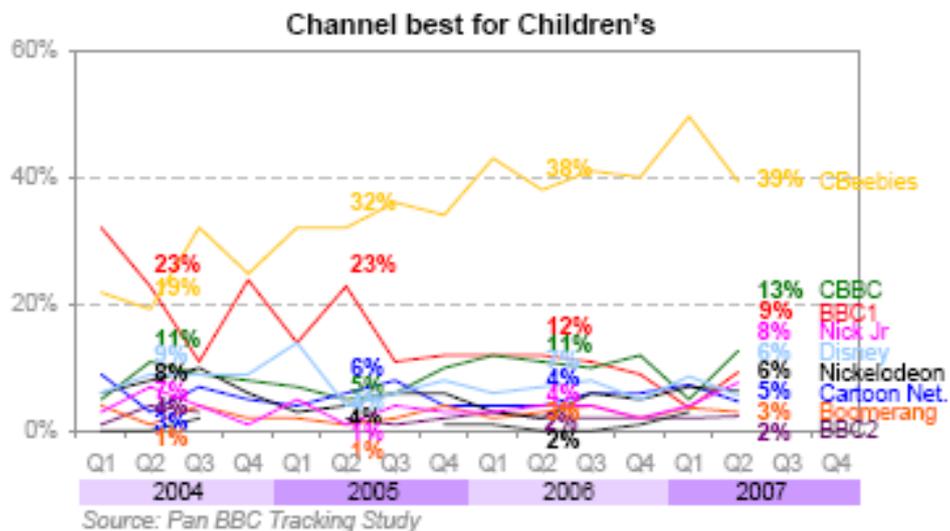


## BBC RESPONSE TO “THE FUTURE OF CHILDREN’S TELEVISION PROGRAMMING”

### 1. Introduction and summary

- 1.1. The BBC welcomes Ofcom’s discussion paper of the 3<sup>rd</sup> October 2007 and the opportunity to engage in debate around the importance of provision of UK-originated television programming for children.
- 1.2. Children’s programming is among the most important content the BBC produces. At its best, children’s television is a model for public service broadcasting – it has been informing, educating and entertaining millions of British children for 60 years.
- 1.3. The BBC plays a unique and central role in the provision of Children’s TV programming in the UK. The BBC’s level of investment is far higher than any other provider in the UK broadcasting market, its reach and quality perception is higher than any other broadcaster, and the contribution that the BBC makes to the UK’s creative industries in this area is well recognised. It is a training ground for producers; a standard setter in terms of programme quality; a model for other providers in terms of diversity and on-screen portrayal; and a trailblazer on the web and multi-platform.
- 1.4. Through a unique range of UK-produced output, BBC Children’s contributes to all the BBC’s public purposes, providing dedicated programmes which engage and inspire children and encourage them to participate and interact with broadcast content. The output provides positive role models of children for children, and through programmes like Newsround, opens children’s eyes and minds to the world around them. Television can help children to understand themselves and their role in the world, and through moments of silliness and humour help children to relax and laugh out loud. In these ways, BBC children’s television is a unique and hugely valuable contribution, directly touching and enhancing the lives of people aged 12 and under – weekly reach of CBeebies is 3.7 million, and for CBBC is 2.6 million<sup>1</sup>:



<sup>1</sup> 15 minute weekly reach. BBC Annual Report and Accounts, 2006/07

- 1.5. Since the recent refreshment and re-launch of CBBC, brand new programming from across the genres has driven a significant increase in reach and has won the channel an historically high level of awards.
- 1.6. The BBC welcomes Ofcom's assessment of the Children's Television Programming marketplace. The research has been broad and comprehensive, and confirms many of the market trends the BBC has observed.
- 1.7. The BBC welcomes the opportunity to comment on the range of policy options that have been proposed. They are discussed in turn in more detail below, but the issues are complex and further analysis should be undertaken in the context of the wider PSB Review. The starting point for this response however, and the BBC's strategy for Children's, is best summarised as follows:
  - 1.7.1. The BBC continues to be fully committed to the delivery of the BBC's public purposes on behalf of the children's audience, aiming to continue to lead the industry in this area. This will be manifested in on-going investment in new, high quality, UK-produced content for the children's audience, from toddlers to young teens. This content will continue to span all genres, from news to drama, and all platforms, from Television to Online to Radio. More specifically:
    - 1.7.1.1. The BBC will continue its on-going strategy of programme refreshment on the digital channels, looking to innovate and maintain their reputation for originality and quality.
    - 1.7.1.2. The BBC will continue to invest in on-demand and in content specifically for non-linear platforms such as [bbc.co.uk](http://bbc.co.uk), where children increasingly expect to find their content.
    - 1.7.1.3. The BBC will increase investment in content for the young teens audience via the new brand, BBC Switch, available on TV, on radio and online.
    - 1.7.1.4. The BBC aspires to extend the hours of the CBBC channel, and will seek to extend the availability and reach of public service content for young teens by extending the airtime of BBC Three, subject to availability of broadcast capacity and approval from the BBC Trust.
  - 1.7.2. The strategy will continue to be guaranteed by the BBC's own regulatory framework, as represented by the Service Licences for CBBC, CBeebies, BBC One, BBC Two, [bbc.co.uk](http://bbc.co.uk) and BBC7.
  - 1.7.3. BBC Children's, like other BBC departments, will be required to make efficiency savings over the next five years to ensure greater value for money for the licence fee paying audience. BBC Children's efficiency targets are in line with the rest of BBC Vision (e.g. TV Drama, TV Factual). Efficiency will be delivered in such a way as not to affect quality, rather it will seek to deliver the same impact and reach from children's television output for less money.

