



Small Screen: Big Debate



Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18)

[Small Screen: Big Debate – a five-year review of Public Service Broadcasting
\(2014-18\)](#) – Welsh translation

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1. Overview

Public service broadcasting (PSB) is at a crucial juncture. Audience viewing habits continue to change rapidly and competition from global content providers is ever-increasing. We are facilitating a wide-ranging conversation on the future of PSB, *Small Screen: Big Debate*. This document and the accompanying [interactive data report](#) are intended to help inform this debate by summarising how the statutory remit for PSB has been fulfilled over a five-year period (2014-2018).

The purposes and objectives of PSB were established by Parliament and include ensuring that UK audiences can enjoy a range of high-quality television programmes. The Communications Act 2003 also designates the broadcast channels that are, together, responsible for fulfilling this PSB remit and gives Ofcom a duty to review delivery at least every five years. The 'PSB channels' are: the BBC public service television channels and the main channels of ITV, STV, Channel 4, Channel 5 and S4C. Our review also considers the contribution that other media services make to the PSB objectives, including commercial television, radio and online content services.

Given the challenges facing UK broadcasting, we are examining how the positive outcomes of PSB might be assured for future audiences, within the current legislative framework as well as how PSB could be reimagined for the next decade and beyond. The last section of this document includes a summary of the key issues we will consult on later this year - what PSB should deliver, how it should be delivered and funded, and what regulatory and policy tools may be needed in the future. We are also examining the role of UK broadcasting, and the PSB channels, in the success of the wider UK creative economy.

What we have found – in brief

- There have been significant changes in the way in which people watch television. Live broadcast viewing has declined, as audiences increasingly choose to view content at a time that suits them on global online and on-demand content services. These trends are affecting all broadcasters, including the PSB channels.
- Audiences continue to highly value the purposes and objectives of PSB, including trustworthy news and programmes that show different aspects of UK life and culture. The PSB channels have generally fulfilled the statutory PSB remit but maintaining the current level and range of programmes is challenging. People are watching the PSB channels less, as they are no longer the only or necessarily audiences' preferred source of content that 'informs, educates and entertains'.
- The broadcasters responsible for the PSB channels are responding to these changes, innovating and offering online and on-demand services to try and meet audience expectation. But these new services have not yet fully made up for the loss of live broadcast viewers, particularly amongst younger people, who increasingly prefer global streaming services, like Netflix and YouTube.
- The PSB system plays an important role in the UK's wider creative economy. Investment by the PSB channels makes up the bulk of the UK production sector's revenues and how the money is spent is underpinned by regulation that supports a vibrant and diverse production sector across the nations and regions.
- We recognise the large volume and wide range of content that other television, audio and online services have provided for audiences during our review period. Multichannel commercial broadcasters (Sky especially) and some subscription video on-demand (SVoD) services have increased their investment in original UK content although this is typically focused in a comparatively narrow range of genres. YouTube and other online sources provide an enormous volume of content including a long tail of niche interests, but of varying quality and trustworthiness.
- The evidence we have collected reinforces the need for an open and wide-ranging debate about the future of PSB to ensure audiences continue to enjoy a range of high-quality, original UK content including impartial news, and that the creative economy continues to thrive. Through our *Small Screen: Big Debate* programme of work, we are examining what audiences think are the most important aspects of PSB; by whom and how it should be delivered; and how our regulatory approach could evolve in an increasingly online and on-demand world. This document and supporting data will help inform that debate and we will consult on options for the future of PSB in the summer, before making recommendations to Government.

UK audiences are enjoying unprecedented choice and innovation

The growth of well-funded on-demand services and the rapid take-up of connected devices have increased our choice in what we watch, as well as how and when we watch it. Viewers and listeners of all ages have rapidly adopted these newer media, with the average viewer now spending over an hour a day watching services like Netflix and YouTube.

These changes present fundamental challenges to broadcasters, including the PSB channels, as competition for viewers increases, cost pressures rise, and traditional broadcast revenue streams

are squeezed. However, television and radio remain an important part of our media lives. We still watch, on average, over three hours of live broadcast TV each day and over half of that is to the PSB channels. Television also remains the best way to reach large audiences; and, broadcast news is still widely considered to be accurate and trustworthy.

The PSB channels remain important to audiences and to the creative economy...

Our research shows that the purposes and objectives of PSB have remained important to audiences. Viewers and listeners value programmes that inform our understanding of the world and that show different aspects of UK life and culture. The PSB channels are still distinctive in the amount and range of first-run, original UK programmes¹ they broadcast. Collectively, they provide audiences with approximately 32,000 hours of new UK content in a wide range of subjects, including news, current affairs, drama and children's programmes. This far outweighs what is available on other commercial broadcast channels and the global streaming services.

In addition to being valued by audiences, new UK programmes are also vital in supporting a thriving UK media industry. Investment by the PSB channels still represents the majority of total UK production revenues and regulation ensures that investment is spread across the nations and regions. However, maintaining the PSB channels' current levels of investment and diversity of programming will come under pressure as audiences' viewing habits continue to change and competition from large global players increases.

...but viewing and commercial challenges continue to grow

Between 2014 and 2018, net advertising revenue for the advertising-funded PSB channels has fallen by an average rate of 3.8% per year (compound annual growth rate or CAGR²) equivalent to approximately £325m. In the same period, the BBC's revenues from the licence fee have fallen by an average of 4% each year. Significant growth in third-party funding, such as co-production, and increases in portfolio channel and online advertising has offset some of this decline. However, third-party funding is typically available for a limited range of genres, such as high-end drama, and continued growth in portfolio channels advertising cannot be guaranteed. Provision and investment in arts, religion, children's and formal education programmes on the PSB channels continued to be relatively low over the review period. In 2014, there were 1,234 hours of these genres, falling to 1,148 in 2018. In both years, this programming represented 6% of total PSB investment in first-run UK content.

Audiences still have generally positive views on the PSB channels but viewing continues to decline. This decline is particularly pronounced amongst younger viewers. Use of the broadcasters' on-demand services, like the BBC iPlayer and ITV Hub, has significantly increased but not fully substituted for the loss in live broadcast viewing. During our five-year review period, viewer requests for programmes from these services increased by 65% to 6.3 billion but the strongest drivers for

¹ 'First-run original UK content' or 'first-run UK originations' in this document refers to programmes produced or commissioned by a broadcaster with a view to their first showing on television in the UK in the reference year.

² Compound Annual Growth Rate or CAGR smooths out yearly changes in growth to provide average annual growth for a given period.

online viewing are SVoD and YouTube. Recent and planned changes to the BBC iPlayer, ITV Hub, All 4 and My5, such as more box sets, extending the length of time programmes are available and improved functionality, including greater personalisation, may help extend or at least protect the popularity of these services with audiences.

Other television, online and audio services play an increasingly important role in our media lives and in supporting the wider UK creative economy

A range of other media services, including commercial broadcasters like Sky and on-demand services like Netflix, extend the choice of content available to audiences. Some have increased their investment in original UK content and so made a valuable contribution to a thriving UK media industry. Notably, Sky has increased spend on original UK drama and has renewed its commitment to its news service, provided on a free-to-air basis. SVoD services have been particularly effective in engaging younger audiences, and our research suggests audiences aged 16-34 years old are more likely to watch a BBC programme on Netflix than the BBC iPlayer.³

The extended choice of and growing investment in original UK content on broadcast and on-demand services is generally positive, in terms of audience choice and the UK production industry. However, there are significant differences in the level of investment made by different media services, how widely available they are to all audiences, as well as the breadth and quality of content available.

The PSB channels are required to be universally available, free at the point of reception and are subject to a range of regulatory requirements, including content standards such as the accuracy and impartiality of news, and obligations to productions made outside of London. SVoD services do not offer the same mix of original UK content as broadcast services, consisting of predominantly US produced drama and comedy programmes; and, whilst offering a huge array of content, online content services, like YouTube are not currently required to comply with standards that protect audiences from harm. Audiences are increasingly turning to online sources for news, including social media, but people's perception of the accuracy and trustworthiness of these sources varies significantly. Pay-TV, online and on-demand services are also not available to all, as much of the content is only available behind a paywall or to people who have decent broadband.

The current PSB system is based on television services, but radio and audio also help to 'inform, educate and entertain'. Much like television, our listening habits are becoming more diverse, varying significantly by age and with an increasing role for streaming music services and podcasts. A range of national, local and community radio services continue to contribute to the delivery of the PSB objectives, by producing news, current affairs and programmes that appeal to different communities across the UK.

What's the future for PSB?

Small Screen: Big Debate is an open and wide-ranging debate on the future of PSB. The connections which some audiences, particularly younger people, have traditionally had with the PSB channels has

³ Further information on the BBC's performance can be found in [Ofcom's Annual Report on the BBC](#).

diminished. The time is right to explore new ways in which PSB could be delivered and supported, so that audiences and the wider UK economy continue to benefit.

We want to stimulate new ideas on the future of PSB. We are looking at *what* the PSB system should deliver in the future, *how* it should be delivered and *what* legislative and regulatory framework might be needed. The analysis and data in this report are intended to inform the debate about both the future role of the PSB channels and their related services, but also the role of the wider media industry. We are focusing our work on what audiences, as citizens and consumers, want and need from their public service media.

We are conducting new research with audiences and hosting a series of events across the UK to provide a forum for industry and policymakers to share new ideas on how the positive benefits of PSB might be sustained. We will publish further details and outcomes of this work programme on our website as it becomes available.

Our work and the evidence provided by stakeholders will help inform policymakers and legislators. We will consult on options for the future of PSB in summer 2020 before providing recommendations to Government by the end of this year.

The overview section in this document is a simplified high-level summary only. The full findings and supporting evidence are set out in the full document, supporting annexes and interactive data report.

2. What is PSB and what is Ofcom's role?

In this section, we summarise the purpose of Public Service Broadcasting ('PSB') and Ofcom's role in reviewing how the PSB channels have delivered it. We also describe why we are taking a different approach from previous reviews and outline how *Small Screen: Big Debate*, our public engagement programme, will inform our view on options for the future of PSB.

Section summary:

- PSB is defined in legislation as a set of purposes; and, specific broadcast television channels are responsible for their delivery.
- Ofcom has a duty to review how the PSB objectives have been achieved as well as how delivery costs and sources of funding have changed. Our review must also take a view on how PSB may be maintained and strengthened in the future.
- This is our fourth review of PSB, and our approach is different from previous years. We are facilitating a nationwide debate to explore the future of PSB through our *Small Screen: Big Debate* work programme. This report provides an evidence base for that debate.
- Alongside this review, we have published an interactive data report as well as our review of how Channel 4 Corporation has fulfilled its unique statutory remit over the same five-year time period.

What is public service broadcasting?

PSB is an intervention, designed by Parliament, to ensure that UK audiences can enjoy a wide range of high-quality programmes that meets people's needs as citizens and their interests as individuals. The purposes of PSB are set out in the Communications Act 2003 ('the Act')⁴, and are to provide:

- programmes that deal with a wide range of subject matter;
- television services that meet the needs and satisfy the interests of as many different audiences as practicable;
- television services which are properly balanced, so far as their nature and subject matter are concerned, for meeting the needs and interests of audiences; and
- programmes which maintain high general standards (including in terms of content, quality of programme making and editorial integrity)

The Act also designates which services are, together, responsible for delivering PSB. The services are: all the BBC's public broadcast television services, each Channel 3 service (ITV's main channel⁵ in England, Wales and Northern Ireland and STV in Scotland), Channel 4, Channel 5 and S4C. We refer to these services as 'the PSB channels'. The PSB channels are all for public benefit, so are made available to all and are free at the point of delivery, without subscription or contract.

⁴ Section 264(4) of the Act.

⁵ This includes regional variations and UTV in Northern Ireland. UTV is operated by ITV plc and is part of the ITV network.

In addition to jointly fulfilling the PSB purposes through the PSB channels, each broadcaster also has a specific remit set out in legislation, together with further commitments established in their broadcasting licences, or in the case of the BBC, a Royal Charter and Agreement.⁶

These channels also receive a number of regulatory benefits including spectrum (DTT), prominence on electronic programme guides (EPGs) and in the BBC's case, licence fee revenues.

Ofcom's duties to review PSB

The Act requires Ofcom to report periodically on how the PSB channels have, when taken together, fulfilled the PSB purposes. We are required to conduct a review at least every five years. We must consider *how* the PSB purposes have been delivered by the PSB channels, with reference to objectives set out in the Act that promote economic, social, cultural and citizen benefits.⁷ The PSB objectives are that broadcasting should:

- a) inform, educate and entertain;
- b) reflect and support cultural activity in the UK, such as drama, comedy and music;
- c) facilitate civic understanding and fair and well-informed debate on news and current affairs;
- d) satisfy a wide range of different sporting and other leisure interests;
- e) include a suitable quantity and range of educational programmes and programmes dealing with science, religion and other beliefs, social issues, matters of international significance or interest and matters of specialist interest;
- f) include a suitable quantity and range of high-quality and original programmes for children and young people; and
- g) reflect the lives and concerns of different communities and cultural interests and traditions within the United Kingdom, and locally in different parts of the United Kingdom; and include programmes made outside the M25.

The PSB purposes and objectives together constitute 'the PSB remit'. In carrying out our review of how the PSB remit has been fulfilled, we must also consider the costs of provision and the sources of income available to the PSB broadcasters to meet those costs. Finally, our review should include a view on how the quality of PSB may be maintained and strengthened.

Only the PSB channels are responsible for fulfilling the PSB remit. However, the Digital Economy Act 2010 introduced some additional duties for Ofcom when conducting a PSB review. So, we also consider the contribution that other media services make to the PSB objectives, including the commercial portfolio channels of the PSB broadcasters⁸, television services provided by the multichannel sector, radio stations, and online services such as on-demand players.

⁶ Further information on the BBC's operating framework and how the Royal Charter and Agreement places a range of obligations on the BBC can be found on our [website](#).

⁷ The PSB objectives are set out in section 264(6) of the Act.

⁸ The commercial portfolio channels of the PSB broadcasters include, where relevant, CITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, E4, 4Seven, Film4, More4, 5USA, 5*, 5Spike, 5Select, and Paramount Network. This list has changed over the

Separately, Channel 4 Corporation has been given a range of media content duties by Parliament which it must deliver across its services. These duties include requirements to provide news and current affairs, to provide content which appeals to older children and young adults, to support the development of people with creative talent and to promote alternative views and new perspectives. Ofcom has a duty to review how the Channel 4 Corporation has fulfilled its unique statutory remit over the same period as our PSB review and we publish this alongside this document.⁹

Further information on the legislative framework for this review is annexed to this document.¹⁰

Our approach to this review

This is Ofcom's fourth periodic review of PSB¹¹ and we are approaching it differently from previous reviews. This document and the supporting [interactive data report](#) contribute to a wider public engagement programme, *Small Screen: Big Debate*, that is exploring what audiences want from PSB and how it might be delivered in the future.

The PSB and commercial broadcasters have provided us with a range of data on their performance over the review period – 2014 to 2018. We have analysed this, along with other relevant evidence,¹² to identify key themes in how the PSB remit has been delivered over the review period. Firstly, we consider the performance of the PSB channels and related services; and then, in the next section, we look at a range of other media services, including online and audio. In the supporting [interactive data report](#), we provide more detailed data on content provision, viewing, revenues and investment.

Live broadcast TV viewing remains a mainstream activity and PSB is still highly valued by audiences. But on-demand and online services like Netflix and YouTube now play an increasingly significant role in many people's lives. This raises questions as to how the effectiveness of the current PSB system can be assured in the future. *Small Screen: Big Debate* will address these questions on the future of PSB. This document and the supporting [interactive data report](#) will help inform this debate, along with our ongoing research and analysis programmes, including our [Media Nations](#) reports¹³, our annual assessments of the [BBC's performance](#) and our reviews of Channel 4 Corporation's [statements of media content policy](#).

In carrying out this review of broadcasting performance between 2014 and 2018, we have drawn from a variety of sources and reported on the data which is particularly relevant to our analysis on how the PSB broadcasters have delivered the PSB remit, the costs of provision, and the sources of income available to meet those costs. We highlight in section 3 the key data which we consider to be

period. These channels are also referred to as the 'commercial PSB portfolio channels' in this document and the supporting [interactive data report](#).

⁹ Ofcom, 2020. [Channel 4 Corporations' performance in delivering its media content duties 2014-2018](#).

¹⁰ Ofcom, 2020. [Small Screen: Big Debate - a five-year review of Public Service Broadcasting \(2014-2018\), Annex 1: Statutory framework](#).

¹¹ Previous PSB reviews can be viewed on Ofcom's [website](#).

¹² In carrying out this review we have considered a range of sources, including: Statements of Programme Policy, relevant broadcaster annual reports and plans, industry data sources such as BARB, RAJAR and comScore, and additional data provided by industry specifically for our review. Further information about our data methodology is provided in a [supporting annex](#).

¹³ Prior to our first Media Nations report in 2018, we published information on PSB programme provision, viewing and revenues in our [annual PSB reports](#).

useful indicators of how the PSB services have fulfilled the PSB purposes and in section 4 the key data relevant to our wider media services review.

In looking forward to the future of PSB, our *Small Screen: Big Debate* work will provide an opportunity for audiences, industry and policymakers to explore the themes in this report and to share new ideas on how the positive outcomes of PSB might be strengthened in the future. The final section of this document summarises our next steps, including our plans for a formal consultation in the summer.

3. How the market has changed

In this section, we summarise how the UK media landscape has changed since our last review was published in 2015. The growth of online content and the evolution of the market provides the backdrop to our analysis in the following sections.

Section summary:

- Growth in access to decent broadband and take-up of connected devices has given rise to new content services and changed how we consume video and audio content
- UK audiences are enjoying more choice of content than ever before and younger people in particular are increasingly watching on-demand and online content instead of live broadcast TV
- These trends in viewing habits and the growth in new, global online services are changing the economics of television, requiring broadcasters to extend their services online, diversify their revenue streams and seek greater efficiencies

Better broadband and connected televisions have changed the way people watch TV

Since we published our last PSB Review in 2015, there has been rapid take-up of high-speed fixed and mobile internet connections.¹⁴ Four in five households have a fixed broadband connection, and as of September 2019, 57% of these were superfast or ultrafast compared to 22% superfast in 2014.¹⁵ In addition, mobile technologies such as 4G and, more recently, the development of 5G, offer consumers faster speeds with mobile broadband and greater data capacity.

Ownership and use of broadband-connected devices such as smart TV sets, smartphones and tablets has also grown. Using another device like a streaming stick or games console to connect a TV to the internet has also increased, from 28% five years ago to 41% in 2019¹⁶. One in five UK households now own a smart speaker such as an Amazon Echo, Google Home or Apple HomePod, which offer greater options in digital audio content and in how to search for and access media content.

This growth in access to broadband and connected device use have enabled audiences to access a wider range of content from a greater number of providers, wherever and whenever they want. 58% of UK adults now watch TV programmes or films online on any device – up from 53% a year ago.

Audiences watching content online are also watching more of it. Data use on fixed networks has increased from 58GB in 2014 to an average of 240GB per connection per month in 2018 roughly equivalent to watching three hours of HD content (films, sports, video clips) per day. However, there are still a number of people who are poorly served by communications services. Around 610,000 homes and businesses are unable to access a decent fixed broadband service. Further, a significant number of households choose not to take up a superfast connection, even when it is available in

¹⁴ Ofcom. [Technology Tracker 2019](#).

¹⁵ Ofcom. [Connected Nations 2019: UK report](#), page 2.

¹⁶ Ofcom. [Technology Tracker 2019](#).

their area: 94% of households have access to superfast broadband, but only 54% of these have signed up for them.

People have more choice of content than ever before, with even more on-demand services due to launch in the UK

The choice of content available for viewers has never been greater. Viewers can supplement or substitute live broadcast television viewing with content on broadcast video-on-demand (BVoD) services like the BBC iPlayer or ITV Hub, or subscription video-on-demand (SVoD) services like Now TV, Netflix and Amazon Prime Video. A number of specialist SVoD services have also entered the UK market, offering content such as overseas sports leagues, arthouse cinema and children's content. There is also a 'long tail' of internet video services, best represented by YouTube with an estimated 10 billion videos. The range of content available and competition for audiences is likely to increase as new services launch in the UK, like Disney+.

Recent and upcoming launches in the SVoD market:

Apple TV+ launched in the UK in November 2019. It provides original content, ad-free at £4.99 per month. Apple currently has 30 original web series and movies in development.

BritBox launched in November 2019 and is a joint ITV and BBC venture, priced at £5.99 a month. The service offers archive content and will offer BritBox original content commissioned from UK production companies.

Disney+ is due to launch in the UK in March 2020, priced at £5.99 per month. It will include Disney TV and films, as well as Marvel, Star Wars and Pixar content.

Peacock NBCUniversal new streaming service due to launch in the US in April 2020 for Xfinity cable and broadband customers with full US rollout in July, a UK date is not yet confirmed. The service will release archive series such as *The Office* and *Parks and Recreation*. It will also feature movies from Universal Pictures, Focus Features and DreamWorks Animation.

SVoD services have created a category of sub-£10 per month subscriptions with limited ongoing commitment, and SVoD subscriptions have now overtaken subscriptions to pay-TV services.¹⁷ However, this is in part because many households take more than one SVoD subscription. Online services like YouTube are generally advertising-supported so can offer free content to anyone with a connected device and access to broadband.

