintained, particularly during any power outage, and backup power must always form part of system design.

#### **AM is becoming obsolete:**

- 4.24 AM broadcasting is very old, low-quality technology, AM receivers are becoming less readily available and organisations such as the BBC are actively closing down their AM services. In Ireland RTÉ closed their AM service in 2008.

#### **Replacement for AM transmission:**

##### **Current AM broadcast schedule:**

- 4.25 Manx Radio currently broadcast the following on AM:
  - 4.25.1.1 Tynwald Broadcasts, House of Keys Question Time and additional debates of national importance;
  - 4.25.1.2 TT and Festival of Motorcycling;
  - 4.25.1.3 Southern 100;
  - 4.25.1.4 Manx Gaelic language and programming; and
  - 4.25.1.5 Radio Caroline occasional broadcasts.

##### **Lack of additional FM capacity and frequencies as advised by Manx Radio:**

- 4.26 It would not be possible for Manx Radio to continue broadcasting all the programming currently broadcast exclusively on AM on the remaining single FM network.
- 4.27 If abridged versions of services were to be amalgamated onto the FM network, Manx Radio estimate they would lose circa £150,000 pa in commercial revenues, jeopardising the sustainability of its remaining services.
- 4.28 Radio frequencies themselves, whether broadcast, communications or telecoms, are licensed by the UK's Ofcom.



- 4.29 Ofcom have informed Manx Radio it would struggle to find a suitable group of frequencies necessary for a multiple transmitter network which is required to cover the islands hilly terrain with an adequate degree of protection from neighbouring interfering signals.

**The drivers behind Manx Radio's continued requests for change:**

- 4.30 The PSB needs a transmission platform that provides multiple solutions:
- 4.30.1 Enables the entire community to listen simultaneously and is delivered at no cost to the listener;
  - 4.30.2 Delivers tangible benefits for listeners such as improved reception and further listening choice;
  - 4.30.3 Sustains current income strands and allows for the possibility of driving new revenues;
  - 4.30.4 Adheres to the strategy agreed by Tynwald in March 2014 for the Public Service Broadcaster of the Isle of Man; and
  - 4.30.5 Is the most cost-effective solution for the Island.

**Schedule of current known costs:**

- 4.31 Since it has been written into primary legislation that Manx Radio is the Public Service Broadcaster of the Isle of Man, the DHA and Manx Radio have reached an agreement to transfer ownership as stated above.
- 4.32 To date the DHA have been responsible for the AM infrastructure and Manx Radio have maintained it. The cost of same has been agreed by Treasury, the DHA and Manx Radio as circa £80k pa and Manx Radio now receive an additional subvention to cover this cost.
- 4.33 Manx Radio have historically charged the DHA for the use of their engineers in maintaining the AM masts, this arrangement will cease on transfer of ownership.
- 4.34 Manx Radio employs an engineering team and is it envisaged that all works will be undertaken by in house personnel.

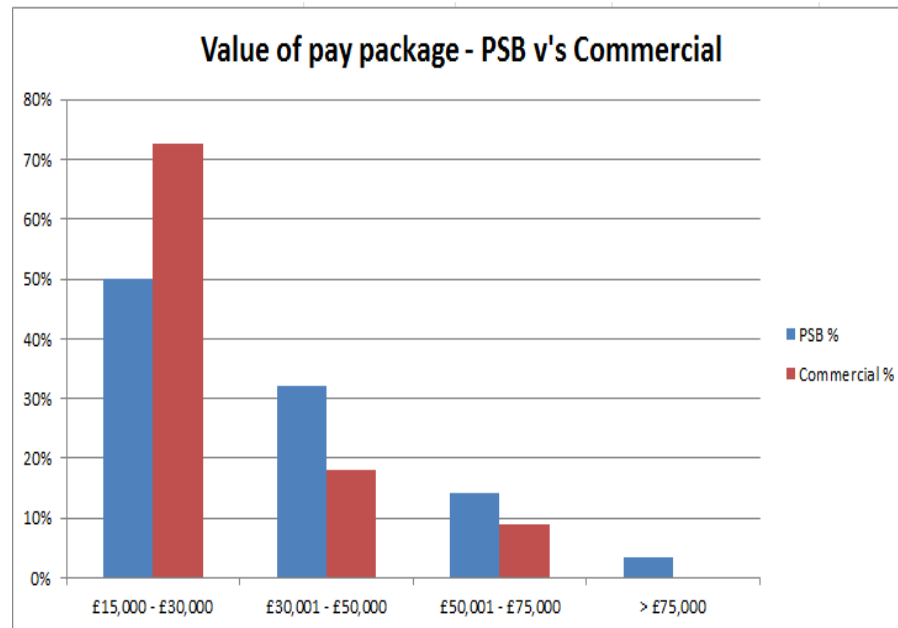
<b>AM Costs – 2 transmitters &amp; masts:</b>	<b>Annual</b>	<b>One Off</b>
Broadcast Cost: Antenna, Electricity, Circuits, Spares, Engineering Maintenance, Telecoms.	£20,675	
Maintenance of Foxdale Masts – footholds and paint 2018/19		£90,000
Expected benefit: to extend the life of the masts from 2 to 5 years		
<b>FM Costs – 5 transmitters</b>	<b>Annual</b>	<b>One Off</b>
Arqiva costs	£60,689	
Additional estimated transmission costs to non PSB	£30k – £40k	
Contra: emergency services Tetra equip, electricity & tower	(TBA)	

**An extract of Radio Manx Limited annual report 2017/18:**

A 2016/17 structural integrity survey of the two 50+ year old AM transmission towers at Foxdale confirmed a need for urgent maintenance, estimated at £40k. Additional future maintenance was also identified which would bring the total cost of maintaining the masts in a safe condition for a two to five year period, at circa £114k..... On commencement (of maintenance works), corrosion of the steel wire guys was found to have deteriorated further than originally identified, making it unsafe to progress the maintenance without replacing the guys at the same time. Costs for guy replacements, originally hoped to have been deferred for another year or two, have taken this first maintenance phase to circa £65k with the work scheduled for completion late summer 2018.

## WAGE COMPARABILITY:

### Employee cost analysis:



### Summary of findings:

#### Benchmarking:

5.1 Benchmarking data was not found to be available in the public domain.

#### Average value of pay package PSB v's commercial radio:

5.2 Engineering is outsourced in commercial radio stations, so for the purposes of this comparison, engineering pay packages have been excluded from the calculation.

5.3 Role specifications also vary, due to the different output and business models described earlier.

5.4 Under their broadcast licence terms 3FM's radio target audience is the 35+ age bracket. However 3FM Limited is not only a radio broadcaster it is a multimedia company and therefore has a significant presence in web based and social media video output. In order to fulfil their business purpose professionally, 3FM employ highly skilled, educated and articulate staff. Staff attraction is an issue due to island circumstances. However staff retention is not an issue.

5.5 The PSB radio broadcaster also requires highly educated and experienced personnel to fulfil their roles and find that staff attraction and retention requires active management as there is a shortage in supply of same and staff are often lost to the BBC (after significant investment in their training).

- 5.6 Analysis has been undertaken to demonstrate the lowest, highest, median and average pay packages by role within the PSB, however this information is commercially sensitive and will not be disclosed.
- 5.7 Like for like total average pay packages, return at 14.8% higher for the PSB than commercial radio. The differential is comparable to pension costs in the PSB, whereby salaried staff are members of the Public Service Pension Scheme.

**Overtime & timesheets:**

- 5.8 Overtime within the PSB is only offered and paid to Engineering staff within Manx Radio as they are on 24/7 call out. Timesheets are kept when overtime is payable. Overtime was found to be minimal at less than £5k in the year under review.

**Freelance cost analysis:**

- 5.9 Within Manx Radio, in addition to the use of freelance contractors, freelance opportunities are made available to salaried staff for slots which require to be filled over and above their core working hours. This is the industry norm. The benefit being reduced head count, and reduced national insurance, pension and benefits typically associated with salaried employment.
- 5.10 It has been demonstrated that Manx Radio:
- 5.10.1 maintain a freelance price matrix where each show is costed and standardised;
  - 5.10.2 routinely engage a significant number of freelance contractors (circa 10% of overheads);
  - 5.10.3 have an average spend on freelance contractors which is in line with gross salaries.
- 5.11 Commercial radio also use freelance contractors but to a lesser degree.

**APPENDIX 1 – Tynwald Select Committee submission to AAD**

No.	Folder	Sub Folder	File Name
	<b>Memory Stick contents:</b>		
1	Attachments to Business Plan submission	Broadcasting House	Jul 17 – BH SACIC Submission
			Oct 16 – BH Business Case Updated
			Dec 15 – BH Refurbishment Stage 1
			Jun 13 – BH Business Case Updated
			Jul 08 – Hills Meadow Business Case Supplement
			Nov 07 – BH Business Case Revised
			Jun 07 – BH Business Case – Stage 2
		Disaster recovery	Feb 09 – DR Business Case Rev3 inc Grandstand
		Transmission	Mar 17 – MR JFS Consulting Follow Up Paper
			May 16 – Treasury DAB Response
			Nov 16 – JFS AM FM DAB report
			Nov 15 – IoM Transmission Solution
			Jun 15 – Future Broadcasting Strategy
			May 08 – MR Digital Radio Report to CoMin
			Dec 07 – Treasury DAB Update
			Aug 07 - Treasury Paper to CoMin DAB
			Dec 06 – Treasury DAB Briefing Paper 2
			Oct 06 – IoM DAB briefing note
			May 06 – DAB radio Business Plan v4
2	Manx Radio submission		Appendix 1 – 7
			Jul 17 - Letter to Treasury Minister
			Public Service broadcasting media funding v3 (4)
3	Select Committee requested submission		2017-18 MR Summary Report – Treasury Submission
			10 Years Monthly Cashflow graph
			Dec Mgmt Accs Pack with Exec Summary 240117
			Business Plan 2017 v6
			Rajar summary Q4 2017
			Draft M&A's 0317
			Aug – 17 Radio Manx Audit Comm ToR
			Social Media and Video Statistics
			Feb 18 - MR Organogram
			MR Business Cases – BH & DAB v4
			MR M&A
			March Mgmt Accs Pack
			March Mgmt Accs
			MOU 2015 agreement (2)

			Apr 09 - MR Organogram
			Sep 05 - MR Organogram
4	Folder	3FM	Annual Report and Unaudited FS 2015, 16, 17.
5	Email	Selection	FS from small commercial radio stations in the UK.

