A New BBC Three channel: Public Interest Test consultation

Response from the Association for Commercial Broadcasters and On-Demand Services to the BBC

April 2021

THE ASSOCIATION FOR COMMERCIAL BROADCASTERS AND ON-DEMAND SERVICES

Introduction

1. COBA is the Association for Commercial Broadcasters and On-Demand Services. It represents multichannel broadcasters in the digital, cable and satellite television sector and on-demand services.

2. COBA members operate a wide variety of services, offering news, factual, children's, drama, music, arts, entertainment, sports and comedy. Their content is available on free-to-air and pay-TV platforms, as well as on-demand.

3. COBA members are arguably the fastest growing part of the UK television industry, and are increasing their investment in jobs, UK content and infrastructure. They make this investment without support from the licence fee or indirect support from statutory prominence.

   - Scale: In the last decade, the sector has increased its turnover by 30% to more than £5 billion a year. This is rapidly approaching half of the UK broadcasting sector's total annual turnover, and has helped establish the UK as a leading global television hub.[1]

   - Employment: As part of this growth, the multichannel sector has doubled direct employment over the last decade.[2]

   - UK production: In addition, the sector has increased investment in UK television content to a record £1.1 billion per annum, up nearly 75% on 2011 levels.[3]

4. For further information please contact Adam Minns, COBA's Executive Director, at adam@coba.org.uk or 0203 327 4101.

[1] Ofcom International Broadcasting Market Report 2013
[2] Skillset, Television Sector – Labour Market Intelligence Profile
[3] COBA 2019 Content Report, Oliver & Ohlbaum Associates for COBA

Response

1) COBA supports the principle of the licence fee and sees the BBC as one of the cornerstones of the UK media sector. We firmly believe in the merits of a mixed ecology that encourages public and private players. This provides greater audience choice, creative competition, and increases investment for UK content. For their part, COBA members invest more than £1 billion a year in UK content, without public support in the form of the licence fee or statutory prominence as is granted to PSBs.[4] Much of this investment benefits independent producers across the UK, with Pact's most recent census stating that investment from first-run multichannel commissions is now at £390m per year.

2) We would like to place on record our serious concerns about the BBC's proposal to return BBC3 to a linear EPG slot, reversing its decision of 2016. We view it as confused and having no apparent regard for the BBC's impact on the market, particularly smaller broadcasters who will be forced to move their own EPG positions only two years after many had to do so to accommodate PSB channels, including the BBC, as part of the EPG policy changes introduced by Ofcom and supported by the BBC in its submission at the time to the regulator.[5]

3) The consultation argues that this move is to attract younger audiences, but this is contrary to the BBC's own arguments when it made BBC3 a purely online service. At the time, the BBC stated:

   "[I]t's become clear that for young audiences, their shift from linear TV to online is already happening. It now represents 28% of the average daily viewing for 16-24s, with forecasts from Enders Analysis suggesting this will be as high as 40% by 2020."[6]

4) In the intervening time, younger audiences have indeed moved online in greater numbers, and now spend more time online than when BBC3 was moved in 2016. Indeed, the BBC has recently argued vociferously that it needs to have prominence for its online services for this reason.

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[4] COBA Content Report

[5] https://www.ofcom.org.uk/consultations-and-statements/category-1/epg-code-prominence-regime

[6] BBC Three proposal announced, statement 10 December 2014

5) Ofcom is clear that there has been a significant drop in linear viewing right across the target age for BBC3 since 2010. Ofcom recently stated:

   'Young people in particular are watching less linear TV with viewing down by 49% among 16-24s, and by 49% among children (aged 4-15) between 2010 and 2018.'[7]

6) Looking at 25-34 year olds, Ofcom states that average minutes per day have fallen from 199 in 2010 to 122 in 2018.[8] If anything, this decline has picked up in pace since 2016, when BBC3 moved online.[9]

7) The consultation paper states that the decision to move BBC3 online in 2016 was 'finely balanced' at the time. We suggest it seems significantly clearer cut now, and that the BBC should indeed be focusing on online to reach younger audiences.