Increased choice has led to significant changes in how viewers spend their time on different media, particularly among younger audiences

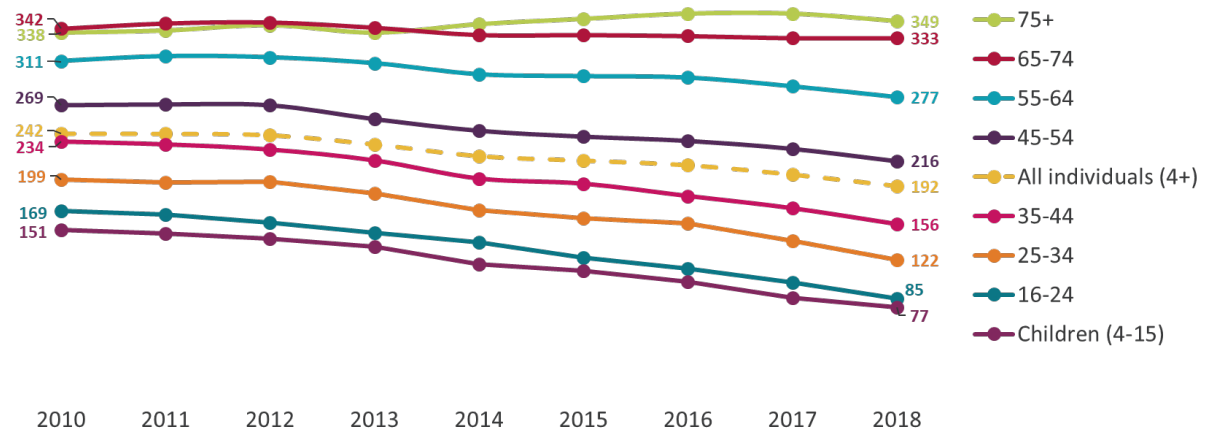
UK audiences' total time spent watching television programmes and films has remained broadly stable. So, as people increasingly watch content on these new on-demand and online services,

¹⁷ Subscriptions to pay-TV services (such as Sky, Virgin Media, BT and TalkTalk) totalled 14.3 million in Q1 2019, whereas the total number of subscriptions to Netflix, Amazon Prime Video, Now TV and Disney Life reached 19.1 million (up from 15.4 million in Q1 2018). Source: BARB Establishment Survey.

viewing of broadcast TV (live, recordings and 7-day catch-up) continues to decline. The rate of decline in broadcast TV also appears to be accelerating: in 2018, people watched an average of 3 hours 12 minutes a day, 11 minutes less than in 2017 (which was down by 9 minutes since 2016).

This trend in declining broadcast TV viewing is most prominent among younger audiences. For those in the 16-24 age group, there was a 53-minute decline in daily TV viewing between 2014 and 2018, while for the 25-34 age group there has been a 47-minute decline over the same period.

Figure 1: Average daily minutes of broadcast TV viewed per person, by age

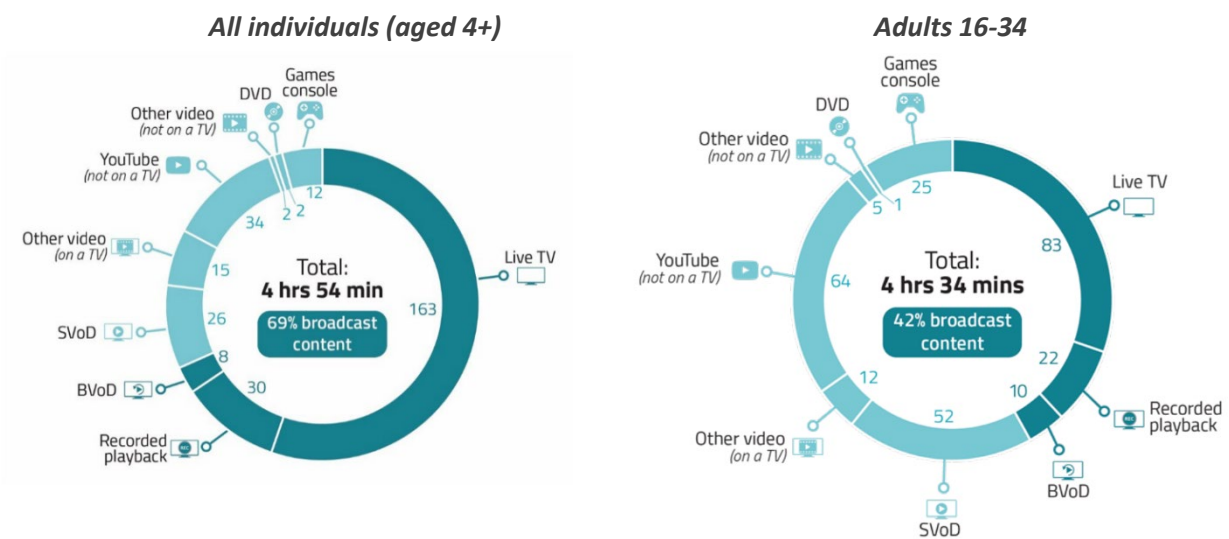


Source: BARB¹⁸

In place of live, broadcast TV and catch-up services (both free and advertising-supported), these younger viewers are spending more time watching subscription on-demand and online services. For audiences aged between 16 and 34, these online services form a major part of their total video viewing, as they spend on average more than an hour a day on YouTube, and 52 minutes on SVoD services, like Netflix.

¹⁸ Broadcasters' Audience Research Board (BARB) is a panel of approximately 5,300 homes providing the official broadcast TV measurement for the industry. BARB analysis is based on viewing to scheduled TV programmes on TV sets and, unless otherwise stated, includes live viewing and viewing up to seven days after first broadcast through recordings such as on DVRs and catchup players. If an age breakdown is not stated, the figures show viewing averages for all viewers aged 4+.

Figure 2: Total video minutes per person per day, all individuals and adults 16-34, all devices: 2018



Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

Changes in viewing habits are also reflected in viewers’ attitudes; 42% of adults consider online video services to be their main way of watching TV and film, and 38% of SVoD users say they can imagine not watching broadcast TV at all in five years’ time. For children aged 12-15, brand awareness of Netflix and YouTube is now higher than that for the BBC.¹⁹

The growing consumption of on-demand TV is part of a wider trend of people’s increasingly ‘online’ habits

The trend in on-demand and online TV services is also reflected in how we use social media. Around 70% of UK adults have a social media account and about one in every five minutes spent online is on social media. Social media sites are increasingly attempting to bridge the gap between social media and online video. Facebook Watch, for example, launched in August 2018, and features shows from content creators and networks, including ABC, Fox News, Vice and BuzzFeed. Social media video is gaining in popularity; over one in four (29%) people watch video on Facebook, Twitter, YouTube and Instagram weekly.²⁰

This adoption of increasingly online TV habits is echoed in changes in how people listen to audio content. Live broadcast radio remains widely used (89% of UK adults listen to at least five minutes of live radio each week). However, people are spending more time listening to online music streaming and podcast services such as Spotify and Apple. For young people aged 15-24, online music streaming accounts for 45% of their weekly share of audio listening, while radio accounts for less than a third.²¹

These changes in habits and the increased choice of content mean that deciding and finding what to watch has become a lot more complex than a decade or so ago, when choices were largely limited to a finite number of broadcast TV channels and radio stations. There are now many ways in which a

¹⁹ Ofcom. [Children and Parents: Media Use and Attitudes Report 2017](#).

²⁰ TouchPoints, 2019.

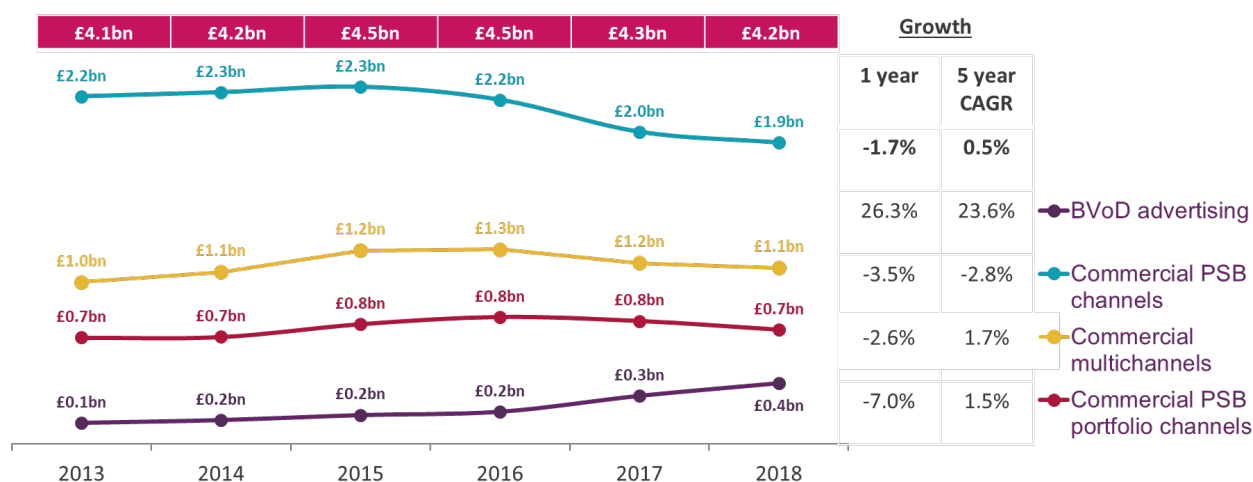
²¹ TouchPoints, 2019.

programme or content service can be promoted to a viewer and accessed, such as via a Netflix shortcut button on the remote control, a programme clip previewing on the homepage of a TV service, or via voice search. These new routes to content all influence the choices we make in what we want to watch or listen to.²²

The economics of the TV sector is changing

These changes in the market have affected the economics of broadcasting. Between 2014 and 2018, total advertising revenues for the whole broadcast TV sector remained relatively stable, staying flat at £4.2bn in 2018 compared to 2014, although there was some variation in the ad revenues generated by different channels within this. Over our review period, BVoD advertising revenues more than doubled in real terms, increasing from £153m in 2014 to £391m in 2018. This increase has helped ensure that overall net TV and BVoD advertising revenues have remained relatively stable.

Figure 3: TV net advertising and broadcaster VoD advertising revenues, by source



Source: Ofcom/broadcasters, AA/WARC Expenditure Report. Note: Figures expressed are in real terms and replace previous data published by Ofcom. Sponsorship revenue is not included. BVoD advertising revenue comes from AA/WARC and covers TV video on-demand for broadcasters only. Totals may not equal the sum of the components due to rounding.

Beyond advertising, revenue in the broadcasting industry is also generated by a variety of other commercial activities, including direct-to-consumer transactions such as subscriptions, pay-per-view and merchandise, as well as production services such as ITV Studios and secondary rights sales.

Subscription is a notable and fast-growing revenue stream for the industry, with UK subscription revenue for SVoD services such as Netflix, Now TV and Amazon Prime Video increasing from around £300m in 2014 to £1.3bn in 2018.²³ Lines are also blurring between ad-funded, free-to-view services and subscription-funded pay services. The first signs of developments in this direction have already begun in the UK, as ITV, STV and Channel 4 have rolled out premium subscription versions of their

²² [Ofcom published recommendations for new rules on the prominence of PSB within online and on-demand services in July 2019.](#)

²³ Ampere Analysis data, expressed in real terms.

advertising-funded on-demand services, ITV Hub+, STV Player + and All 4+, each provide ad-free access to content for £3.99 a month.

The market has also seen a 'rush to scale', principally through mergers and acquisitions. The takeover of Sky by Comcast in September 2018 and the merger between Viacom and CBS in December 2019 are recent examples in the UK market. Just as broadcasters faced the challenge of digital pay-TV platforms two decades ago, they are now responding to increased competition from global SVoD and online services.

We discuss how these trends are affecting revenues and investment by the PSB channels in the next section of this report.

4. How well has PSB been delivered?

This section provides an overview of how the statutory PSB remit has been fulfilled over the five-year review period. We highlight key themes arising from our analysis, drawing on a range of evidence including audience viewing and attitudes, and the number of hours and investment in programming by the PSB broadcasters. More detail is provided in the accompanying [interactive data report](#).

We focus our analysis on the PSB channels. However, given the strong connection between these channels and the broadcasters' other services, and the increasingly blurred lines between broadcast and on-demand services from a viewer's perspective, we also consider in this section the contribution of related commercial portfolio channels (e.g. ITV2, E4 and 5Star), and their online and on-demand services (e.g. iPlayer, All 4 and ITV Hub).

The contribution of other media services to the PSB objectives, including other television broadcasters, on-demand, radio and online services, is considered in the next section of this report.

Section summary:

- The PSB channels have largely fulfilled the PSB remit by providing programmes on a wide range of subject matters that are still widely valued by audiences. Investment in first-run original UK content has been maintained in a range of genres, including news, factual, and entertainment.
- The amount and variety of new UK content is important to audiences as well as in the continued growth of the wider UK creative sector. However, the PSB channels' ability to maintain current levels of investment is likely to come under continued pressure. Drama is increasingly reliant on third-party funding but this alternative funding is not readily available in all programme genres.
- There continues to be limited provision of children's programmes, arts, formal education, religion and ethics on the PSB channels. These genres are supplemented by content available on other television channels, on-demand services, podcasts, radio and online, and these other sources may be more appealing to some audiences, who prefer to watch programmes on these different services and at a time to suit them. However, these alternative sources vary in terms of quality and availability for all audiences.
- PSB channels are still popular but viewing continues to decline, particularly among younger audiences; this arguably reduces the impact and value of PSB. Broadcasters are adapting and innovating to improve their appeal, including by developing their on-demand and online services, although this has not as yet fully offset the loss in live, broadcast viewing.
- The PSB channels remain the foundation for a wide, healthy production sector across the nations and regions and the UK PSB system performs relatively well compared to other western European markets.

The PSB channels have continued to deliver a high volume of mixed-genre, new UK programming

We have considered what content has been made available to viewers on the PSB channels over the five-year review period. We have collated data on the range and amount of different programme

genres shown, from news and current affairs to entertainment and comedy, as well as how much of this programming was made up of new shows made in the UK.

Audiences tell us that showing original UK programmes is a key characteristic of PSB. This is reflected in Ofcom's PSB Tracker research, where in 2019, 72% of all PSB viewers highly rate the importance of showing 'new programmes, made in the UK'.²⁴ Original UK programmes are also important in terms of the PSB remit as they provide opportunities to reflect the lives and concerns of different communities, cultural interests and traditions in different parts of the United Kingdom; as well as programmes made outside London. Programmes made or acquired from overseas also contribute, but original UK-made programmes remain central to fulfilling the PSB remit. Investment in new UK productions is also crucial to the sustainability and diversity of the UK production industry.

Hours of original UK content has been stable over the review period

Hours of first-run original UK content on the main five PSB channels (BBC One, BBC Two, ITV, Channel 4 and Channel 5)²⁵ and the BBC's other public service channels²⁶ combined have remained stable since 2014 at approximately 32,000 hours per year. There has also been little change across the individual PSB channels in the overall number of first-run hours broadcast, except for BBC Three which moved to online-only in 2016. The output of first-run original UK content on the BBC was 493 hours lower in 2018 than in 2014, of which 466 hours were BBC Three-originated. We discuss how this move particularly affected the BBC's performance among younger audiences later in this section.

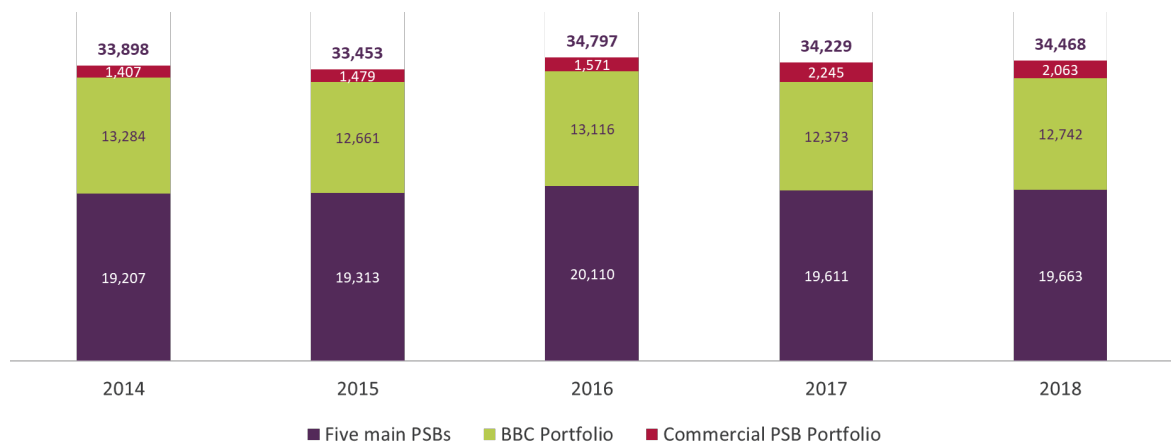
In addition to their PSB channels, ITV, Channel 4 Corporation and Channel 5 have increased the amount of first-run original UK content on their commercial portfolio channels over the review period (up by 656 hours in 2018 from 1,407 hours in 2014). However, with first-run original hours still only representing 2% of total hours on these portfolio channels, these channels continue to mainly serve as an outlet for acquired content, or as a platform for programmes first broadcast on the PSB channels.

²⁴ In the PSB Tracker, respondents were asked to rate from a scale of 1-10 (where 10 is the highest score and 1 is the lowest). It is considered that a score given between 7 and 10 is a highly rated score.

²⁵ The main five PSB channels are BBC One, BBC Two, the Channel 3 services (ITV and STV), Channel 4 and Channel 5.

²⁶ The BBC's other public service channels are BBC Three, BBC Four, CBBC, CBeebies, BBC News and BBC Parliament. BBC Three ceased broadcasting as a television service on 31 March 2016.

Figure 4: Hours of first-run UK originations, by PSB channel type: 2014-2018



Source: Ofcom/broadcasters. Note: For previous years closed channels have been included. Figures exclude BBC HD and nations' and regions' programming. Online PSB originations on services such as BBC iPlayer, ITV Hub, All 4 and My5 are included as part of PSB portfolios.

PSB broadcasters have also made some exclusive content available for online and on-demand services. Notably, BBC Three-branded content has been made available on the BBC iPlayer since the broadcast channel's closure in 2016. However, at less than 1%, this remains a tiny proportion of the first-run original UK content made available by the PSB broadcasters.

Despite growth in UK commissions on SVoD services, the PSB channels remain the most significant provider of original UK programmes

The PSB channels provide the majority of first-run UK-originated programmes, despite the increasing role of SVoD services in the UK market. The PSB channels collectively made approximately 32,200 hours²⁷ of first-run UK content available in 2018, compared to just over 210 hours²⁸ of UK-produced content available on SVoD services Netflix and Amazon Prime Video, and approximately 22,900 hours on commercial broadcast channels such as Sky and UKTV.

The commercial broadcasters and SVoD services are making an increasingly important contribution to the range of first-run original UK content available to audiences and to the health of the UK production industry. We discuss this further in the next section of this report, but it is important to note that the multichannel sector is broad, with some 370 free-to-air and pay channels, and varies significantly in terms of the nature of specific channels and the extent of new original UK content provided; and SVoD services remain characterised by a few US providers with libraries dominated by international and largely US-originated content.

First-run original UK content on the PSB channels covers a wide variety of subject matters and interests

The PSB channels continue to show original programming across a range of genres, including news, sport, entertainment and drama. This mix of content is a key feature of the PSB remit, which

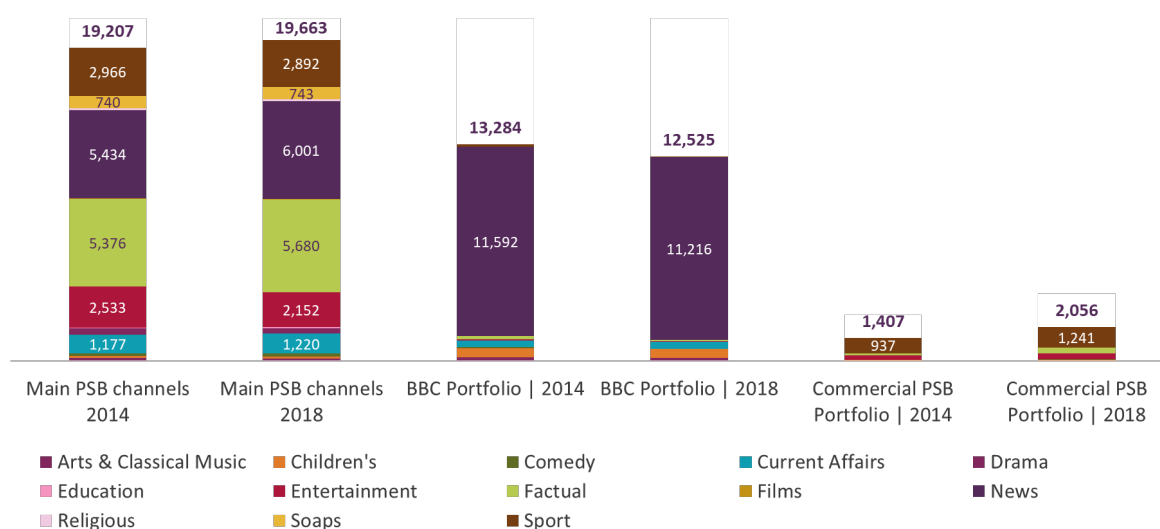
²⁷ Excludes commercial PSB broadcasters' portfolio channels (e.g. ITV2, E4).

²⁸ Ampere Analysis, December 2018. Includes hours of Netflix Originals and Amazon Originals where primary production country is the UK.

establishes the importance of programmes on a wide range of subject matters and the statutory objectives cite a number of programme genres along with the societal and personal benefits they can bring, from stimulating UK culture to satisfying different sporting interests.

In addition to news and current affairs, PSB provision of original UK-made programming is highest in general factual²⁹ (3,321 hours in 2018), sport (2,922 hours) and entertainment³⁰ (2,186 hours). The number of hours broadcast in every genre has been generally stable in the five-year period since 2014, although there has been a slight increase in original PSB programming devoted to news and current affairs, up 2% since 2014 to 18,884 hours in 2018; an additional 297 hours. This may be due in part to coverage of Brexit and general elections.

