

Nickelodeon UK

- 1 Nickelodeon UK is the No.1 commercial children's TV network in the UK. Launched in 1993, it comprises six dedicated award-winning entertainment channels for children aged 2-12: Nickelodeon, NickToons, Nick Toonsters, Nick Jr., Nick Jr. 2 and Nick Replay plus Nick Jr on TMF available on Freeview. The Nickelodeon channels are available in over 11 million cable & satellite homes and its websites receive almost 2 million visitors per month.
- 2 The company has built a diverse business by putting children first in everything it does and includes critically acclaimed and hugely popular television programming and production in the United Kingdom and around the world, plus consumer products, online, recreation and feature films.

Existing provision of children's programming

- 3 Nickelodeon UK notes Ofcom's findings that pre-school and young children are found to be 'well-served' by the range of current programming on offer.¹ There is therefore no requirement for any further intervention by the Government to fund additional programming targeting these age groups, and we welcome the fact that this does not form an overt part of Ofcom's additional funding proposals in its current consultation.
- 4 Nickelodeon UK also acknowledges Ofcom's well-documented finding that there is only a limited amount of UK-originated drama and factual programming for older children, and programming in general for young teenagers, on commercial or PSB television channels². This finding lies at the heart of Ofcom's conclusions from its recent review of the future of children's television programming as set out in Annex 10 to Phase 1 of the PSB Review.³
- 5 We also recognise that the commissioning of such programming by commercial broadcasters is unlikely to occur in significant quantities in the foreseeable future, given the risk and low financial return from these genres. The commitments from the BBC, Channel 4, S4C and Five to increase the provision of content to older children and teenagers, as outlined in sections 7.22 to 7.26 of the consultation paper, is a welcome and important step in filling these gaps.

¹ Ofcom Research Report: The future of children's TV programming, 3rd October 2007

² Section 1.11, PSB review Phase 2 consultation

³ Annex 10 to Phase One of Ofcom's second review of PSB, Statement, 10th April 2008

- 6 In Phase 1 of its PSB review, Ofcom estimated that the cost of intervention in children's content to maintain current levels of reach and impact and achieve plurality of provision would be around £30m per annum. It is, however, unclear from the most recent consultation paper how this £30m figure relates to the new PSB commitments referenced in sections 7.22 – 7.26 of the consultation paper, and whether Ofcom still believes that £30m of additional funding is necessary over and above these. Further clarification on this point is important, in order to assess effectively the likely impact of Ofcom's proposals.

Additional funding for children's programmes

- 7 If any additional funding were to be made available to fill the identified gaps in children's programming, it is vital that these gaps be defined in detail, and analysis undertaken to ensure that they do not overlap and compete with existing commercial provision. To protect against further market distortion, funding should where possible be allocated to specifically identified programming and services which the market is failing to provide, rather than as a less clearly defined supplement to existing commercial PSBs' children's programming budgets.
- 8 Before recommending additional funding, it is vital that Ofcom identifies robust mechanisms and funding institutions that will ensure that additional funding continues to be spent on identified and confirmed gaps in provision, and does not overtime become subject to either commercial influence, nor a desire of the funding body itself to chase ratings. Furthermore, where gaps in the market come to be filled by commercial broadcasters, there should be a fair and effective process whereby funding provision is withdrawn in parallel to this.
- 9 Nickelodeon UK strongly opposes the idea of raising additional PSB funding through industry levies. Such an approach would compound the financial pressures that commercial broadcasters are already facing as a result of the economic downturn, the decline in the TV advertising market, and the very significant drop in revenues as a result of HFSS food and drink advertising restrictions. This would in turn lead to a drop in programming investment, and possibly the closure of channels.
- 10 If there is a perceived need for additional public service programming to meet society's needs then this should be funded by society as a whole, rather than through a punitive tax on a narrow section of UK industry. Ideally, if revenue is to be allocated to fill the gaps in children's programming, this should be taken from the existing licence fee, or through the diversion of funding away from existing PSB programming that competes directly with commercial services.