- 1.7.4. The BBC will continue to make invest new money in BBC Children's – as a proportion of existing spend, this new investment will be higher than any other BBC TV service – and in BBC Switch for the young Teens audience on TV, Radio and online.
- 1.7 Plurality in children's programming is important, but is more of a concern for some genres and age groups than for others, particularly when considering children's output across different media. Policy options to secure plurality should be considered in the context of these market variations. While there are real concerns over the diversity of UK-originated content in some children's genres, it should also be recognised that much of the competitive spur attributed to plurality will be delivered by the commercial market.
- 1.8 Key to the effectiveness of any policy is how it would be financed, and how funding would be distributed. In addressing specific market failures related to children's programming it is important not to spread the resources available for public service broadcasting too thinly and lose benefits of scale which contribute to strong public service output that, in turn, can compete with international content. Ofcom should consider the range of options available to fund policy responses, but the objective should be to replace the implicit funding for children's television programming – which has disappeared from the system as changing economics of public service broadcasting reduce implicit subsidies - not simply to reallocate existing public funding.
- 1.9 In terms of the policy options put forward by Ofcom there is unlikely to be one 'silver bullet' that on its own will resolve the issues arising in the children's television market, and Ofcom may want to consider whether a combination of approaches may be appropriate, within the context of the wider PSB Review. Ofcom should also consider the practical aspects of implementation, and any unintended knock-on consequences there may be for other areas of the broadcasting ecology.

## **2. Children's Programming on the BBC**

- 2.1. Today the BBC provides 1,941 hours of dedicated children's programming on BBC One and Two<sup>2</sup>, in addition to its dedicated digital channels – 4,042 hours on CBeebies (under 6) and 3,560 hours on CBBC (6-12 year olds) – and uses technology and new ways of working to enhance the value of programmes and strengthen their impact. As the importance to viewers of dedicated channels grows, the BBC will continue to focus on supporting the strength of these services while maintaining output on terrestrial channels. Reach and share of digital channels are growing, demonstrating how audiences value BBC output in an increasingly competitive market – CBBC and CBeebies both showed year-on-year growth and continue to outperform their competitors. Within their target age groups their performance is particularly strong, with CBBC reach growing 5.2 points to 27.9 percent of all 6-12s, and CBeebies growing 3.5 points to 41.3 percent amongst 0-6's<sup>3</sup>. The BBC is also focusing on the traditionally underserved younger teen audience across a range of channels and platforms through *Switch*, and is leading the way in cross-media provision of content, supporting reach and impact objectives.

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<sup>2</sup> BBC Annual Report and Accounts 2006/07