**APPENDIX 2 – Additional information submitted by Manx Radio**

<b>No.</b>	<b>Folder</b>	
1	Annual Report 2017/18	
2	Annual Report 2016/17	
3	Feb 18 – Business Case re BH & DAB	
4	Sep – 18 – Organogram Freelance Staff	
5	Sep – 18 – Organogram Other Staff	
6	Sep – 18 – YTD Revenue by client	
7	Sep – 18 – Current Salaries	
8	Public Service Media Funding Models & Appendix	
9	Apr 18 – Aug 18 Freelance costs	
10	Business Case BH & DAB v.4	
11	Business Case Updated Oct 16	
12	JFS Consulting – Treasury submission	
13	JFS AM FM DAB Report to IoM Govt	
14	Future Broadcasting Strategy	
15	Freelance Master Pivot 18-19 Proposed Budget	
16	Business Forecast 2018-2019: re Revenue	
17	MR Sales Products Mix	
18	MR Management Accounts March 18	
19	MR Management Accounts Aug 18	

**APPENDIX 3 – Additional information submitted by 3FM Limited**

<b>No.</b>	<b>Folder</b>
1	Analysis of annual salary costs
2	Analysis of freelance costs
3	Summary of marketing approach
4	Opinion re. future of broadcasting



## APPENDIX 4 – Broadcasting House development timeline

**December 2017**

MR: Inform Treasury they will be in breach of the Disability Discrimination Act, coming into force on 1<sup>st</sup> January 2018.

MR Extract:

The Manx Radio Board write to Treasury following the November Tynwald motion to introduce the 2<sup>nd</sup> phase of the Disability Discrimination Act (to come into force from January 2018) to inform the Shareholder that Manx Radio is in breach of the legislation and asking for Treasury direction in the matter. No response has been received.

**September 2017**

Treasury: Approve £X from Contingency Fund

MR Extract:

Treasury approve £X from the Contingency Fund to complete minor capital electrical work currently in progress.

**July 2017**

MR: Submitted paper to SACIC answering queries raised.

MR Extract:

Manx Radio submits a further paper for consideration by SACIC, responding to the questions raised.

*(July2017 BH SACIC Submission.pdf)*

Manx Radio understands that SACIC subsequently approved the BH scheme to go forward for Treasury Board approval on the 6<sup>th</sup> September. However, we still await any formal response.

**June 2017**

SACIC: Raised a number of queries and requests for further information.

MR Extract:

Manx Radio's MD meets with SACIC to discuss current minor capital programme and Broadcasting House refurbishment. Subsequently SACIC raised a number of questions and requests for further information.

**February 2017**

Treasury: Removed the £350k from the Pink Book.

MR Extract:

Treasury aggregated the existing minor capital funding and the proposed final payment of £350k into a single column-3 figure in the Pink book. In doing so, funding for the electrical power systems work, already underway, was removed.

**October 2016**

MR: Submitted a Business Case for additional £350k already in the Pink Book.

MR Extract:

A business case was submitted seeking formal approval for a final payment of £350k (already in the Pink Book estimates for 2017/18) to the existing minor capital works funding to

complete the proposed extension and refurbishment.  
(October2016 BH Business Case Update.pdf)

Meanwhile, work commenced on replacing the main power boards, switch gear and power distribution within Broadcasting House, under the previously agreed minor capital works funding, with the future building works in mind.

#### September 2016

MR: Planning approval granted.

MR Extract:

Final planning approval for the extension and external works was duly received following an appeal by residents from the Douglas Head Apartments, who argued that the proposal didn't include sufficient additional parking.

#### March 2016

Tynwald: Questions arose re Celtic League letter. Input sought from MR.

MR Extract:

A House of Keys question is tabled about the planning application for Broadcasting House. In a supplementary question Mrs Beecroft asked: *Would the Minister not agree with me that it would have been sensible of Manx Radio to actually approach the Treasury to see if they were in agreement with this in principle, before they spent a considerable amount of money, one would assume, on actually going for planning?*

The Treasury Minister (Eddie Teare) replied: *I could not agree with the Hon. Member more.*

This response was disappointing in light of the number of business cases submitted and having received Treasury's formal approval to go to Planning.

#### December 2015 / January 2016

MR: Receive feedback on concerns and queries with the design teams report and advised to proceed to planning to avoid delays.

MR Extract:

Treasury concurrence was received to apply for planning permission for the proposed extension.

#### December 2015

MR: Submit costed design scheme to Treasury.

Treasury: Agreed to incorporate an additional £350k into the 17/18 Capital programme to accommodate costs in excess of programmed budget amounts.

MR Extract:

An extensive and costed stage-D1 report was submitted to Treasury by the project team for an extension, internal refurbishment and improved safe access to Broadcasting House. The proposal used the extension to regain lost space and bridge across the steep slope to create safe access to the building addressing the DDA issues, making use of the recently built stair case and fire escape as a central circulation area. While the proposed project would fall across a number of financial years, the project team recommended it be treated as a single project as the most cost efficient approach. After some 'value engineering' this final scheme was estimated at £X but, acknowledging the investment already incurred in studios, generator, UPS and other minor capital works, still represented a significant saving over the

original £X scheme from 2009. ( <i>Broadcasting House Refurbishment - Stage-1 Report - December 2015.pdf</i> )
October 2015 CoMin: Determines that sponsoring Department switches from DED to Treasury.
September 2015 Treasury: Attend MR Audit Committee meeting and are advised that costs are expected from QS in October 2015 with scheme out to tender by December 2015.
July 2015 Treasury: Advise MR Audit Committee that Capital Projects Unit is working on next phase of capital works, professional team in place with aim to request tenders in November/ December and to commence work early 2016.
June 2015 Treasury: Approved MR to progress with Phase 1 of external works, referred to as Building Works Phase 2 – Construction of an extension, modification to the entrance and car park (Summer 2016).
November 2014 Treasury: Advised MR Audit Committee of carried forward capital works budgets which MR had been unable to spend due to ongoing delays and dialogue with Capital Projects. Frustrations were expressed.
March 2014 Treasury: approved the appointment of architects with a remit of finding lower cost solutions to the refurbishment.  MR Extract: Following retirement and reorganisation of the Government's Architects department, Treasury approved the appointment of Ellis Brown Architects to head up a new project team. Their brief was to take a fresh look at the building deficiencies and difficulties faced by Manx Radio and find lower-cost solutions. An outcome of this work was that it was concluded, in the light of Tynwald's decision, that the remaining schemes at Broadcasting House should be brought together, albeit funded over a number of years, so that maximum savings could be realised.
February / March 2014 Tynwald: Debate the Report of the Select Committee on Public Service Broadcasting and confirm the need to press ahead with the programme of refurbishment of BH.  MR Extract: Tynwald debated the 2014 Select Committee report into Manx Radio. A recommendation that Treasury should again look at relocating Manx Radio was rejected on the basis that this had already been thoroughly investigated and costed, concluding that redevelopment of the existing building was the lowest-cost option.
December 2013 MR: Submit an updated Business Case to Treasury underlining the need to progress with works and seeking concurrence for the appointment of architects to develop design brief and programme of works.
June 2013 MR: Submit an updated Business Case to Treasury  MR Extract:

At Treasury's request, an updated business case, relating to the redevelopment scheme was produced and submitted.
<b>March 2013</b> <b>MR: Complete Part of Scheme 2 &amp; Part of Scheme 3</b>  MR Extract: Construction work on the new staircase & fire escape was completed, along with refurbishment and re-equipping of the main studios.
<b>June 2012</b> <b>MR: Provide an update to Treasury on works completed and in progress.</b>  MR Extract: A review paper, detailing all the work completed and currently underway was submitted to Treasury. <i>(June2013 BH Business cases Update.pdf)</i>
<b>May 2012</b> <b>Treasury: Approved spending of £Xk on alteration and extension works at BH noting its duty as shareholder under H&amp;S Building Regulations.</b>
<b>April 2012</b> <b>MR: Commenced work on Scheme 2 &amp; Scheme 3</b>  MR Extract: Following approval from Treasury and a tender process, Southwards Ltd were appointed to construct the new staircase and fire escape block up the rear of Broadcasting House. As noted, some valuable office space was lost as a result of additional corridor access to the staircase but the planning for this work reflected the intention to construct an extension to the building at a later date and was considered to be contributing toward the earlier redevelopment proposals. Internally, work was also commenced on refurbishing and re-equipping the main broadcast studios.
<b>November 2011 to March 2012</b> <b>MR: Completed Scheme 1 &amp; Scheme 5</b>  MR Extract: A new generator, UPS and VOIP telephone system were installed at Broadcasting House.
<b>January 2011</b> <b>MR: Submitted a project report re Scheme 3</b>  MR Extract: A Stage D1-D3 project report was submitted to Treasury by Gov Architects and the project team, comprising plans for a new fire escape & staircase, contributing toward original redevelopment plans.
<b>May 2010</b> <b>MR: Submitted a business case to commence with Scheme 1 and part of Scheme 3 and Scheme 5</b>  MR Extract: A new business case for the Generator and UPS was submitted to Treasury and planning work commenced on Studio refitting under the minor capital works funding.

June 2010

MR: submitted a business case splitting the refurbishment into 10 work schemes.

Treasury: Agreed a 5 year funding programme of £250k pa, included in Pink Book from 2011/12

MR business case concluded a pressing need to address major deficiencies in MR premises and technical infrastructure. Disabled access, fire prevention health and safety falling behind current regulations. Electrical systems obsolete and building infrastructure hazardous.

MR Extract:

Subsequently, after incurring some £X of professional fees, the original scheme was withdrawn from the Pink Book. But, acknowledging the urgency of some of the work required, rolling minor capital funding of £250k pa was made available through Treasury for work to contribute toward the original scheme. As a cost-saving measure, Government Architects took over from MP Associates and a new project team was appointed.