- 11 Nickelodeon also opposes the gifting of DTT spectrum to a particular broadcaster in return for additional children's programming commitments. As well as being inconsistent with Ofcom's preference for a market-led approach to the auction of the digital dividend, this would be a particularly inflexible and imprecise means of allocating resources to meet a range of specific children's public service content requirements. It would also be inconsistent with a competitive funding model, and the benefits that this would deliver in competition, quality and plurality of provision.
- 12 As a means of stimulating children's programme production and incentivising the independent production sector, the proposal for a production tax credit has merit, given that it seeks to place funding in the hands of producers and does not favour any particular broadcaster. Any such approach would, however, need to be targeted at encouraging the production of children's programming to fill the identified gaps in public service provision, rather than stimulating the production of children's programming in general.

Competitive funding

- 13 Nickelodeon UK believes that any additional funding that is made available for a specific children's service should be put out to tender to all broadcasters, rather than being allocated to existing PSB broadcasters. As such, we support Ofcom's 'refined competitive funding' model where additional funding would be opened up to a wider pool of providers. The resulting additional competition is likely to lead to more efficient and higher quality productions, and to bring new private sector talent into the production process. Many commercial broadcasters have a wealth of expertise and experience in the delivery of particular genres of programming, and may be ideally placed to bring a fresh and creative approach to the provision of public service content.
- 14 In this regard, we also note that Phase 1 of the PSB review sets out three general principles of availability and access to PSB content, one of which indicates that the use of paid-for platforms and services to deliver some public service content could be appropriate if those platforms deliver greater reach or impact among a particular target audience than free-to-view platforms do.⁴ Nickelodeon welcomes this flexible approach to public service provision, and believes that its own channels provide an excellent example of how high reach and impact can be achieved among a specified target audience. Graphs 1 and 2 attached clearly demonstrate this point.
- 15 Graph 1 shows that in 2008 Nickelodeon (on cable and satellite platforms only) achieved a weekly reach of 16% of all children in all UK TV homes (with Nick Jr and Jr2 achieving 9%), compared to 12% for BBC Kids on

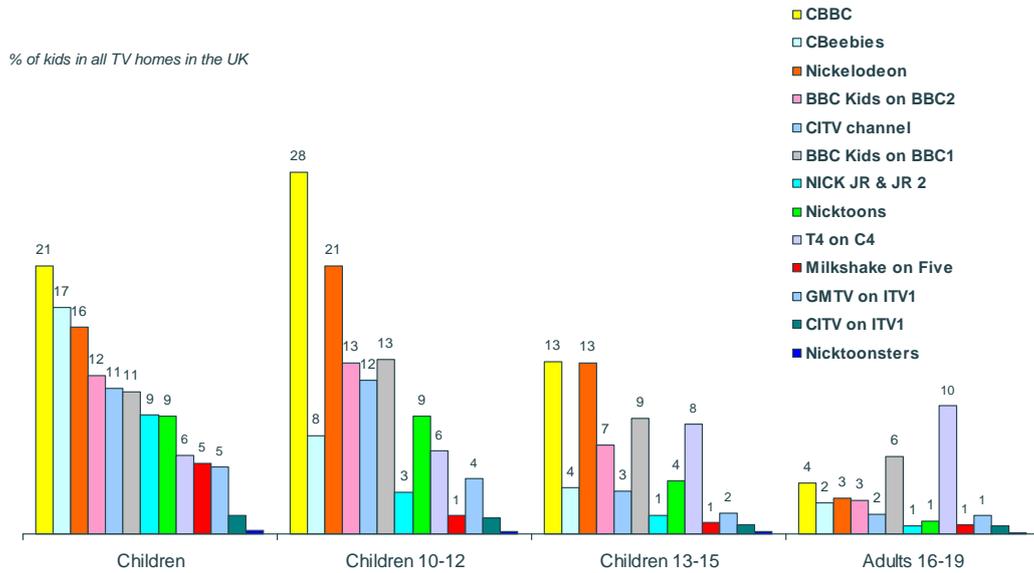
⁴ Figure 13, PSB review Phase 2 consultation