<sup>3</sup> BBC Quarterly Performance Report, Q3 2007

- 2.2. Many now look to the BBC as the bulwark for investment in a wide range of high quality, UK-produced children's programming, and the Corporation has expanded its range of children's services. At the same time other PSBs have begun to withdraw from the children's market, while non-PSB commercial channels have rapidly grown their output, relying heavily on imported content. The BBC is committed to fulfilling all the BBC's public purposes with programming from all genres, from news to factual, drama and comedy. This unique range of output will provide a diversity of perspectives and will aim to reflect the lives and experiences of all children in the UK. The BBC will also continue its leading role in providing a platform for a diverse range of on-screen talent, providing children with a full and true reflection of the UK's contemporary society.
- 2.3. The BBC's strong and healthy in-house production base produces public service programming that children want to watch. This strong base helps raise standards in the industry as a whole, by disseminating good practice about more efficient ways of working, formatting skills and good talent contacts across the range of genres within children's. The BBC's in-house production also delivers benefits across the UK – CBeebies and CBBC have brought new production talent to Scotland – and is in a good position to ensure that broadcast content for children reflects the diversity of the UK's nations and regions. Producing content in-house also enhances the value of the content for the BBC, for instance protecting against market inflation for popular, successful shows so that the licence fee payer only pays the true cost of content production, and securing longer-term rights retention for programmes that may have to last for ten years or more.
- 2.4. The BBC aims to champion new children's programmes that are outstanding examples of creative excellence and innovation both from indies and in-house producers. Recent successes include: *The Slammer*, *The Sarah Jane Adventures*, *Shaun the Sheep*, *Hedz*, *In the Night Garden*, *Space Pirates*, *Trapped*, *Young Dracula*, *Scorpion Island* and *The Wrong Trainers*. The quality of BBC output is widely recognised – BBC Children's secured all the nominations at the recent RTS awards and celebrated success with ten awards at the 2007 BAFTAs, including Best Channel for CBeebies.
- 2.5. But building on this success, BBC Children's also has a responsibility to deliver high quality content within the licence fee settlement. In line with other BBC Vision departments, BBC Children's will be required to make efficiency savings over the next five years, to ensure greater value for money for the licence fee paying audience. The targets for Children's are in line with the rest of BBC Vision. Efficiency will be delivered in such a way so as not to affect quality, rather it will deliver the same impact and reach from children's television output while delivering value for money for the licence fee payer. In addition, CBBC and CBeebies aim to be leaders in the development of new media interactive content, and will complement linear programming with interactive, digital content across genres, enabling audiences to participate or deepen their experience of a programme.
- 2.6. Notwithstanding the above, concerns have been raised by some about the prospect of the potential for a decline in the quantity of new originations in children's programming by the BBC. The children's Service Licences are clear that BBC Children's programming is committed to a high level of UK-originations across a range of genres, delivering new, high quality, UK-produced educative and entertaining programmes for children of all ages –

the CBBC Service Licence commits the channel to broadcast 650 hours of drama and 1000 hours of factual and schools programming every year, and at least three live news bulletins every day. The BBC's commitments already ensure these standards for the great majority of BBC programming, and the priorities set out by CBBC and CBeebies are set out in an Annex.

2.7. Given the pressures faced by the commercial public service broadcasters in children's television, it is more important than ever that the BBC needs to maintain and strengthen its commitment in this area. The BBC's future plans include:

2.7.1. Continuing to invest in new, high quality, UK-produced content for all age groups within the children's audience, and across all genres. These are reflected in the Service Licences, but include a commitment that at least 75 percent of investment by CBeebies is in new UK programming each year, and that around 75 percent of CBBC output and investment is to be made in the UK or EU.

2.7.2. Continuing its on-going strategy of programme refreshment on the digital channels, looking to innovate and maintain their reputation for originality and quality.

2.7.3. Continuing to invest in on-demand and in content specifically for non-linear platforms such as bbc.co.uk, where children increasingly expect to find their content, and fulfilling the remit set out in Creative Futures to put BBC Children's at the vanguard of interactive and on-demand.

2.7.4. Continuing to invest in content for the young teens audience via the new brand, BBC Switch, available on TV, on radio and online.

2.7.5. The BBC aspires to extend the hours of the CBBC channel, subject to availability of broadcast capacity and approval from the BBC Trust.

### **3. Plurality in the provision of children's programming**

3.1. The issue of plurality in children's programming in the UK has to be seen in the wider context of Ofcom's Second Review of Public Service Broadcasting, and will be discussed in more detail in the BBC's forthcoming response to that review. At a broad level however, we support Ofcom's intention (as set out in the Terms of Reference for the PSB Review) to consider fully the costs and benefits of options to secure plurality, the practicality of implementation and potential side effects, in particular where they may affect the ability of existing providers such as the BBC to continue to invest in high quality programming.

3.2. We suggest that there are at least two distinct aspects of plurality to consider – the competitive economic benefits from having a variety of providers in the market, driving innovation, quality and efficiency in production; and the need to provide a diversity of voice.

3.3. Moreover, plurality in the provision of children's content has to be seen across platforms, not just in television programming. And within television programming, plurality should be considered across different genres and age groups, as provision across these areas can vary significantly.

### *Competition*

- 3.4. The key market objective has to be a structure that provides the content that best serves its audience's needs. The benefits of scale and scope that the BBC enjoys means that it is in a position to provide a platform for certain ages and niche genres that the market on its own may struggle to supply, and to deliver UK-originated content that can effectively compete for viewers' attention with imported programmes.
- 3.5. The BBC is a key part of the broadcasting ecology in the UK. It plays an important role in driving standards in the wider industry, but recognises and welcomes the benefits from being part of a competitive wider market. The BBC recognises that there are real and valuable benefits from being able to procure content from a healthy commissioning market with competitive independent production companies – this has been recognised by the introduction of the WOCC, where independent companies have fared well.
- 3.6. It is important to consider competition in its widest sense – not just among suppliers of Public Service Broadcasting. In addition to children's programming provided by the public service broadcasters, it is also important to take into account the competitive stimulus from the wider commercial market. Non-PSB commercial broadcasters are increasing their investment in UK content – Disney recently announced two deals with UK production companies – and will continue to provide a counterweight to the BBC and other PSB's in terms of both plurality of output and the dynamic benefits of competition. In a world in which there is intense competition for the attention of young audiences from many different media, the BBC has no shortage of incentives to continue to innovate, surprise and delight with its children's content. Our programming must be original and of high quality if it is to engage children effectively.