Key elements of the original scheme were loosely divided up into ten separate schemes. There were, however, difficulties and some increased costs in attempting to disaggregate the larger scheme into less efficient smaller components. The ten schemes were as follows:

**Scheme 1** - replacement of generator and UPS (un-interruptible power supply).

The scheme was to install a new replacement generator, together with a UPS, to ensure that during power outages the continuous transmission of Manx Radio could be maintained. (The UPS needed to be installed in a temporary indoor location pending construction of a new electrical services room beneath the proposed staircase block and installation of new electrical power distribution boards.)

**Scheme 2** - the replacement of dangerous, very steep, wooden stairs to the ground floor. It was proposed to build a new fire-escape staircase to the rear of the building (part of the original redevelopment scheme) as a separate project. An acknowledged short term disadvantage was that new corridors would need to be formed through existing office space to access this staircase on both the first and second floors of the building. This lost space would have to be managed pending building of the extension at a later date.

**Scheme 3** - refurbishment of transmission studios and the Newsroom.

This scheme was to refurbish all the main studios and their associated equipment - all of which were operating well beyond their expected lifespan and much dating back to the 1970s.

**Scheme 4** - safe access to the building from the road to incorporate disabled access.

Access to Broadcasting House, located on a steep slope, is via a considerable number of steps and across an exposed walkway. There is no disabled access to the building and the walkway can be difficult and dangerous in high winds.

**Scheme 5** - replacement of PABX (telephone exchange)

Another example of the aging and outdated technical infrastructure, this project was to replace the analogue telephone exchange with the more cost-effective VOIP technology as used across Government. Manx Telecom had announced they were no longer able support for the existing PABX thereby necessitating the prioritising of this work.

**Scheme 6** - replacement of obsolete power distribution within the existing building.

The electrical power distribution boards within Broadcasting House were obsolete (dating back to the 1970's) with no capacity for updating the building and

replacement circuit breakers were unavailable. Updating of the electrical infrastructure was essential to maintain the safe and continuous running of Manx Radio, with work needing to be coordinated with the proposed new generator & UPS installation and any other building extensions or refurbishment.

**Scheme 7** - refurbishment of Broadcasting House and the provision of 'fit for purpose' working facilities for staff.

This scheme was aimed at addressing the extensive corrosion and deterioration to the external fabric of the building, replacing the windows and external rainwater goods and undertaking repairs to the roof. A separate building condition survey had been undertaken to guide this work but plans also had to take into account other aspects of proposed building development. Internally, inadequate fire containment and poor emergency lighting also needed addressing.

**Scheme 8** - creation of disaster recovery facility at Grandstand.

Maintaining robust infrastructure at Broadcasting House is essential but Manx Radio services remain too dependent upon this one location. The inability to operate from Broadcasting House, even for a short period, creates both a financial risk to the Company and jeopardises Manx Radio's role in the Island's emergency planning, providing essential public communications in the event of any civil emergency. The provision of a disaster recovery facility for the National public service broadcaster is of paramount importance. While not ideal, the Grandstand was identified as a location that could service as a DR facility but would also have a useful role, benefiting the TT by completely updating the obsolete commentary infrastructure.

**Scheme 9** - provision of additional car parking space.

Following changes to parking regulations on Douglas Head there are insufficient parking spaces for staff and guests at the station and no public transport to Douglas Head.

However, land is available on site to improve the situation with the construction of a retaining wall. All the building development plans have included these additional parking and disabled-parking spaces.

**Scheme 10** -the final part of the scheme to provide a fit for purpose broadcasting centre at Broadcasting House.

Many staff within Manx Radio find themselves working in cramped conditions falling well below Government's minimum space guidelines (this situation was exacerbated with the loss of office space following the construction of the new fire escape staircase block - Scheme 2). This scheme aims to provide the workspace necessary to allow staff to carry out their duties properly and for Manx Radio to continue to develop its multi-platform public service vision. The scheme also included improved space to enable staff to work efficiently in a collaborative environment, with improvements to welfare facilities, disabled internal access and disabled toilets. It addressed the dangerous and difficult external access to the building, working toward the requirements of DDA.

**April 2010**

MR Extract:

Following the reduction in Government's VAT receipts and increased pressure on Government expenditure, the Broadcasting House Redevelopment Scheme was deferred by the Council of Ministers and moved out of the 5-year plan.

**April 2010**

CoMin: Decision to postpone the development plan due to wider VAT shortfall issues
<p>October 2009</p> <p>MR: Submitted scheme with request to proceed to tender</p> <p>MR Extract:</p> <p>The Stage-D3 Scheme, for the redevelopment of Broadcasting House, was submitted to Treasury from the Project Team (MP Associates, et al), seeking formal concurrence to progress to Stage-4 and tender. Treasury concurrence was never received.</p>
<p>March 2009</p> <p>Treasury: Report referred to CoMin</p>
<p>February 2009</p> <p>Treasury: Included £3.32m in 2009/10 Pink Book but mostly planned for 2013/14</p> <p>MR Extract:</p> <p>£3.2M was included in the 'Pink Book' for 2012-2013 for Redevelopment of BH and duly approved by Tynwald.</p>
<p>November 2008</p> <p>Treasury: Approved BH development as lowest cost and most practicable option</p> <p>MR Extract:</p> <p>Treasury approved the original Broadcasting House development scheme to progress to Stage-D3 (detailed design) as the lowest cost and most practicable option of all the alternatives considered. While moving to a newly-built facility was the most attractive option, reducing the impact on staff and disruption of day-to-day operations, the decision was accepted and Manx Radio, with support from the Project Team, moved forward with the Broadcasting House redevelopment option.</p>
<p>July 2008</p> <p>MR: Submitted options appraisal and business case for Hills Meadow, indicating the cost was greater than redeveloping BH, total refurbishment of BH estimated at £X</p> <p>MR Extract:</p> <p>The fully-costed Stage-D2 capital scheme and business case for Hills Meadow was submitted to Treasury, by the Project Team, in July 2008. While an easier solution for Manx Radio, this indicated that the Hills Meadow option would cost more than redeveloping Broadcasting House.</p> <p><i>(July2008 Hills Meadow Business Case Supplement.pdf)</i></p>
<p>November 2007</p> <p>MR: Submitted options for relocation</p> <p>Treasury: Request development of scheme to relocate from Broadcasting House to Hills Meadow</p> <p>MR Extract:</p> <p>The new capital project business case was submitted to Treasury in November 2007 addressing and costing a range of alternatives. These included the relocation to Hills Meadow, the former Victoria Road Prison site, Parkinson's site on Peel Road and the IOM Business Park options.</p> <p><i>(November2007 Revised BH Business Case.pdf)</i></p> <p>The outcome was for Treasury to request a detailed Stage-D2 scheme be developed for Manx Radio to relocate to the Training Centre building in Hills Meadow.</p>
<p>June 2007</p> <p>MR: Capital plan submitted</p> <p>Treasury: Rejected plan and requested options for alternative premises to be researched</p> <p>MR Extract:</p>

The initial Stage-D2 capital plan was presented to Treasury in June 2007. This fully-costed feasibility study proposed extending Broadcasting House to address deficiencies in disabled and public access, improvements to staff welfare and working accommodation, addressing health and safety issues in and around the building, improving fire prevention measures and major infrastructure improvements and technical updating.

*(June2007 Stage-D2 BH Business Case.pdf)*

Treasury, subsequently requested additional work on alternative options including the complete relocation of Manx Radio. Over the following months, further work was undertaken to cost, in some detail, options for new-build premises (by Dandara) on the Cooil Road Business Park, rental premises in various locations, and options to move to another property in Government ownership (Hills Meadow).

**January 2007**

**Capital Project Team appointed by MR in conjunction with Treasury**

MR Extract:

Following the Value for Money Committee investigation into Manx Radio, Treasury, working with Manx Radio, appointed a Capital Project Team, led by Architects MP Associates and QS Berrie Millar & Cox, to develop a scheme for the redevelopment of Broadcasting House.



## APPENDIX 5 – Acknowledgement

The following gave their time and co-operation during the review and we would like to record our thanks:

<b>Name</b>	<b>Position</b>
<b>Government</b>	
The Hon. Juan Watterson	SHK
<b>Manx Radio</b>	
Mr Anthony Pugh	Managing Director, Manx Radio
Mr John Marsom	Business Director, Manx Radio
Mr Darren Leeming	Technical Director, Manx Radio
Mrs Sally Roberts	Non-Executive Director, Manx Radio
<b>3FM Limited</b>	
Mr Ron Berry	3FM Limited
<b>Other</b>	
Treasury Officers	Re. Broadcasting House timeline
DHA Officers	Re. typical transmission costs

**APPENDIX 7 – Additional reports proposed to be submitted to the TSC  
by AAD**

<b>Name</b>
Treasury 2012 Internal Audit Report
Radio Manx Limited – Annual Report 2017/18

**Appendix 9: 30th August 2018 –  
Submission of Mr M Wilson, CEO, Isle of  
Media Ltd (response to Interim Report)**



From: Isle of Media Limited – 30 August 2018

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To:  
Tynwald Select Committee on  
Public Service Broadcasting (PSB)

**Subject: Review of the Isle of Man Public Service Broadcasting (PSB) –  
Submission by Isle of Media to the Tynwald Select Committee on the  
Interim Report issued**

Isle of Media Limited

[Contact details redacted]

Dear Honourable Members of Tynwald,

Isle of Media has been committed to imputing to all stages of the current Review of Public Service Broadcasting (PSB). We submitted written evidence and our Chairman gave oral evidence to the Committee in the first stage of the Review.

We remind the Committee that the Board, Executive and Special Advisors of Isle of Media between them have significant experience in media financial planning and budgeting, public service broadcasting, content creation and technology. The delivery of content has been key to many of our teams' careers and Isle of Media undoubtedly has more media and PSB board level experience than any other organisation on the Island.

Place of Incorporation:  
Isle of Man

Company registration No:  
131277C

Following the publication of the Interim Report on July 5 2018, we wish to comment on the Conclusions and Recommendations.

We attached those comments with this email.

In addition, there is one area not mentioned in the report and that is collaboration with other PSB suppliers.

It is clear – and stated in the report - that Manx Radio is not the only supplier of PSB to the Island. Others deliver significant PSB contributions.

There are numerous newsrooms on the island all gathering broadly similar news. Has the Committee considered speaking to other 'PSB contributors' and seeing if collaboration is possible or indeed if some (or all) of the services supported by Manx Radio could be delivered by the private sector (with access to subvention funds)?

