Public Service Broadcasting Annual Report 2010

Research Document

Publication date: 14th July 2010

Public Service Broadcasting: Annual Report 2010

Executive summary

Ofcom has a duty to assess the designated public service broadcasters, taken together, in terms of their delivery of the public service purposes as set out in the 2003 Communications Act. Ofcom's Public Service Broadcasting (PSB) Annual Report provides an evidence base for assessing the delivery of PSB.

Spending on PSB network programming across the main five PSB channels and the BBC digital channels continued to fall by almost 7% from 2008 to 2009. Spend on first-run originated programmes declined at around the same rate over this time. Since 2005 spend on first-run originations has fallen by 16%, or an average of 4% a year. Spend on Nations and regions programming showed one of the greatest declines, falling by 32% in this time.

Against the context of an increase in TV viewing, share of viewing of the main five PSB channels in multichannel homes declined from 58% in 2005 to 55% in 2009, while the combined share of the PSB portfolio channels continued to rise. In 2009 the overall share of the main five PSB channels and portfolio channels in multichannel homes did not see an increase year-on-year for the first time in three years.

However, audiences continue to value PSB programming. Ofcom's PSB Tracker shows that audience ratings of the importance of the PSB purposes and characteristics remained high in 2009. Audiences' views on the delivery of the purposes and characteristics by the PSB channels did not change significantly from 2008 to 2009. However, opinions have become more positive across a number of areas since 2006, the first year of the survey. These include the PSB channels' contribution to informing our understanding of the world, stimulating knowledge and learning, and reflecting UK cultural identity, as well as five of the seven PSB characteristics: *high quality*, *original*, *innovative*, *challenging*, and content that is *widely available*. The PSB channels performed less well in attitudes towards nations and regions output.

A number of contextual factors may help to explain these findings. There have been significant changes in the way audiences consume media; many people now have access to new technologies that provide more choice and control, including more digital video recorders (DVRs) and growth in the use of television and internet on-demand services. At the same time, funding of first-run originated programming has been supported by greater production efficiencies, but has also had to bear increasing distribution costs and falling advertising revenue.

Ofcom's duties

Ofcom has a duty to assess the designated public service broadcasters, taken together, in terms of their delivery of the public service purposes as set out in the 2003 Communications

Act. The designated public service broadcasters are the BBC[1], ITV1[2] , GMTV1, Channel 4, Five, S4C[3] and Teletext.

The public service purposes outlined in the 2003 Communications Act can be summarised as[4]:

- to deal with a wide range of subjects;

- to cater for the widest possible range of audiences – across different times of day and through different types of programme; and

- to maintain high standards of programme-making.

Based on the public service purposes presented in the Act, in its first PSB Review[5], Ofcom developed a range of PSB purposes and characteristics to provide a detailed description of public service broadcasting (see Figure 1 below). The first PSB Review[6] also stated that, in delivering its duties, Ofcom should develop a new approach to assessing the effectiveness of the public service broadcasters, taken together, in delivering PSB. This assessment would include an audience tracking survey to evaluate audience opinions, as well as broadcaster spend, output and viewing data. The aim was to provide a common basis for understanding the delivery of PSB and resulted in the publication of the PSB Annual Reports.

The PSB Annual Report sets out to provide an on-going evidence base for assessing the delivery of PSB, building towards Ofcom's PSB Reviews that must be conducted at least every five years. The purpose is to enable both Ofcom and its stakeholders to gain a deeper understanding of the current position of PSB delivery in the UK, and how this has changed. While the key purpose of this report is to show how PSB is being achieved in the UK as a whole, it also looks at the contributions of the individual PSB channels. The PSB purposes and characteristics are outlined in Figure 1 below.

[1] The BBC PSB channels are BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC HD, BBC News and BBC Parliament. Note: the focus in this annual report is upon generalist channels. BBC HD has been excluded from much of the analysis in the report as much of its output is simulcast from the core BBC channels and therefore would represent a disproportionate amount of broadcast hours and spend.

[2] The Channel 3 regional licensees are usually referred to in this report by the most commonly used collective terms, ITV1, or simply ITV. However, these terms are not used within the devolved nations. Instead Channel 3 is referred to as STV in north and central Scotland, UTV in Northern Ireland and ITV1 Wales in Wales.

[3] The Welsh Authority had the statutory responsibility to provide S4C (analogue) and S4C Digidol (digital) services for viewers in Wales. However, the S4C analogue service ceased broadcasting at midnight 30 March 2010 when digital switchover process was completed in Wales. This report focuses on 2009, prior to this change.

[4] See clause 264 of the Communications Act 2003 for the full wording and more detail on these.