### *Diversity of Voice*

- 3.7. Audiences benefit from receiving a diverse range of content and voices, giving different perspectives and reflecting the range of opinions and backgrounds in society. This has been recognised as particularly important in informative areas of broadcasting such as news and current affairs. Given the influential position of television and broadcasting for children and young people and its educational value, plurality of voice should be seen as equally important for this area of output. While the commercial market can deliver competitive stimulus to public service children's programming, there may be more of a concern over securing a plurality of voice in this area, in particular in some high cost genres for some age groups, which non-public service commercial providers would be unlikely to guarantee.
- 3.8. The BBC can provide an outlet for a diverse range of voices, particularly given its unique position as a broadcaster free from commercial pressures. Indeed, given the quota for independent production and the Window of Creative Competition (WOCC), combined with effective internal competition for ideas within the BBC, the BBC can already be seen as a platform for a variety of output, providing more than just one BBC voice, spending £24 million on independent production for children in 2006 across the range of genres.

- 3.9. In addition, the scale of the BBC enables programming to reflect the diversity of nations, regions and communities across the UK in a number of ways. For example, the BBC's programmes produced in Scotland have helped the BBC's output for children have an increased Scottish dimension. 30 percent of our regular presenters are non-white, and there are a number of programmes reflecting the lives of children with disabilities – the drama *Desperados* revolved around a wheelchair basketball team, and *Something Special* is designed for children with special communication needs and features children with disabilities on screen.

#### **4. UK-originated programming for children**

- 4.1. There is a paradox of choice in children's programming: a high proportion of children live in digital homes and those in satellite homes have access to 23 channels with dedicated children's content. However, there is less choice in terms of UK content - the vast majority of the commercial market is US acquisitions. The BBC is now overwhelmingly the principal source of UK children's originations, spending £76 million per annum with both Channel 5 and S4C spending about £9 million per annum. The BBC has become the major player in provision and commissioning. The BBC probably now accounts for 70 percent of total spend on UK originations for the under 12 age group.
- 4.2. Children's drama is about learning about life from children's perspectives – from a public service point of view it needs to be culturally and socially relevant for the audience. UK-originated content can offer this in a way that imported content cannot. However, the popularity with children of US kids / teen sitcoms highlights the extent of the challenge in improving UK-originated children's television programming, with shows such as *Tracy Beaker* and *Sarah Jane's Adventures*.
- 4.3. The BBC recognises the importance of UK-originated children's programming in building and maintaining national identity, cultural awareness and citizenship. Currently the BBC's statutory commitments ensure that 90 percent of CBeebies and 75 percent of CBBC's output and investment is made in the EU/EEA. Additionally, over 25 percent of broadcast hours are UK produced outside the M25, and CBeebies and CBBC have taken production to Scotland, ensuring that output reflects all nations and regions in the UK.
- 4.4. However, patterns vary across children's broadcasting, and there may be a need to prioritise particular genres and certain age groups within children's broadcasting. This is discussed further in section 6.
- 4.5. Today, UK content has to compete in the UK against imports – by definition high quality and highly marketable – and in the global marketplace, and Ofcom's review needs to recognise that commercial pressures will continue to exist for internationally marketable programming. Therefore it will not be sufficient to maintain UK-origination, it will also have to be high quality UK content that people will want to watch.

#### **5. Proposed Policy Approaches**

- 5.1. The BBC welcomes the broad range of policy suggestions put forward in Ofcom's report as a useful starting point for this discussion. The first step in

analysing potential policy approaches should be to determine the underlying causes behind the problems facing the children's TV sector. Why is it increasingly difficult to make certain genres of children's television attractive as a viable commercial proposition? Are there limited opportunities for export to global markets and other means of extending commercial value, e.g. merchandising? Are limitations on advertising revenue a significant cause? Are UK production costs prohibitive? How will the market change in the future – will the move to on-demand and niche programming allow more UK children's programming to reach the market? Given the variety of potential underlying factors, there may be no 'silver bullet' – rather a combination of measures may be required. Ofcom also needs to ensure that proposed interventions will not have unintended side-effects, in particular on the ability of existing providers of children's programming, such as the BBC, to continue to provide a range of high quality, UK-originated output.

5.2. The following paragraphs are a preliminary discussion on the relative merits and potential drawbacks of each of the policy options put forward by Ofcom. However, the issues are complex, and we strongly support Ofcom's intention to conduct much more analysis of the options within the wider PSB Review, to which the BBC will respond in detail.