Indeed - with the suggested “slimmed down” definition of PSB, this may now be highly desirable for the commercial sector to access the subvention and deliver more PSB for the Island.

It is clear from your report and from industry trends that Manx Radio services need to develop and modernise, we question if that could be done through (or in collaboration with) the private sector.

In our view there is some weight to their argument that three radio services and several news outlets expanding into audiovisual content serving such a small population is not efficient. Is there a way to bring some services addressing the wider demographics into one operation with Manx Radio – or into one partnership – sharing the expensive PSB resources across all output?

**Isle of Media is convinced that such operation by or collaboration with the private sector could:**

- **Improve and broaden the scope and audience of the Island’s PSB**
- **Gain efficiencies by sharing infrastructure, sales, news sourcing and administrative functions**
- **Increase the income by creating a level playing field in advertisement pricing**
- **Reduce the current public funds for Manx Radio significantly**
- **Create a national PSB as a ‘Lighthouse’ for the Island’s media sector**

**Hence we propose to the Committee considering a ‘Request for Interest’ (RFI) to be issued by Government to scout for interest and futureproof concepts from the commercial sector for a joint operation of PSB.**

The Committees work has generated a real debate about the future of PSB on the island and we believe the members of the Committee should take credit for this.

We continue to be ready to provide additional information on any of our submission and look forward to the publication of the Final Report.

Yours, *Michael Wilson*

Chief Executive Officer  
Isle of Media Limited

### **Isle of Media comments on the Interim Public Service Media Review**

Isle of Media has no direct interest in the provision of PSB on the Island, however we believe that a strong, vibrant and innovative PSB service for the Isle of Man is of significant importance as a “flagship” media brand for the island and something we can point to when marketing the island to inward investment.

It is clear from the two volumes of the report that the Committee received and in detail considered the evidence presented by interested parties. The evidence was in the main of a high quality and Isle of Media welcomes the broad range of the views expressed.

Naturally some of the interested parties provided submissions that may have been beneficial to their own interests rather than provide an uplift in the quality of provision of PSB services for the population of the Isle of Man (or indeed the Manx diaspora).

It is for the Committee to navigate the evidence to deliver a Final Report that addresses the future – if indeed the Committee believed there is a future – of PSB in the Isle of Man. This needs to address the scale, cost and delivery platforms and be clear on the preferred funding options.

The outcomes need to be acceptable to members of Tynwald, the Treasury and the public.

Summary of Isle of Media views of interim report.

Isle of Media has read the report in its entirety. We believe it is a strong and clearly communicated document.

We support many of the recommendations.

However, it requires further clarity on a number of the key issues:

- + what should PSB look like on the Isle of Man – what platforms, which services, guidance on definition
- + to what level should PSB be funded – clear indication on the real costs of delivery and capital requirements for the medium term including cost of change.
- + how should it be funded – all the remotely possible options are listed, but a clear recommendation is required. Is it the Treasury? Is it the BBC, Is it a commercial future? Is it a mixed eco-system?
- + the Treasury’s desire to reduce subvention – where is the Treasury thinking on long to medium term funding?
- + lack of ambition in modernising the service across platforms and mediums
- + the requirements of a modern democracy to have plurality of service and news / current affairs provision.

In the next section of this submission we will address each of the recommendations and try to address them in relation to these key issues.

### Comments – point by point

## VIII. LIST OF CONCLUSIONS AND RECOMMENDATIONS

**84. The conclusions and recommendations in this report are reproduced here for ease of reference.**

**85. We conclude that the 2011 Select Committee report presented a coherent case that the BBC should be spending significantly more in the Island. This case was put to the BBC by the Communications Commission between 2011 and 2016 but the outcome was disappointing.**

We agree – see further response to s.86 below.

**86. We conclude that the Council of Ministers’ action in resolving the issue of television licences for Manx residents aged 75 and over is to be welcomed. At the same time the delay in resolving this issue, and the associated costs to the Manx taxpayer, are matters of regret. It is unfortunate, moreover, that this issue has prevented any attention being paid over the past three years to the wider question of value for money from the television licence.**

We agree.

As stated in our initial submission there is a significant value deficit relating to the licence fee paid by islanders and the services provided by the BBC for the Isle of Man.

We do not feel the answer is BBC Manx. Instead the Manx Government should look at BBC funding for the subvention used to deliver public service broadcasting.

(The Communications Commission is the wrong party to negotiate this – only the Government has the connections and influence required).

The Manx Government should engage with the BBC and the UK’s Department for Digital, Culture, Media and Sport as a matter of urgency.

The Committee has heard there are precedents for using elements of the BBC licence fee for “defined” PSB purposes and a strong case should be put for the Isle of Man.

This one action could mean the Treasury subvention would fall to zero, and instead paid by the Manx television fee payers via a transfer from the BBC.

There is an option not considered by the Committee and that is to request the BBC fund the core PSB requirement of any Manx PSB – that is the newsroom function. A newsroom could be funded adequately for £500k. Perhaps a more reasonable request to the BBC than the full subvention amount.

We believe there is a significant shortfall in terms of value of BBC service for the Island and licence fee taken from Isle of Man residents. This is inequitable, and we find it surprising the Government has not addressed this earlier.

The Manx Government should also encourage the BBC to deliver more regional news – on all platforms - from the Isle of Man.

Just as the Channel Islands have an “opt-out” in the regional evening news programme for South West England, then pressure should be put upon the BBC to have an “opt-out” for the island on the BBC North West 1830 regional news programme.



While the Channel Islands are used as an example of BBC services being offered to island communities, perhaps a better example is that both the Orkneys and Shetlands have BBC radio services (albeit opt-out services). These populations are more relevant to the size of the Isle of Man.

**87. We conclude that it is disappointing that the public service broadcasting legislation referred to in the Tynwald resolution of March 2014 was not introduced into the Branches until June 2018. We now see that there is an opportunity and we hope that our conclusions and recommendations may be taken into account as the Bill goes through the Branches.**

Unfortunately, too much time has passed since the initial drafting. Technology has changed, and other jurisdictions have moved faster.

It is now in our view inadvisable to have one Bill that covers content and telecommunications.

While it is inevitable that there will be an additional delay, to make the Island competitive and flexible for business and for good governance of two sectors we would strongly advise a Bill for Content and Creation – similar to the short UK Digital Economy Act and have a Communications Bill that covers telecoms and technology.

A separation of what is often called “the pipes” and “what flows through the pipes” is advisable to allow for future legislative changes to be rapid and responsive. While we talk about the ‘convergence’ of broadcast and telecommunication on the technical side (“the pipes”) this still is clearly separated from the content creation (“what flows through the pipes”).

The recommendations of the Final PSB review can then be enshrined in the Content Bill.

The core drafting is done – separation and the creation of two Bills would not be a significant piece of work.

**88. We conclude that communications media are changing rapidly. While traditional broadcast radio still has a place, it is more important for Tynwald to ensure the provision of a successful public service media operation than just to continue supporting public service broadcasting per se.**

We agree.

This is a key point and we believe needs clear explanation in the final report. A definition of the Committee’s view of “media operation” is fundamental to the implementation of any recommendations.

What is the PSB operator expected to deliver and on what platforms? The Interim Report is silent on its vision of the shape and feel of a future PSB service for the island.

As we stated in our initial submission, PSB means different things to different parts of the public audience.

“Successful” needs to be measured in reach, impact and relevance.

The current investment through the subvention delivers limited reach, limited impact and limited relevance. This needs to be addressed so all demographics, localities and ages are served in some way.

**89. We conclude that the opportunities afforded by digital technology include new and potentially more accurate ways of measuring audience reach and engagement. The interpretation of data on such measurables as “hits”, “impressions” and “views”, however, remains a matter of debate, with some claims of success appearing to us spurious. In this fast-moving environment, providers should seek to establish more effective success criteria against which to measure their own performance.**

We agree.

While flawed, Rajar is the UK wide measurement for radio audiences. This is an acceptable measurement tool for PSB radio services.

It is unlikely a full-service television service is sustainable but if a model is found then BARB is the industry standard.

For online, there are many analytical tools (such as Google Analytics) and Tynwald, the Communications Commission and the PSB service(s) should set performance levels.

For social media there are also many metrics – Tynwald, the Communications Commission and the PSB service(s) should again set performance levels.

However, to be clear – we believe a “share” or a “like” of a PSB produced story on any platform should be recognised as a “positive metric” and an engagement in PSB content. It is as important as a rating point in terms of impact, including the off-island reach.

Further on, any ambitious, quality oriented PSB format will compete for regional, national and international awards raising the profile of the indigenous talent base and industry, contributing to the economic growth of the Island through marketing.

**90. We conclude that the essential characteristics of any public service media operation in the Isle of Man are the provision of impartial Manx news and of other content which is distinctly Manx.**

We completely agree.

News is at the core of PSB provision.

For the Manx nation content which is distinct is also important – this should include culture, community, business, language and sport.

We would argue that current affairs are also important – no “off-island” broadcaster will offer Manx current affairs, so there should also be a platform for debate and analysis of Manx affairs.

#### **Recommendation 1**

**That the definition of “public service broadcasting” in primary legislation should be redrafted to distinguish between mandatory and discretionary components. The mandatory components should be limited to impartial news and other distinctly Manx content. The other elements of the existing definition, such as entertainment which responds to the tastes, interests and concerns of the community, should be discretionary components.**

We partially agree.

We agree that a new definition of Manx PSB should be drafted.

However, based on experience in other jurisdictions, discretionary components are soon side-lined. It is better to have a clear understanding of service level requirements and hold the PSB to those standards.

In our initial submission we suggested a definition of PSB, this was:

“PSB on the Isle of Man should:

- Inform the audience understanding of our world – both locally and beyond the Isle of Man
- Stimulate knowledge and learning for all ages
- Reflect the Isle of Man’s identity in all its aspects like culture, history, social life, business

- Be diverse and represent all viewpoints.”

We continue to hold this view, and feel it is aligned to the outcome of the interim report.

**91. We conclude that FM radio provides very high-quality output with receivers still being widely available including in cars. There is likely to be value in maintaining an FM transmission system for years to come.**

We agree. FM will for many years on the Isle of Man be the key consumption route for radio.

**92. We conclude that the AM network in the Island used by Manx Radio has, for the moment, a continuing purpose. However, the business case for maintaining it will weaken as other technologies become more widely used.**

We strongly disagree with this point.