Figure 5: Genre provision across the PSB system (first-run UK-originated hours)



Source: Ofcom/broadcasters. Note: Online originated hours are excluded due to lack of genre information for some hours. Figures exclude BBC HD and nations' and regions' programming.

Arts, education and religion and ethics continue to have limited provision but are supplemented with radio and online content

There is limited availability of some specific programme genres on the PSB channels, consistent with the findings of our last PSB Review. Provision of original arts and classical music (310 hours in 2018), and religion and ethics (112 hours in 2018) both remain low, and these genres declined further between 2014 and 2018 (by 21% and 6% respectively). Formal education remains the least well-served genre in terms of original programming on the PSB channels (65 hours in 2018), although this is up by 25% since 2014 and has shown some fluctuation over the five-year period.

These genres are, however, supplemented by content available on-demand, online, on podcasts and radio. For example, the BBC provides additional arts and classical music coverage through a number of its radio services, podcasts and related websites and social media content. But the reach and

²⁹ Includes consumer consumer affairs programmes, talk and factual magazine shows, hobbies, leisure and lifestyle programmes, plus special events.

³⁰ Includes chat and variety shows, cartoons and animation (except those for children), quiz shows, game shows, family shows, and popular contemporary music.

impact of these content services varies considerably, and although BBC websites have the third highest reach in the UK of any internet property (behind Google and Facebook sites), the amount of time UK adults spend on BBC websites accounts for just 2% of their internet use and has been decreasing year on year³¹.

Audiences are broadly satisfied with PSB but more could be done to reflect UK cultural identity

The output of first-run original UK content is a key indicator of how the PSB channels have delivered content that reflects UK culture, lives and interests, as well as supporting a thriving media industry across the UK. However, first-run original UK content is just a proxy for programmes that reflect UK life. UK programme makers can create content that is focused on international stories and perspectives just as programmes from international producers and broadcasters can explore issues and stories that are relevant to UK audiences.

We also measure audience attitudes towards PSB every year in our PSB Tracker research. The PSB Tracker measures the perceived *importance* to viewers of statements relating to the PSB remit, as well as the *delivery* of PSB among those who watch the PSB channels. To supplement our PSB Tracker research, we are commissioning additional qualitative research as part of our *Small Screen: Big Debate* work programme to explore younger audiences' attitudes to PSB in more depth, and we are engaging with other key audiences, including those who are not regular viewers of PSB.

The amount of content from the nations and regions has been relatively stable, but audiences think more could be done to reflect UK culture

Since 2014, the PSB channels have broadly maintained hours of, and spend on, programming made specifically for viewers in the nations and regions. This Nation specific output includes programmes like *Gwesty Aduniad* on S4C and UTV's *Ulster Giants*. In 2018, 10,606 hours of this non-networked first-run originations was made available to viewers. This has declined slightly from 11,287 in 2014, driven by a decline in first-run originations for viewers in Scotland, which fell from 2,645 in 2014 to 1,715 hours in 2018, although the majority of this can be attributed to the cancellation of STV's *The Nightshift*, which ceased broadcasting in 2016.

First-run spend on non-networked original programming for the nations and regions has declined slightly since 2014, by a compound annual growth rate (CAGR) of 1.7%. However, over a longer period, there has been a steeper downward trend; 2018's figure of £281m represented a 3% average decline on 2008, across all nations and regions.

Although there has been a general decline in broadcast television viewing, the PSB channels have broadly managed to maintain their share of total TV viewing in each of the nations since 2014 among all individuals. The PSB channels (excluding S4C) represented 57%³² of total TV viewing in Scotland and Wales (down from 58% in 2014), 56% in Northern Ireland (up from 54% in 2014) and 55% in England (down from 57% in 2014). S4C's share of viewing in Wales has remained broadly

³¹ Comscore MMX Multi-Platform, Age: 18+, Monthly average Jan 2016 - June 2019, UK. Note: BBC includes commercial and licensed sites.

³² BARB. All individuals (4+). Excludes +1 channels and S4C. S4C's share in Wales in 2018 was 0.9%

stable (staying around 1% or just below each year). However, the channel’s overall reach in Wales decreased by 20% between 2014 and 2018 to 301,000 (10.5% of people in Wales).

These changes in provision and viewing, albeit incremental, may contribute to audience perceptions of how their local area is portrayed on PSB channels. Figure 6 shows that the statements on ‘Reflecting UK cultural identity’ continue to be rated the lowest by audiences. In 2019, only half of audiences rated the statement ‘It portrays my region/Scotland/Northern Ireland/Wales fairly to the rest of the UK’ highly, i.e. grading it between 7-10 out of ten. This is the lowest-rated statement for four of the main PSB channels: BBC Two (47%), BBC Three (47%), Channel 4 (42%) and Channel 5 (40%). It was also the lowest-rated statement in 2014 (46%).

Figure 6: Attitudes on the delivery of PSB: 2019 (7-10 ratings)



Source: Ofcom PSB Tracker 2014, 2018 and 2019. Q16 – How do you rate ALL the following channels combined... on this statement (on a scale of 1 to 10 where 10 is the highest score and 1 is the lowest)?

Base: All respondents who watch any PSB channels regularly in 2014 (3067) and regular or frequent occasional respondents in 2018 (2874) and 2019 (2995).³³

Broadcaster initiatives will support growth in regional production hubs and may help improve on-screen representation and portrayal

Television production outside of London is an important part of the PSB remit. It helps to disperse and stimulate investment and job opportunities in the sector throughout the UK. It also benefits viewers by ensuring a diverse range of programmes and editorial perspectives. Programmes that authentically reflect specific UK culture can have wide-ranging appeal. Channel 4’s *Derry Girls*, a sitcom set in Northern Ireland in the 1990s, was largely filmed in and around Derry / Londonderry and Belfast. It is the broadcaster’s most popular comedy since *Father Ted*, the second episode of the first series was the most-watched broadcast programme on TV sets in Northern Ireland in 2018, reaching 70% of those watching TV at that time. Both series are available on Channel 4’s on-demand service, All 4, across the UK and the first series is also now available on Netflix internationally.

Recent initiatives undertaken by the PSB broadcasters to increase the range and amount of programmes made outside London may not only increase the spread of investment and opportunities but may also improve audience attitudes in the future. Initiatives include the launch of

³³ In previous years, we asked self-defined regular viewers to rate the delivery performance of the purposes and characteristics, whereas from 2018, we also included frequent occasional viewers (defined as those who say they are occasional viewers but watch PSB channels every day or most days).

the new BBC Scotland TV channel, Channel 4 Corporation's relocation to a new HQ in Leeds and creative hubs across the UK, and S4C's relocation to Carmarthen. These initiatives will take time to take effect but should all contribute to the creative economies of the nations and regions, and support the availability of more diverse content.

BBC Scotland launched in February 2019, broadcasting every evening with a focus on Scottish programming. The content is largely produced in Scotland, following the BBC's announcement in 2017 that it would increase overall spend on factual and drama productions in Scotland by £20m annually, comprising £19m investment in BBC Scotland content and £1.2m further investment in Gaelic-language channel BBC Alba.³⁴ The BBC is also developing a panel of young Scottish people to advise on the running of its BBC Scotland channel.

Channel 4 Corporation's '4 All the UK' plan includes setting up new bases in Leeds, Glasgow and Bristol and voluntarily committing 50% of all its commissioning spend to the nations and regions by 2023. Other PSB initiatives include Viacom's plans to commission nine minority ethnic-led production companies in the regions to develop more diverse output on Channel 5; ITV's regional news teams' diversity champions; and S4C's strategy to get closer to audiences and create new job opportunities by opening its new headquarters in Carmarthen in November 2018.

Ofcom also has a role to play in supporting the creative economies across the UK. For example, we impose quotas on the PSB channels to ensure that a suitable proportion of their network programmes are made outside the M25. These quotas can also help to enhance the diversity of editorial perspectives that are presented on screen. In June 2019, we updated our Regional Production and Regional Programming Guidance, to ensure that it remains effective in today's programme-making industry, and we continue to monitor compliance with the quotas and how our guidance is used in practice.³⁵

PSB channels are improving how they reflect different viewpoints and diverse UK culture

Our PSB Tracker research over the review period highlights some positive change in viewer attitudes on how the PSB channels 'represent diversity and alternative viewpoints', reflecting some of the on-screen changes the PSB broadcasters have made in recent years. The statements on whether a PSB channel 'shows different kinds of cultures within the UK' and 'it shows different parts of the UK' have both seen a ten-percentage point increase in audience ratings since 2014, to 61% and 59% respectively.

Research conducted for our thematic review of [representation and portrayal on BBC television](#) found that audiences believed that the diversity they see on TV has improved over recent years, although there is still more to be done. Channel 4 and BBC Three were both praised by audiences in our qualitative research, but the BBC more broadly was considered to have a white, middle-class, South-East England bias.

In addition, several groups of people felt misunderstood or overlooked on TV. Representation of older women was seen as limited, and people felt the portrayal of people from working-class

³⁴ BBC, 2017. [Biggest BBC investment in Scotland in twenty years.](#)

³⁵ Further detail on our updated guidance and quotas can be found on our website [here](#).

backgrounds was often simplistic or negative. There was concern by many about inauthentic portrayal such as over-use of stereotypes based on people's geographic identity (e.g. Wales, North-East England) or personal identity (e.g. sexuality, ethnicity).

There is still room for improvement. More frequent representation on screen of such groups would support greater diversity of portrayal. Expanding the diversity of the broadcasting workforce, particularly in programme-making, will have a positive impact on screen, and we continue to monitor the progress of PSB broadcasters and the wider industry in building a more inclusive and representative workforce.

Further research: diversity and equal opportunities in television

Ofcom also plays a role in monitoring and reporting on diversity in broadcasting. In September 2019 we published our third report on [diversity and equal opportunities in television](#), which examines the extent to which the diversity of the UK broadcasters' workforce reflects that of the UK at large.

We found that the industry has taken steps to improve opportunities for under-represented groups, but that the impacts of some initiatives remain to be seen – most notably at senior levels for people from minority ethnic backgrounds, or those with a disability. Gender balance remains a challenge, though there has been a slight improvement in women achieving senior positions, and there is much more work to do around social inclusion and attracting people from a wider range of backgrounds into the industry.

In 2020 we will collect and publish further data and analysis on the diversity of UK broadcaster workforces, alongside continued engagement with broadcasters to encourage sharing of best practice. Ofcom's next report on diversity and equal opportunities in TV will be published alongside the equivalent report for radio in autumn 2020.

PSB channels remain an important source of trusted news

A key PSB objective is that the PSB channels provide programmes that facilitate civic understanding, well-informed debate and comprehensive coverage of news in different parts of the UK and from around the world. In our PSB Tracker research, viewers rated the importance of '*news programmes which are trustworthy*' (76% of viewers gave it a 7-10 rating) and '*helping me understand what is going on in the world*' (75%) as the most important statements about PSB in 2019. Viewers generally thought the PSB channels had fulfilled these descriptions, but there has been some change in perceptions of trustworthiness, with 60% of viewers rating the PSB channels highly for trustworthy news in 2019 compared to 67% in 2014. However, attitudes to news can be affected by a complex range of factors.

Around two-thirds of adults now go online for news,³⁶ and in March 2019 the BBC News website was the most-visited news site in the UK, reaching 64% of the adult online population, just ahead of Daily Mail Online (63%)³⁷. However, research for our [BBC News Review](#) suggests that younger audiences typically engage less with BBC news online than older internet users and when they do engage, it tends to be on a fleeting basis via social media or aggregation services such as Apple News. This

³⁶ [Ofcom News Consumption Survey 2019](#).

³⁷ Comscore MMX Multiplatform, internet users aged 18+.

research also found that while the BBC was the most used news source among smartphone users, none of the other PSB broadcasters made the top 10 list. We would note that Channel 4 has had some success in reaching audiences with news through other platforms such as Facebook and YouTube, and ITV's recently launched social media news source for younger audiences *The Rundown* has proved popular with users on Instagram, Snapchat and Facebook.

This trend in younger audiences turning to online news is reflected in audience viewing of news on the PSB channels, where the average number of minutes watched per year has declined by 355 (28%) since 2014 among 16-24s. Among all individuals the decline was less pronounced, at 244 minutes (5%) on average over our review period. Our research found that audiences had a strong desire to avoid 'fake news' and disinformation, that they valued the accuracy of the BBC's news content and were driven to it at key times, particularly to verify facts and during breaking news. However, for younger people, the BBC is typically seen as just 'one of many' sources.

Despite the growth of online news, television is still the main way people access news. Our News Consumption Survey found that TV remains the most trusted source of news after magazines, just ahead of newspapers and radio, and significantly ahead of social media.³⁸ We see similar trends when looking at perceptions of accuracy and impartiality. In 2019, audiences saw ITV and CNN as the most trustworthy channels (74% of viewers giving them 7-10 rating). The BBC and Channel 5 scored lower on perceptions of impartiality than the other channels (59% and 58% respectively), with non-PSB channels Sky (68%) and CNN (70%) coming out on top. Our BBC News Review research found that audience perceptions of impartiality were driven by a range of factors and that audiences recognised that the BBC's approach to impartiality was held up to a higher degree of scrutiny by the press, politicians and the public because of its unique status and its requirement to serve all audiences. This in-depth work on BBC news also showed that the BBC has maintained its reputation among most people for trusted and accurate reporting across its services.

As part of our review, we have also considered complaints data on content standards over the 2014 to 2018 period, in particular the requirements for due impartiality and accuracy. As a result of the complaints raised about PSB channels, ten investigations were undertaken into whether programmes had broken the relevant sections of our [Broadcasting Code](#) rules, and seven were found to be in breach. In comparison, we launched 71 investigations into the due impartiality and due accuracy of programmes on non-PSB TV channels, 48 of which were found to be in breach of our rules. We consider the PSB's compliance with these rules to be high, as the PSB channels account for the majority of broadcast TV viewing and complaints. Since 2017, when we were given duties to regulate the BBC, we have not found it to be in breach of the 'due impartiality' requirements of the Broadcasting Code.³⁹

³⁸ [Ofcom News Consumption Survey 2019](#).

³⁹ We have, however, found the BBC in breach of our due accuracy rule on one occasion (Lord Lawson on *Today*, BBC Radio 4, 10 August 2017) and found one broadcast to be materially misleading (Andrew Neil and Alex Salmond on *Sunday Politics*, BBC One, 30 April 2017). Note that other than in exceptional circumstances, Ofcom only considers complaints about BBC programmes where the complainant has already complained to the BBC and completed the BBC's complaints process.

PSB channels remain popular, but time spent watching them is in decline, especially among younger audiences

We have analysed data on viewing and attitudes, as an indicator of whether audiences' needs and interests have been met over our review period. As discussed in section 2, viewing habits have fundamentally changed with the growth of online and on-demand services. However, we still watch a lot of broadcast TV in the UK, at an average of 3 hours 12 minutes per day in 2018 (see figure 2 in section 1, Market in Context); and as shown by the BBC's Christmas special of *Gavin and Stacey* (watched by nearly 27% of people in the UK, with the highest-ever number of 16-34s in its first week on iPlayer for any first episode)⁴⁰, broadcast television remains the main way to reach mass audiences.

The PSB channels have maintained their share of broadcast TV viewing but are struggling to attract younger viewers

The average number of minutes per person per day spent viewing the PSB channels⁴¹ on the TV set was 1 hour 47 minutes in 2018; down 18% since 2014. However, as viewing has decreased across all broadcast television channels, the PSB channels have maintained a strong share of viewing. They accounted for 55% of all TV viewing in 2018, slightly down from 57% in 2014. Most of this decline is because of BBC Three coming off air as a broadcast channel in 2016⁴², which resulted in a significant loss of younger audiences aged 16-34.⁴³ ITV was the only PSB channel to increase its share between 2014 and 2018, driven largely by the men's football World Cup and an additional episode of *Coronation Street* per week in 2018.

The gap between the viewing habits of older and younger people grew between 2014 and 2018. Older audiences watch the most television; those aged 55+ watched an average of 5 hours 15 minutes a day in 2018, but this has also declined (down 3% since 2014, driven mostly by those aged 55-64). For the first time in 2017, over-54s started to contribute more than half of all broadcast television viewing.

The decline in TV viewing is most marked among younger audiences, with 16-34s watching 49 minutes (32%) less broadcast TV a day in 2018 than in 2014. And viewing of programming on-demand (on BVoD services like BBC iPlayer) does not appear to be making up for the decline in viewing on the broadcast channels: in 2018, average viewing to BVoD was broadly unchanged since 2017 among 16-24s, while viewing to SVoD increased by 22 minutes (see figure 7 below).

Viewing time to the PSB channels for younger viewers over our review period has declined at a faster rate than for all individuals (16-24 year-olds' viewing was down by 38% between 2014 and 2018, to 38 minutes compared to the 18% decline for all individuals). Younger audiences' viewing to non-PSB channels has also decreased at the same rate. The *proportion* of younger (16-24s) viewing

⁴⁰ BARB, reach criteria 3+ consecutive minutes.

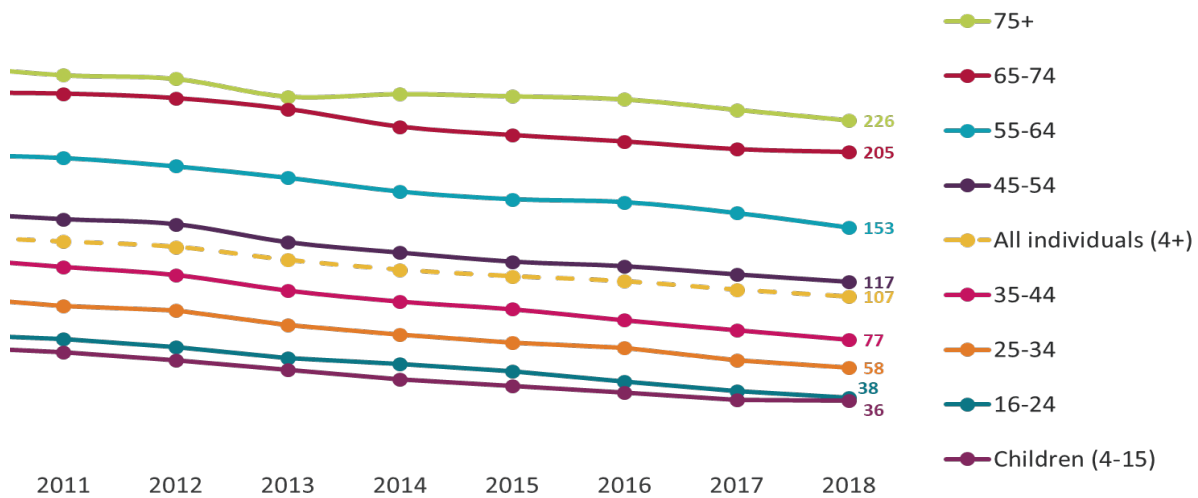
⁴¹ The PSB channels included here are BBC One, BBC Two, ITV/STV, Channel 4, Channel 5 and the BBC portfolio channels. S4C is not included because it is calculated from a different base within BARB measurement. We therefore look at its performance within Wales only, rather than the whole UK network.

⁴² BBC Three's performance as an online-only channel is not measured in these figures.

⁴³ We discuss the performance of BBC Three and the strategies BBC have taken to regain younger viewers since it went off air in [Ofcom's second Annual Report of the BBC](#).

to the PSB channels therefore remained stable at 44% - so there is a general, overall decline in broadcast TV consumption among younger viewers, of which PSB is a steady proportion.

Figure 7: Average minutes of daily viewing of PSB channels, by age: 2010-2018



Source: BARB. The PSB channels include the main five PSB channels and the BBC portfolio channels.

Younger audiences' use of and brand affinity with YouTube and Netflix continues to grow

The fall in viewing to broadcast TV among younger audiences has been counter-balanced by a corresponding rise in viewing to SVoD and online video services, most notably Netflix and YouTube. Average SVoD daily viewing among 16-34s almost doubled from 30 minutes in 2017 to 52 minutes in 2018, while YouTube viewing (not on a TV) increased by 5 minutes to 64 minutes. In fact, 16-34s now spend more time on average watching non-broadcast content online than live broadcast TV.