### 5.3. Maintain Status Quo

5.3.1. Ofcom set out the option of the status quo – leaving provision of children's television production to the BBC, the commercial PSB's and the market – which, on current trends, would result in the BBC being the sole major provider of new PSB programming for many segments of the children's market in the UK. In order to ensure that at least current levels of production are maintained by the BBC, Ofcom propose as an option a model whereby the BBC Trust tighten the BBC's remit for children's programming in order to secure it for the future. The research in Ofcom's discussion paper showed that the BBC already has a 33 percent share of children's viewing in children's airtime (of which 21 percent is accounted for by CBBC and CBeebies), compared to 7 percent for the other PSB's<sup>4</sup>.

5.3.2. The BBC is the major provider of PSB content for children in the UK and children's programming will always be a core part of the BBC. Across BBC One and Two, and the two dedicated children's digital channels CBeebies and CBBC, the BBC provides a wide range of high quality, distinctive programming for all ages of children, including drama, entertainment, comedy, animation, news and factual, and the majority of this is produced in the UK (85 percent on CBBC and CBeebies, 59 percent on BBC One and 73 percent on BBC Two<sup>5</sup>). The BBC is valued as a provider of entertaining, educational and informative content for children in a stimulating, creative and enjoyable environment that is safe and can be trusted. Moreover, television content is complemented by Cbeebies radio on BBC7 which reaches 190,000 listeners a week, and an extensive offering of interactive digital and online content, to deepen the viewers' experience. BBC Children's content is globally successful in TV sales and licensing toys – Teletubbies has now been sold to 120 countries and translated into 46 countries and was the first western

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<sup>4</sup> Ofcom Research Report: *The future of children's television programming*, Fig. 99

<sup>5</sup> Ofcom Research Report: *The future of children's television programming*, Figure 100

preschool programme to be sold in China, and Tweenies has been sold to 64 territories worldwide including the US, Germany, France, Spain, Russia and Australia.

- 5.3.3. The BBC remains committed to providing children’s programming, and already exceeds its regulatory quotas – set out in the table below<sup>6</sup>. The BBC is committed to provide at least 500 hours of children’s programming across BBC One and Two, in addition to the two digital channels. In 2006/07, 1,941 hours were broadcast, exceeding the quota by almost 300 percent, and levels of output for 2007 will remain broadly the same. However, there would not be any real additional benefits to the market and the audience from tighter conditions for the BBC, given it already exceeds the quota significantly. We would also note the possible risks involved, in particular reduced flexibility to adjust to changing children’s needs and resources to meet its objectives while securing optimal value for the licence fee payer.

### **BBC Performance against Commitments on Children’s Programming**

<b>BBC’s commitments on children’s programming 2006/07</b>	<b>Commitment</b>	<b>Actual</b>
Hours of Children’s programming on <b>BBC One</b> and <b>BBC Two</b>	500	1,941
<b>CBeebies</b>		
Investment in new UK programming	75%	77%
Programme hours	4,500	4,691
New UK programming	25%	29%
<b>CBBC</b>		
Daily news bulletins	3	4
Hours of news	85	86
Hours of factual and schools programming	1,000	1,308
Hours of drama	650	955
Hours of continuity	150	231
<b>Radio</b>		
Hours of children’s programming on BBC7	1,400	1,460

- 5.3.4. Whether or not there is any change to our remit, the BBC is committed to ensuring that original, high quality, children’s content will continue to be available on a universal basis. While BBC Children’s is committed to efficiency savings to secure value for money for the licence fee payer, the programme of reform set out in *Delivering Creative Future* also sets out reinvestment proposals over the next five years so that the total

<sup>6</sup> BBC Annual Report and Accounts 2006/07

budget in 2012-13 will be roughly the same as it is today in cash terms, and as set out above will continue to support original children's programming.

- 5.3.5. The BBC has a strong and healthy in-house production base that produces public service programming that children want to watch, reflecting the nations and regions of the UK, and helping to raise standards in the industry as a whole. In addition to in-house, the BBC is a major buyer of independent children's production – spending £24m in 2006 across a range of children's genres – and will continue to play a significant role in stimulating creativity in the industry. However, in terms of the wider market, Ofcom must also consider the potential impact of a more monopsonistic market structure, where independent companies face one major buyer for their programmes, which could risk leading to limited diversification and innovation opportunities for firms seeking to produce content for the UK market.

#### 5.4. Broadcaster based interventions

- 5.4.1. The Ofcom discussion paper suggests two options for broadcaster-based interventions for consideration – a dedicated fund for children's commissioning for broadcasters, tied to a broadcast distribution outlet; and a fixed output quota for provision across all broadcasters with an interest in children's programming. These options have wider implications for public service broadcasting as a whole and would be complex in their design and effect. Their relative costs and benefits should be considered at length in Ofcom's PSB Review.
- 5.4.2. Financial incentives and output quotas are very different in terms of their impact, so we discuss their likely relative effects in turn.