BBC2, 11% for CITV channel and BBC Kids on BBC1, 6% for T4 on C4, 5% for Milkshake on Five and GMTV on ITV1, and 2% for CITV on ITV1. The only channels achieving a greater reach than Nickelodeon were CBBC and CBeebies. Broken down across different age ranges, it is also clear that Nickelodeon's weekly reach compares even more favourably with that achieved by the traditional PSBs in the higher age ranges, with Nickelodeon achieving the same reach as CBBC among children 13-15.

- 16 Graph 2 has been included to demonstrate the weekly reach achieved by Nickelodeon in multichannel homes against that achieved by PSB channels in the same environment. While this is only part of the overall picture presented in Graph 1, it serves to underscore the strength of the Nickelodeon brand and children's underlying preferences when presented with a direct choice, and explains why Nickelodeon channels achieve such a high reach in all UK homes even though they are on cable and satellite platforms only.
- 17 Clearly, there are a wide range of factors that any broadcaster would need to consider before bidding to provide a PSB service, including the level of funding on offer, the fit with existing programming and channel brand, and the impact on its wider commercial operations. In principle, however, all broadcasters should have the freedom to evaluate the opportunity on offer, and to bid if they so wish.

Graph 1

YTD 2008, weekly reach, 15+ mins



Source: BARB, Network Homes, K4-15, M-Su, 0600-3000 or appropriate daypart, Jan-Nov 2008

1

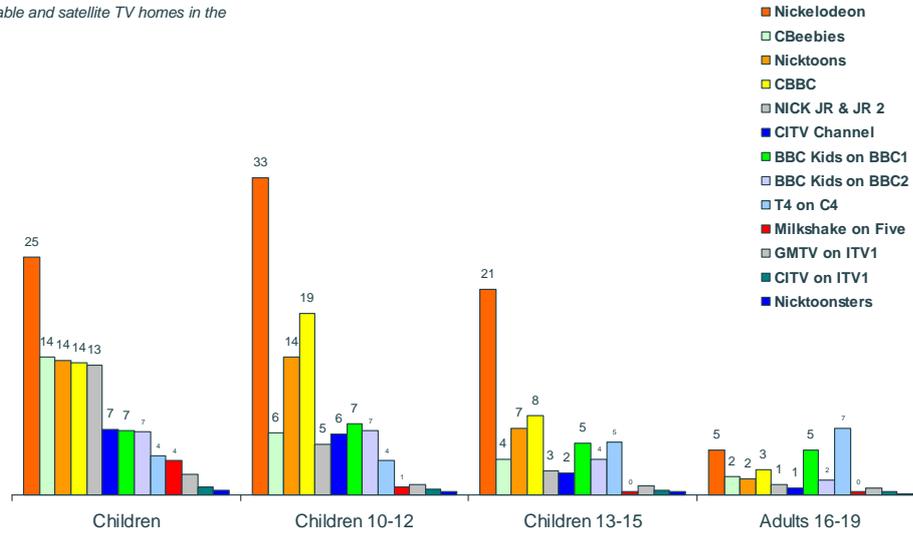
NB: This data does not include the 2-hour Nickelodeon slot on TMF on Freeview. Reach data for Nickelodeon channels reflects cable and satellite distribution only.

Graph 2

YTD 2008, weekly reach, 15+ mins



% of kids in all cable and satellite TV homes in the UK



Source: BARB, C+S Homes, K4-15, M-Su, 0600-3000 or appropriate daypart, Jan-Nov 2008

2

NB: This data does not include the 2-hour Nickelodeon slot on TMF on Freeview. Reach data for Nickelodeon channels reflects cable and satellite distribution only.