



James Thickett
Ofcom
Riverside House
2a Southwark Bridge Road
London, SE1 9HA

16th January 2008

Dear James

Having had a chance to read the various responses to Ofcom's review of The Future of Children's Television, I am concerned that there may have been a misunderstanding on the part of the BBC and Bectu over Pact's proposal for a tax credit.

As Pact explained in our response to the Ofcom review, our proposal would mean that no original commission for the BBC would qualify for the tax credit. This applies equally to BBC in-house production, independent production companies making programmes for the BBC, and any other external parties commissioned by the BBC. Our submission states:

"The children's credit would exclude programmes or content originally commissioned by the BBC, both in terms of in-house and external commissions, including those from the independent sector."¹

We therefore reject the BBC's suggestion that our proposal could mean that in-house and external producers were not competing on a level playing field under the WOCC. BBC in-house would not be at any disadvantage to external producers competing for BBC commissions – no one making programmes for the BBC would be able to benefit from the tax credit.

Contrary to Bectu's assertion, the credit has not been structured in this way out of self-interest. Quite the opposite – rather than call for a tax credit that would be available to our members carte blanche, whatever the type of children's programme they made, whoever they made it for, we have focused on a proposal aimed at increasing plurality in public service broadcasting. It is investment from non-BBC sources that has collapsed most severely, and therefore encouraging other channels to increase provision is key to offering audiences range and diversity in public service content, as well as fostering creative competition.

We also dispute the assertion by the BBC that the existence of a "sunset clause" in the tax credit implies that the decline in children's funding is a short-term issue. The threat to public service broadcasting for children is a long-term problem and we are absolutely committed to developing proposals for a long-term solution. However, we have also consistently argued that it is a problem facing us right now, and that it is necessary to develop an effective measure

¹ Pact submission to Ofcom's review of The Future of Children's Television, page 13, paragraph 19.

quickly. We believe the tax credit is just such a measure, but have proposed a sunset clause so that it can be retired if and when a long-term solution is developed.

Finally, we believe the BBC's suggestion that it would be difficult to target a tax credit to the children's sub-genres most underserved by the market is exaggerated. No regulation is ever simple of course, but precedents already exist, in Canada's quota system for example, for defining children's programming by age-range for the purposes of qualifying for regulation, while UK broadcasters customarily define programming by genre. It is not true to say, as the BBC suggests, that the current tax credit for film is completely non-discretionary. The Cultural Test for films is a mechanism that means that only the films that have fulfilled criteria laid out by the Government can qualify for the UK's current film tax credit. These criteria include cultural content (which measures the British subject matter of the film) and cultural contribution (which measures the contribution to British cultural diversity). We are not suggesting that the same criteria are appropriate for public service children's television, but the precedent for defining the level of a production's contribution to British culture is clear.

I hope this clarifies any confusion in what is of course a complex matter and am happy for this letter to be made public as you see fit. Once again, may I welcome Ofcom's review of children's broadcasting as a comprehensive and thought-provoking piece of work and we look forward to Ofcom's conclusions.

Yours sincerely

Pact