##### *Dedicated Broadcast Fund*

- 5.4.3. Commercial public service broadcasters are withdrawing from children's television as they find it less and less a commercially viable proposition due to relatively high costs and relatively low revenue, including from advertising. A dedicated broadcast fund for children's programming would have the objective of mitigating these problems.
- 5.4.4. However, the BBC believes that there are a number of concerns that need to be addressed. These include:
- The scale and scope of intervention – some areas of children's programming are more attractive to commercial broadcasters than others and may not be examples of market failure. To ensure value for money the policy would need to minimise deadweight loss.
  - How would the policy be designed so as to ensure universal access, free at the point of use, to any children's content supported in this way? Ofcom should recognise that the number of broadcasters capable of meeting these criteria may be limited.
  - Ofcom raises options for financing, but does not specify its preferred option for financing such a fund, or how it would be allocated.

- How could contracts for production be properly specified to secure public service value in content, and how can incentives be aligned, especially if commercial broadcasters find children’s programming increasingly unprofitable and difficult to fit into their schedule?
  - Given the allocation of public funds, there are issues over how performance could be effectively monitored and assessed, and how administration costs could be minimised.
- 5.4.5. For any financial incentive for children’s public service programming by UK broadcasters to be effective, it should aim to replace some or all of the value of the implicit funding for children’s programming offered up to now - for instance by access to spectrum and loss of advertising revenue - rather than simply to reallocate existing funding.
- 5.4.6. It is clear from Ofcom’s analysis that the difficulties experienced in the children’s television market vary between different audience ages and output genres. Pre-school programming and animation are more commercially viable due to greater opportunity for secondary revenues, but commercial broadcasters find it more difficult to provide output for older children and young teenagers – in 2006, 40 percent of children’s public service programming was dedicated to pre-school, and 27 percent to cartoons, but only 10 percent and 8 percent to drama and factual programming respectively. Any financial incentive targeted at broadcasters would have to reflect this relative performance of different genres, to avoid increasing the discrepancies between successful and less successful genres. However, once received, financial incentives are internalised within organisations’ production decisions, so it may be difficult to ensure effective targeting of support.
- 5.4.7. Moreover, in terms of addressing the difficulties faced by participants across the children’s television market, there may be more fundamental structural issues that could arise from a fund targeted to broadcasters. It is not solely commercial public service broadcasters who are finding it increasingly difficult to compete by producing UK content – independent production companies are also facing difficulties. A competitive, innovative and dynamic independent production sector is crucial to maintaining the long-term competitiveness of UK output, and plurality and diversity of supply for young audiences in the UK. Ofcom would need to consider whether a fund targeted to broadcasters could be structured so as to be beneficial to the whole sector and effectively trickle down to producers, given the dependency of producers on broadcasters as set out in section 3.73 of Ofcom’s Research Report.

*Fixed Output Quota*

- 5.4.8. In addition to the broadcaster-based fund discussed above, Ofcom also note the suggestion of setting a fixed output quota for provision across all broadcasters with an interest in children’s programming. This would increase the amount of content available, but without additional measures it could have other unintended consequences.
- 5.4.9. Given that commercial broadcasters have been driven by commercial incentives to withdraw from children’s programming, introducing an output quota that mandated increased output but did not address the

cost issues faced by public service broadcasters in children's television could have negative side effects. Commercial public service broadcasters would still face relatively high costs and low revenues for children's production, and so would be incentivised to invest the minimum possible to meet the quota, resulting in lower quality output and reduced public value for the audience. If the policy were to impact on broadcasters' profits, this could lead to lower overall output levels. Moreover, unless the quota were specific about genres within children's television, output would be likely to increase in those areas which are already relatively well served by the commercial market.

## 5.5. Production incentives

- 5.5.1. Ofcom's discussion paper noted two options for policy interventions targeted at the production sector rather than broadcasters – a short-term producer tax credit up to 2012, and a fund to support production. Funding this support is clearly a significant issue, and from the BBC's point of view the same points apply as were made in paragraph 5.5.4.
- 5.5.2. As noted in section 3, in terms of securing plurality in children's broadcasting, and realising the dynamic benefits of a competitive market, the BBC supports a healthy, competitive independent children's television production sector in the UK. Ofcom should consider how far targeting support towards production could ensure a more effective intervention that benefited the whole children's sector, and whether there are potential disadvantages to a system of programme by programme support. If high production costs are a cause of the industry's difficulties, particularly in terms of global competition, then production-based interventions could more directly target these cost disadvantages. However, to minimise the deadweight loss of such an intervention and target support to high quality programming, eligibility for support could be made contingent on commitment by a broadcaster to carry the programme, ensure universality and make it free at the point of use.
- 5.5.3. A key issue for Ofcom to consider is how the impact of any financial incentive would vary depending on which organisations were eligible to receive it. In terms of the Window of Creative Competition (WOCC), this may raise particular issues for the BBC. The WOCC is designed to ensure that the benefits of scale of the BBC are used to commission and deliver the best ideas for our audiences, irrespective of who makes the programmes, and no planning assumptions are made about whether titles in the WOCC are produced by in-house or independent producers. In the WOCC, BBC in-house producers compete on a level playing field with all suppliers, including those who do not qualify for the 25 percent independent quota, and all WOCC commissions are won only on the strength of the submitted ideas. It is important for Ofcom to take into account the fact that any production incentive for which the BBC were not eligible to apply would put in-house production at the BBC at a direct and significant competitive disadvantage. This would distort what is currently a competitive level playing-field that enables high quality independent production to find a universal platform through the BBC.
- 5.5.4. The relative merits of the two forms of producer support are discussed below.