AM is fundamentally redundant as a technology in Europe. The continuation of an AM service is a drain on funding and technical resources required to keep it operating.

We urge a rethink on this recommendation and a closure of the AM service. A fund to upgrade any socially disadvantaged users of AM only radio and supply individuals with inexpensive FM or internet radios would be a cheaper option than maintaining the AM infrastructure.

App based technology has overtaken AM as a consumption method. Very importantly an app based solution for the TT Radio transmission needs to be engineered.

Out-phasing AM would free up significant budget which could be returned to the Treasury or used to support the subvention in content creation.

**93. We conclude that the Treasury was right to respond cautiously, and on the basis of independent expert advice, to Manx Radio’s proposals to construct a DAB+ multiplex for the Island.**

We agree.

Other jurisdictions are far further ahead with DAB+ development. The Isle of Man can jump this technology due to its size and limited number of services.

**94. We conclude that it seems inevitable that the distribution of audio over the Internet will increase. It also seems likely that the disadvantages of Internet distribution which have been identified by Manx Radio may be mitigated by future developments in technology.**

We agree

We have deliberately not been critical of Manx Radio in any of our submissions. However, on this point it is hard not point out the lack of ambition.

Radio services across Europe and North America are launching App based internet radio.

The IoM is no different and internet delivery should be embraced, along with other new technology to make PSB more available and cost effective to produce and deliver.

## **Recommendation 2**

**That the Island's public service media provider should "leapfrog" DAB and move straight from the existing distribution framework, which relies only on FM and AM, to a future framework in which FM sits alongside an Internet Protocol-based infrastructure.**

We agree regarding FM and IP infrastructure.

The continuance of AM is a financial and operational drain that is not required, assuming that the Radio TT audience can be served via smartphone apps, especially outside the Radio TT FM areas. We recommend the committee review AM on the island before enshrining this point in the final report.

**95. We conclude that the provision of radio advertising capability is not in itself a public service. If Manx Radio were to stop carrying advertisements, businesses in the Isle of Man would not be significantly inconvenienced.**

This statement simplifies a complex issue.

The advertising ecosystem is not simple.

We agree that advertising is not itself a public service – however business across the island use and value the reach Manx Radio provides into a certain (older) demographic.

We also argue that sponsorship and advertising should be differentiated, and some businesses value the proposition of one over the other.

Indeed, advertising were removed from Manx Radio as many (most of whom have vested interests) stated in their evidence to the Committee, how would the funding shortfall be made up?

It is widely understood that Treasury wishes to reduce the subvention, and some want to remove advertising – this does not answer the funding issue in any way.

Far better would be that a "regulated" pricing structure be implemented ensuring that a commercially viable pricing floor is maintained. This will assist the whole sector as the value of all airtime should rise for all parties.

Journalistic independency of PSB news can be insured by an active risk mitigation management, distributing the risk of commercial revenue dependency among many clients, none reaching a critical size.

A mintage limit of advertising per hour should also be introduced. This would also push up prices for airtime and make the service more user friendly as there would be fewer advertising breaks.

Alternatively, if the Committee sees no requirement for spot advertising, then a sponsorship only commercial model may be adopted. However, we again question if the market could sustain advertising at the level required to maintain a full service PSB in such a small market.

**96. We conclude that there is a risk that over-reliance on commercial income could undermine the ability of a provider to deliver public service media.**

We agree.

Quality Public Service Content is expensive to deliver.

While good commercial planning should ensure a strong cashflow and company business model – as we saw in the last financial crisis, marketing and advertising budgets are among the first to be cut at times of belt tightening.

Isle of Media cannot think of anywhere in the world where a regulated PSB does not have some public funding

A mixed income however is common – RTE in Ireland is a relevant example where a licence fee and advertising deliver the majority of income for the services provided.

**97. We conclude that Manx Radio's commercial activities distort the market for radio and other advertising in the Island.**

We agree.

As already stated we don't feel this is insurmountable.

It is also not unusual.

In every distraction where the PSB is (partially) advertiser funded this argument is used.

We were surprised at the pricing levels some of the respondents to the Committee stated, and a regulated pricing structure could address this and assist others in the market.

### **Recommendation 3**

**That Tynwald calls on the Treasury as shareholder of Manx Radio to work towards a delivery model for public service media in which reliance on commercial advertising is progressively reduced and ultimately removed.**

We strongly disagree with this proposal – in reality the Treasury would end up fully funding the service, or the service would close.

It is clear the Treasury wishes to reduce or even remove the subvention.

With no commercial advertising, the model for Manx Radio becomes unsustainable.

It is not clear from the Interim Report how an ingenious PSB would be funded if not by advertising or subvention.

The final report needs to make this clear.

A better management of the airtime and sponsorship market would deliver results that would produce less market distortion.

The three radio stations on the island serve different demographics – is there a way of cross-selling or bundling stations? Has the Committee discussed this with other operators?

Indeed, if advertising is removed from Manx Radio, there is no evidence that this “spend” would find its way to other media services based on island.

**98. We conclude that following the Tynwald debate of March 2014, when Tynwald rejected the linking of Manx Radio's public service subvention to the station's licence term or to inflation, Manx Radio's strategy was to carry on increasing its services and seek to fund this by increasing its commercial income. The strategy failed. The hoped-for increase in commercial income did not materialise and the company reported losses of £48,713 in 2015/16 and £82,406 in 2016/17.**

Many PSB's report losses. RTE in Ireland has reported a deficit for a number of years.

This issue here is poor management and lack of visionary, yet deliverable good long-term planning. The Government as the key stakeholder needs to be part of this planning process.

#### **Recommendation 4**

**That legislation should be introduced to provide that a public service broadcaster in receipt of public funds for the purpose of meeting public service obligations should be obliged to budget for a surplus each year; and if such a broadcaster should find itself in the position of forecasting a loss in any particular year, then before the end of that year it should be obligatory for Tynwald to be asked, on behalf of the broadcaster, to approve a Supplementary Vote.**

We agree.

However, this is too simplistic. Like all businesses, in broadcasting unexpected costs can cause short term deficit.

If for example Tynwald rejected additional funding in any one year, would the service simply close for a period? Change in business cannot be implemented at break neck speed or more often than not additional costs are incurred because change strategy is not thought out clearly.

Our view is that the PSB should show surplus over a rolling three-year period.

**99. We conclude that by July 2017 the Board of Manx Radio could see that its strategy of maintaining existing services by growing commercial income was failing. It correctly identified that its options were to increase income from public funds (whether from the Isle of Man Government or from the BBC), or to reduce expenditure. Having been advised by the Treasury Minister to reduce expenditure, it nevertheless submitted to the Treasury a bid for an increase in its subvention.**

This was poor management. No business can be expected to operate immune to external economic factors.

**100. We conclude that Manx Radio's 2018/19 Budget bid showed an astonishing disregard for the constraints which exist at present on all public finances. At a time when every publicly funded body is being expected to find savings, the station requested an increase in its public subvention of 38%. We are not surprised that the Treasury rejected this request.**

We agree.

This issue is not however just the disregard of the management.

The national PSB Manx Radio has been neglected in terms of guidance from Government and the gaps between delivery of service, financial accountability and reality and audience expectations have grown.

The Government should have shown much greater direction in terms of what PSB means and the services required.

Technology and Content should have been developed.

Alas the service is at a point now where both capital and cerebral input are required to deliver a fit for purpose PSB that the Island deserves.

A good strong PSB should have a long-term funding model, not be at risk of being a political pawn and have strong management to succeed.

**101. We conclude that the Directors of Manx Radio have shown, within their 2018/19 Budget bid, that they are capable of identifying options to live within their means. We acknowledge the Directors' concern that, if these options were to be implemented, there could be a conflict with the station format laid down in the licence issued by the Communications Commission. However, it does not follow, in our view, that these options should be ruled out. Instead a dialogue is needed with the**

**Communications Commission, which can be expected to appreciate the constraints which exist on public expenditure.**

We agree.

Regulators in neighboring jurisdictions have changed or dropped licence requirements when commercial constraints are experienced and proven.

This is not exceptional and should be an option the Communications Commission looks at.

It should also apply to commercial operator on the island as/if conditions apply.

**102. We conclude that Manx Radio's approach to programming has changed little over the past ten years. We consider that opportunities have been missed to show creativity within the station format laid down by the Communications Commission, and to negotiate changes to that format when the licence has been renewed.**

We agree.

**103. We conclude that, although in principle a public service broadcaster should be operationally independent of Government, the arm's length approach of the Treasury as shareholder of Radio Manx Limited has not worked. Allowing the directors to appoint their own successors has resulted in a wide disconnect has arisen between the strategic approach of the directors and that of the shareholder. We do not believe it is in the public interest for this to continue.**

We agree.

**104. We conclude that the disconnect between, on the one hand, the directors of Radio Manx Limited, and on the other, the Treasury as the company's shareholder, has arisen because of a lack of strategic engagement by the Treasury. Symptoms of this lack of engagement include a failure to agree medium- and long-term plans with the directors, and a policy of allowing the directors to appoint their own successors without any substantive input from the shareholder beyond formal approval of appointments at the AGM.**

We agree.

As stated above, the Government should have a closer planning role in the nations PSB.

Significant change is required and the Govt needs to have in place clear non-political channels to manage funding, resources, operational growth and change management at Manx Radio or its successor body.

#### **Recommendation 5**

**That the public body which owns Radio Manx Limited should play an active role in the strategic direction of the company including engagement with medium- and long-term planning, and recruitment of the directors of the company. If the Treasury does not have time to do this, ownership should be transferred to another body.**

We partially agree.

For real long-term security and the ability for Manx Radio management to plan effectively government should set a long-term remit. Treasury should set a long-term funding formula. The station should develop is PSB offering.



105. We conclude that there is a perception that Manx Radio has been placed in an impossible position. The station is obliged, under the terms of a licence issued by the Communications Commission, to deliver a particular station format; at the same time the station is expected to operate on the basis of a public service subvention determined by the Treasury; and yet there appears to be little co-ordination between the Communications Commission and the Treasury.