[5] http://www.ofcom.org.uk/consult/condocs/psb2/psb2/psb_phase2.pdf

[6] http://www.ofcom.org.uk/consult/condocs/psb3/psb3.pdf

Figure 1 PSB purposes and characteristics

PSB purposes
Purpose 1: Informing our understanding of the world - To inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas
Purpose 2: Stimulating knowledge and learning -To stimulate our interest in and knowledge of arts, science, history and other topics through content that is accessible and can encourage informal learning
Purpose 3: Reflecting UK cultural identity - To reflect and strengthen our cultural identity through original programming at UK, national and regional level, on occasion bringing audiences together for shared experiences
Purpose 4: Representing diversity and alternative viewpoints - To make us aware of different cultures and alternative viewpoints, through programmes that reflect the lives of other people and other communities, both within the UK and elsewhere
PSB characteristics
High quality - well-funded and well-produced
Original – new UK content rather than repeats or acquisitions
Innovative – breaking new ideas or re-inventing exciting approaches, rather than copying old ones
Challenging – making viewers think
Engaging – remaining accessible and attractive to viewers
Widely available – if content is publicly funded, a large majority of citizens need to be given the chance to watch it
Trust[7]

Data on PSB compliance with quotas have, until now, been published within Ofcom's annual Communications Market Report. This reporting fulfils our duties under Section 358 (3) of the 2003 Act. In 2010, compliance data have been published alongside the PSB Annual Report for the first time, in order that the related data can be considered together.

The public Teletext service was a designated public service broadcaster, as set out in the 2003 Communications Act. The licensee, Teletext Ltd, provided text pages behind the analogue broadcasts of ITV1 and Channel 4 and channel 100 on digital terrestrial television. The licensee also operated other digital services, such as Teletext Holidays and the services behind the digital broadcasts ITV1 and Channel 4, outside of the scope of the licence. On July 16 2009, the Daily Mail & General Trust plc (DMGT) announced its intention to hand back its PSB licence and shut down both the PSB analogue and PSB Digital Terrestrial Television service. Teletext Ltd ceased to provide the public teletext services in December 2009, and its licence was revoked by Ofcom in January 2010. For more detail on the remit of the public service text services, see *PSB Annual Report 2010 – information pack F*.

The Digital Economy Act is also now in force and the majority of sections apply from June 2010. In addition to the requirements outlined above, the Act extends Ofcom's PSB Review

[7] Although Trust is not outlined as a PSB characteristic in Ofcom's PSB Review 2004, it is considered alongside the PSB characteristics throughout the report. It was added to the PSB tracker in 2007 to monitor the extent to which people trust the main PSB channels as the digital TV environment expands.

duties to include public service content online and on video-on-demand (VoD), as well as on television and radio. It also introduces new powers for Ofcom to monitor and enforce the Channel 4 Television Corporation's (C4C) media content duties and to report on whether the public teletext service licence remains commercially sustainable, and on the public value of continuing the service.

The data reported here precede the Digital Economy Act 2010 and the reporting focuses largely on PSB delivery through television services, rather than public service content (PSC) more broadly.

For the purpose of this report, delivery of PSB has been defined by assessing three areas: PSB broadcasters' spend[8] and output; viewing; and audience impact.

PSB spend[9]

Spend by channel

- Spend on PSB network programming[10] across the main five channels and BBC digital channels[11] continued to fall from £3,252m in 2005 to £2,788m in 2009, representing an average decrease of around 4% a year, or 14% since 2005.

- Figure 2 shows that all channels saw declines in spending between 2005 and 2009, with Channel 4, Five and the BBC digital channels experiencing the greatest proportional declines.

Figure 2 PSB overall network programming spend[12], 2005, 2008, 2009 (in 2009 prices)

	2005	2008	2009	% change 2005 - 2009	% change 2008 - 2009
BBC One	*£891m*	*£864m*	*£799m*	*-10%*	*- 8%*
BBC Two	*£410m*	*£359m*	*£357m*	*-13%*	*-1%*
BBC digital channels	*£260m*	*£215m*	*£206m*	*-21%*	*-4%*
BBC Total	£1,560m	£1,438m	£1,362m	-13%	-5%
ITV1 (incl. GMTV1)	£933m	£851m	£810m	-13%	-5%
Channel 4	£547m	£505m	£467m	-15%	- 8%
Five	£212m	£204m	£149m	-30%	-27%
TOTAL	£3,252m	£2,997m	£2,788m	-14%	-7%

- This decline in total spend from 2005 to 2009 reversed the period of growth from 1998 to 2004, when PSB network expenditure increased from £2,709m to £3,364m in 2004.

- Figure 3 shows that spend on first-run originated programmed also decreased in the period 2005 to 2009. In 2009, £2,343m was spent in total by the main five PSB channels and the BBC digital channels on first-run originated network programming,

[8] All spend figures in this report are given in 2009 prices.
[9] Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV1, GMTV1, Channel 4 and Five. The analysis does not include S4C or BBC HD. Figures exclude nations/regions programming.
[10] Network programming excludes nations/regions programming.
[11] See footnote 9 for details.
[12] Network programming excludes nations/regions programming.

down from £2,495m in 2008. Spend on first-run originated network programming fell by an average of 4% a year, or 16% since 2005.