### *Short-term Producer Tax Credit*

- 5.5.5. A precedent for producer tax credits exists in the film tax credit, introduced to promote the sustainable production of culturally-British films.
- 5.5.6. Tax incentives are non-discretionary and so would be available to all producers, and within this the market would be able to allocate resources according to consumer demand. However, given this non-discretionary characteristic, it would be difficult to target a tax credit to the genres most underserved by the market, and to content perceived as particularly 'high quality'.
- 5.5.7. The proposal to include a sunset clause on the tax credit would limit the exposure of public funds, but implies that the problems facing the children's television industry are short-term. Ofcom needs to undertake further analysis, but a more appropriate option may be to review the effectiveness of the tax credit after five years

### *Production Fund*

- 5.5.8. A production-based fund for producers would be more easily focused on particular areas where problems are most acute. There may also be greater ability to minimise the deadweight loss – the extent to which financial support is given to television programming that would have been produced anyway by the market. However, these issues raise crucial questions – what public service criteria would be used to allocate funding, and who would decide?
- 5.5.9. Were production-based incentives to be examined in more detail and taken forward as a policy option, care would have to be taken over their design so as to ensure that the benefits of support are not diminished by administration costs and that bureaucracy does not deter independent production companies from accessing support. In particular, consideration would need to be given to how such a fund would be operated, the criteria for making investment decisions, and how its effectiveness would be evaluated.

### 5.6. Extending the remit of existing PSB institutions

- 5.6.1. The discussion paper included the option of extending the remit of existing PSB institutions other than the BBC to provide PSB programming for children, in particular Channel 4.
- 5.6.2. As noted above, the BBC would welcome increased output by other Public Service Broadcasters. While the BBC will continue to provide high quality, UK-originated content, and can provide an outlet for a diversity of voice, including from independent commissions, the Corporation does not seek, and would not wish, to be the sole provider of children's public service programming in the UK. As discussed in more detail above, the BBC strongly supports plurality in programming and welcomes the dynamic benefits of competition in securing high quality output, stimulating creativity and ensuring value for money.

- 5.6.3. However, Ofcom needs to take into account the changing economics and the reasons why public service broadcasters have chosen to reduce current levels of children's output. Under the existing economic model, increased levels of output may not be commercially viable, and may not be consistent with the commercial Public Service Broadcasters' longer-term strategies.

## 5.7. New Institutions

- 5.7.1. Ofcom's discussion paper raised the option of developing a new institution for the provision of children's programming, such as a further dedicated public service broadcasting channel, or an online media service, potentially along the lines of a Public Service Publisher.

- 5.7.2. As stated above, the BBC would welcome increased levels of children's public service broadcasting. However, Ofcom should consider whether a new public service channel may risk fragmenting the public service market further, destroying the benefits of scale, and potentially further reducing incentives for existing commercial public service broadcasters to maintain or increase production. Moreover, without additional funding for public service broadcasting for such a channel, this proposal could overstretch resources, and risk reducing the quality of output for children across public service broadcasters.

- 5.7.3. Ofcom raised the option of an online media service for children. Online media is a growing area of interest for children and young teens, and the BBC has recognised this and is providing dedicated online services for children through *Switch*, *CBBC* and *CBeebies* websites. However, online media faces very different markets and business models to traditional broadcasting, and its impact may well depend on establishing a close relationship with existing broadcasters – to ensure effective cross-participation and use of high quality audio-visual content. Further research in this area by Ofcom would be welcome.

## 6. Age and Genre Focus

- 6.1. The BBC agrees with Ofcom's segmentation of the children's audience by age group. Children's television programming across different ages and genres varies greatly, and it is clear from Ofcom's research that some areas, e.g. young teens and drama, face a greater degree of difficulty than others, e.g. pre-school and animation. In order to secure greatest effectiveness and best value for money from any intervention policy interventions would need to be targeted accordingly.

## 7. Non linear and multiplatform

- 7.1. Ofcom's discussion paper is primarily focused on linear children's programming on analogue and digital broadcast channels. This is appropriate given television's ubiquity as a platform for reaching the widest audiences. It is also the area that has seen the greatest decline in UK-originated programming.