**106. We conclude that this perception is not entirely accurate. The Communications Commission has the ability to vary the station format from time to time and could do so in such a way as to licence a less costly operation. This option appears to have been discussed by the Communications Commission and Manx Radio, but not to have been taken forward.**

We agree, but,

This is accepting the status quo and managing decline. Varying format inevitability means reducing service. Isle of Media believes more services are required and with proper cost control can be delivered within existing resources.

The Committee should look at a new “smarter” operating environment that could be cross media, perhaps in partnership with other news organisations on the island, who would with access to the subvention could be more imaginative regarding the services on offer.

It is clear to us that in the debate around PSB provision that others on the island believe partnership and collaboration could develop a more commercial astute and modernized vision of PSB for the island.

We suggest the option of partnerships or more commercial models for Manx Radio be examined and an RFI to industry being put forward.

We agree the backstop regarding service levels should be the Communications Commission to prevent political interference. (We have also submitted to the Communications Bill review we believe, in line with other European jurisdictions, there should not be a political chair of the Communications Commission. The CEO of the CC should be answerable to Tynwald.)

**107. We conclude that the Communications Commission, in fulfilling its role of licencing a public service broadcaster, should not be allowed to disregard financial matters. Experience shows that the Commission’s decisions in this area can have a direct impact on public expenditure. The Commission should accept this and should be prepared to co-operate with the Treasury to develop a realistic environment for the public service broadcaster in which available inputs (the subvention) are aligned with expected outputs (the station format).**

We totally agree.

Again however, there needs to be recognition that PSB in 2018 is not just radio. The Manx PSB must provide a cross platform service – if Tynwald and this Review does not recognize this then there is a significant shortfall between the current service and the desired and expected service the public of the Isle of Man is receiving.

Any review of the levels of PSB from Manx Radio should also cascade down to the commercial operator’s at times of financial uncertainty. The option to review licenses should not just be an option the Communication Commission holds for Manx Radio.

**108. We conclude that the level of the subvention together with the station format should be the subject of a four-way agreement between:**

- the Treasury (as guardian of public funds)
- the Communications Commission



- the Treasury or whichever other public body acts as shareholder of Radio Manx Limited
- the directors of Radio Manx Limited.

We partially agree.

The Treasury needs to offer a long term (5 or 10 year) funding formula similar to that offered by the Royal Charter to the BBC. This will eliminate the short termism that has been historically prevalent.

The directors/shareholder should then deliver a bouquet of services fit for purpose.

#### **Recommendation 6**

That legislation should be introduced to provide that no public funds may be committed to public service broadcasting, and no broadcasting licence or station format may be issued or amended, in the absence of agreement between the Treasury, the Communications Commission, and the owners and directors of the public service broadcaster.

We agree.

However again we stress that a long-term funding methodology is required to ensure continuity of services and the director/shareholders a clear understanding of their budget.

We would add that no significant mention of capital expenditure appears in the Interim Report. The current premises and technology of Manx Radio are not fit for purpose and to make best use of new platforms and technology.

We urge that this is addressed in the Final Report.

We thank the Committee for reading our further submission.

Isle of Media remains firmly of the view that a strong indigenous PSB on multiple platforms is both desirable and deliverable and we continue to urge the Committee to be bold in its Final Report. Once again, we appreciate the opportunity to make a submission on this vital Review for the creative and digital industries of the Isle of Man.

Yours sincerely,

*Michael Wilson*  
Chief Executive Officer

Isle of Media Limited

[Contact details redacted]



*Isle of Media Limited is a limited company incorporated in the Isle of Man (company number 131277C) and whose registered office is at Mountain View Innovation Centre, Jurby Road, Ramsey, Isle of Man IM7 2DZ. Directors of the Board: Dr Richard K. Arning, David Beynon, Peter Duke*

## **Appendix 10: 6th April 2018 – Submission of Mr A Jackson**



**From:** alan jackson [Contact details redacted]  
**Date:** 6 April 2018 at 18:09:30 BST  
**To:** [Juan Watterson – contact details redacted]  
**Subject:** PSB

Juan,

Thanks for the opportunity to pass on my thoughts regarding Manx Radio and the future of public service broadcasting.

Suggestions.....

Medium wave is somewhat under-used. It also carries a bland pop music breakfast alternative to Mandate on FM

MW features the weekly Keys question time and the whole of the monthly Tynwald session

It is also used for TT fortnight, the Festival of Racing and the Southern 100.

Inventive programming would have to be considered regarding these events should the following proposal be considered.

As medium wave can be heard in all countries around the Irish Sea (and online- around the world) some thought might be given to using medium wave as a wavelength to promote everything and anything that presents the island in a highly favourable light.

To make Medium Wave part of an IOM marketing platform, re-positioning of current programmes and a different music policy may be required.

Manx FM would need to be community orientated and as 'manx as the hills'.

It should be born in mind that there is a certain amount of inexperience in certain key positions within the radio station.

The Programme Manager, News Editor and Head of Music are all recently appointed from within.

Regarding funding...it is interesting to see that BBC Radio Jersey is funded by a percentage of the tv licence fee (paid by the islanders). We presently have a three-person BBC team housed in Broadcasting House, on Douglas Head.

They provide a list of possible features that might be used on North West Today/Tonight.

The editorial decision is then taken in Manchester. BBC Jersey is to be found within

Given the vast array of programmes produced by the BBC would it be possible to negotiate having some of them transferred after use on the BBC? Manx has an arrangement with Sky for their international news and feature feed. I'm led to believe that the radio station has or did have, a two-way agreement with the BBC for use of their reciprocal studio facilities.

It WAS certainly a fact that the BBC didn't see any reason why they should create a BBC local station (and all of its costs) when there was already one in position (Manx Radio).

One thing is certain, we should not 'go to war' with the BBC!

Sincerely,

Alan Jackson.



## **Appendix 11: 11th April 2018 – Further Submission of Mr A Jackson**





**From:** Alan Jackson [Contact details redacted]

**Date:** 11 April 2018 at 08:46:02 GMT+1

**To:** "Watterson, Juan (MHK)

**Subject:** Re: Public Service Broadcasting-IOM

Good to hear from you, Juan.

As an afterthought, it may be worth considering a 'Radio Isle of Man' concept, broadcasting ONLINE? This would allow the present set-up to continue, as is. Although I do understand that Radio TT might feel compromised in that the races appear to be our most successful brand leader to date. Just how Greenlight TV present and market their product could well influence the equation.

The question is 'Are we getting the most out of our own public service broadcaster'?

It could prove useful to have select committee members Google 'Tony Hall Local Radio' where the Director General spotlights the role of BBC local (regional) radio in the community.

On the subject of funding - in my opinion, whilst programme content is of vital importance to any media operation, it's how taxpayers money and commercial income is used that rules the day. I'm sure that current costings, including salaries, will be an area of interest that the committee will be giving its due attention to.

Senior management at Manx Radio have, in the past, welcomed such a review, gleaning information and ideas on how to 'go forward'.

Their overriding goal has to be the pursuit of providing a NATIONAL public service that should be truly beneficial to ALL ages.

My best wishes, Juan,  
Alan Jackson.



**Appendix 12: 'Public Service and Public  
Interest Content in the Digital Age' –  
Background Document for the 47th EPRA  
Meeting, Luxembourg held in May 2018**



**47<sup>th</sup> EPRA Meeting**  
**Luxembourg, 23-25 May 2018**

**Plenary I**

**Public service and public interest content in the digital age:**

taking stock of stakeholders' views

Background Document

**Samuel Studer, Content Producer, OFCOM (CH)**

## **1 Introduction**

The issue of regulation of public service media has featured prominently on the agenda of many meetings ever since the establishment of the EPRA network<sup>1</sup>. Over time, the debates have covered a wide range of issues, encompassing governance and financing aspects, not to forget the role played by regulators in assessing PSM performance.

Recent sessions have focused on the profound challenges faced by PSM in the digital age. Public service media are operating in media landscapes characterised by increasing connectivity, individualisation of content, new consumption patterns, and greater global competition faced by historical national operators. These disruptive elements are impacting PSM's remit, missions and scope of activities and also raise many regulatory questions. The plenary session held in Kraków<sup>2</sup> on 8-10 May 2013 addressed emerging issues such as prominence of public service content on Connected TV platforms. In 2015, a bi-annual working group looked at the impact of economic and technological changes brought about by the digital area on the provision of public service content. While the spring session in Berne focused on remit and financing of PSM and content, and addressed regulatory experiences concerning best practices on carrying out the public value test, the definition of new significant services, and pros and cons of European standards on market impact assessments and public value tests<sup>3</sup>, the onus of the autumn session in Nuremberg - entitled "from must carry to must be found"<sup>4</sup> - was on accessibility and findability of public service content in the new media environment.

On 5 July 2017, EPRA and EBU jointly organised a closed, small-scale workshop on "The Future of Public Service Media – Successfully dealing with Disruption"<sup>5</sup>, to facilitate the dialogue between PSMs and broadcasting regulators on common goals and differing perceptions. The event also

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<sup>1</sup> Notably in Ljubljana (2002), Naples (2003), Prague (2007), Dublin (2008), Belgrade (2010), Kraków (2013), Berne and Nuremberg (2015)

<sup>2</sup> Public Service Media in a Connected Environment, Different Shades of Using New Opportunities:

<https://www.epra.org/attachments/krakow-session-2-psm-in-a-connected-environment-background-document>

<sup>3</sup> <https://www.epra.org/attachments/berne-wg1-public-service-content-in-a-multiplatform-environment-summary-of-discussion>

<sup>4</sup> <https://www.epra.org/attachments/nuremberg-wg1-public-service-content-in-a-multiplatform-environment-from-must-carry-to-must-be-found-background-paper>

<sup>5</sup> [https://www.epra.org/news\\_items/the-future-of-psm-successfully-dealing-with-disruption-joint-ebu-epra-workshop](https://www.epra.org/news_items/the-future-of-psm-successfully-dealing-with-disruption-joint-ebu-epra-workshop)

appeared to have stimulated the appetite of EPRA members for further discussion on the future of PSM content.

Against this background, EPRA's Work Programme for 2018 included an annual theme on "Public service and public interest content in the digital age". In terms of structure, the objective of the spring session in Luxembourg is to bring together a selection of key stakeholders to report on their perception of current challenges in the provision, distribution and delivery of public service and public interest content. The second session - in October in Bratislava - will focus on the role of regulators and on current experiences and best practices around issues of financing and investment in public interest content.