Figure 3 PSB first-run originations network spend[13], 2005, 2008, 2009 (in 2009 prices)

Figure 3	2005	2008	2009	% change 2005 - 2009	% change 2008 - 2009
BBC One	*£814m*	*£748m*	*£738m*	*-9%*	*-1%*
BBC Two	*£365m*	*£306m*	*£312m*	*-15%*	*+2%*
BBC digital channels	*£245m*	*£195m*	*£185m*	*-17%*	*-5%*
BBC Total	£1,424	£1,250m	£1,236m	-13%	-1%
ITV1 (incl. GMTV1)	£842m	£765m	£696m	-17%	-9%
Channel 4	£418m	£385m	£341m	-18%	-11%
Five	£121m	£96m	£69m	-43%	-28%
TOTAL	£2,804m	£2,495m	£2,343m	-16%	-6%

- The long-term trend in spend on first-run originated programming is similar to that for total spend (see Figure 4 below). The decline from 2005 to 2009 stemmed the period of growth from 1998 to 2004, during which time spend grew from £2,334m to £2,890m.

Figure 4 PSB first-run originations network spend[14], 1998-2009 (in 2009 prices)

Source: Ofcom/broadcasters. Note: figures are expressed in 2009 prices. BBC figures include BBC1, BBC2, BBC3, BBC4, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C or BBC HD. Figures exclude nations/regions programming.

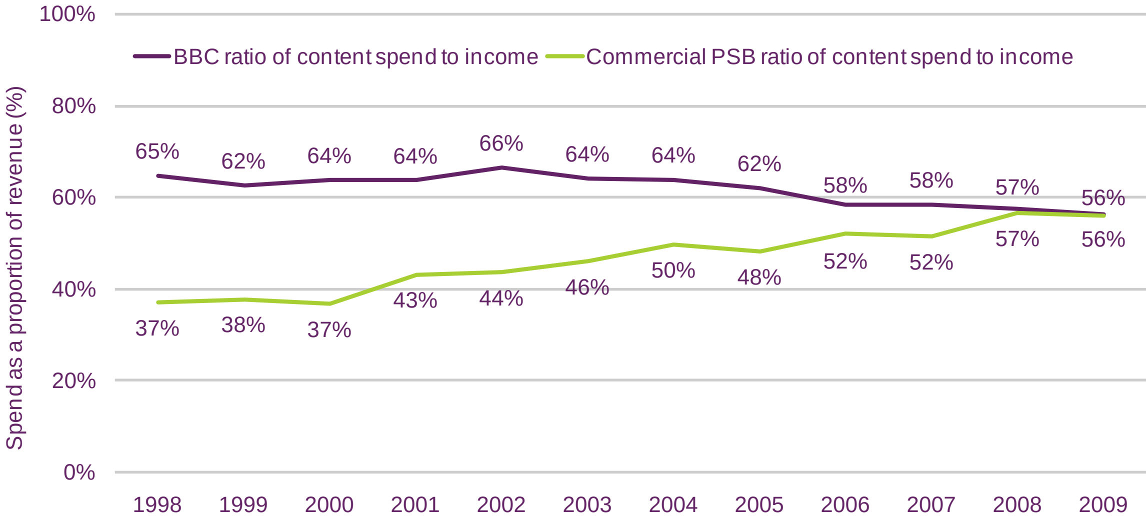
- The decline in first-run origination network spend since 2005 by the commercial PSB channels has occurred within the context of a real-term decline in their revenue of 34%. The 13% real-term decrease for the BBC has taken place despite a 2% real-terms increase in licence fee income in this period.

- Figure 5[15] provides an estimate of the ratio between spend on first-run originated television programming[16] and revenue (for commercial PSBs) and Ofcom's estimate of the licence fee allocated to television services in the case of the BBC.

[13] Network programming excludes nations/regions programming.
[14] Network programming excludes nations/regions programming.

- The analysis indicates that the commercial PSB channels have increased spend as a proportion of revenue from 37% in 1998 to 56% in 2009. The ratio has declined for the BBC from 65% in 1998 to 56% in 2009. A variety of factors may have influenced this, including rising expenditure on infrastructure, and on distribution costs, reflecting new distribution platforms. It is also possible that the ratio has increased for commercial PSBs because content spending strategies have not yet caught up with declining revenue from advertising.

Figure 5 PSB first-run originated television programming: ratio of spend to income[17]



Source: Broadcasters and Ofcom estimates drawing on data from the BBC's Annual Reports and Accounts. Spend is all day, all genres. It includes all spending on networked output by the BBC, ITV1, Channel 4 and Five. It also includes BBC, stv, ITV1 and UTV spending on programmes for viewers in the nations and regions and the BBC's spend on programmes for S4C, BBC Alba. BBC income is based on Ofcom estimates of total licence fee revenue that is spent on TV-related services, drawing on public domain information.

Spend by programme genre[18]

- All programme genres, except Education and Feature Films, experienced a decline in network spend from 2005 to 2009 (see Figure 6 below). The genres with the largest declines (in absolute terms) were Drama and Soap (down by £151m to £732m in 2009), Entertainment and Comedy (down by £97m to £468m in 2009), News and Current Affairs (down by £70m to £293m) and Factual programming (down by £54m to £467m in 2009).