- 7.2. However, children are increasingly able to turn to other platforms (internet, gaming, mobile) for entertainment. The BBC views these as valuable

additions to – but not replacements for – traditional programming, and the need to secure public service values applies.

- 7.3. New media is important to young people. BBC Lifestyle research shows that just over 7 in 10 children aged 5-16 can connect to the internet at home, via either a computer, a games console or a television. Children use the internet for a wide range of purposes which change and expand as new services become available – online games are the most popular leisure activity. Once children start using email and the internet, the majority tend to do so regularly. Frequent users (who go online 2-3 times per week) account for 71 percent of all current users, spending 1h45 on the internet at a time.
- 7.4. The BBC is already responding to children's demand for new media. In *Creative Futures* the BBC put Children's at the vanguard of interactive and on-demand services. In particular, CBBC aims to lead the BBC as a fully interactive and on-demand brand. [bbc.co.uk/cbbc](http://bbc.co.uk/cbbc) is aimed at 6 to 12-year olds, and is all about fun, discovery and broadening children's horizons, encouraging creativity, collaboration and contribution. As well as supporting individual programmes, the site provides an immersive experience where children can actively participate and interact with CBBC content in a way that is a step ahead of the 'normal' web experience. *Adventure Rock* is a good example of such content, unique to the website rather than merely programme support
- 7.5. However, online content is generally less regulated. Were Ofcom to rely upon multiplatform content to compensate for declining TV programming, it would be important to ensure standards for quality were met – and that TV's educational and informative aspects were not left behind.

## 8. Provision of Children's Programming within the wider Public Service Broadcasting environment

- 8.1. Ofcom's discussion paper sets out clearly that the children's public service television market in the UK is undergoing a period of transition, and there are real questions over the prospects for future delivery of a wide range of high quality and original UK content for children from a plurality of broadcasters. However, while the children's market is by nature sensitive, and is experiencing these problems acutely now, it is unlikely to be unique. Many of the underlying issues – plurality, volume of UK-originated content, convergence with other media – are likely to be mirrored across a range of public service broadcasting areas.
- 8.2. Given this, we agree with Ofcom that the policy response to the difficulties being faced by the children's market should be considered in the context of the wider public service broadcasting market – particularly the interests of the institutions concerned. Nevertheless, as discussed above, it may be helpful for the policy response to be tailored according to ages and genres which are experiencing the most problems, in order to maximise effectiveness and minimise the deadweight loss of any intervention.

## Annex – CBBC & CBeebies – Commitments on Output, Originations & Investment, and Service Priorities

CBBC	CBeebies
70 percent of hours to be originations <sup>7</sup> .	80 percent of hours to be originations.
Around 75 percent of the channel's output and investment is made in the EU/EEA.	Around 90 percent of output hours will be of UK/EU origin.
A quarter of output and three quarters of the programme budget will be original commissions.	Around 80 percent of output should be original commissions.
There will be a live news bulletin three times a day.	The service should have a higher level of educational output than its competitors.
Around 10 percent of output will be schools programmes during term time.	A quarter of the service's UK output should be original commissions. Just over a quarter of the channel's investment will be in new British programming.
Around 20 percent of output will be drama.	There should be a range of new, high quality, UK-produced educative and entertaining programmes for young children.  The service should invest directly in animation co-production, far more frequently, thereby increasing the number of UK-based projects.

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### Service Priorities (2006/07 Annual Report and Accounts)

Maintain reach by refreshing our offer with new content brands targeted specifically at 6-12 year olds – including <i>Sorcerer's Apprentice</i> , <i>Get 100</i> , <i>Shaun the Sheep</i> , <i>Do Something Different</i> and <i>Roman Mysteries</i> .	Launch and build reach to three new programme brands ( <i>In the Night Garden</i> , <i>Tommy Zoom</i> and <i>Mama Mirabelle's Home Movies</i> ) as part of an overall challenge to maintain weekly reach to the service.
Offer at least two new propositions – <i>CBBC World</i> and <i>MyCBBC</i> (working titles) – which will encourage increased participation and user-generated content in a more personalised environment.	Improve reach among 4-6 year olds through the introduction of new content brands such as <i>Tommy Zoom</i> , <i>Space Pirates</i> , <i>Numberjacks</i> and <i>Jackanory Junior</i> aimed at this age group.
Make more content – full programmes and clips – available on demand (subject to approval).	Refresh the parenting websites to make them more dynamic and improve their user friendliness. Ensure that they are a practical parenting tool for CBeebies 'second' audience.  Make more content – full programmes and clips – available on demand (subject to approval).

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<sup>7</sup> Original productions include all BBC-commissioned programming, including originations and all repeats of programming first shown on any BBC public service channel.