The present working paper, which aims to provide background information and identify issues for debate for the plenary session held on 24 May in Luxembourg, is structured around four crucial, interconnected challenges relating to the legitimacy of PSM in a changed media landscape, the production of public value, reaching the public and financing PSM and public interest content.

## **2 The institution of public service media under pressure: the legitimacy of public service media and public service media content**

In Europe, public service media (PSM) enjoy a high degree of credibility among the population (cf. Radu 2018). And in general, despite increasing national and international competition and changes in usage behaviour, in particular among young people, they continue to register high usage figures (cf. ebd). Despite or because of their strong position, PSM organisations have in recent years come under political pressure world-wide and also in many European countries (cf. Herzog et al. 2018: 4). One expression of this "legitimacy crisis" refers to the discussions about the institution and organisation of public service media which in some respects bring them fundamentally into question. Another expression of this development is the recent wealth of reports commissioned by European governments or regulatory agencies to address the issue of the legitimacy of their PSM from different points of view.

- In the *United Kingdom* the renewal of the BBC's Royal Charter in 2017 was preceded by controversial debates. The BBC Trust was abolished and supervisory activity was transferred to Ofcom UK. Consequently the BBC will be supervised by an independent body. The "distinctiveness" of the BBC in relation to its competitors is now enshrined as a public value in the Royal Charter. Ofcom UK also commissioned a public survey on the distinctiveness of the BBC.<sup>6</sup>
- In a recently published report from *Norway* the Norwegian Media Authority (Medietilsynet) examined whether NRK contributes to media diversity and whether distortion of competition exists.<sup>7</sup>
- In *Switzerland* there were lively discussions concerning the referendum "Yes to the abolition of radio and television fees". Acceptance of this initiative would have rendered subsidising radio and television stations impossible.<sup>8</sup>

It is true that discussions about the justification for and duty of public service media are almost as old as the public radio and television broadcasters themselves (see below) and, for example, were also

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<sup>6</sup> [https://www.epra.org/news\\_items/bbc-distinctiveness-report-prepared-for-ofcom-by-ipsos-mori](https://www.epra.org/news_items/bbc-distinctiveness-report-prepared-for-ofcom-by-ipsos-mori)

<sup>7</sup> [https://www.epra.org/news\\_items/nrk-s-online-presence-does-not-cause-significant-restrictions-on-competition-in-the-markets-analysed](https://www.epra.org/news_items/nrk-s-online-presence-does-not-cause-significant-restrictions-on-competition-in-the-markets-analysed)

<sup>8</sup> Cf. [https://www.admin.ch/gov/en/start/documentation/votes/20180304/popular\\_initiative\\_abolition\\_billag\\_fees.html](https://www.admin.ch/gov/en/start/documentation/votes/20180304/popular_initiative_abolition_billag_fees.html)

fiercely continued ahead of the introduction of private broadcasting in Europe. Digitisation, however, has greatly changed the basic conditions of media production, rekindling the debate about the legitimacy and position of public broadcasting in this “new digital world”.

Since some of the current debates fundamentally target the institution of PSM, in what follows the institutionalisation and legitimisation of PSM are placed in their historical context (Section 1). Against this background, fundamental questions relating to the legitimacy of PSM can be discussed. Various associated aspects follow: the relationship between PSM and the private media and questions of distinctiveness (Section 2); the challenge, in an increasingly convergent media environment in which media are increasingly used independently of location and in a time-shifted manner, of reaching an ever more fragmented audience in its entirety (Section 3); and finally the question of a solid funding basis for PSM (Section 4).

### **3 Institutionalisation and legitimisation of public service media in a changing media landscape**

In Europe, public broadcasters were predominantly founded in the first half of the twentieth century. The institution of public broadcasting and the choice of its specific organisational form - as a public service broadcaster which originally operated as a “natural monopoly” - essentially acquired its legitimacy from three threads of reasoning. First of all for technical reasons (spectrum scarcity), secondly for economic reasons (among other things high production costs and generally because of (imputed) market failure) and thirdly because of social and democratic political interests, including the background of the experience of propaganda in the two world wars.

Generally, what is and will continue to be required of PSM is a service in terms of political and democratic policy. Even if this “public value” is currently being discussed (again) (cf. EBU 2016), a set of core values nonetheless remains. Among other things, PSM are intended to make a contribution to society by establishing openness. There is an expectation of stimuli for public debates and democratic discourse, cultural diversity, creativity, education, social solidarity and social welfare. The overarching media policy objective is to ensure an optimum of liberty and diversity in the expression of opinion.

The criticism of national PSM monopolies is (almost) as old as PSM itself. Even at the end of the 1940s, for example Coase (1947, 1950) criticised the monopolistic position of the BBC and questioned whether state-regulated broadcasting guarantees social welfare better than the free market. Reference is also constantly made to the perceived shortcomings of media providers in fulfilling their service mandate. In the 1980s, the introduction of private radio and television stations was implemented with these arguments, among other things. Greater competition was therefore permitted, bringing massive changes for PSM, as they for the first time entered into competition with private broadcasters for market shares in the national markets for attention. In its history, the criticism of the institution and organisation of PSM returned again and again to two threads of argumentation: a) changed basic conditions, which would no longer justify their monopolistic position, and later their preferential position (e.g. funding with public money) and b) criticism of the fulfilment of performance mandates by the public broadcasters. This also applies to the current debates. Digitised and rapidly changing media landscapes lead to the question of whether the preferential position of PSM can still be justified. And in the wake of social and political changes, the (substantive) performance of PSM is being called into question.

#### *Changed basic conditions:*

Digitisation and the accompanying structural change in media landscapes have changed the basic conditions of PSM. Spectrum scarcity has largely been overcome in the digital world. The technical justification for PSM consequently becomes increasingly invalid. Increasing digitisation, however, has

also led to lower production costs, to convergence with the distribution channels (the internet) and to increasingly internationalised markets. There has arisen a multiplicity of (private) offerings which are disseminated by many different means (cable, satellite, DAB+, the internet) and which can be used via different devices in a convergent, geographically independent (e.g. smartphones) and time-shifted manner. PSM providers are therefore currently in competition with private national and international providers of audio-visual content, and likewise with publishers who offer their printed products on the internet. In addition there are the platforms of the global internet giants which are placing pressure on the providers on national media markets. It is argued that in view of this media diversity (in the sense of a diversity of offerings), it is no longer possible to speak of market failures in terms of monopolistic trends. On the contrary, public broadcasters funded by public money could distort or suppress competition.

#### *The performance of PSM:*

Apart from structural arguments, there is also criticism of the performance of PSM. It is argued that PSM are not able to adequately fulfil the high expectations in terms of quality, impartiality, efficiency, innovation and creativity. This criticism should be viewed, among other things, against the background of changes in the political landscapes. There is also criticism of the declining distinctiveness of the PSM offering compared to the offerings of commercial media. Reference is made not least to the fact that PSM could find it increasingly difficult to meet the requirements of all social strata. They would increasingly appeal only to an older audience and would have to struggle with the declining relevance of their programming to young people.

Despite an evident increase in private audio-visual media offerings, the reference to market failure was and remains one of the strongest arguments for defending the existence of PSM as an institution and an organisation. In this connection reference is made to media's characteristic as public goods or club goods, to external factors, to a lack of information and to economies of scale and economies of scope. These would retain their validity even under digital conditions and would lead to socially undesirable developments in media markets (cf. e.g. EMEK 2018). From the institutional economic viewpoint, it is stated that in the future, quality journalism can at best continue to be funded only in niches as a special interest product. It will also become increasingly more difficult to be able to fund high-quality journalistic offerings aimed at heterogeneous mass audiences. However, it is precisely such offerings which theoretical democracy and society desire and which are expected of PSM (cf. Lobigs 2017).

And yet, the following question is posed: in a world of digitised media, to what extent are national state PSM needed for the fulfilment of the socially desired service? Is only *one* national state public service provider still needed for this, or could private providers produce specific content which is not provided adequately by the market (e.g. quality journalism) just as well, better or perhaps even more economically? Thus on the one hand there is the question of the legitimacy of the public service media institution and its public funding and on the other hand the question concerning its adequate organisational form.

#### **Questions:**

- **(To what extent) should PSM be reformed in order to be able to maintain its legitimacy in a changed (digital) environment / market? This means, among other things:**
- **Which of the historical justifications for the institution and the organisational form are still relevant?**
- **Is “market failure” (still) a convincing argument, or should more emphasis be placed on social benefit?**



- Which functions of PSM (cf. also Section 2) are still essential?
- What are the requirements in relation to the content of PSM to enable it to fulfil these functions?
- What does "distinctiveness" mean? Can this criterion be defined and measured?

#### 4 The legitimacy debate 1: Challenges concerning the organisation of the production of public value

PSM are organised differently in different countries. Nevertheless, a set of typical ideal characteristics of the public service media institution can be identified. Among other things they include (cf. Blumler 1992 and Barendt 1995, for an overview Burri 2015: 4-11):

- a) A "comprehensive task": PSM must not only inform or educate but also entertain.
- b) "Generalised mandates" - The mission of PSM is formulated in the form of general functions such as, e.g., "to educate", "to inform" or "to entertain" and *not* in the form of specific broadcasts with specific content.
- c) "Diversity, pluralism and objectivity" of offerings;
- d) Non-commercial configuration and (partial) funding through a fee or taxation - PSM must provide a service for the community and not operate with a view to profit. They are (ideally and typically) funded wholly or mainly.
- e) "Universal service" (geographically and socially) - PSM also have the task of providing the population in remote areas with their programmes and they should offer content for all different social groups.
- f) Contribution to "national identity and culture";
- g) Independence from state and commercial interests - PSM should fulfil their mission in the service of the public and not in the service of particular political or economic interests.

In an increasingly convergent media environment in which on the one hand, in the audio and audio-visual sphere, more and more private producers are producing, re-using and distributing more and more (niche) offerings and on the other hand the funding of quality journalism is increasingly made more difficult, the question is now posed (also with reference to regulation) concerning the relationship between PSM and private media providers. This relationship can take the form of co-operation and of rivalry.