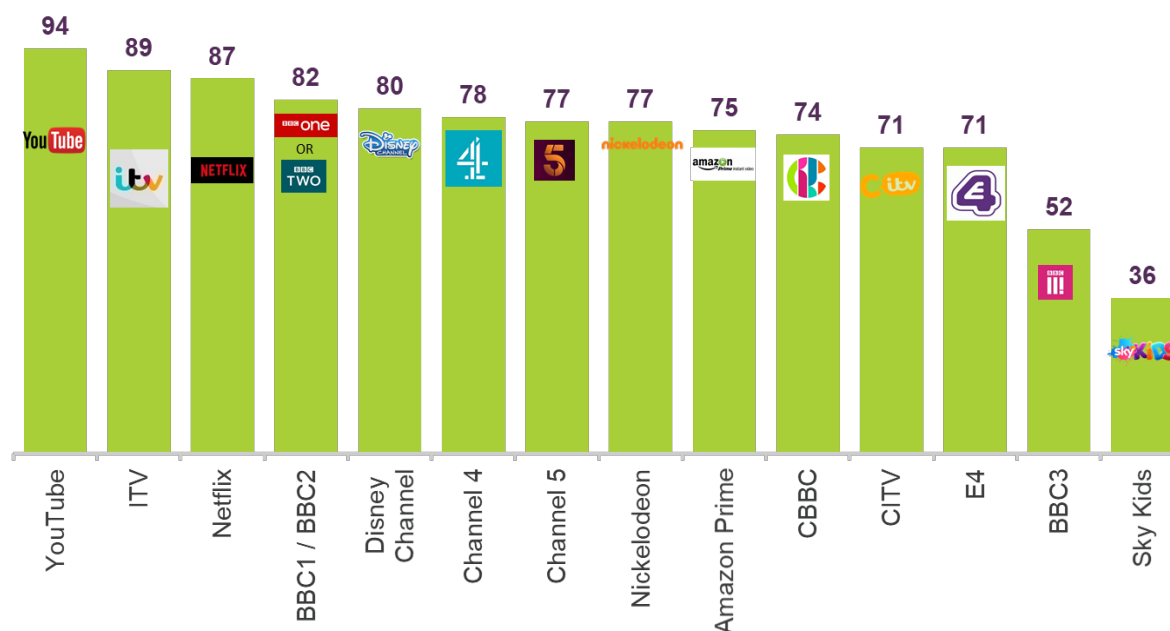
This change in viewing might suggest that younger audiences are increasingly finding SVoD and online services more relevant to their tastes and interests than the programmes on PSB channels. However, this is not necessarily due to the type of content available, as content originally shown on a PSB channel is available on these on-demand and online services. For example, the BBC's *Sherlock* can be viewed on Netflix, and *Channel 4 News* can be viewed on YouTube and in our Performance Review of the BBC, we noted that audiences, especially younger viewers, are more likely to watch BBC content on SVoD services rather than through BBC iPlayer, suggesting that one possible strategy for reaching this group is ensuring that BBC content is widely available on services they are already accessing.⁴⁴

Our research found that when prompted with a range of content brands, YouTube is the one that 12-15s are most likely to say they've heard of – above ITV, BBC One and BBC Two. In addition to the range of content available, children are attracted to the fact that YouTube is continually refreshed and tailored to their preferences, based on what they've watched or searched for previously.

⁴⁴ Ofcom's Second [Performance Report of the BBC](#), source data: TV (BARB, BARB TV player reports, GfK SVoD data and TouchPoints), radio (RAJAR) and websites (Comscore MMX).

However, the nature of content available and watched on YouTube is dominated by music videos, vloggers, ‘how to’ videos and short clips, like pranks, rather than TV programmes and films.

Figure 8: Brand awareness of content providers among children aged 12-15 (%)



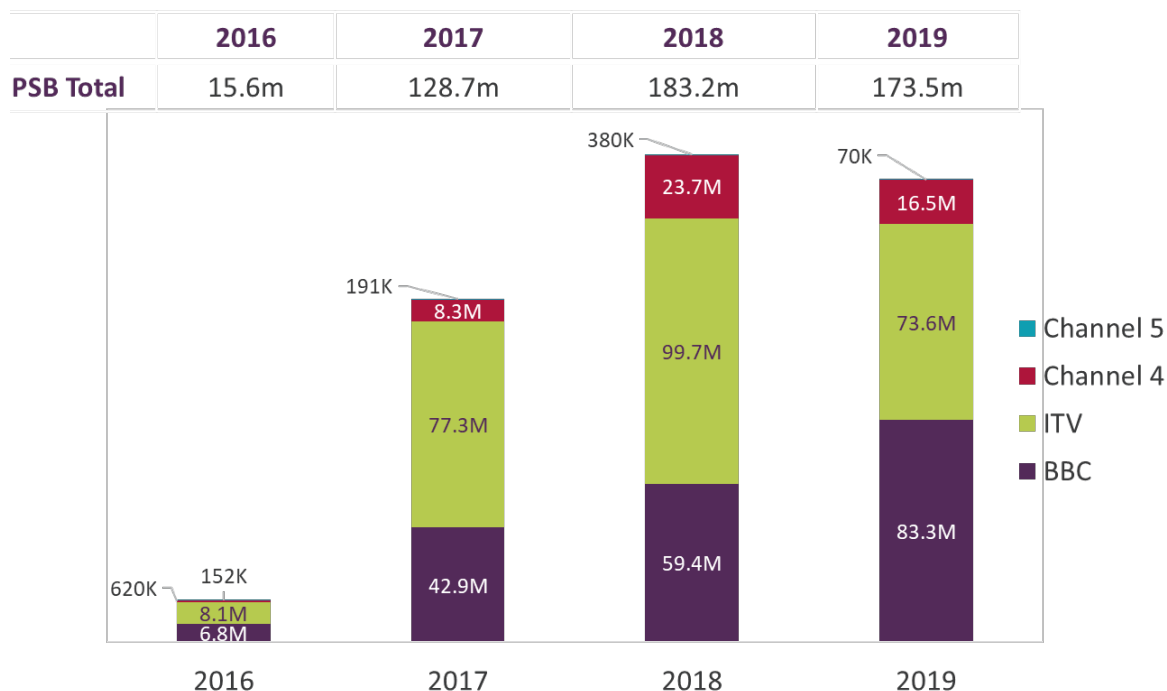
Source: Online survey with children aged 12-15. Q1 – Here are some companies that you may have heard of. Can you please pick those ones that you know? (prompted responses, multi coded). Base: Children aged 12-15 who go online (500).

PSB broadcasters are using YouTube and other video sharing platforms to reach online audiences

The PSB broadcasters are responding to this trend by extending their brand to online and on-demand services in ways that support the delivery of the PSB remit. For example, *Channel 4 News* has partnered with Facebook to produce a new weekly news show, *Uncovered*, which launched in January 2019, exclusively for Facebook Watch. These initiatives are having an effect on audiences: in September 2019 UK adults watched a total of 173.5 million videos on a BBC, ITV, Channel 4 or Channel 5-branded YouTube channel, averaging 4.8 videos per online adult in the month, and representing 1.7% of total UK video consumption.⁴⁵ However, audiences may not always recognise or attribute this content to the originating PSB channel, considering it to be Netflix or YouTube content. We discuss the provision and importance of original UK programmes on SVoD and online services more generally in the next section of this review.

1.1 ⁴⁵ Comscore VMX Multi-platform, YouTube Partners report, Age: 18+, Sep 2016 and 2019, UK.

Figure 9: Total number of YouTube videos from PSB channels viewed in September by UK adult digital population



Source: Comscore VMX Multi-Platform, YouTube Partners report, Custom defined list: BBC (excluding BBC Studio and BBC America channels), ITV, Channel 4, Channel 5, Sep 2016-2019, Age: 18+, UK

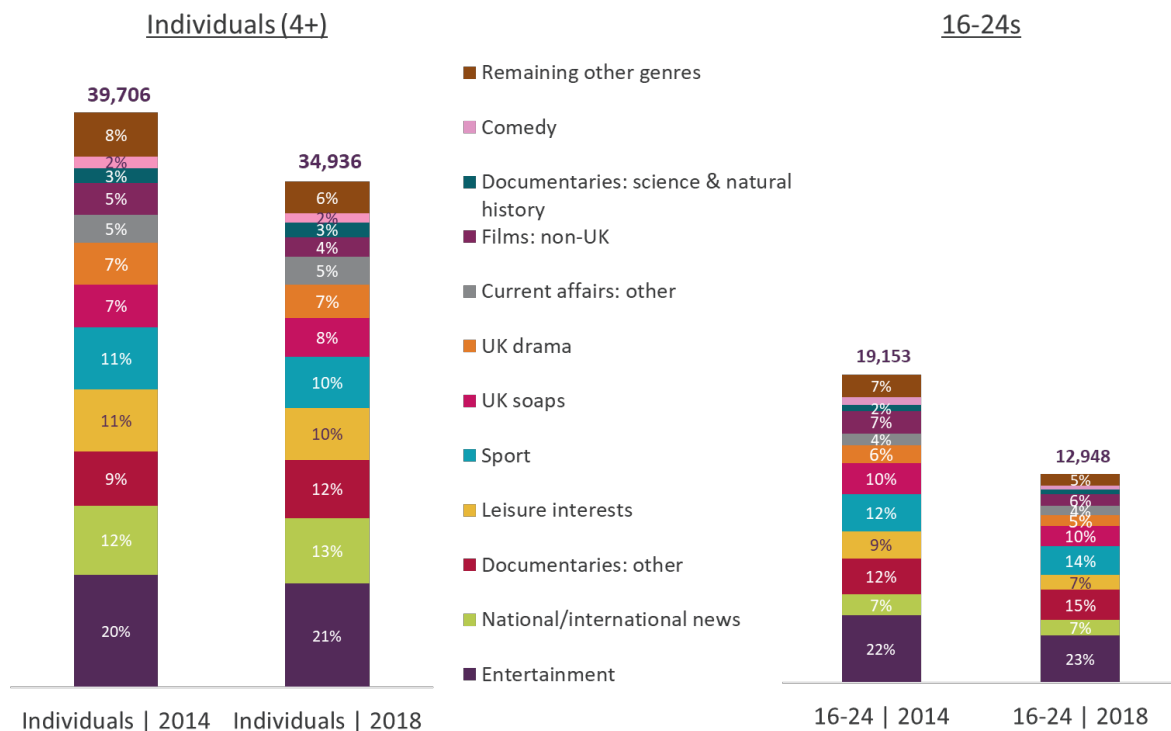
Viewing of international films, leisure, comedy and drama programmes have seen the largest declines among 16-24s

Of the largest genres on the main five PSB channels, those with the steepest decline among 16-24 year-olds since 2014 are non-UK films (down 49%), leisure interests (down 46%), comedy (down 46%) and UK drama (down 35%). PSB output of first-run original UK content in these genres has remained broadly stable over our review period, but the *total* hours broadcast (including acquired and repeated content) have declined, driven by fewer hours of repeated programming in these genres. The decline in total hours broadcast was particularly steep for comedy, for which hours declined from 3,085 in 2014 to 1,717 in 2018, and film, where hours dropped from 3,918 to 2,537 over the same period.⁴⁶

The decline in viewing to the leisure interest genre (including programming on cookery, gardening, home improvement and travel) may be due in part to younger audiences increasingly using YouTube to inform their interests and hobbies, while international films, drama and comedy programmes are now widely available on SVoD services.

⁴⁶ PSB output hours come from Ofcom/broadcasters. Viewing data comes from BARB. It is worth noting that there are subtle differences between genre classifications for these two sources. Please see the [Methodology Annex](#) for more detail.

Figure 10: Top viewed genres for broadcast main five PSB channels. Minutes per person, per year



Source: BARB, 4+ areas (excludes regional programming), individuals (4) and adults aged 16-24. Main five PSB channels including +1s. Top viewed 2018 genres, ranked for individuals in 2018. For genre information and the full list of ‘remaining other genres’ group please see the [interactive data report](#). The children’s genre is also in decline.

There has also been a similar pattern in PSB viewing by genre among all individuals, where non-UK films (down 36%), UK drama (down 21%) and comedy (down 21%) have had the largest declines since 2014. The genre ‘documentaries: other’ was the only one of the most-watched genres to increase viewing. This category of programmes includes a range of documentary types, essentially any factual programming that does not come under science or natural history, such as *Great British Bake Off*, *The Apprentice*, *Who Do You Think You Are?* and *24 hours in A&E*. The total amount of programming in this genre (first-run and repeated) that has been broadcast on these channels increased by 5% between 2014 and 2018, while viewing by all individuals increased by 8%.

Provision of children’s programming mirrors younger viewers’ fast-changing habits

The only PSB children’s channels are CBeebies and CBBC, although children’s programmes are also available in specific timeslots on the commercial PSB channels, on ITV’s fully commercial CiTV channel, and are complemented by a range of children’s content on-demand and online. However, as highlighted in our [Children’s content review](#), for children aged 4-15, most of their overall viewing time is not to children’s programming but to general family viewing⁴⁷. On the main five PSB channels (BBC One, BBC Two, ITV/STV, Channel 4 and Channel 5), as with the other age demographics, entertainment is children’s most-watched genre.

Original UK children’s programmes are still valued by audiences. Our PSB Tracker research found that 80% of parents or carers rated ‘providing a wide range of high quality and UK-made programmes for children’ as important in 2019 (compared to 81% in 2014). However, viewing to children’s programmes on the main five PSB channels declined by 17% from 2014 to 2018, which mirrors a similar decline in the quantity of children’s programmes broadcast. The BBC children’s channels have similarly seen declines in viewing and reach.⁴⁸

The BBC is responding to these changes in viewer behaviour by seeking to expand its online services for children, and we have recently consulted on consequent changes to the BBC Operating Licence.⁴⁹ The commercial PSB broadcasters are also seeking to meet these changing viewer needs. In March 2019, ITV, C4C and Viacom made commitments in response to our Children’s content review to extend their provision for children through increased spending on original content and the launch of new online services.

These commercial PSB broadcasters are also actively engaged in the Government’s Young Audiences Content Fund. This £57m contestable fund was launched in 2019 and is designed to stimulate provision of PSB content for younger audiences, in particular by supporting original programmes that inform audiences’ understanding of the world and reflect the UK’s cultural identity.

Case study: ITV adapting news delivery to reach younger audiences

In September 2019, ITV News launched a youth-focused news service called *The Rundown* to deliver news to 14-17 year-olds through social media. A dedicated team produces daily updates targeted at teenagers using Instagram, Snapchat and Facebook, delivering news bulletins in a format designed specifically for digital platforms. *The Rundown* goes live on ITV News’ social media channels at 3:45pm on weekdays and aims to deliver the most important news in a way that young people find interesting, using headlines of big stories and the option to swipe through for more details on some

⁴⁷ 66% of children’s time spent watching broadcast TV on the TV set is not to the children’s slots on the PSB channels or to dedicated children’s channels.

⁴⁸ Less than half of children (41%) aged 4-6 watched at least three consecutive minutes of CBeebies on average in a week in 2018, down from 44% in 2014. On average, 21% of older children (aged 6-12) watched at least three minutes of CBBC a week in 2018. This was down from 29% in 2014 and has decreased every year.

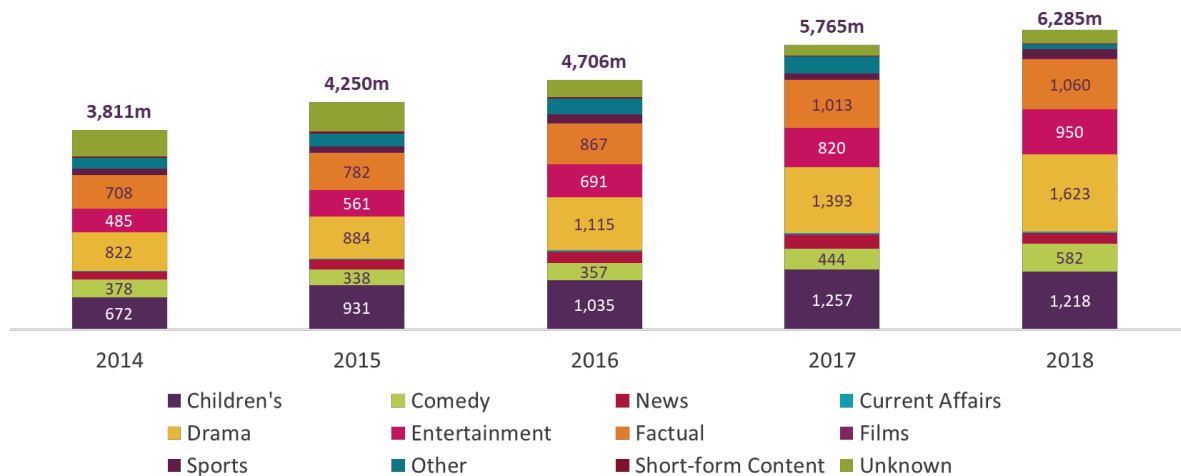
⁴⁹ Further information on the BBC’s plans, Ofcom’s provisional review and the consultation can be found on our [website](#).

items. The service generated four million viewers in its first month⁵⁰ and ITV News plans to expand *The Rundown* to a daily broadcast in 2020.

‘PSB on-demand’ has not offset the decline in live broadcast viewing to PSB channels

There has been real growth in the popularity of watching content originally on PSB channels on-demand⁵¹. Requests to the on-demand services associated with the PSB channels: BBC iPlayer, ITV Hub, All 4 and My5 (the ‘PSB on-demand services’⁵²) increased by 65%, from 3.8 billion to 6.3 billion, over our review period. These services were predominantly used to view drama, entertainment, factual and children’s content, with requests assigned to the drama genre almost doubling between 2014 and 2018. This highlights how audiences are preferring to view certain types of content, which are crucial to PSB delivery, at a time of their choosing rather than at a scheduled slot on a live, broadcast channel.

Figure 11: Requests to PSB on-demand services (millions)



Source: Ofcom/broadcasters. Note: Data includes requests for content via BBC iPlayer, ITV Hub, All 4 and My5. The sum of requests by genre exceeds total requests prior to 2018, due to BBC iPlayer reporting allowing for overlap between genres before May 2017. Where possible, requests from apps on third-party services (e.g. via pay-TV platforms) are included, however BBC data does not include requests via Sky or Virgin Cable. Some broadcasters were unable to provide genre detail for all years – where this occurs, ‘unknown’ has been used.

The increase in the total number of requests showed signs of slowing down in 2018; according to our estimates, actual time spent viewing PSB on-demand services remained flat in 2018 and may even have declined slightly. However, these are estimates based on the best data sources available to us, and we are seeking to improve this data to build a fuller picture for future years.

⁵⁰ Broadcast, 2019. [Youngsters embrace ITV’s bite-size news.](#)

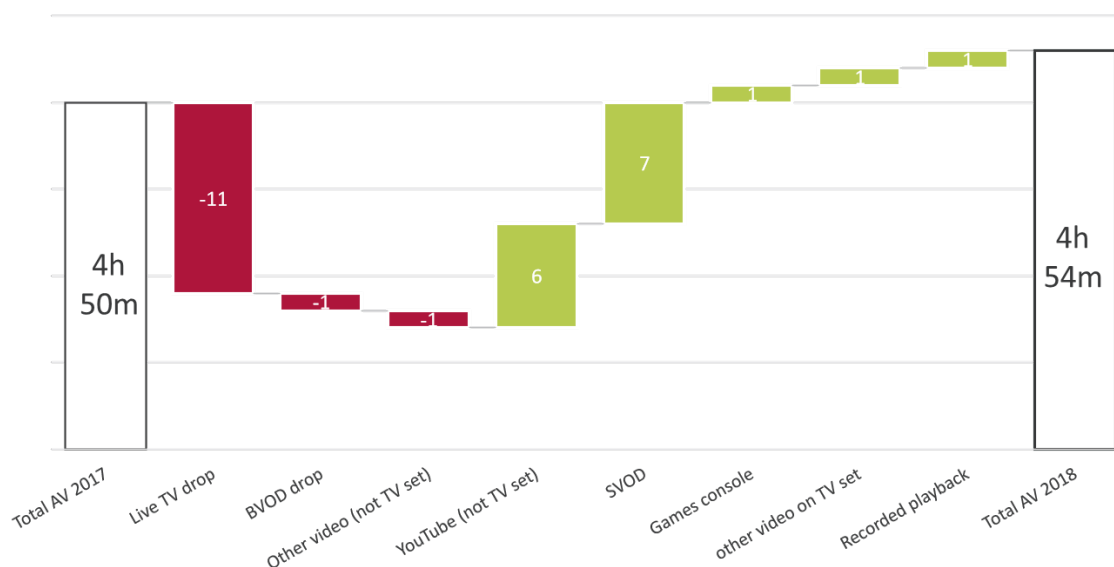
⁵¹ We have measured this via collecting on-demand requests. ‘Requests’ refer to the number of instances in which a viewer has clicked on and started playing an on-demand title.

⁵² These on-demand services are not services required to fulfil the PSB purposes under the Act, and with the exception of the iPlayer, operate as commercial services. ‘PSB on-demand services’ is used simply as shorthand to describe this group of services which contains content access to the PSB channels and so are distinct from other commercial VoD services like UKTV player. Note, STV and S4C also have on-demand services but we do not have data on these services.

Despite the high reach of PSB on-demand services, viewing to SVoD services and YouTube appear to be the strongest drivers of growth in online viewing. Figure 12 below shows how viewing among all adults changed between 2017 and 2018, although it will be important to continue to monitor these trends.

The PSB broadcasters are developing their on-demand services by including more box sets, extending the time period that content is available, and improving functionality, in order to align more closely with SVoD services and to drive use. As we discussed in our annual review of the BBC's performance, these changes can take time to take effect, as new content becomes available and as audiences realise that these on-demand services are not only for catching up with viewing.

Figure 12: Change in average minutes per day by service: all individuals, all devices: 2017-2018



Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

Investment in new and original UK content has been maintained due to increased third-party funding

We have considered the level of investment in first-run original UK content by the PSB channels, as this is relevant to the delivery of the PSB remit.⁵³ Investment levels are an indicator of both the quality of programming available to audiences and the extent to which the PSB channels contribute to the wider creative economy. Our analysis of data provided by the broadcasters shows that their spend on first-run original UK content has declined by approximately £1bn in real terms from a high of £3.512bn in 2004; 2018 was one of the lowest-spend years recorded, at £2.586bn.