- During this period, total spending on Children's programmes[19] declined by 26% to £108m, Arts and Classical Music decreased by 31% to £50m and Religion and Ethics dropped by 37% to £15m in 2009.

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[15] This analysis provides an indication of the ratio between first-run investment and revenue, drawing on broadcaster data, public domain data, and Ofcom estimates.
[16] Spend is all day, all genres. It includes all spending on networked output by the BBC, ITV1, Channel 4 and Five. It also includes BBC, stv, ITV1 and UTV spending on programmes for viewers in the nations and regions and the BBC's spend on programmes for S4C and BBC Alba.
[17] Ofcom estimates of the BBC's spend on radio and online services from 2005 to 2009 as a proportion of total content spend suggest that spending on these services has remained constant during this period, with around three-quarters invested in television, around one fifth in radio and 6% in online services.
[18] Please note that these genres are defined for Ofcom monitoring and reporting purposes, and do not necessarily correspond to definitions used in broadcasting legislation, such as the Audio Visual Media Services Directive.

Figure 6 PSB overall network programming spend by genre, 2005, 2008, 2009 (in 2009 prices)

	2005	2008	2009	% change 2005 - 2009	% change 2008 - 2009
News and Current Affairs	£363m	£298m	£293m	-19%	-1%
Arts and Classical Music	£72m	£48m	£50m	-31%	+4%
Religion and Ethics	£25m	£15m	£15m	-37%	+3%
Education	£23m	£25m	£26m	+10%	+3%
Factual	£521m	£479m	£467m	-11%	-3%
Drama and Soaps	£886m	£819m	£732m	-17%	-11%
Entertainment and Comedy	£565m	£505m	£468m	-17%	-7%
Feature Films	£194m	£198m	£211m	+9%	+7%
Sport	£456m	£507m	£418m	-8%	-18%
Children's programmes	£146m	£103m	£108m	-26%	+5%
TOTAL	£3,252m	£2,997m	£2,788m	-14%	-7%

- From 2008 to 2009, half of the programme genres saw a decrease in spend. Sport experienced the most significant decline in spending, down by £89m or 18% to £418m; although this lower spend may be attributed to the lack of a major international sporting event in 2009. Spending on Drama and Soaps fell by £87m or 11% to £732m in 2009, while Entertainment and Comedy was down by £37m or 7% to £468m in 2009. Factual saw a small decrease of 3% to £467m, and News and Current Affairs dropped by 1% to £293m.

- Not all programme genres experienced declines in spending from 2008 to 2009. Children's programming[20] saw a £5m or 5% increase to £108m in 2009, driven by a £9m increase in spend by the BBC that offset the decreased spend by the commercial PSB channels (ITV1, Channel 4 and Five).

- Spending also increased in the shorter term on Feature Films (by 7% to £211m), Arts and Classical Music (by 4% to £50m), Religion and Ethics (by 3% to £15m), and Educational programming (by 3% to £26m).

PSB viewing

Viewing of channels

- While the average hours of total daily TV viewing increased by 3% between 2005 and 2009, the average hours of total daily viewing of the PSB channels[21] dropped by 15%.

- The long-term decline in the combined share[22] of the main five PSB channels in all homes across the whole day continued in 2009, with a decline of 2.7% from 2008.

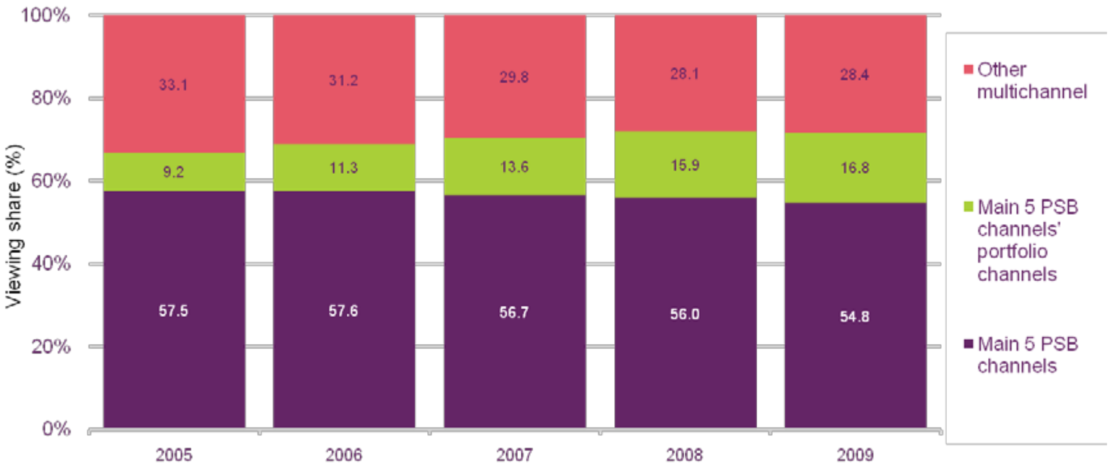
[19] The later section on Children's programming also includes figures on S4C, whereas this overall measure includes only channels available across the whole of the UK.
[20] See footnote 18.
[21] This consists of the main five PSB channels and the BBC digital channels combined (BBC Three, BBC Four, BBC News, BBC Parliament, BBC HD, CBeebies and CBBC).