In the first case (co-operation), the question is posed as to how such forms of co-operation can be organised so that they are beneficial for society. Some examples:

- "Radioplayer Worldwide" has existed for some time; it is a standardised web player and app operated by the radio industry. This was launched on the initiative of the BBC and makes it possible to bundle the connected radio stations with a platform of one's own, as a "gatekeeper". In the *United Kingdom, Austria and Switzerland*, commercial and PSM radio stations together operate the respective national Radioplayer.
- In *Switzerland* the SRG SSR PSM, together with the traditional telecom provider (Swisscom) and a large publishing house (Ringier) has outsourced the advertising marketing activities to a joint venture, in order to keep pace with the large internet companies and to stem the outflow of advertising revenue. The resulting company can access a large collection of data and has available a multimedia portfolio from the areas of print, TV, radio, online and cross-media. This joint venture caused a large amount of criticism from the media sector and

politicians, above all because publicly financed companies are involved, thereby allegedly distorting competition.

- In *Switzerland* also, a "shared content model" is currently under consideration. The SRG SSR is, it is claimed, to offer private media providers specific media content at a uniform price for further use. This co-operation model enjoys broad agreement in the private sector. However there is criticism that this could be counter-productive for diversity.

In the second case (demarcation), among other things there is generally the question of regulatory demarcation between the two forms and, for example, whether PSM should withdraw from specific areas. This question is often discussed from the viewpoint of distinctiveness or subsidiarity (PSM should produce only that which the market does not provide). It is demanded on the one hand that PSM should withdraw from certain areas: where the market "functions" – for example in the entertainment sector - PSM should no longer make productions. However, the "universal service" would then be abandoned.

On the other hand there are calls for private organisations to be allowed to produce at least part of the public service offerings on their behalf and receive part of the national PSM budgets for this. There are already, for example, corresponding models in Norway and Switzerland.

- In *Norway* measures exist to secure the presence of a commercial television broadcaster with a headquarters and newsroom outside Oslo and to establish a public funding scheme for PSM content to the tune of a maximum of 15 million euros.
- In *Switzerland* regional and local private commercial broadcasters receive a limited PSM mandate to broadcast information from their transmission area at prime time. For this they receive a share of the reception fees and must-carry status. There is currently discussion about whether electronic media offerings of a public service character should in the future be provided with public financial support.

#### **Questions:**

- **Must the services provided by PSM be provided by one organisation or can its services (which?) also be provided by private organisations?**

- **This means: Which content can be provided only or best (and most efficiently) by PSM?**

- **What are the social consequences (pro and cons), if PSM tasks, for example, are entrusted to private and possibly commercial organisations via service agreements and appropriate financial remuneration?**

## **5 The legitimacy debate 2: Challenges concerning the reachability of the public**

In Europe in general, despite increasing national and international competition and changes in usage behaviour, in particular among young people, public service media (PSM) continue to register high usage figures (cf. ebd.). In the *radio sector* the market shares of various public broadcasters examined in 2013 were *predominantly between 50% and 80%*; in the *television sector* they were

between 20% and 40% (cf. Puppis/Schweizer 2015: 127). A more recent study, however, indicates that there are significant differences between different countries (cf. Radu 2018).<sup>9</sup> For example, the Czech, Latvian and Romanian public radio sectors have a 30 to 35 per cent market share; the Polish figure is approximately 20 per cent. In 2016 the Latvian and Portuguese public television stations still achieved approximately 15 per cent and 16 per cent, respectively, whereas Romanian television reported a historic lowest value of 3.5 percent market share. This indicates a connection between the financial endowment of a PSM organisation and its market share: the higher the budget of a PSM organization, the higher, generally, its market share and vice versa (ebd.).

As explained above, it is a characteristic of PSM that they provide a social “universal service”. Their content is wholly targeted at the entire population of a country. This also means in particular that they have produced and broadcast offerings for social minorities (e.g. linguistic minorities) and did not focus only on (e.g. economically particularly interesting) target groups.

Against the background of increasing social differentiation and the divergence of political currents, this mandate will become increasingly more difficult to fulfil. In addition, this fulfilment will (also) be made more difficult because of the digitisation of media landscapes. First of all, available media offerings are increasing, so the ‘findability’ of PSM offerings is (also) made more difficult. Secondly, the programming of private broadcasters is no longer serving only “special interests” (e.g. by niche broadcasters, e.g. in sport), but increasingly also “very special interests” (e.g. golf broadcasters, football broadcasters or ice hockey broadcasters). Social differentiation corresponds to a growing media “longtail” in which specialised offerings which are differentiated (“disaggregated”) over ever more interests can find their niche and survive economically. The question arises as to whether and to what extent PSM should compete with such offerings. Thirdly, digitisation has also led to changed media usage behaviour. Young people in particular use media in a more mobile, more time-shifted manner and via different channels (e.g. social media), compared to the older generation. If PSM are also to find legitimacy among young people, they must produce offerings which correspond to the interests of this social group and disseminate them on the channels which are used by them.

- In *Germany* PSM ARD and ZDF have launched in 2016 the online format “Funk.de”. It provides online content for the target group of 14 to 29 years old, which is available on a dedicated website, and on other social platforms. In parallel ARD and ZDF have switched off two linear special channels dedicated to the young audience (EinsPlus and ZDFkultur).

#### **Questions:**

- How should PSM react to these developments: with offerings which are produced for ever more disaggregated target groups? This would run contrary to the contribution to “national cohesion”. Or by focusing on far-reaching content for mass consumption? This would possibly have an adverse effect on distinctiveness.

- What can PSM do to be received by young people and at the same time fulfil the requirements imposed on them (e.g. in terms of quality)?

<sup>9</sup> <https://en.ejo.ch/media-economics/accountable-and-or-responsible-public-service-media-in-europe>

## 6 The legitimacy debate 3: Challenges relating to the funding of public service media and its content

In the PSM sector, hybrid funding dominates. In most European countries, PSM organisations receive public resources and also generate revenue from advertising. Only in the Nordic countries and in Great Britain is there no advertising at all. The proportion of public resources in all the European countries surveyed amounted to more than 50% of revenues (cf. Puppis/Schweizer 2015).

### 6.1 Challenges relating to the funding of PSM organisations

With the legitimisation of PSM its funding also comes under pressure. On the one hand, public funding is generally called into question. In Switzerland, in March 2018 there was a vote on whether subsidies for radio and television should continue to be possible in future. However, just 30% of citizens voted for the abolition of subsidies. In Austria, Denmark and England the abolition of fees is being demanded by (some elements of) the political right. And in France a substantial budget cut is being debated. On the other hand, funding of public broadcasting by advertising is also under debate. But budget cuts also threaten public broadcasters even in countries in which the legitimacy of public funding in principle is not being called into question. Against this background it is telling that between 2011 and 2016 PSM revenues only increased by a modest 0.4%. Excluding Germany, where a new license fee scheme boosted the revenues of the public broadcasters, the increase was 0.2% per year. Portugal, Spain, Romania and Poland experienced a significant decline of their revenues (European Audiovisual Observatory: 64; EBU 2017: 3-4). In real terms, this is a downward trend. Other examples:

- In *Denmark* the government has concluded a new contract with the PSM provider DR, which will enter into force in early 2019 and which among other things envisages a budget saving of 20%.
- In *the Netherlands* the government has reduced state funding of media in two waves (2013-2015 / 2016-2017). It was primarily the PSM organisation NPO which was affected by the cuts. It was also required to become leaner, more efficient and more innovative. NPO reacted by reforming its organisational structure.
- In *France* on 31 August 2017 the government announced that the PSM providers France Télévisions, Radio France and arte should save a total of 80 million euros in 2018. The discussions between PSM and the government about the scope of these cost saving measures have not yet been concluded.

Clearly, the question is also posed as to how PSM can be put on an acceptable long-term funding basis and what form of public funding is adequate. Traditionally, most European countries have funded their public broadcasting by means of a charge based on the possession of a television receiver. Because of technical developments, however, more and more countries have switched to decoupling funding from reception equipment. However, the arrangements differ. For example, Germany and Switzerland have switched to a household-based fee, whilst Finland has introduced an individual media tax, collected by the taxation authority. The Netherlands and the French and Flemish communities of Belgium fund their PSM from the regular national budget. According to statements by scientists from both countries, this method of funding is, however, facing growing problems, since adoption of the budget gives parliament the option of cutting the subsidy for (party) political reasons.

**Questions:**

- How can PSM be put on an acceptable long-term funding basis?
- How will the editorial independence of PSM be safeguarded if parliaments increasingly determine the level of funding?
- From the viewpoint of more stringent "ethical" requirements, where do the frontiers of funding through advertising, sponsorship and product placement lie?
- Should, for example, PSM also disseminate commercial communication in their online offerings?

## **6.2 Challenges relating to the funding of content**

In Europe PSM are a guarantor of high-quality and innovative audio-visual productions for national markets. PSMs originated 73% of TV fiction and 44% of TV fiction hours produced each year in Europe. They focus in particular on short formats (TV films and TV series with 26 or fewer episodes), for which they contribute to 66% of hours produced. Moreover, seven public groups appear in the ranking of the top 15 broadcasters involved in the production of TV fiction in the European Union (European Audiovisual Observatory: 64). In this sphere they are now in more intense competition with private European broadcasters, US media companies and financially strong cable and telecoms companies. In recent times financially powerful global businesses with their Subscription Video on Demand (SVOD) products have penetrated this market very successfully. These players are hardly regulated or at least less strictly regulated nationally and they have many times larger budgets for high-quality audio-visual productions. European PSM cannot exercise this financial power. The operational revenue of all 64 EBU members amounted to 35.8 billion euros in 2016. That of the five largest internet organisations (Apple, Facebook, Amazon, Alphabet and Netflix) are approximately twelve times higher (432.21 billion euros). Also, the five largest European telecoms companies or the five largest US media companies generate seven and five times, respectively, higher operational revenue than all the EBU members combined (EBU 2017).

The presence of the global SVOD providers need not be detrimental in all cases. European PSM, particularly in the UK, also co-operate with these providers as co-producers. The question, however, is how much longer will the SVOD providers be ready to enter into such co-operation. And generally, how can PSM deal with this competition strategically.

**Questions:**

- What is currently happening in relation to genre investment?
- Which incentives do the large SVOD players have for co-operating with PSM?
- Is co-operation between PSM and other commercial media providers a possible solution?
- What are the pros and cons of such co-operation?

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