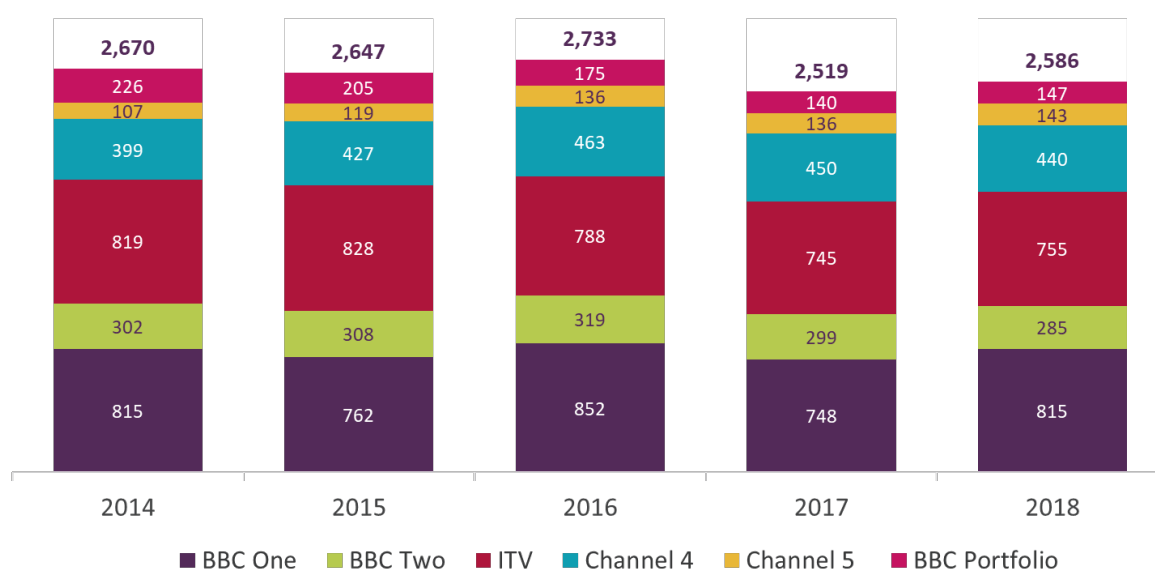
These total figures mask some notable variations between specific broadcasters and their spend on first-run UK-originated content (as distinct from repeats and acquired programmes). Since 2014 the BBC's spend on content has fluctuated, partially because of varying sports spend (which depends on the timing of specific events such as the Olympics) as well as the closure of BBC Three in 2016.

⁵³ Section 264(7)(a) of the Act requires Ofcom to consider the costs to PSB providers of fulfilling the PSB remit.

Compared to 2014, BBC spend on first-run UK-made content in 2018 was down £95m in real terms to approximately £1.2bn.

Over the same period, first-run spend by ITV on its main channel also declined in real terms, by £64m to approximately £755m. However, between 2014 and 2018 both Channel 4 and Channel 5 have maintained their spend on first-run UK-made content, with spend up on 2014 by £40m and £35m respectively (in real terms). Channel 5 has steadily increased first-run spend since its acquisition by Viacom in 2014, with first-run spend up by an average of 7% per year between 2014 and 2018. First-run spend by S4C in Wales was slightly down, decreasing in real terms from £65.8m in 2014 to £61m in 2018. Similarly, STV in Scotland slightly decreased its investment in first-run content produced specifically for the Scottish regions from £9.5m in 2014 to £9.4m in 2018.

Figure 13: PSB first-run UK-originated spend, by channel (£m): 2014-2018



Source: Ofcom/broadcasters Note: figures are expressed in real terms. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

Despite the decline in spend on first-run original UK content, PSB spend on acquired and repeated content declined at a faster rate between 2014 and 2018. Whereas first-run original UK content spend contracted by a CAGR of 1% over this period in real terms, other TV programming spend by PSB broadcasters fell by 4%. As such, the first-run share of all spend has been maintained since 2014, rising from 88% to 90% in 2018, with only 10% of total funding spent on acquired and repeated content. 2018 represents the highest proportion of first-run spend recorded, indicating that the PSB broadcasters are protecting spend on new UK-originated content amid financial pressures, and are now spending proportionally more than ever on first-run original programming.

PSB channels have secured external funding to maintain investment levels

The PSB broadcasters are finding new ways of financing content, including through co-productions and deficit funding, that supplements the broadcasters' direct investment. Third-party funding has become an increasingly important source of funding for the PSB channels, and tends to be focused on certain genres, such as drama. When we include co-production contributions from third parties

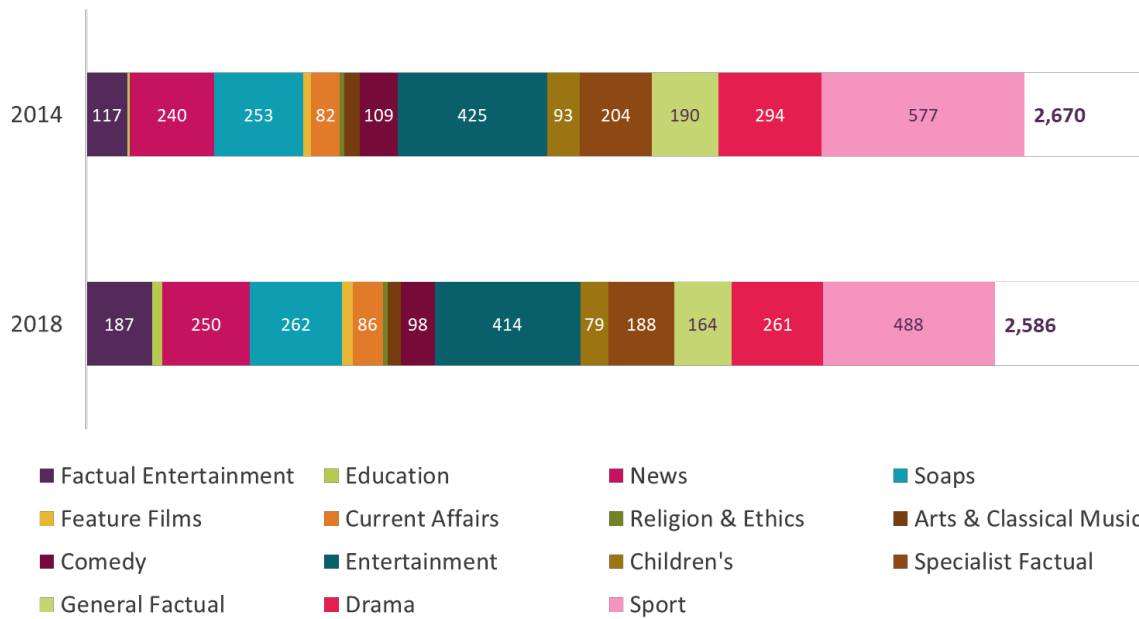
such as SVoD services, and US TV Networks like AMC, total PSB spend on first-run original programmes has remained broadly flat at around £3bn between 2014 and 2018 in real terms.

This 'off-setting' effect of third-party funding is particularly evident in drama programming. Drama is a popular genre with audiences, and is also important in fulfilling the PSB remit by reflecting UK culture and experience. While the amount of original UK-made drama⁵⁴ available on PSB channels has reduced slightly (down by 9% between 2014 and 2018 to 338 hours), direct PSB spend on the genre has seen one of the largest drops since 2014 in real terms (down £34m). However, third-party funding accounted for over half (54%) of the cost of PSB original drama in 2018 for the first time and reached a record £455m across all genres. Some of the most successful PSB dramas in recent years, such as *Bodyguard* and *The Night Manager*, have been produced with the help of third-party financing.

These alternative funding sources have not been readily available for all programme genres, such as those which do not have a big secondary rights window and are less popular in driving worldwide SVoD subscriptions. As new SVoD services launch in the UK and the broadcasting market becomes increasingly competitive, it is unclear whether SVoD services will continue to invest in co-productions at this level, or potentially prioritise their own productions.

⁵⁴ Excluding soaps. Drama and soaps combined have declined by 2% between 2014 and 2018 to 1,081 hours on the main five PSB channels.

Figure 14: Direct PSB broadcaster spend on first-run UK-originated content, by genre (£m)



Ofcom/Broadcasters Note: figures are expressed in real terms. Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, nations' and regions' programming, and third-party spend.

ITV, Channel 4 and Channel 5 portfolio channels have increased investment in first-run original UK content since 2014, particularly on factual content

The commercial PSB broadcasters' portfolio channels (e.g. ITV2, E4 and 5Star), although not PSB channels, have increased spend on first-run UK originations since 2014 in real terms. This investment can widen audiences' choice of content, thereby contributing to the PSB objectives and the UK's creative economy.

First-run spend for UK-originated content broadcast on these portfolio channels increased in real terms from £109m in 2014 to £140m in 2018. An increase in spend by Channel 5 on its portfolio channels has been the main driver of this, since Channel 5's acquisition by Viacom in 2014. ITV has also steadily increased its first-run spend on its portfolio channels over our five-year review period.

From 2014 to 2018, the majority of spend on first-run original UK content on these channels was in entertainment genres, which in 2018 comprised 43% of spend. However, spend on new and original UK content in the factual genre (which includes reality TV) has grown most significantly since 2014, increasing by 33% on average, from £14.1m in 2014 to £44.5m in 2018. This may be due in part to the popularity of shows such as *Love Island* on ITV2.

The increased investment on the broadcasters' portfolio channels has been largely focused in genres already well-provided on the PSB channels, such as sports, factual and entertainment and has not offset the decline in first-run spend on content shown on their PSB channels.

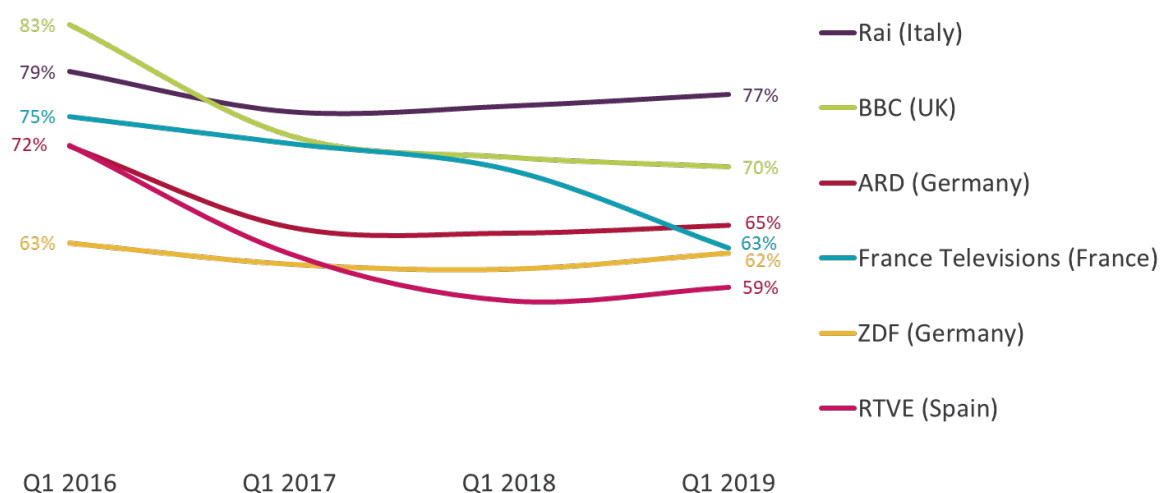
UK PSB compared to neighbouring countries

The core challenges faced by the UK PSB channels are mirrored in other markets in Europe, with broadcasters adapting to declines in live TV audiences and competition from a range of online competitors. In this context, the performance of the UK PSB broadcasters compared to that of their international peers has been relatively strong.⁵⁵

Decline in live, broadcast viewing is reflected across Europe

Consumer survey data from Ampere Analysis indicates a broad decline in live TV audiences for the main publicly-funded broadcasters in each of the five major Western European markets (France, Germany, Italy, Spain and the UK). Snapshot Q1 survey data from 2016 to 2019 illustrated a steep drop in reach for the BBC, of 13 percentage points, a consequence of more viewers using on-demand alternatives to live TV, both from rival platforms and from the PSB broadcasters themselves. This trend was mirrored by France Televisions (-12 percentage points) and Spain's RTVE (-13 percentage points). Compared to those broadcasters, though, the BBC maintained a higher overall reach figure, at 70%. The downward trend in all these markets is more pronounced among 18-34s.

Figure 15: Snapshot reach of selected PSB channels



Source: Ampere Analysis Consumer, Q1 2016-2019, Age:18-64, online respondents. Note: Percentages are of respondents surveyed in each broadcaster's home market and represent those who have watched any of that broadcasters' channels in the past month. Base: 2,000 respondents in each market.

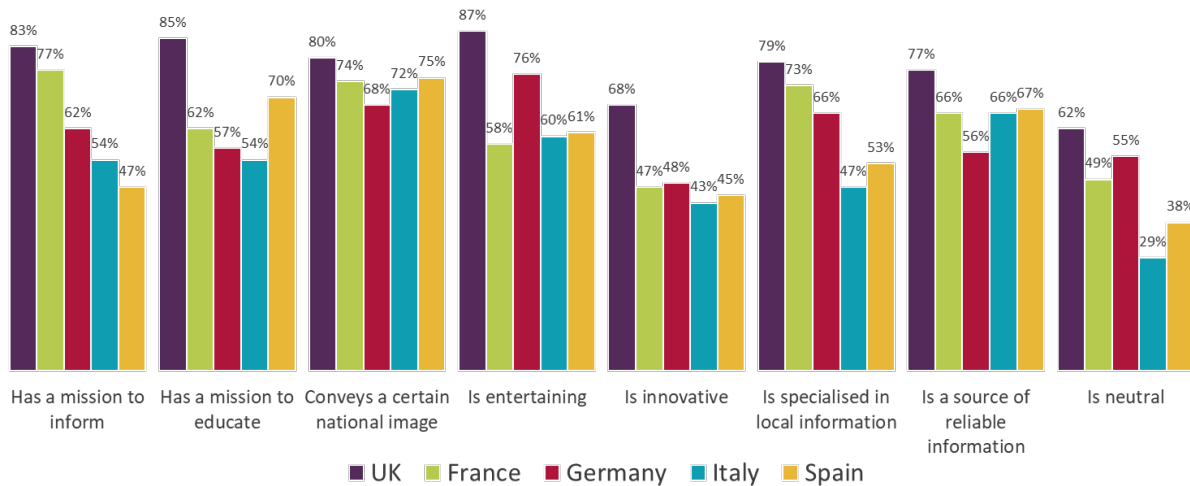
UK PSB still ranks highly with viewers

The relatively strong performance of the UK PSB broadcasters compared to their European peers is reflected in higher levels of viewer satisfaction. According to consumer research conducted by OpinionWay for the French Senate, published in June 2018, 86% of UK respondents were satisfied with the programmes offered by public service media, compared to between 50% and 61% in the four other major Western European markets. The UK also ranked highest among consumers across the five markets in terms of their perception of public service media's fulfilment of various purposes,

⁵⁵ International comparisons are contextual only; like-for-like comparisons are not possible given the differences in PSB funding models, levels of funding, and broader market conditions and dynamics across countries.

including conveying a certain national image, being innovative, providing specialist local news, being a source of reliable information, and being neutral.

Figure 16: Consumer perceptions of public service media, by country (% who agree with statement about it)



Source: OpinionWay consumer survey, June 2018. Question: ‘Do you agree or disagree with each of the following statements regarding public service media? Public service media...’. Selected categories presented. Base: UK 515, France 1,020, Germany 531, Italy 525, Spain 508. Individuals 18+.

However, the UK PSB broadcasters may face a competitive environment that is tougher than those of their European peers

Driven by Netflix, YouTube and other international streaming platforms, revenue from online subscription and advertising-supported services accounted for a fifth of total UK TV and video revenues in 2018, compared to 9% in each of the four other major Western European markets, according to Ampere Analysis data. Of these five markets, the UK has the highest penetration of SVoD services, at 77% of internet households in Q3 2019, compared to 55% in France (lowest) and 70% in Spain (second highest).

The competitive challenges faced by PSB everywhere are putting pressure on broadcasters’ capacity to fund content originating in their home market. However, investment by UK PSB broadcasters remains high, relative to their peers, and is increasingly supplemented by third-party funding, as discussed earlier in this section. Among the main publicly-funded broadcasters in the five major Western European markets, the Nordic countries, Belgium and the Netherlands, the BBC was the second-highest spender on original content on a per-capita basis in 2018.⁵⁶ Only Germany’s ARD and ZDF spent more than the BBC. Among all the PSB services analysed here, the BBC allocated a higher proportion of its budget to original content than any of its peers – 92% in 2018, compared to between 27% (Finland’s YLE) and 75% (the Netherlands’ NPO) for the others.

⁵⁶ Ampere Analysis Content Markets.

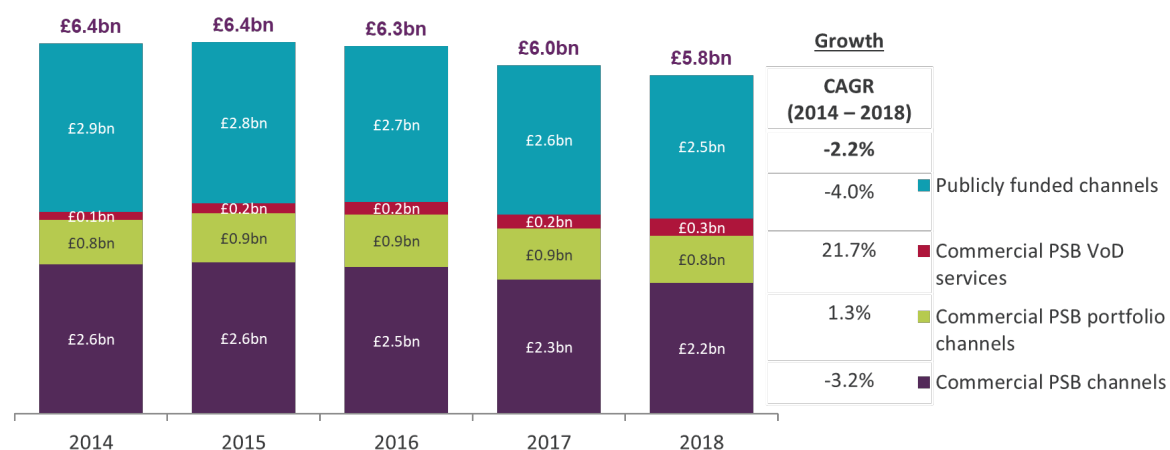
Revenues for commercially-funded PSB are under pressure as the broadcast TV advertising market stagnates

In addition to considering how the PSB channels fulfil the PSB remit, and monitoring trends in programme investment, it is important to look at how broadcasters fund this content. We collected data from broadcasters, which indicates that based on CAGR, commercial revenue for the main PSB channels declined by 3.2% over the review period. This appears to be driven largely by declining TV advertising revenue. Some of this decline may be due to cyclical macroeconomic conditions, but the shift to online services, and increasingly fragmented viewing, are also likely to have had an effect. Recent data from the World Advertising Research Centre indicates that broadcast television's percentage of display advertising in the UK fell from 36% to 31% from 2014 to 2018.⁵⁷

While commercial portfolio channels of the PSB broadcasters (such as ITV2 and E4) have increased TV revenues by a CAGR of 1.3% between 2014 and 2018, this increase has not been enough to compensate for the decline on the main commercial PSB channels. There is also some evidence to suggest that the trend of increased TV advertising revenues generated by these channels may be reversing, with 2018 advertising revenues falling 7% year on year.

The BBC licence fee is also under pressure, with the proportion of licence fee revenue allocated by the BBC to television falling in real terms by 4% on a compound annual growth basis between 2014 and 2018. Pressure on BBC revenues may continue to grow if an increasing share of households choose to watch no broadcast television, and as a result of the BBC funding licence fees from 2020 onwards for over-75s who claim pension credit.

Figure 17: PSB TV broadcast revenues (£bn)



Source: Ofcom/broadcasters. Note: Figures expressed are in real terms and replace previous data published by Ofcom. For previous years closed channels have been included. Totals may not equal the sum of the components due to rounding. Revenues include television advertising revenues from PSB channels as well as income from sponsorship, subscription, interactive services (such as red button), pay-per-view services, programme sales, retail/TV shopping and other broadcast revenue from PSB-owned TV channels.

⁵⁷ Based on total TV advertising expenditure, excluding VoD, as a proportion of total display advertising revenue.

Broadcasters are diversifying revenue streams to compensate for the decline in TV advertising

In response to these challenges, the commercial PSB broadcasters have attempted to reduce their dependence on income from television advertising by increasing their revenues from other sources. The decline in TV advertising revenue contrasts with growth in the online video advertising market, which increased by 24.6% on average over the review period.⁵⁸ The commercial broadcasters have had some success in capitalising on this demand for digital advertising. Data from company reports show that digital revenues⁵⁹ for the Channel 4 Corporation more than doubled between 2014 and 2018, from £62m to £138m, while ITV plc's online advertising revenues via ITV Hub grew by 36% in 2018.⁶⁰ STV saw its advertising revenues through the STV Player grow by 39% in 2018⁶¹ and has announced partnership deals with Hopster and Premier Sports to add further content to the service, beyond its core PSB offering.

Total revenue from VoD services associated with the PSB channels including ITV Hub, All 4 and My5 has helped to partially offset declining revenues from traditional TV channels, as shown in the previous figure. When including this online revenue together with broadcast revenue from the main commercial PSB channels and their portfolio channels, total TV revenue for commercial PSB broadcasters decreased by a CAGR of 0.8% between 2014 and 2018.

Other initiatives include increasing the attractiveness of commercial PSB broadcasters' proposition to advertisers through the supply of more targeted, addressable advertising, either by adapting their on-demand players to integrate more targeted ads, or through partnerships between platforms and broadcasters, such as Channel 4's recent deal with Sky to use its Adsmart ad insertion technology on the Channel 4 channels.

Broadcasters have also increased third-party funding, as discussed earlier in this section, and expanded their non-advertising related commercial activities where available (and in the case of the BBC, its commercial subsidiaries). For example, direct-to-consumer revenues for ITV (including income from subscription VoD competitions, voting, live events, gaming, merchandise and pay-per-view) increased 25% year on year to £81m. ITV has also generated significant income from its studios business, which creates and produces content in the UK and internationally; revenue from ITV studios increased from £1.2bn in 2015 to £1.7bn in 2018.⁶² Combined with broadcasting and online revenue, ITV has increased its dividend per share from 4.7p to 8p between 2014 and 2018.⁶³

Growth in revenues does not necessarily lead to increased investment in PSB

The broadcasters responsible for the PSB channels have fundamentally different business models. The BBC is publicly funded through the licence fee and its revenues are supplemented with profits made by its commercial subsidiaries, and Channel 4 is a publicly owned, not-for-profit broadcaster

⁵⁸ IAB. Based on a five-year compound annual growth rate from 2013 to 2018.