Each of the main five PSB channels saw their share fall compared with 2008 by less than 1%; BBC One and Channel 4's share each fell by 0.8%, while ITV1 fell by 0.6%. BBC Two fell by 0.4%, and Five dropped by 0.2%.

- The share of viewing in multichannel homes of the portfolio channels[23] affiliated with the main five PSB channels continued to rise to 16.8% in 2009.

- However, the overall combined share of the main five PSBs and their portfolio channels in multichannel homes did not increase in 2009 as it had done in the previous three years, due to the decline in the share of the main five PSB channels offsetting the growth of the portfolio channels. That said, in 2009 combined share remained higher than in 2005 (72% and 67% respectively). (See Figure 7 below.)

Figure 7 Share in multichannel homes, 2005-2009



Source: BARB, all day, all Multichannel Individuals (4+). The number of channels that make up the PSB portfolios has increased over the years, and the proportion of people with multichannel television has also grown substantially year on year. Not all of these channels are PSB channels.

- Weekly reach[24] data shows that BBC One and ITV1 were viewed by over three fifths of the population each week in 2009, while Channel 4 and BBC Two were viewed by just over half the population and Five reached around 40% of people each week.

- Weekly reach for BBC Two remained relatively stable comparing July 2005 and July 2009, dropping by 1%. BBC One and Five experienced minor declines, with average weekly reach falling by 2% and 3% respectively. ITV1 and Channel 4 both had greater declines in weekly reach, with ITV1 falling by 9%, and Channel 4 by 11%.

Viewing to different types of programme

- Across the whole day on the main five PSB channels, the proportion of total viewing provided by Current Affairs rose by 3% from 2005 to 2009, while Other Factual rose

[22] Share of viewing is the percentage of the total viewing audience watching over a given period of time.
[23] These are the public service broadcasters' portfolio channels, such as ITV2, BBC Three or E4. The number of channels that make up the PSB portfolios has increased over the years, and the proportion of people with multichannel television has also grown substantially year on year. Not all of these channels are PSB channels.
[24] Average weekly reach is defined as the proportion of the population that watched at least 15 consecutive minutes of a channel in an average week.

by 2% and Entertainment by 4%. The proportion of total viewing provided by National News and Weather, Sport and Specialist Factual each remained stable in this period.

- The proportion of total viewing provided by Films, Soaps, and Children's programming each fell by 2% between 2005 and 2009, while Drama fell by 1%.

Analysis of key PSB genres

UK/ national News and Current Affairs

Spend and output

- The volume of national News broadcast on the main five PSB channels and BBC Three and BBC Four fell from 5,817 hours in 2005 to 5,604 hours in 2009, but has remained fairly static since 2006[25]. The volume on BBC Two increased from 691 hours to 926 hours in 2009, as a result of an increase in the volume of hours simulcast from the BBC News channel in the night-time.

- Since 2005, spend reduced by £39m or an average of 5% per year, from £210m in 2005 to £171m in 2009.

- The volume of Current Affairs programming increased from 1,494 hours in 2005 to 1,568 in 2009, but has remained relatively stable since 2006. Increases since 2008 in volumes on ITV1 and BBC Three were offset by reductions on BBC Four and Five.

- Although volumes of Current Affairs programming increased, spend on this fell by an average of 7% per year, from £105m in 2005 to £78m in 2009.

Viewing

- Over the past five years, viewing to national News programming on the main five PSB channels has declined from 100 hours per individual per year in 2005 to 88 hours in 2009. The bulk of this decline has been for viewing on ITV1, where News viewing dropped by 11 hours from 2005 to 2009. Viewing was down by three hours a year on BBC Two and Five, and by one hour a year on Channel 4. Viewing on BBC One remained at a higher level than for the other main PSB channels and increased by four hours compared to 2005.

- There was an additional 10 hours of national News viewed on the BBC digital channels in multichannel homes, 98% of which was on BBC News.

- Overall hours of viewing of Current Affairs increased on the main five PSB channels from 39 hours in 2005 to 48 hours in 2009. Viewing of Current Affairs on BBC One has increased greatly since 2005 to 33 hours a year in 2009, while viewing of this genre on BBC Two and ITV1 has remained fairly consistent. There was an additional two hours of Current Affairs viewed on the BBC digital channels in multichannel homes in 2009, again, most of it on BBC News.

[25] The BBC digital channels, BBC News and BBC Parliament, are not included in these output and spend figures, but almost all of their output consists of News and parliamentary News.

Nations and regions

Spend and output

- Spend on nations and regions output by the BBC and Channel 3 combined fell by £120m or 32%, from £375 million in 2005 to £256 million in 2009. Spend by the Channel 3 broadcasters halved over this time to £81 million. Spend on BBC nations and regions output also fell by £38m or 18%, to £175 million.

- Between 2005 and 2009, total hours of nations and regions output fell, and nations and regions News programming decreased in particular. The exceptions to this trend were nations and regions News programming on BBC channels in England and on UTV in Northern Ireland.

