



Sharon White  
Chief Executive  
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26th March 2019

Dear Sharon,

**Re. Children's Programming on PSB channels**

On 24 July 2018, you wrote to me setting out the findings of Ofcom's review of children's programming on TV and online. In that letter you asked ITV (along with the other commercial PSBs) to develop, by the end of March 2019, a plan for improving our offering to children, with a particular focus on UK-originated content delivered across the full range of our services and platforms (Live TV, Online or both).

Before setting out those plans, I think it is very important to put them into the broader context of the challenges facing commercial public service broadcasters on a number of fronts.

Clearly there is more competition than ever, both for the time of viewers and for revenue. Increasingly this competition comes from global online players, who face little if any effective regulation, pay little tax in the UK and deliver little public value (as opposed to private benefit for their shareholders). The contrast with the PSBs could not be more stark.

Added to this, asymmetric competition, economic and political uncertainty continues to impact the demand for advertising. As we set out in our recent Full Year Results Announcement, we forecast that total advertising will be down 3-4% for the first four months of this year. In addition to this threat, we have also seen continued restrictions around TV advertising, most recently the decision by the gambling industry not to advertise in live sport, whilst continuing to put around 80% of their total marketing budgets into Online Marketing.

Finally, I know you are conscious of the nature of the PSB economic compact with ITV, in which we deliver substantial public value at significant cost under our PSB licenses, in return for the benefit of appropriate prominence on the EPG and guaranteed DTT spectrum. When we renewed the licenses in 2014, Ofcom and Government were satisfied that ITV was delivering sufficient public value in return for those licenses. Since then, arguably the licenses have become less valuable, as the importance of linear prominence has declined. However, at the same time the costs of PSB obligations (particularly regional news) have not declined, if anything, the opposite given the effect of inflation. It cannot be sustainable to continue to add additional PSB obligations onto ITV.

Notwithstanding this backdrop, today I am pleased to set out ITV's response to your challenge around future children's TV provision. A critical point for us is that these plans build on ITV's already significant contribution to children's media in the UK:

- **ITV offers a dedicated linear children's TV channel:** CITV, the programming from which we simulcast on the main ITV channel on weekend mornings, giving the programming additional reach and impact. In 2018, CITV had a budget of [£<] and yet it is not a public service channel.
- **ITV is the only main linear channel on free to air TV that regularly broadcasts content for 6 to 12 year olds:** This high-profile provision by ITV of programmes for older children on one of the UK's most popular mainstream channels gives us a unique position in the children's media environment. CITV is one of the few places that older children can go to for compelling, high quality TV.
- **ITV has a distinguished creative track record in new programme commissions:** Approaching half of the CITV budget each year, is spent on new programme commissions and we have a distinguished track record of innovation and awards – for instance we won two children's Baftas for Bear Grylls Survival School and Share a Story in 2017. We have recently launched a new kids game show called Spy School, consisting of a series of physical and mental challenges which is proving very popular. Later this year we will launch a new UK animation – The Rubbish World of Dave Spud – which is set in a Manchester tenement and follows the adventures of Mancunian boy Dave Spud (voiced by Jonny Vegas) with Jane Horrocks and Philip Glenister also voicing characters in the series.
- **ITV has responded to children's changing viewing habits by offering a dedicated area for CITV on the ITV Hub:** This is recording very rapid growth in consumption of CITV content online. The CITV area is a discrete part of the ITV Hub which is itself a relatively safe space online compared to the wild west of UGC and social media sites on the internet.

There is a widespread acknowledgement, including by Ofcom, that the economics of children's TV are very challenging. A combination of changing viewing habits and advertising category restrictions makes it particularly hard for commercial Free to Air providers serve the children's market as we used to.

But of course, we recognise there is more that could be done, which is why we are rolling out three key new initiatives to better serve young audiences:

- **Substantial CITV Budget increase**

In 2019, we have increased CITV's budget for children's content by almost 10% -- i.e. by [£<]. This substantial additional investment will enable us to make more original high-quality programmes for children aged 6-12 year olds.

We are looking for programmes that will help children understand the world around them and allow them to see their lives, reflective of the UK today, played out on screen, all in CITV's cheeky and irreverent style. And of course, this additional content will all be available on the ITV Hub after broadcast.

- **Active participation in the Contestable Fund – both as producer but critically, also as broadcaster distributor**

Linked to this, we are excited by the potential of the new Young Audiences Fund, administered by the BFI, to make this budget increase go further. We have worked closely with the BFI as they have developed their approach to administering the fund, and look forward to exploring with them how the fund might increase the impact of our additional investment. This is a change in approach for ITV, as we have previously been wary of engaging with funds of this nature. We already have one idea which we hope will go forward for potential funding in the first phase of the Young Audiences Fund.

Beyond our own commissions, we are keen to use CITV as a high profile free-to-air outlet for third party content supported by the fund.

- **Development of a new online news and current affairs offer for older children**

ITV News is both the largest commercial news provider in the UK but it is also very widely seen as trustworthy, accurate and impartial. We want to grow that reputation with a new generation of news and current affairs consumers.

We already know that older children are engaging with multiple news sources and have an interest in a variety of news and current affairs topics. There is clearly an important opportunity for us to reach teenagers through the social media channels that they are on, to talk to them in a new and engaging way that reflects their values and interests, while providing the authority and trust that is often missing from online news and current affairs sources.

To this end, we have commissioned Jigsaw (who recently conducted research for Ofcom, which concluded that six in ten 12 – 15 year olds were interested in the news) to explore how we can meet the future news and current affairs needs of the youth audience.

In doing this we wanted to further understand current teenage online news usage and the topics which were of most interest to them. We wanted to know what they want out of their news services, what they think a youth-focused ITV News and current affairs product should look like, and on which platforms we should make it available. We are also looking to understand whether this varies by age group.

The final results of this research are due soon, and will inform the development of a brand-new Youth News and current affairs offer, probably for young people in their mid teens, which we intend to launch this year. Clearly a key part of any new offer of this sort will be getting the format and approach right. Given the target audience, it may well be that a linear TV offering is not the right way of delivering a new offer of impact and reach for young people. Getting this new offer right may require us to try a few different approaches and techniques over time but we see this initiative as a potentially significant part of the way in which we might modernise our news offer as a PSB over time.

I believe that this substantial increase in CITV investment, matched funding from the contestable fund, and a bespoke children's news and current affairs offer online will significantly enhance our offer for children continuing to offer an exciting and engaging portfolio of high-quality original content that is reflective of their lives in the UK today, available in ways that are convenient for them.

I appreciate that you may wish to publish this letter in due course. If this is the case then I would be happy to supply a non-confidential version if that was helpful (to reassure you, there is very little confidential material to be redacted).

I look forward to discussing these new initiatives with you and your team in the coming weeks.

Yours Sincerely

**Carolyn McCall**

Chief Executive

ITV plc