8) The consultation paper is somewhat contradictory on this point. It argues that recent developments, 'have led to significant changes in how viewers spend their time on different media, with viewing of broadcast TV continuing to decline, most prominently among younger viewers.'[10] Yet it states that there is a particular group of younger viewers who 'maintain a strong broadcast TV habit but are currently light users who are not getting enough value from BBC TV.'

9) The BBC therefore seems to be proposing to reverse a major decision in order to serve a sub group within the younger demographic, who may soon move online anyway, in line with their peers. At a time when the rest of the market is developing its online presence to evolve with changing audiences, this is a backwards and step.

[7] https://www.ofcom.org.uk/__data/assets/pdf_file/0021/154461/recommendations-for-new-legislative-framework-for-psb-prominence.pdf

[8] Ibid

[9] https://www.ofcom.org.uk/__data/assets/pdf_file/0021/154461/recommendations-for-new-legislative-framework-for-psb-prominence.pdf. Figure 1, page 12

[10] Consultation paper, page 2

10) This latest change appears to have been proposed with little regard for the BBC's impact on the wider market, including much smaller broadcasters who are likely to have to move their EPG positions to accommodate a new BBC3 channel. Broadcasters have just undergone a major EPG shuffle as a result of Ofcom's new EPG policy for PSB channels, which finished in 2019 and was supported by the BBC in its submissions.[11] The BBC supported this review, despite any impact on the market, stating:

'We warmly welcome Ofcom's proposed changes to the existing linear EPG code, but these do not go far enough.'[12]

11) Ofcom noted that this reshuffle would have a negative impact on the market, saying:

'Making other broadcasters less prominent in order to accommodate a designated channel will tend to reduce their viewing. This will tend to decrease the advertising/sponsorship revenue earned by commercial broadcasters. The sustainability and ability of other broadcasters to invest is relevant to securing the availability of a wide range of quality television services. They may also incur one-off costs from moving to a new position, for example marketing the new slot number.'[13]

12) Some channels may now have to move once again, incurring those 'one-off' costs for a second time, as well as a negative impact on their longterm revenues. This comes at a time when those channels are facing challenges from declining linear audiences, as well as the impact of Covid-19 on advertising revenues (which the BBC was insulated from). We believe this is unreasonable, as commercial broadcasters have to purchase their EPG slots and market them to audiences. They plan their channel development and content budgets based on expected audiences, which in turn are based on EPG positions at least in part. Disrupting them again so quickly after the last reshuffle is disproportionate, particularly when the case for the doing so is in our view so tenuous.

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[11] https://www.ofcom.org.uk/consultations-and-statements/category-1/epg-code-prominence-regime

[12] https://www.ofcom.org.uk/__data/assets/pdf_file/0021/131178/BBC.pdf

[13] https://www.ofcom.org.uk/__data/assets/pdf_file/0028/154459/statement-on-changes-to-the-epg-code.pdf

13) It also is perplexing that the move comes at the same time as the BBC has proposed that BBC 4 should show only repeats. This dilution of the channel's public service remit would seem like an attempt to drive older audiences to online services, in direct contrast to the BBC's strategy for BBC3. We also note that the BBC is proposing to take CBBC off air earlier to free up capacity for BBC3. We note that CBBC was one of the BBC channels to benefit from the last EPG reshuffle, causing disruption for other children's channels. At the time, the BBC argued that this was necessary to provide public service children's content in the linear world.

14) Finally, we note that, in the consultation paper, the BBC justifies its original decision to close BBC3 as a linear service on the grounds that it represented a cost saving, at least in part. If the purpose of the BBC's cost savings is to increase efficiency, it is surely not justifiable to simply reintroduce the same costs at a later point. It is also difficult to believe that the BBC is in a better position financially now than it was at the time, given significantly increased costs related to licence fees for over 75s.