- In 2009, the BBC was the largest volume provider of nations and regions content in all nations except Scotland where, taking STV North and Central together, STV showed more nations and regions News than the BBC (470 hours vs. 311 hours) and more ‘other’ nations programming than the BBC (342 hours vs. 317 hours).

Viewing

- The average share of the main weekday evening nations/regions News on Channel 3 fell by 3% between 2005 and 2009 to 19%, and held steady on BBC One over the same period at 28%.

- On BBC One, viewing share for the main weekday evening nations News slot was down 2% in Scotland, and 3% in Wales, but up by 1% in Northern Ireland compared with five years ago. On Channel 3, share was down 3% in Wales and 2% in Northern Ireland, and up by 1% in Scotland.

- In the English regions on BBC One, share for the weekday evening regional News has remained fairly stable since 2005, a 4% rise in the North East and a 4% fall in the East were the most prominent changes. Share rose by 2% in Yorkshire, but dropped by 2% in the North West. On Channel 3, there were declines in several regions since 2005. Share dropped by 6% in Meridian and in the North West, and by 5% in the Midlands and the East of England. Only two regions saw a rise in share compared with 2005 – Border (where share grew by 1%), and West (an increase of 3%).

Factual programming

Spend and output

- Volumes of all Factual programmes aggregated across the main five PSB channels, BBC Three and BBC Four increased by an average of 6% per year between 2005 and 2009, reaching a total of 13,135 hours in 2009. With the exception of BBC Four, the volume of Factual programmes rose on all channels, notably on ITV1 and Five which showed average increases of 15% and 16% respectively.

- While overall volumes increased, spend on Factual output fell by an average of 3% a year - from £521m in 2005 to £467m in 2009.

- Hours of all types of Factual programmes on the PSB channels increased between 2006[26] and 2009. However, the largest average percentage rise was in the more popular formats of Leisure & Hobbies and factual Magazine programmes.

- Specialist Factual programmes featured heavily in almost all PSB channels' schedules. Volumes increased year-on-year on all channels except Five. However, while there were some modest increases in the levels of first-run originations on most channels, the largest increase was in the volume of repeats.

Viewing

- Viewing of Specialist Factual on the main five PSB channels declined between 2005 and 2009, although viewing was up slightly from 2008. Viewing was dominated by the BBC. Of an average of 22 hours watched in 2009, 10 hours were watched on BBC Two and a further 8 hours on BBC One.

- On average, just over an hour of Specialist Factual programming was watched on the BBC digital channels in multichannel homes in 2009; over half of this was on BBC Four.

Children's programming

Spend and output

- Total volume of children's output across the main five PSB channels, the BBC's digital children's channels and S4C increased by 10% from 13,684 hours in 2005 to reach 14,999 hours in 2009. Hours rose on BBC Two, CBBC and S4C, but fell on all the other channels. The largest falls were on ITV1, which dropped by 50% to 419 hours and BBC One which decreased by 38% to 497 hours.

- Total spend decreased across the main five PSB channels, BBC's digital children's channels and S4C by 22% from £157m in 2005 to £122m in 2009[27]. The main decline in spend was on the commercial PSB channels, which decreased by 74% from 2005 to 2009.

- An increase in total spend of £6m was seen from 2008 to 2009, due to £9m increase in spend by the BBC and a £1.5m increase in spend by S4C, offsetting the 27% decrease in spend by the commercial PSB channels over this period[28].

- First run originations on the main five PSB channels, the BBC's digital children's channels, and S4C fell 14% by volume and 21% by value from 2005 to 2009, although there was an increase in spending from £98m in 2008 to £103m in 2009.

- Of the total PSB originations, S4C's contribution was 35% in 2009, up from 11% in 2005.

[26] Data for Factual programming split by sub-genre is not available in 2005, therefore data is reported from 2006.
[27] Network spend data reported earlier in this summary excludes the contribution of S4C, which is included here.
[28] Note that expenditure by ITV on the CITV channel is excluded here.

- The proportion of repeats on the main five PSB channels, S4C and the BBC's digital children's channels increased from 83% in 2005 to 88% of total output in 2009. Originations decreased to 10% of the total in 2009, and bought-in material accounted for 2%.

Viewing

- In 2009, the average child aged 4-15 watched 16 hours of television per week. The proportion of children's viewing going to the main five PSB channels fell from 51% in 2005 to 36% in 2009.

- The proportion of viewing by children of Children's programming on the main five PSBs fell from 29% in 2005 to 10% in 2009. Over this period there was an increase in the proportion of viewing to the other commercial children's channels from 51% in 2005 to 63% in 2009. In 2005 the proportion of children's viewing to CBeebies and CBBC combined was 20% and rose to 27% in 2009. For the past three years, the proportion of children's viewing to the Children's genre on CBeebies and CBBC held steady at 27%.

Audience opinion of PSB delivery

- Audience ratings of the perceived importance of each of the PSB purposes and characteristics remained high in 2009 and have been generally stable over time since 2007.