⁵⁹ [Channel 4 Annual Reports](#). Digital revenues include advertising revenues and licence fees derived from All 4 and other third-party platforms.

⁶⁰ [ITV Annual Report and Accounts 2018](#), page 25.

⁶¹ [STV Full Year Results 2018](#).

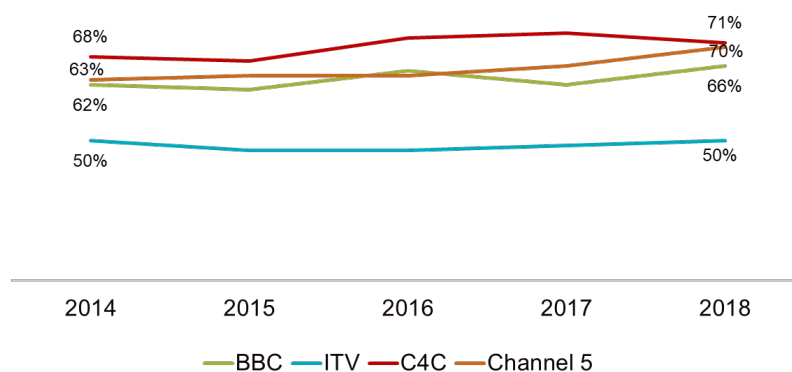
⁶² [ITV Annual Report and Accounts 2018](#), page 30.

⁶³ [ITV Annual Report and Accounts 2018](#), page 49.

funded primarily by advertising with certain specific constraints on its activity, such as having its own production base.⁶⁴ S4C has a mixed model of part public funding and advertising, while the Channel 3 licensees (ITV and STV) and Channel 5 are fully commercially funded, mainly through advertising. These diverse business and ownership models, and accompanying diverse priorities, investment strategies and regulatory controls mean that there are also significant differences in the relationship between revenue and PSB investment levels.

ITV has the lowest ratio of content spend to broadcast and online revenue (50% in 2018) of the main public service broadcasters. This ratio would be reduced further if income from ITV studios were to be included in the revenue calculation. However, ITV is a commercial enterprise, so it is perhaps unsurprising that, the not-for-profit organisations, Channel 4 and the BBC both have a higher ratio of content spend to revenue (71% and 66% respectively in 2018) compared to ITV. Similarly, STV's content spend to revenue ratio was lower than that of both Channel 4 and the BBC, at 55% in 2018.⁶⁵ Figure 18 below shows total spend on programming for the PSB channels as a proportion of revenue (total advertising income plus other non-NAR revenue).

Figure 18: PSB programme spend as a proportion of broadcast and online revenue, by broadcaster



Source: Ofcom broadcaster returns / company accounts. Notes: Both revenue and spend in nominal terms. Spend is all day, all genres. It includes all spending on networked output by the BBC, ITV, Channel 4 and Channel 5. It also includes BBC and ITV spending on programmes for viewers in the nations and regions and the BBC's spend on programmes for S4C and BBC Alba. BBC TV income is based on Ofcom estimates of total licence fee revenue that is spent on TV-related services which includes content, distribution, and infrastructure spending, and pro-rata, a share of remaining overheads.

PSB channels remain at the heart of a thriving independent production sector

Despite the long-term decline in PSB spend on first-run original UK content, described above, commissions from the PSB broadcasters continue to be vital to a healthy and thriving independent production sector in the UK. This is supported by regulatory obligations on PSB services to commission at least 25% of first-run network hours (excluding news) from qualifying independent

⁶⁴ Channel 4 Corporation is a 'publisher-broadcaster' so commissions and acquires its programming from third parties, including independent production companies; further commissioning requirements, such as productions made outside London, are set out in its broadcasting licence.

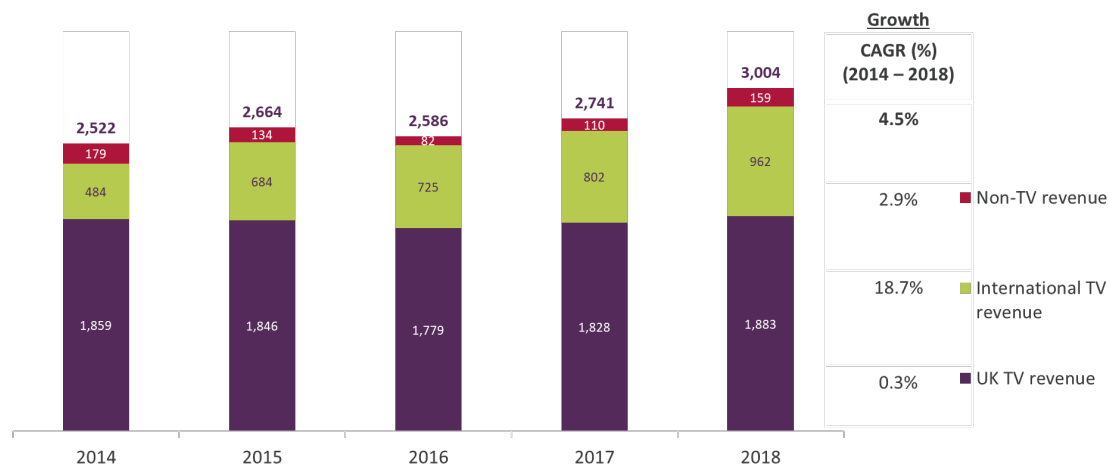
⁶⁵ [STV Annual Report and Accounts](#).

producers⁶⁶, contributing to the plurality of production sources in the UK. Each PSB has overdelivered against this quota for five years under review, as reported in Ofcom’s [PSB annual compliance reports](#).

According to Pact’s annual census of independent producers, domestic TV revenue (mainly comprising commissions from PSB channels but including the PSB broadcasters’ commercial portfolio channels and other UK broadcasters) continues to represent the majority of total production sector revenue.⁶⁷

Strong growth in the UK’s production sector has been driven by international TV revenues, which had a CAGR of 18.7% between 2014 and 2018.⁶⁸ This growth is largely driven by global SVoD services increasing their original commissions from UK producers, both by themselves and through co-productions with UK broadcasters. Income from international SVoD commissioning increased by 87% between 2017 and 2018 to £280 million, accounting for 40% of all international commissioning income.⁶⁹ Netflix’s recent activities, including buying Pinewood studios and hiring key personnel in the UK, indicate that it intends to continue to ramp up its UK productions.

Figure 19: Total production sector revenues, by income source (£m): 2014-2018



Source: [Pact UK Television Census 2019](#). Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films.

As highlighted earlier in this document, the relationship between the PSB broadcasters and the production sector across the UK is important in the health of the wider creative economy. However, it is a relationship that is evolving to reflect the significant shifts in both viewing behaviour and the wider market. As an example, Channel 4 Corporation and the production industry body Pact announced in June 2019 that they had signed a new Terms of Trade agreement for independent producers. The deal means that producers will receive full control and ownership of secondary revenues after the licence term ends, and it gives Channel 4 the freedom to use programmes across

⁶⁶ A qualifying independent production company is a company not tied to a UK broadcaster through significant common ownership. The Broadcasting (Independent Productions) Order 1991 (as amended) states that an independent producer is: (i) not employed by a broadcaster; (ii) does not have a shareholding greater than 25% in a UK broadcaster; or (iii) in which no single UK broadcaster has a shareholding greater than 25% or any two or more UK broadcasters have an aggregate shareholding greater than 50%.

⁶⁷ Oliver & Ohlbaum Associates, 2019. [Pact UK Television Census 2019](#), page 9.

⁶⁸ Oliver & Ohlbaum Associates, 2019. [Pact UK Television Census 2019](#), page 9.

⁶⁹ Oliver & Ohlbaum Associates, 2019. [Pact UK Television Census 2019](#), page 3.

its platforms without negotiating further rights with producers. This approach promotes programme makers' sustainability and increases broadcasters' flexibility to make content widely available. Our work programme on the future of PSB, *Small Screen: Big Debate*, will provide opportunities for industry and policy makers to explore how the role of the PSB broadcasters in the wider creative economy might continue to evolve in the next decade and beyond.

5. PSB and the role of the wider UK media market

In the previous section, we considered how the PSB channels have fulfilled their public service remit, as well as the contribution of their associated services, including portfolio channels and on-demand services. This section considers how other media services, including commercial broadcasters, radio, other on-demand and online services, have contributed to the public service objectives.⁷⁰

Media services is a broad category, potentially including a wide range of broadcast, online and text-based services.⁷¹ The services vary significantly in what content they provide, the audiences they reach and the level of regulation that applies to them. We have focused on widely-used and editorially controlled media services, and have also included key online content services and video-sharing platforms (VSPs) like YouTube, given the popularity of these services.

Multichannel television services

The multichannel sector comprises all the broadcast television channels that are not PSB channels or their associated commercial portfolio channels. The sector includes channels such as UKTV's Dave and Sky One, and contains a mix of free-to-air (FTA) and pay channels (i.e. channels only available as part of pay-TV packages from Sky, Virgin or BT). Some of these channels are also supplemented with on-demand and online services. The sector also includes local TV channels which carry specific regulatory obligations for the provision of local content and news.

All broadcast television services must comply with general regulatory standards, set out in the Broadcasting Code. This means audiences can expect news content that is accurate and impartial and are protected from content that is harmful or offensive.⁷²

⁷⁰ This is the second PSB Review in which we have considered the wider media market's contribution to the public service remit. Ofcom's duty to consider wider 'media services' was established in the Digital Economy Act 2010.

⁷¹ Audiences gain a range of personal and social benefits from their use of search engines, email services, e-commerce platforms and text communications on social media, as well as the long tail of other websites and apps, but for the purposes of this review, we focus on commercial broadcasters, significant SVoD and online content or VSP services, as well as radio services, spoken word podcasts and online news providers.

⁷² The Broadcasting Code and information on related standards rules can be found on the [Ofcom website](#).

Key findings on multichannel contribution to PSB objectives:

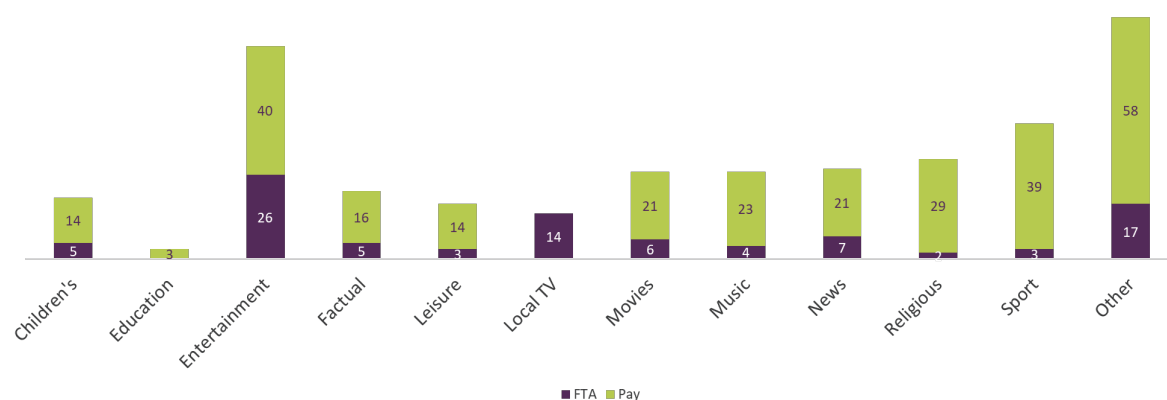
- Multichannel TV services offer a wide range of content and a range of services, including dedicated news, religion and sport channels, which contribute to the PSB objectives. However, some genres highlighted in the PSB objectives receive very little viewing, such as education, religion and music.
- The multichannel TV audience is skewing older faster than the PSB channels', but younger and minority ethnic audiences still represent a higher proportion of viewing.
- While multichannel spend on first-run original UK content has increased over the period, almost 90% of total spend was on sports content. Drama and comedy spend has increased, potentially in response to the popularity of these genres on SVoD services, but spend on original UK children's content has fallen over the period.

The multichannel sector contributes to the variety of original content available to UK audiences

Broadcasters in the multichannel sector provide a broad range of UK and international content to audiences. In 2018, there were around 370 channels actively broadcasting to the UK, of which 92 were available on a FTA basis.⁷³ Approximately 28% of FTA channels are in the entertainment genre, whereas the pay-TV sector provides a broader range of more genre-specific channels. As well as specialist channels devoted to sports, pay-TV provision includes some genres that have limited provision on PSB channels, such as channels targeted at specific religious and ethnic groups, and Sky's dedicated arts channel, Sky Arts.

The multichannel sector also delivers a number of news channels, which complement news provision from the PSB channels. Sky News makes the most significant contribution to the provision of freely available news content, particularly in relation to UK-produced content. It is also the most significant in terms of audience reach and share. Free satellite platform Freesat additionally provides viewers with access to international news channels such as CNBC and CNN International, while pay-TV provides several news channels catering to a diverse range of specific-interest audiences.

Figure 20: Number of commercial multichannels: 2018



Source: Ofcom. Notes: Data are based on the number of channels broadcasting in the UK during 2018, which in

⁷³ The number of FTA channels has been stable over the period and there has been a very slight decline in the number of pay-TV channels available, with 299 in 2014 and 278 in 2018.

turn is based on broadcast hours submitted by Ofcom licensed broadcasters. FTA channels are defined as channels available on Freeview and Freesat. 'Other' includes adult, arts, games, and shopping channels, as well as 'general' channels with no distinct genre. Channel counts exclude +1 and HD channel variants, and do not include BBC portfolio channels.

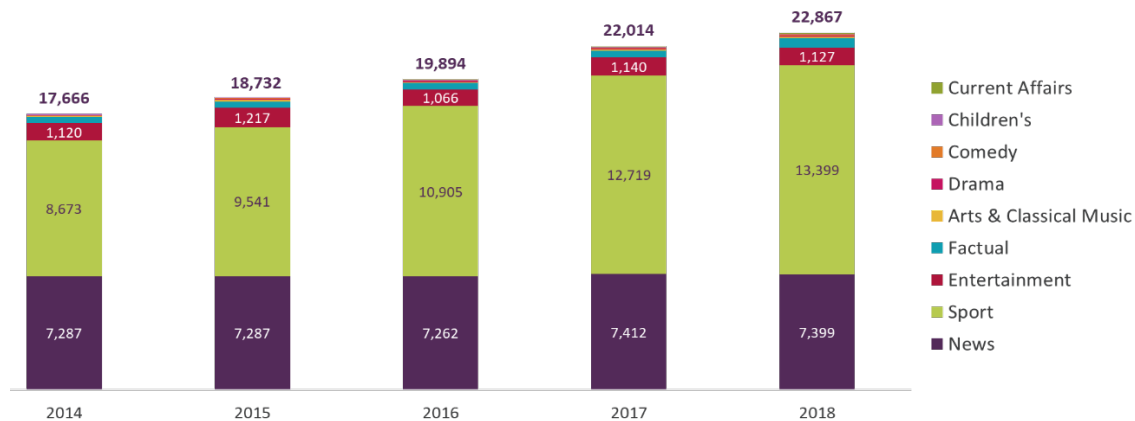
The multichannel sector has increased its provision of first-run original UK content, especially in news and sports

Hours of first-run original UK content in the multichannel sector have increased over our review period.⁷⁴ First-run hours went up from 17,666 to 22,867 between 2014 and 2018. Pay-TV providers Sky and BT have accounted for more than 90% of all first-run originated hours across the period. In 2018, 32% of total hours were devoted to news, and 59% to sport. This contributes to the PSB objectives of supporting informed debate and ensuring that a wide range of sports are available to audiences. However, apart from Sky News, much of the first-run content from the multichannel sector is not available to all audiences, as it is accessible only on pay-TV channels.

Sky has also increased sports coverage on its pay-TV channels since 2014, and the emergence of BT Sport in 2013 as a competitor to Sky further increased the hours of first-run sports programming produced in the UK.⁷⁵

The genres where we have previously expressed concern about the quantity provided on PSB channels also do not feature highly in multichannel sector's new, UK-originated hours. Factual, arts, and children's genres combined represented no more than 3% of first-run UK-originated hours in the multichannel sector across the review period, although this figure was supplemented by repeats and international content.

Figure 21: Multichannel first-run UK-originated hours



Source: Ofcom/broadcasters. Includes first-run UK originations for AETN UK, AMC Networks, BT, Columbia Pictures, Discovery, Disney/Fox Networks Group, Sky UK/NBC Universal International, Talking Pictures TV, Turner, UKTV and Viacom.

⁷⁴ We collected data on first-run output and spend from organisations operating at least one channel with over 0.2% of UK audience share in 2018, in addition to any broadcaster operating at least one channel aimed at children.

⁷⁵ When we refer to 'first-run UK origination' here, we exclude programming that was previously broadcast outside the UK. This means that internationally-produced content will not be captured here, unless it was intended for a UK audience and not shown in another territory first.

The cost of drama and comedy has grown significantly

As we described in the previous section, drama and comedy are important in PSB delivery as they entertain audiences but can also reflect UK lives, culture and humour. The provision of these genres has been broadly maintained on the PSB channels but they are also key drivers in the take-up and use of on-demand services. While the bulk of multichannel spend over the review period has been on sport, which accounted for 88% of total first-run programme spend in 2018, there has been a significant increase in spend on drama and comedy since 2014.

Multichannel spend on original comedy content grew from a low base of £921,000 in 2014 to £11.4m in 2018, while drama content spending rose by an average rate of 34% over the same period. The latter was particularly driven by Sky upping its drama spend levels in 2015 and sustaining this in subsequent years.⁷⁶ Sky has notably committed to double its spend on original content – which it said in July 2018 was about £500m annually – over the next five years. Recent investment announcements suggest that the trend in high-end drama is likely to continue, with [Sky investing in a new studio at Elstree](#) and [Netflix creating a production hub at Shepperton Studios](#).

In 2018, multichannels spent less on first-run drama in total than the PSB broadcasters, although their hourly spend was higher. Including third-party spend, drama costs per hour in the multichannel sector rose dramatically over our review period to £1.9m per hour in 2018, up from £1m in 2014. This is consistent with the growing PSB spend on drama, which increased from £1.1m to £1.7m per hour over the same period.

Multichannel spend on first-run UK content across other genres has also increased in recent years; particularly entertainment and factual content, although again mostly on content behind a paywall. Nevertheless, this investment in UK content contributes to the general health of the UK production sector. It is worth noting that first-run spend on children's content has declined by a CAGR of 27% since 2014, which is probably due to a greater multichannel focus on children's content produced by international players.

Multichannel viewing is skewing older, but younger and minority ethnic demographics make up a larger proportion of the audience than for the PSB channels

The overall share of viewing of multichannel services has remained stable over the past five years. In 2018, multichannels' share of viewing was 29%; up by one percentage point since 2014, and by two percentage points since 2009. However, much like the PSB channels, multichannel audiences have gradually skewed older since 2014. This shift has been more pronounced for multichannels than for the PSB broadcasters in recent years, with the proportion of viewers over 55 increasing from 34% in 2014 to 47% in 2018, compared to an increase from 51% to 58% for the PSB channels.

Despite the declining trend of younger viewership over the review period, younger generations still represent a slightly higher proportion of multichannel audiences when compared to PSB viewers. Looking at children in particular, 8% of the multichannel audience in 2018 consisted of under-16s, compared to 5% of PSB audiences and 5% of the viewership of the PSB broadcasters' commercial

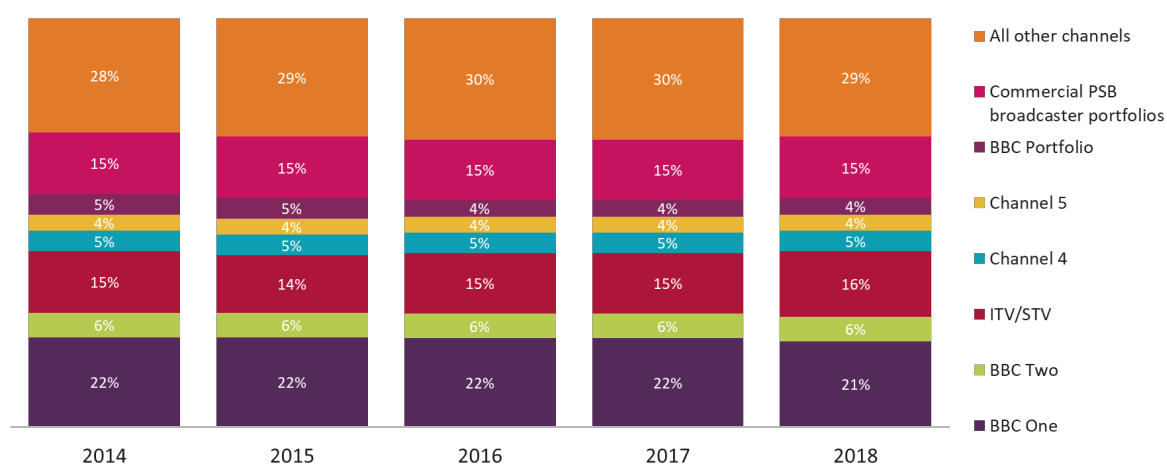
⁷⁶ Funding provided by HMRC's [high-end television \(HETV\) tax relief programme](#) may have contributed to the increase in spend and spend per hour for the genre.

portfolio. This includes viewing of dedicated children’s channels such as Cartoon Network and Pop, and some under-16 viewing of Sky One and movie channels.

