

Ofcom Children's

Review

Animation UK Ofcom Consultation Response

ANIMATION UK
part of the UK SCREEN ALLIANCE



Animation UK, now part of the newly formed UK Screen Alliance, provides the collective voice of the

Animation & Visualisation sector. In December 2016, Animation UK joined forces with the UK Screen Association to establish the UK Screen Alliance representing the Animation sector, post-production, VFX, other production service suppliers and studios.

As a new trade body with membership spanning the key production companies, service providers and distributors Animation UK has been formally constituted for just over a year.

Since its inception as a more informal body, Animation UK has highlighted the cross-sector strengths of the Animation sector and worked on behalf of the children's Animation industry to campaign for the introduction of Animation Tax Relief (ATR), which successfully came in to force in early 2013. This had an immediate positive impact, doubling investment in animation production and capturing inward investment. Without this intervention, the world-renowned UK animation sector was not just "at risk" but in danger of extinction.

The UK animation sector is of great cultural importance, contributing to the country's identity, fueling children's imagination, supporting educational objectives and helping to promote the UK globally. The ATR support and the impact this has had however, must be seen in the context of a year on year decline in investment in PSB UK originated content over the last decade. This is not only having a serious impact on the production sector but also the nature of content produced.

We welcome the Children's Review and the aim to gather more evidence relating to important and underpinning themes. We understand that this will lead to judgement on further steps and any regulatory intervention deemed necessary.

These themes include audience behavior, availability of content as well as the impact of incentives and disincentives. Whilst the collection of data and evidence is important and ongoing, we argue that that data already provides a compelling case for an urgent need for regulatory action and further, Animation UK urges for regulation that is specifically aimed at increasing UK originated content for all age groups and in line with PSB values. This should be considered in addition to other incentives such as the Contestable Fund, in order to address and reverse the evidenced based decline in high quality, high value and free to air PSB content for a demographic which accounts for 18% of the audience overall.

Consultation Response: the case for regulatory action.

Animation UK is not yet in a position to conduct primary research into audience patterns and content audits. We would however welcome working with Ofcom and other industry bodies such as CMC, CMF and PACT to discuss how this might be done and to address some of the specific questions as set out, particularly in relation to understanding the audience behavior and availability of content in relation to streaming and subscription services. Given the timing of the consultation and ongoing need to address questions where the research is not available across all genres, this collaboration would be welcomed.

This response from Animation UK will however identify key issues from the available Ofcom research and highlight some of the specific contexts for animation production in terms of incentives and disincentives, perceptions and opportunities.

The Children's Review consultation paints a nuanced picture of audience behaviour, and the known (and unknown) audience and content patterns on streaming and subscription services.

There is a greater choice for children on a greater range of platforms

Children and young people increasingly access content from online brands and services

Audience research suggests that there is overall satisfaction, although less content specifically aimed at older children and teenagers.

Ofcom research however also highlights:

A sizable minority of the audience (41%) do not feel content "reflects them, reflects the place they come from"

Children's content overall accounts for just 1% of television hours and whilst there are 30 plus children's channels, the vast majority do not show UK produced programmes (most being acquired cartoons made outside the UK)

Since 2003, when Children's content had Tier 2 status, children's PSB content has been reduced by 93% .

Whilst recent spend figures are up slightly, spend on first-run UK originated children's, overall programming has seen a year on year decrease of 13% up to 2015.

When looking at animated content specifically, in the period between 2000 and 2015, whilst children's drama, factual and pre-school content experienced a 58-64 % reduction in on-screen content, animation was reduced by 95%

Finally:

The Children's Review reinforces and highlights the nature of PSB responsibility to "collectively address volume, range and *original content* & quality and in the context of new opportunities the market failure"

It also highlights that for UK originated PSB content the BBC is the main commissioner. It is noted that BBC is subject to quotas and specific regulation. This relates to original programming and output in terms of hours. This can and does include extensive screening of repeats.

Whilst understanding the increasingly diverse and complex nature of access to content, viewing habits and also the commercial constraints, the evidence is compelling.

The Ofcom evidence above indicates market failure in terms of investment in UK originated PSB content across all age groups and in particular older children.

[A case for regulatory action.](#)

The Children's Review consultation does not ask for responses to what form any regulatory intervention should take, and we do not offer this level of detail in this response.

Animation UK does however wish to participate actively in the next stage of the consultation and we would welcome a sector discussion with Ofcom to discuss and explore this further. We believe that the principles should include:

- Regulatory intervention to ensure significantly increased levels of UK original PSB content across all PSB channels
- A focus on hours and spend alone will not result in the development of new content, as quotas based on either measures could be met through repeats or acquisitions, as is currently evidenced. The exact regulatory intervention has to be workable and effective but should be focused on achieving spend on UK original content.
- While Ofcom is only permitted to impose quotas on licensed public service channels (ITV, Channel 4 and Channel 5), there is scope to take account of provision on related services to ensure better distribution of any original content to reflect current viewing habits of the audience.
- Regulation should be nuanced and targeted reflecting the different PSB commitments, but should be enforceable and measurable.
- This position is presented not as a way of simply "supporting the sector" but in addressing market failure for a significant audience as remitted by PSB licenses.
- The combination of clear regulation and the availability, on a pilot basis currently, of the incentive of contestable funding to match direct PSB investment will drive up quality, ensure access to content in all genres, across all age groups.

[Additional sector context.](#)

The existing focus on animated commissioned new PSB content is aimed at pre 5s and younger children. The lack of content for older children and teenagers shows a real un-tapped potential and a growing international recognition that animated content for an older age group is increasingly successful.

Typically, PSBs fund only 25%-30% of the production budget for animated content.

This is significantly lower than the level for live action or factual. Animation productions are seen as more expensive, with a longer production timeline and with a longer tail for recoupment on investment. Animation content producers therefore rely on a patchwork of investment and co-production deals which results in loss of IP and internationalization of content, a loss of down the line revenue for both broadcaster and production company.

The potential for revenue from secondary rights and merchandising is an important consideration in the investment options open to animation producers and production companies. Animation content has the real potential to reach beyond language and cultural barriers (in terms of creative approach and with the ease of dubbing) and often transcends “normal shelf-life” limitations for content, plus the inclusivity of its reach, so in PSB terms is a useful investment.

The Animation sector is spread throughout the UK, there are hubs and regional diversity automatically built into the production base. Another factor is that the content lends itself to different scheduling options and can be produced in varying length and timed formats.

The contestable fund provides a real opportunity and incentive. However, the Contestable Fund is just part of the answer. It is a time limited pilot, there is no indication what will follow the three years and the indications are that the fund will operate on a match funding basis and with flexibility in terms of distribution of content.

Hard PSB commitment is needed to ensure that a range of content is funded and available for UK children.

We know from the past decade that reducing regulatory intervention results in lack of investment in original content. The Animation Tax relief combined with PSB quotas and along-side the new pilot contestable funding could reverse the decline of the last decade and ensure high quality content is produced in the UK and available free to air for UK children at ages, “representing them, representing the place they come from”