- The main increases have been an increased perception of the importance of UK originations (71% in 2008 to 74% in 2009) and innovation (71% to 73%), e.g. programmes with new ideas and different approaches

- There were no significant changes in the ratings of the delivery of the PSB channels together against each individual purpose and characteristic between 2008 and 2009. However, opinions about the delivery of the PSB channels have become more positive across a number of areas since the first year of PSB Tracker data collection in 2006.

- In particular, for the PSB channels considered together there were more positive ratings for the PSB purposes relating to informing our understanding of the world, stimulating knowledge and learning, and elements relating to reflecting UK cultural identity. This was also the case for five of the seven PSB characteristics; *high quality*, *original*, *innovative*, *challenging*, and content that is *widely available*.

- These are broadly positive trends, despite the decreasing total spend on PSB network programming (by 14%) and in nations and regions programming (by 32%) since 2005.

- However, there were some areas where audience opinions did not become more positive:

    - Delivery of nations/regions news;

        - BBC One: From 2006 to 2009, opinions about the delivery of BBC One's nations/regions news among regular viewers became more positive in England, remained static in Wales and Scotland, but become less positive in Northern Ireland.

    - ITV1[29]: From 2006 to 2009, opinions of the delivery of ITV1's nations/regions News among regular viewers became less positive in each devolved nation, while remaining static in England.

  - Delivery of non-news nations/regions programming[30], as well as covering national events well, and high quality UK soaps;

  - The PSB characteristics of *trust* and *engaging content* through showing '*programmes I want to watch'*[31].

- A range of contextual factors may help to explain some of these findings. These are outlined below.

Contextual factors behind changes in PSB delivery

- A number of factors relating to the impact on audiences and the funding of first-run originated programmes provide context to the findings in this report.

- There have been changes in media consumption, with many people now having access to new television channels and interactive technologies via their television set and online that provide more choice and control. These changes include:

  - The continuing take-up of digital TV from 70% of households in 2005 to 91% in 2009, and the increase in the number of digital channels available from around 400 in 2005 to around 500 in 2009.

  - The growth of television receivers with enhanced features (around 25 million integrated digital TV sets sold since Freeview launched in 2002).

  - The number of households paying for access to additional television channels has been rising consistently over the last ten years to 51% in Q4 2009, which indicates consumer interest in greater channel choice. Ofcom research shows that those who subscribe to satellite or cable television are more satisfied with television overall.

  - More homes with equipment capable of receiving high definition television (nearly 2.3 million homes at the end of 2009, up from 1.5 million at the end of 2008).

  - Greater penetration of DVRs, with one-third of households in 2009 owning a DVR. At the same there has been growth in viewing time-shifted television. In DVR households around 15% of viewing on the main five PSB channels was not live in 2009 (6% in all households).

[29] Within the PSB Tracker, Channel 3 is more simply referred to as ITV1 for all respondents in all nations. However, in Scotland Channel 3 is STV, in Wales this is ITV1 Wales and within Northern Ireland this is UTV.
[30] Comparing 2007 with 2009, as 2006 data is not available.
[31] Changes in the question design mean that data is only available for 2008 and 2009 for purpose 4 and Children's programming research statements, therefore longer term comparisons were not possible.

    - Greater use of television on-demand services. For example, Virgin Media's video-on-demand (VoD) television service registered 74 million VoD uses in Q4 2009, more than double the 33 million in the same period two years earlier.

    - Increased use of online services, such as BBC iPlayer, allowing on-demand or catch-up viewing. In Q1 2010 Ofcom research showed that just under one third (31%) of adults with the internet at home claimed to use on-demand or catch-up services, up from 23% in Q1 2009.

- Other factors may help to explain the decline in spend in first-run originated programming:

    - There has been a continued real-term fall in revenue for the commercial PSB channels (by 34% between 2005 and 2009), at the same time as an increase in distribution costs, including across platforms.

    - Production efficiencies have the potential to deliver programmes of comparable quality, genre or length at a reduced cost. A range of new production techniques have been adopted to reduce the cost of programme production (e.g. using the same set for the production of a programme format for several different countries).

    - Increasingly, additional funding for new programmes is being found by producers to ensure that commissioned output is fully funded; this can include up-front loans secured against 'back end' revenue streams such as DVD sales and programme exports. A recent report from PACT[32] estimated that independent producers were responsible for an increasing contribution to productions estimated to be in the region of £160m-£190m in 2008, which is around 6%-8% of total PSB first-run originated programming spend.

- There have also been changes to programmes, scheduling and commissioning strategies, e.g. the BBC Children's strategy to produce fewer new programmes, but aiming to make these 'bigger and better'.

Other areas of public service content

S4C

- Total hours of Welsh language programmes on S4C Digidol increased by 21% over the four year period to 5,696 hours in 2009.

- The volume of originated Welsh language programmes on S4C Digidol increased by 6% from 2008 to reach 2,095 hours by 2009. Of this total, 25% were General Factual programmes and 15% were News and Current Affairs. First-run originated Children's programmes made up a further 19% (400 hours).