Minority ethnic groups make up a larger proportion of audiences to multichannels than to PSB channels, (12% vs. 7% in 2018), possibly due to the provision of pay-TV channels specifically aimed at these groups. However, the balance has shifted since 2014, when minority ethnic groups represented 15% of multichannel audiences. The audience composition by ethnicity for PSB services has remained unchanged since 2014.

There was little change in the socio-economic make-up of the multichannel audience; in 2018 57% of the audience were in the C2DE⁷⁷ groups – much the same as in 2014. However, the proportion of DE individuals has risen slightly, from 34% of all individuals in 2014 to 36% in 2018. In contrast, the socio-economic audience for PSB channels has levelled out over our review period, with the proportion of C2DE individuals gradually falling from 52% in 2014 to 50% in 2018.

Figure 22: Share of broadcast TV viewing



Source: BARB. The main five PSB channels include viewing to their HD channel variants but exclude viewing to their +1 channels.

The genres audiences watch on non-PSB channels have not changed considerably between 2014 and 2018. Documentaries (excluding science and natural history) have remained the most-viewed genre since 2014, at 14% of viewing, followed by non-UK drama (10%), entertainment (10%), sport (10%) and non-UK films (8%). Sport has dropped to fourth place, from second place in 2014, despite an increase in hours over the period.

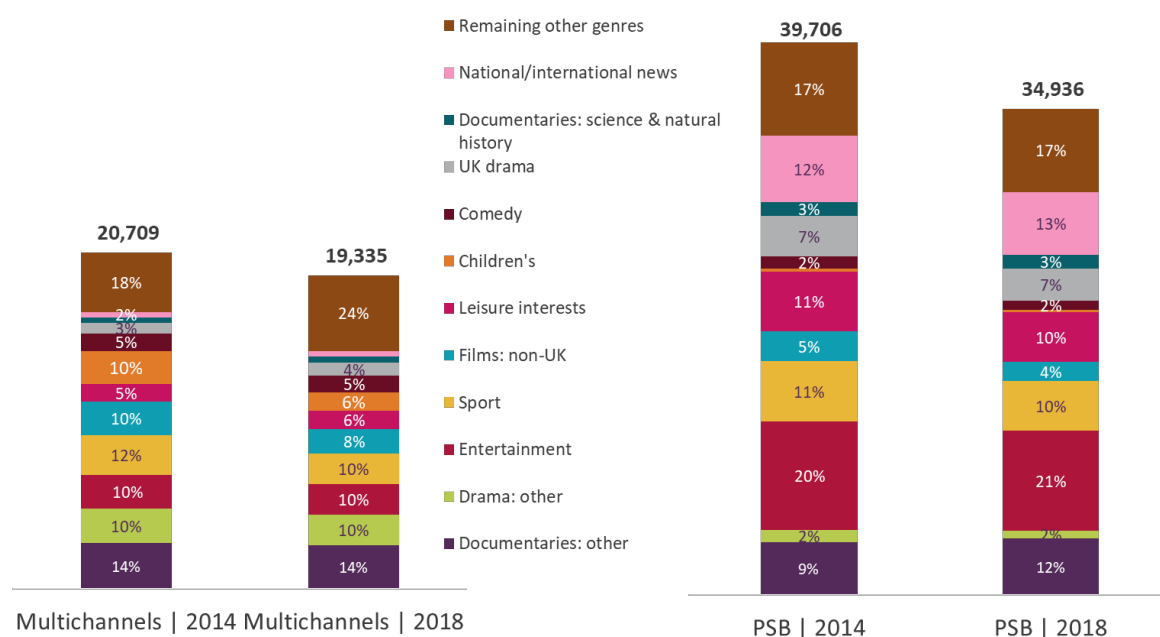
In line with the general trends we have observed in children’s viewing (shifting increasingly to online and on-demand services), children’s programming fell out of the top five genres in 2015 and viewing to the genre declined by 44% between 2014 and 2018. Non-UK films and drama, genres popular on SVoD services, have also seen declines. Viewing of UK drama has risen over the period, and science

⁷⁷ Socio-economic, or social grade, is the ‘common currency’ social classification used by the advertising industry and employed throughout marketing, advertising and market research. C2DE refers to those households where the chief income earner works as either a manual worker, casual and lowest grade worker, is unemployed with state benefits only or lives off a state pension only.

and natural history documentaries have increased their audiences. However, viewing to these genres remains significantly lower than on PSB channels.

The five least-watched genres on the multichannels have remained the same since 2014 and include several genres highlighted in the statutory PSB objectives: party political broadcasts, education, weather, religion and regional news. Viewing of music and arts genres has declined by about 50% over the period. Current affairs viewing has been relatively stable but remains at a low level compared to the PSB broadcasters.

Figure 23: Top viewed genres for multichannels compared to the five PSB channels. Minutes per person, per year, individuals (4+)



Source: BARB, individuals 4+. Multichannel viewing includes viewing to genres on all channels excluding PSB channels and their portfolio channels. Top-viewed genres, ranked by 2018. Main five PSB channels include their +1 channels. For genre information and the full list of 'all other genres' group please see the [interactive data report](#).

Multichannel services are expanding their on-demand offer to boost audiences

Although YouTube, Netflix and Amazon Prime Video have been driving much of the shift to on-demand viewing in the UK, multichannel services have also played an important role. Sky has been a leader in this area, ramping up its on-demand offer to its pay-TV subscribers since 2006, in the form of Sky On-Demand (on set-top boxes), and Sky Go (on other connected devices). As well as providing on-demand access to content from Sky's own channels, these services also provide access to a wide range of third-party subscription channels. These services are in addition to Sky's standalone SVoD service Now TV, which has seen steady growth over the review period. Other multichannel broadcasters have also diversified their distribution with advertiser-funded online players, notably

UKTV, which launched UKTV Play in 2014, and Discovery, which recently launched its specialist factual-programming streaming service QuestOD.

Audiences watch a range of genres through these on-demand services, including those aligned with the PSB objectives. In 2018 drama, children’s, factual and news content accounted for 61% of total programme requests for multichannel players’ on-demand services, compared to a 65% share for the same genres on PSB on-demand services. Total requests on multichannel BVoD services increased by 5.1% year on year in 2018 to reach 2.13 billion, compared to a 9% increase in PSB player requests to 6.3 billion.

Figure 24: Multichannel services’ on-demand requests, by genre



Source: Ofcom/broadcasters. Includes programme requests for Discovery (QuestOD), Disney (via on-demand services, excluding Disney Life), Sky (via set-top box downloads and from September 2016 via Sky Go, but excluding Now TV) and UKTV Player. Data provided by Sky relates to completed downloads through Sky services, and excludes requests made via third-party apps available on Sky services, such as Netflix.

The multichannel sector’s on-demand and online services also extend the reach of their content to non-pay-TV audiences. As mentioned above, UKTV Play and QuestOD are advertiser-funded and therefore free at the point of use. Sky’s standalone SVoD service Now TV represents a lower-cost alternative to its pay-TV services, making its programming more accessible. Although not all the sector’s content is universally available, it still plays an important role in extending choice for audiences and supporting a diverse UK production industry.

Subscription video on-demand (SVoD) services

A major change in the television landscape since our last PSB Review has been the growth in online video services, of which subscription video on-demand (SVoD) is a major component. Almost half of all UK households now subscribe to at least one of Netflix, Amazon Prime Video and Now TV⁷⁸, and

⁷⁸ BARB Establishment survey Q3 2019.

those with subscriptions watched an average of 82 minutes on any of these services per day in Q1 2019.⁷⁹

SVoD services can contribute to the delivery of specific PSB objectives, such as content which supports UK culture, original children's and educational programmes. However, different regulatory standards apply to SVoD services compared to broadcasting. The content standard rules are more limited, but SVoD services do have to comply with rules that protect children; prevent incitement to hatred; and limit product placement and sponsorship within programming. However, there are several elements of the regulatory rules that apply to broadcast channels, such as the need for due impartiality and accuracy in news, which do not apply to these online services.⁸⁰

Key findings on SVoD contribution to PSB objectives:

- The popularity of SVoD has been driven by younger audiences, but the range of content audiences are watching on these services is more limited than on the PSB channels.
- Drama accounts for over half of the main SVoDs' catalogues and viewing, although unscripted hours have increased, and specialist services are entering the market. Documentaries and current affairs are available, but SVoDs do not offer news.
- The majority of content is produced in the US, with most of the UK content coming from the PSB broadcasters, although further investment by SVoD services in original UK productions is expected in the coming years.
- The demand for high-quality drama has been driven by SVoDs like Netflix and has spilled over into the wider market, with cost per hour for the genre increasing, and multichannel and PSB spend along with it.
- Many viewers believe that the introduction of SVoD services has increased the overall quality of TV programmes.

The growth of SVoD services in the UK has been driven by younger audiences

The UK's major SVoD players have grown rapidly in popularity, while the reach of the PSB on-demand services has been largely flat.⁸¹ The contrast is even more striking in terms of viewing. In 2018 individuals in the UK watched an average of 26 minutes of SVoD a day, up from 18 minutes in 2017, and 8 minutes of BVoD, down from 9 minutes in 2017.⁸²

SVoD services have been particularly effective at engaging younger audiences, with 72% of households with 16-34s subscribing to at least one service⁸³; 16-34 year-olds watched an average of

⁷⁹ Amongst surveyed respondents who use at least any one of the following: Netflix, Amazon Prime Video or NOW TV. GfK SVoD Tracker. See [interactive data report](#).

⁸⁰ Except that SVoD services may not include sponsored news. The regulatory standards described above apply to SVoD services under UK jurisdiction or the jurisdiction of an EU member state.

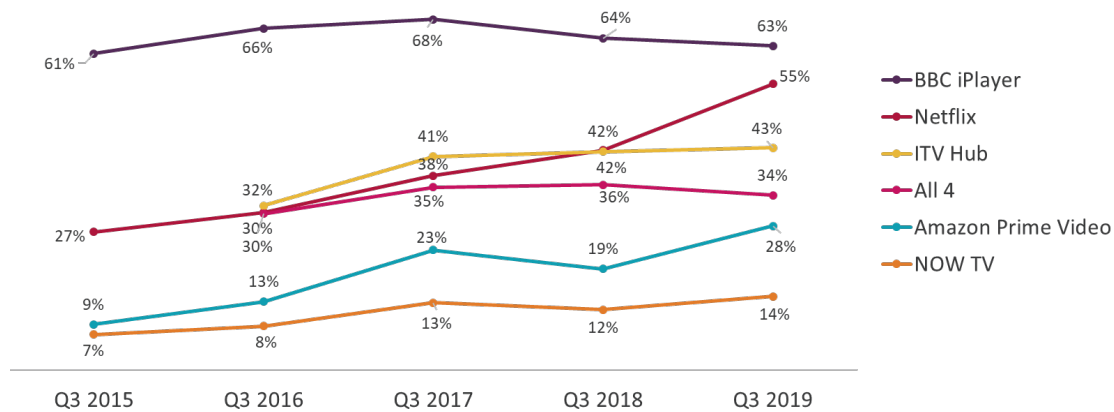
⁸¹ As online video services have grown and evolved relatively recently, measurements of these services are still in their infancy and some do not cover the entire review period of 2014 to 2018. Where possible, data covering the review period has been included, but in some cases only analysis covering a more recent period is available. Due to the fast-paced growth in the online video market, we have also considered some data covering 2019 to provide a fuller view of where the market stands.

⁸² Ofcom/BARB/BARB TV Player/TouchPoints/comScore. These figures are averages across all UK individuals (aged 4+) and include both those with SVoD subscriptions and those without.

⁸³ BARB Establishment survey Q3 2019.

52 minutes of SVoD in 2018 and 10 minutes of BVoD. Research from Kids Insight in H1 2019 found that Netflix was the most commonly-used television platform among children, used by 58% of 3-17 year-olds. A similar proportion of children watched Amazon Prime Video (29%) as BBC iPlayer (32%), with much lower reach for ITV Hub (14%), All 4 (7%) and My5 (7%).⁸⁴

Figure 25: Online video services used in the past month



Source: Ampere Analysis Consumer, Q3 2015-2019, Age:18-64, online respondents, UK. Note: My5 was not selected by respondents.

Base: 2015 & 2016: 1000 respondents, 2017-2019: 2000 respondents

Over half of the content available and viewed on SVoD services is drama

The SVoD libraries are not as broad as PSB channels in their genre mix. Drama made up more than half of Netflix, Amazon Prime Video and Now TV's content libraries in 2018, along with a significant share of comedy and children's content. Similarly, the majority of viewing on these platforms is to drama programmes, though this has fallen from 58% in Q1 2017 to 54% in Q1 2019.⁸⁵ Unscripted content made up just 18% of the main SVoD platforms' catalogue titles in August 2015, although this had risen to 27% in August 2019⁸⁶ with the launch of programmes such as *The Fix* on Netflix and *Back of the Net* on Amazon Prime Video.

The genre mix on SVoD, and consequently, its contribution to the PSB objectives, may change in the future. Netflix does not provide any live sports content and has stated in the past that it does not have plans to invest in live sports,⁸⁷ instead providing sports documentaries. Amazon, however, has ventured into live sports, particularly tennis (Amazon now holds the exclusive rights in the UK to the ATP tour, WTA tour and US Open), as well as more recent coverage of a selection of Premier League football games.

While Netflix and Amazon Prime Video do offer some current affairs and documentaries, neither offers daily news, a core aspect of PSB. In contrast, more than a third of content broadcast on the

⁸⁴ Kids Insight H1 2019. See [interactive data report](#).

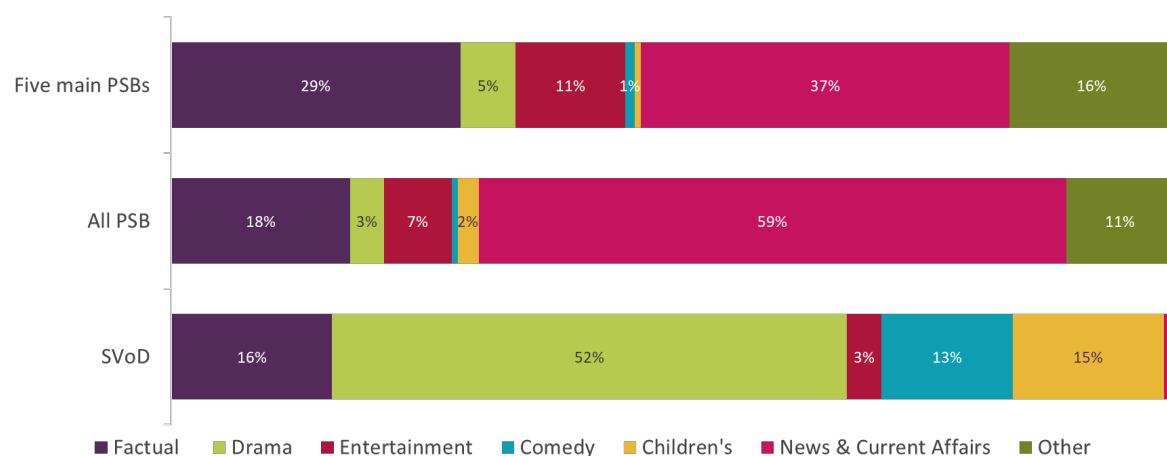
⁸⁵ GfK SVoD Tracker. Based on Netflix, Amazon Prime Video and Now TV viewing by panel.

⁸⁶ Ampere Analysis, August 2015 and 2019, Percentage of distinct titles movies and TV shows. Platforms: Netflix, Amazon Prime Video and Now TV.

⁸⁷ Maria Ferras, Netflix's head of business development in EMEA, at the 2018 IBC broadcasting convention in Amsterdam.

main five PSB channels is news and current affairs, increasing to almost 60% when including all PSB channels, such as the BBC News Channel and BBC Parliament.

Figure 26: PSB and selected SVoD hours of content, by genre: 2018



Source: PSB broadcasters: Ofcom/broadcasters. SVoD: Ampere Analysis. Note: Selected SVoD includes content hours of Netflix, Amazon Prime Video, and Now TV in the UK as at December 2018. Five main PSB figures includes first-run UK-originated hours of programming in 2018 for the five main PSB channels across the listed genres; the 'other' category includes arts and classical music, religion and ethics, sports, feature films, and education. All PSB-owned channels include network BBC portfolio channels in addition to the main five, but excludes all non-networked content. Available feature film hours are included within SVoD; however, feature film figures are not split out by specific genre category for the PSB channels and sit under the 'other' category in this analysis (accounting for 1% of the PSB channels' 'other' category).

Content from the PSB broadcasters constitutes a significant amount of UK-originated hours available on SVoD services

Most content available on Netflix and Amazon Prime Video is produced in the USA. Analysis shows that there are around two and a half times as many US titles as UK titles on Now TV, a little under four times as many on Netflix and five and a half times on Amazon Prime Video. However, the number of UK-produced titles has been growing: in August 2019, Amazon Prime Video had 1,076 UK-produced distinct titles (up from 443 in August 2015), Netflix 786 (419 in August 2015) and Now TV 727 (371 in August 2015).⁸⁸ In addition, some of the platforms' key global titles are UK-produced, such as Netflix's *The Crown* and Amazon's *The Grand Tour*.

The major SVoD platforms have grown their content libraries by licensing back-catalogue content from other producers and broadcasters. This has generated some revenue for UK broadcasters and producers, while also providing another window for audiences to enjoy and gain value from content originally shown on a PSB channel. In fact, this 'second window' may be particularly appealing to some viewers. Younger viewers (16-34 year olds) are more likely to watch BBC content on SVoD services rather than through BBC iPlayer (4.7 mins per day on SVoD vs. 2.5 mins per day on iPlayer for 16-34 year olds).⁸⁹ However, these viewers may not associate this content with the PSB channel

⁸⁸ Ampere Analysis, TV seasons and movies. See [interactive data report](#).

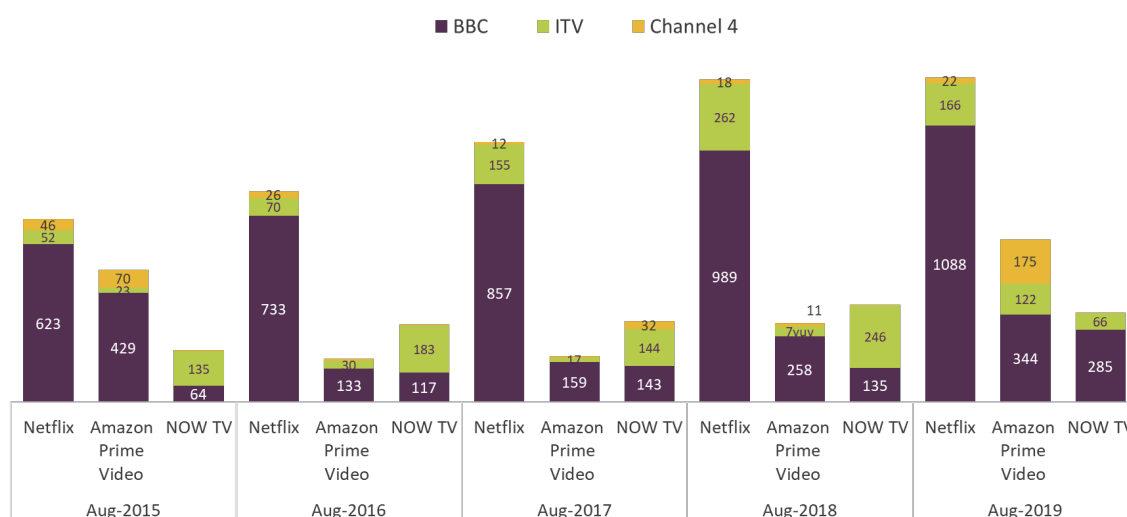
⁸⁹ Ofcom, 2018. [Ofcom's second Annual Report on the BBC, Annex 2: BBC performance report](#), page 6.

when the programmes are watched elsewhere, which may negatively affect the extent to which people value the PSB channels.

Archived box sets on SVoD can also draw viewers into new series on a PSB channel by allowing viewers to catch up on old episodes before the latest series launches. For example, the first four series of *Line of Duty* were available on Netflix (as well as BBC iPlayer) before series five was broadcast on BBC One, with the finale drawing in an average audience of 9.1 million viewers⁹⁰.

The number of hours of BBC, ITV and Channel 4⁹¹ content licensed to the three major UK SVoD services has grown over the period to a total of 1,276 for Netflix; 641 for Amazon Prime Video; and 352 for Now TV in August 2019.⁹² Overall, content from the BBC, ITV and Channel 4 made up 3% of their catalogues in 2019⁹³ and 8% of viewing across the three SVoD services combined in Q1 2019. This proportion of viewing has remained relatively stable over the last three years, despite the increasing number of BBC, ITV and Channel 4 titles available.⁹⁴

Figure 27: Number of content hours available from BBC, ITV and Channel 4 production companies available on selected UK SVoD platform libraries in August each year



Source: Ampere Analysis, where content is co-produced, the content will only be recognised by the primary production company. Note: Channel 5 hours are recognised under Viacom and have therefore been excluded in this analysis.

New partnerships are not limited to those between the PSB channels and Netflix and Amazon. The BBC and ITV have joined forces to launch BritBox, as a commercial SVoD venture, and Channel 4 and Sky announced a content-sharing deal whereby selected Channel 4 drama series will be released on Sky and the Now TV platform in one go, while highlights of Formula One and live coverage of the British Grand Prix will be shown on Channel 4 in return.

⁹⁰ BBC News, 2019. [Line of Duty finale draws biggest audience of 2019 so far.](#)

⁹¹ Channel 5 hours are not broken out separately from the total Viacom hours and have therefore been excluded from this analysis.

⁹² Ampere Analysis.

⁹³ Ampere Analysis, August 2019.

