

Ofcom review of a proposed BBC Three television channel

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

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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) As COBA outlined in its submission to the BBC board on this matter, we support the principle of the licence fee and see 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.
- 2) We welcome Ofcom's decision to consider the BBC's proposal to return BBC3 to a linear EPG slot, which reverses the BBC's decision of 2016. Many broadcasters, the majority smaller than the BBC, will be forced to move their own EPG positions as a result. This disruption would take place only two years after many channels had to move to accommodate PSB channels, including the BBC, as part of the EPG policy changes introduced by Ofcom.
- 3) Ofcom noted at the time that this earlier 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.’⁴

- 4) Were the latest changes to go ahead, some channels will 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.
- 5) 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.

⁴ https://www.ofcom.org.uk/__data/assets/pdf_file/0028/154459/statement-on-changes-to-the-epg-code.pdf

- 6) In addition, we believe the public values of the proposal are at best marginal. The BBC's consultation paper argued 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.”⁵

- 7) 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.

- 8) 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.’⁶

- 9) Looking at 25-34 year olds, Ofcom states that average minutes per day have fallen from 199 in 2010 to 122 in 2018.⁷ If anything, this decline has picked up in pace since 2016, when BBC3 moved online.⁸

- 10) The BBC's consultation paper argues that, despite these recent developments, a particular group of younger viewers ‘maintain a strong broadcast TV habit but are currently light users who are not getting enough value from BBC TV.’

⁵ BBC Three proposal announced, statement 10 December 2014

⁶ https://www.ofcom.org.uk/__data/assets/pdf_file/0021/154461/recommendations-for-new-legislative-framework-for-psb-prominence.pdf

⁷ Ibid

⁸ https://www.ofcom.org.uk/__data/assets/pdf_file/0021/154461/recommendations-for-new-legislative-framework-for-psb-prominence.pdf. Figure 1, page 12

- 11) 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. At a time when the rest of the market is developing its online presence to evolve with changing audiences, this is a questionable use of the licence fee. In its consultation paper, the BBC justified 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.

- 12) 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.

- 13) We therefore ask Ofcom to move to a full market impact assessment.