- For regular viewers of S4C Welsh language programming in 2009, the strongest PSB associations with the channel continued to be connected to purpose 1 (News) and purpose 3 (e.g. *portrayal of Wales to the rest of the UK*).

[32] PACT policy survey and financial census 2009.

- Regular viewers of Welsh language programmes on S4C also tended to say that they trusted the channel (77%) and that they saw the channel as providing high quality programmes (71%).

Teletext

- Teletext Ltd ceased to provide public service content in December 2009, and its licence was revoked by Ofcom in January 2010. However, the most recent data reported here is for 2009 as a whole, when Teletext was still fully operating.

- The long-term decline in average weekly reach[33] of TV Text services on ITV1, Channel 4 and Five levelled out in 2008 and 2009.

- In 2009, Teletext services on ITV1 gained an average weekly reach of 1.9 million individuals.

- After declining between 2005 and 2007, the average weekly reach of text services on BBC One and BBC Two increased in 2009, reaching just over 3 million people per week on the former – the highest level since 2005.

- The most popular types of pages that Teletext users claimed to use on both analogue and digital services in 2009 were Weather, regional News, national News and Sports.

- Opinions on both the breadth of information and the impartiality of Teletext were generally positive, with around 8 in 10 users of both the digital and the analogue services agreeing that there is a *range of information available*, and that the information is *accurate and impartial*.

Online public service content (PSC)

- In January 2010, two-thirds (66%) of those who had internet access at home or at work said they used the internet for PSC; this has increased from 61% at the same time in 2009.

- The most popular way of searching for PSC online in 2009 was through search engines (95%). Seventy-seven per cent of users said they tended to use websites they already knew, while around 6 in 10 used recommendations from friends (63%) and used links or click through from other sites (60%). Most users of online PSC (83%) said that finding new, interesting or high quality PSC online was easy.

- The majority of users of PSC online and UK adults more generally believed that it was important that the internet fulfilled a range of different roles relating to public service content. Two-thirds of all those asked rated it important that *the BBC and Channel 4 allow you to view programmes online through their websites* and 79% rated it as important that *the BBC and Channel 4 provide high quality, trustworthy website content.*

[33] The number of people who use text services for at least three consecutive minutes in a week.

Compliance with quotas

- The Communications Act 2003 sets out a range of obligations applying to public service channels, and Ofcom sets appropriate quotas to meet these obligations, taking into account the individual remits of each channel and other relevant criteria.

- The PSB quotas are applicable to the BBC's analogue and digital channels, ITV1, GMTV1, Channel 4, Five and S4C in Wales but do not apply to the commercial broadcasters' digital services or to multi-channel operators. Some quotas are fixed across all channels, while others vary for the different broadcasters.

- The following quotas were met, or exceeded by all PSB channels:

  - Original productions (programmes commissioned by broadcasters from in-house production resources or independent producers).

  - Out-of-London productions (network programmes made in the UK outside the M25).

  - Independent productions (programmes made by companies that are independent of broadcasters).

  - Networked national and international News and networked Current affairs.

  - Nations and regions programmes on Channel 3 and the BBC.

  - European 'AVMS' quotas. All television broadcasters licensed by Ofcom in the UK, including multi-channel operators, are subject to the obligations of the Audiovisual Media Services (AVMS) Directive. This requires that on each channel, a majority of programmes must be European (including from the UK) and at least 10% must be made by independents. Of these, a majority must have been made within the past five years. All PSB channels exceeded the quotas in 2009.

Television access services

- In 2009, 80 channels were required to provide subtitling, signing and audio description for people with sensory impairments ('television access services') in accordance with Ofcom's Code on Television Access Services[34]. These 80 channels included all the public service channels, as well as digital channels featuring general Entertainment, Film, Sports, Documentaries, Children's programmes, and Popular Music.

- The quotas for TV access services were not met by all channels:

[34] The quotas apply to all PSB channels and all other television services which achieved an average audience share over a 12-month period of 0.05% or more, subject to passing an affordability threshold and not facing technical difficulties that cannot be overcome, such as the audio-description of Music and News programmes, where there is little space within the dialogue or sound-track to provide audio-description. A full list of channels that provided television access services during 2009 can be found at:
http://www.ofcom.org.uk/tv/ifi/guidance/tv_access_serv/tv_access_statement09/tvaccessservices09.pdf.

- Almost all broadcasters met their obligations in full in 2009. GMTV1 fell short of meeting its signing target by 0.1% in 2009 and will be required to make up this small deficit in 2010. 4 Music fell significantly short of its subtitling obligations, resulting in a Code breach being recorded against the broadcaster. 4 Music is required to make up the 13.8% subtitling deficit as part of its 2010 targets[35].

- A report showing the performance of television channels against the targets applying in 2009 and 2010 can be found at: http://www.ofcom.org.uk/tv/ifi/guidance/tv_access_serv/tvaccessrep/q409/

For further information on each of the areas covered in this Summary, please go to www.ofcom.org.uk.

[35] For further information on the additional restitution offered by 4 Music and for full details of the finding please see Broadcast Bulletin (157): http://www.ofcom.org.uk/tv/obb/prog_cb/obb157/Issue157.pdf.