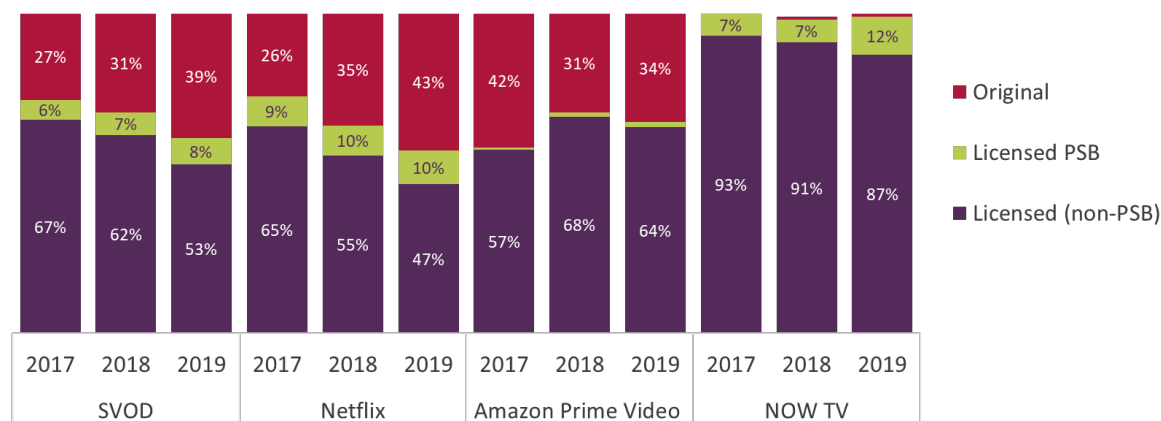
⁹⁴ GfK SVoD Tracker.

SVoD services are increasingly investing in new and original UK content

The major SVoD platforms have been developing their original content offerings, which in Q1 2019 accounted for 39% of viewing across Netflix, Amazon Prime Video and Now TV. In 2019 it is reported that Netflix will be spending £7.6bn and Amazon Prime Video £4.6bn on content globally.⁹⁵ This strategy has also led to an increase in investment in UK production. In September 2019, Netflix’s chief executive Reed Hastings announced that Netflix had spent £400m on UK-made content so far that year,⁹⁶ a significant increase over the [£62.8m it reportedly spent in 2015](#). Amazon has also invested in UK-produced titles including *The Grand Tour* and one-off comedy stand-up specials by UK comedians Ed Gamble and Paul Chowdhry.

Netflix and Amazon are also collaborating with UK broadcasters on co-productions such as *Good Omens* (Amazon and BBC Studios) and *Queer Eye* (Netflix and ITV Studios). Overall, the main SVoD platforms delivered 213 hours of UK-originated content in 2018. This is tiny in comparison with the 32,188 hours produced by the UK’s PSB broadcasters, but nevertheless the large content budgets of SVoD platforms present challenges to UK broadcasters in, for example, competing in high-end drama, and for on-screen and off-screen talent.

Figure 28: Proportion of viewing on SVoD, by content rights holder type: January-March 2017, 2018 and 2019



Source GfK SVoD Tracker Q1 2017, 2018 ad 2019. Note: SVoD includes Netflix, Amazon Prime Video and Now TV consumption only by GfK panel. Based on rights holder in the UK, original content includes Netflix, Amazon Prime Video & Sky while PSB relates to BBC Worldwide and Studios, ITV, Channel 4. Includes films and TV/web series. Note: Channel 5 hours are recognised under Viacom and have therefore been excluded in this analysis.

Overall, UK audiences seem to be benefiting from the SVoDs’ investment in programming - survey data has found that 41% of adults who watch any form of TV and online video believe that the growth of SVoD services has contributed to an increase in the overall quality of TV programmes.⁹⁷ However, this investment is focused primarily on drama, and due to the SVoDs’ need to cater to

⁹⁵ Ampere Analysis.

⁹⁶ Reed Hastings, Netflix’s chief executive, [statement made at Royal Television Society conference 20 September 2019](#).

⁹⁷ TouchPoints, 2019. Statement: *The growth of TV subscription services has contributed to an increase in the overall quality of television*. Base: Adult watching any TV or video and any TV or video online.

global audiences, there is a risk that even UK-produced programmes or UK-based stories may not represent or authentically portray the diverse people and places in a truly 'local' way.

Online services: video-sharing platforms (VSPs) and online news

Video-sharing platforms (VSPs) are services which offer programmes and/or user generated videos for which the service provider does not have editorial responsibility, such as YouTube, Facebook and TikTok. Many of these services originally began as places where users could upload short-form video content or share photos and message friends and family but some have evolved and now include professionally-made programmes and long-form content.⁹⁸ These services are still typically free of charge, supported by advertising and offer a huge quantity of content and range of choice: around 500 hours of video per minute is uploaded to YouTube.

There is no shortage of online content that could contribute to public service objectives, but there are also well-documented risks around harmful content. Under the new Audio-Visual Media Services Directive, VSPs must have in place appropriate measures to protect users from certain types of harmful content on their services. The Government intends to implement the Directive into UK legislation this autumn, which will grant Ofcom new powers to regulate VSPs that are established in the UK. This will be an interim regime, prior to the passage of the Online Harms Bill. On 12 February 2020, the [UK Government also announced](#) that it is minded to appoint Ofcom as the regulator for online harms following consultation on the Online Harms White Paper.

Key findings on online services contribute to the PSB objectives:

- Video sharing services such as YouTube offer more hours of content than the PSB broadcasters and the other media providers we have looked at combined, covering general genres like news and comedy as well as a long tail of niche interests. However, this content is very varied in quality.
- YouTube plays a significant role in children and young people's media lives, and PSB broadcasters are increasingly using this and other online services to reach these younger audiences.
- Online content sources and apps are an increasingly important source of news for UK audiences, but many people think social media news is not very trustworthy

People in the UK watch over half an hour of YouTube every day

Unlike SVoD, most video on YouTube and other online content services are watched on mobile devices, rather than on a television set, and in general, the content is not long-form TV programmes, but music videos, vloggers, and short clips including pranks and 'unboxing' videos. But these online content services account for a very large and growing amount of people's media use, young adults' in particular.

⁹⁸ The additional duties introduced by the *Digital Economy Act 2010* require us to consider media services such as internet services where a person exercises editorial control over the content it makes available in this review. As VSPs largely feature user generated content, they fall out of scope of this requirement. However, due to the significant role some VSPs and other content services play in audiences' media lives, we have chosen to consider their contribution to the public services objectives.

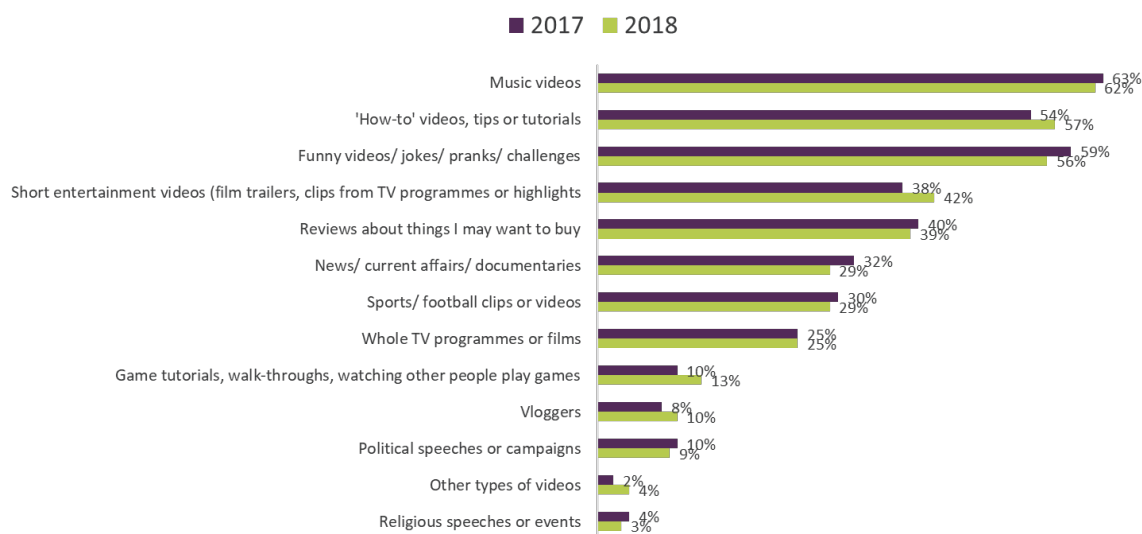
On average, people in the UK spent 34 minutes a day watching content on YouTube (excluding TV set viewing), this rises to 73 minutes for 16-24 year-olds.⁹⁹ Many of these platforms have also evolved significantly over the five years under review: YouTube has established itself as a place for long-form as well as short-form content and has started producing its own original content under YouTube Premium. Facebook Watch and Snapchat are also producing original content and Facebook’s Instagram in 2018 launched IGTV, allowing Instagram users to upload longer videos.

Music and ‘how-to’ videos are the most popular content genres

Online content services offer an enormous variety of content free at the point of use, some of which is aligned with the PSB objectives. Around a third of people say that they watch news/current affairs/documentaries online. As part of its Google News Initiative in 2018, Google introduced a Top News and Breaking News ‘shelf’ on the YouTube homepage to try to make it easier for YouTube users to obtain high-quality news.

Our research also finds that significant numbers of UK adults use online content services and VSPs for watching political speeches or campaigns (9%) and religious speeches or events (3%). The vast amount of content and the ease of uploading and sharing also enables these services to serve niche audiences and interests that are not viable on broadcast television, including hyperlocal communities and globally dispersed audiences for niche sports and cultural events.

Figure 29: Type of content watched on video-sharing sites by adults aged 16+



Source: Ofcom Adult Media Literacy Tracker 2018

IN19B. And what types of videos do you tend to watch on these sites or apps? (prompted responses, multi-coded) Base: All aged 16+ who ever watch content on video-sharing sites (1161 in 2017, 1179 in 2018) Arrows show significant changes (95% level) between 2017 and 2018

YouTube plays a critical role in children’s media consumption

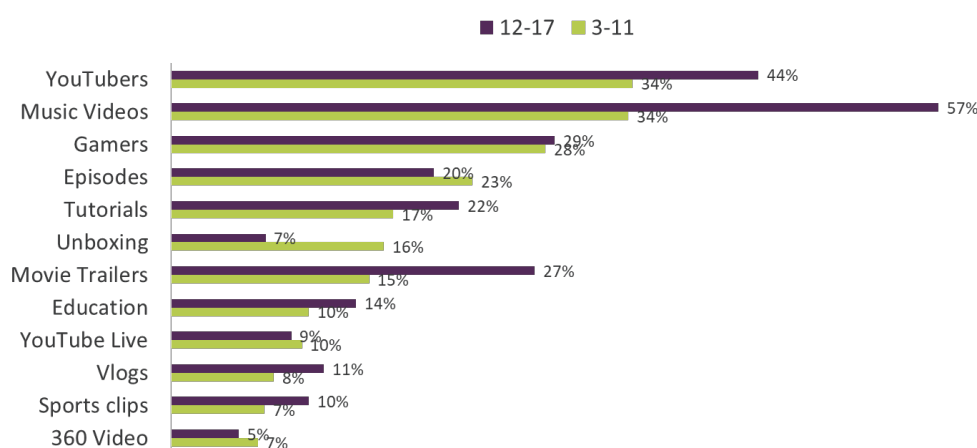
Ofcom research found that in 2018 almost half of children aged 3-4 (45%) had ever used YouTube, increasing to 89% of children aged 12-15; we expect this trend to have continued over 2019. Among

⁹⁹ [Ofcom Media Nations 2019](#), pages 16 and 18.

all age groups, YouTube is children’s most favourite video app on mobile devices¹⁰⁰, and the growth of smart televisions has meant that children are increasingly watching YouTube on a TV set.¹⁰¹

Music videos, YouTubers (i.e. video bloggers) and gamers are the most popular video types among children (Figure 3.16), but 14% of 12-17s and 10% of 3-11s report watching educational videos. There is a large range of educational videos available on YouTube for children of all ages. Some prominent channels include *Cocomelon – Nursery Rhymes* and UK-based *Little Baby Bum*, which are the second and eighteenth most-viewed channels globally, with almost 44 billion and 21 billion global video views respectively. Both specialise in 3D animations of traditional nursery rhymes and their own original children's songs. In comparison, the CBeebies YouTube channel has 1.2 billion views.¹⁰²

Figure 30: What type of videos do you watch on YouTube? by age: Q1 2019



Source: Kids Insights Q1 2019, online users. Base: age 3-11: 1200 12-17: 956.

Online news is becoming increasingly important to audiences, but it is recognised as not as trustworthy as TV and radio

While TV remains the most-used platform for news, used by 75% of UK adults, the internet is an increasingly important source. Two thirds of UK adults access news online, making it more widely used than radio (43%) or newspapers (38%).¹⁰³ Eight in ten (83%) of those aged 16-24 use the internet for news, compared to just six in ten (51%) who use TV.¹⁰⁴

Established news brands are important sources of online news, with the BBC, Sky, News UK, the Daily Mail, Independent and Evening Standard, the Guardian and the Telegraph Media Group all featuring in the UK’s top 20 most-visited internet properties in September 2018.¹⁰⁵ However, people

¹⁰⁰ Kids Insight, age: 3-17 year olds, H1 2019 UK.

¹⁰¹ Ofcom, 2018. [Children and parents: Media Use and Attitudes report.](#)

¹⁰² Socialblade rankings as at 22 November 2019.

¹⁰³ Ofcom, 2019. [News consumption in the UK.](#)

¹⁰⁴ Ofcom, 2019. [News consumption in the UK.](#)

¹⁰⁵ Ofcom, 2019. [Online Nation, Interactive Report.](#)

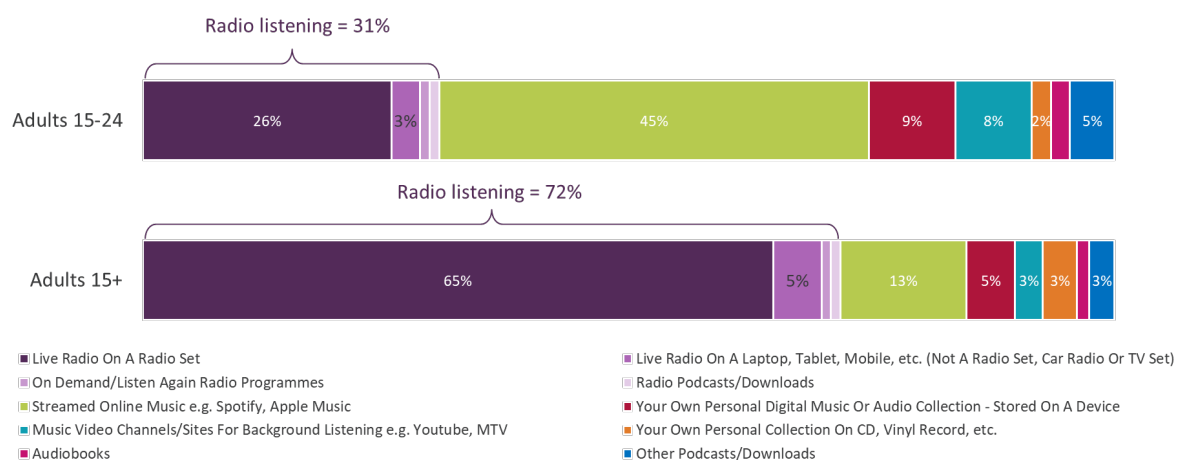
are also increasingly using social media for news: our 2019 News Consumption Survey found that Facebook was the third most popular individual news source after BBC One and ITV.¹⁰⁶

News stories on social media are often delivered by recommendation engine, and users may not be aware of the original source and its reliability. Our research has found that while many people can recall the social media site where they saw a news item, some struggle to remember the original source of the story. Our qualitative research suggests that this may be because social media sites display news from a range of sources, including the PSB broadcasters and other UK outlets, alongside many other types of content.¹⁰⁷ A potential consequence is that established news providers may find it harder to reach audiences, and overall trust in news may be eroded, particularly among younger people who are heavy consumers of news on social media. In 2019, just 38% of users of social media for news thought it was a trustworthy source of news, compared to 82% for users of magazines, 71% for TV users and 67% for radio listeners.¹⁰⁸

Radio and audio

Radio listening continues to be a major part of people’s media consumption with nine in ten adults in the UK listening to live radio each week, for an average of 20.9 hours a week,¹⁰⁹ and live radio on a radio set accounting for 65% of all audio time for all adults.

Figure 31: Weekly audio consumption



Source: TouchPoints, 2019

Although not responsible for delivering the PSB remit set out in the Communications Act, radio does play an important role contributing to the PSB objectives. The sector has a number of regulatory obligations that place public value requirements on licensed radio services, while online streaming and podcast services also offer a vast range of content services in all genres. Similar to television, all

¹⁰⁶ Ofcom, 2019. [News consumption in the UK.](#)

¹⁰⁷ Revealing Reality, 2018. [Scrolling news: The changing face of online news consumption, A report for Ofcom](#), page 38-39.

¹⁰⁸ Ofcom, 2018. [News consumption in the UK.](#)

¹⁰⁹ RAJAR, Q1 2019 Average hours per listener, adults 15+.

broadcast radio services must comply with general regulatory standards, set out in the Broadcasting Code, but podcasts and music streaming services are not subject to editorial standards regulation.¹¹⁰

Key findings of how radio and audio contribute to the PSB objectives:

- The radio and audio sector contributes a wide range of content which supports the PSB objectives, particularly in news and current affairs, and in reflecting UK culture through diverse comedy provision.
- Despite the increase in online content and streaming services, nine in ten of us still listen to the radio each week. Young people spend a lot more time listening to music streaming services than to radio, but radio services are expanding their online offerings.
- BBC nations'/local radio and community radio provide an important contribution to news provision in the UK, and appeal to diverse communities. We expect this sector to continue to grow.

Younger people spend more time listening to online streaming services than live radio

During our review period, there have been significant changes in audiences' listening habits, driven partly by the growth of digital radio (which now accounts for over half of all listening) but also the increasing availability and take-up of other online audio services. As with television, the take-up of online audio services is most pronounced among younger people, with live radio accounting for only 26% of audio listening time for 15-24s in 2019. Online streaming services account for 45% of audio listening for this age group.

Online streaming services typically offer some content that contributes to the PSB objectives, such as news and UK drama, and 36% of adults report that online music services help them to discover new music or artists (compared to 49% who listen to the radio). These services can also provide access to podcasts offering a large range of content, including factual and current affairs.

Spotify is the most popular online streaming service in the UK with 20.2 million users in 2019 (up from 16.2 million in 2017)¹¹¹ and our research found that it was the third most popular service for accessing podcasts (behind YouTube and BBC iPlayer radio).¹¹² Both radio and online streaming services also contribute towards the UK's broader creative industries through their royalty payments to music rights holders.¹¹³

¹¹⁰ The Broadcasting Code and information on related standards rules can be found on the [Ofcom website](#).

¹¹¹ Source: Comscore MMX Multi-Platform, Age: 18+, Sep 2017-2019, UK. See [interactive data report](#).

¹¹² [Ofcom Media Nations 2019](#), page 109.

¹¹³ For example, in 2018 PRS, which collects rights fees on behalf of songwriters, composers and music publishers, collected [£128m in income from TV and radio broadcasters and £146m from digital services](#), while PPL, which collects rights for performers and recording rightsholders [collected £84 million from licensed broadcast and online platforms](#).

While its share of the radio market has been declining, three-quarters of audiences are satisfied with the BBC's radio services, and the BBC is developing BBC Sounds to regain audiences online

BBC Radio services are subject to a range of specific service requirements and quotas which are intended to ensure the delivery of the BBC's mission and public purposes. These include news output obligations across the BBC's UK-wide radio stations, a requirement to broadcast documentaries and religious programming on BBC Radio 4, and a requirement for BBC Radio 1 and 2 to play a broader range of music than comparator stations.

As an example of the role the BBC plays in the discovery and promotion of new music in the UK, its '[BBC Music Introducing](#)' initiative enables unsigned artists to upload their music in the hope that it will be broadcast on the BBC's local radio stations, and potentially on other BBC music outlets. The BBC's nations' and local stations are required to provide news, sport, information and other content of relevance to the areas and communities they serve, including locally-made community programming, which is in the majority of cases made outside London.

However, the BBC has seen its share of listening fall over the period, from 54.6% in Q1 2014 to 51.9% in Q1 2018, and to below 50% for the first time in Q2 2019, in part due to the strength of the national commercial sector. While these stations have been increasing their reach across all age groups, BBC stations have been losing listeners, particularly among 15-24s. The BBC lost 16% of its reach to listeners in this age group between Q1 2014 and Q1 2018. Despite this decline in listenership, audience satisfaction with the BBC's radio services remains high, higher than that for BBC TV.¹¹⁴

In the face of declining live radio listenership, the BBC has taken steps to engage audiences, particularly younger audiences, through its online audio content and services. Drawing from its radio output, the BBC is a prolific producer of podcasts which are available on all major podcast platforms. Regular BBC podcasts such as *Brexitcast*, *Desert Island Discs*, *Friday Night Comedy*, *Woman's Hour* and *Football Daily* typically feature in the top 50 UK podcasts on Spotify and Apple Podcasts. The BBC is increasingly commissioning audio content for exclusive distribution through its new BBC Sounds platform.

Local and national commercial stations provide regular news to a range of audiences throughout the day, as well as specialised speech-based services

Each local and national commercial radio station has an Ofcom-granted licence which often requires them to provide news and certain other content.¹¹⁵ A [2018 report](#) by the All-Party Parliamentary Group on Commercial Radio found that a typical commercial radio station provides 23 news bulletins, 28 weather forecasts and 20 travel updates each day. There are a range of commercial stations that provide content aligned with the PSB objectives, including children's programming (e.g.

¹¹⁴ Ofcom, 2019. [BBC Performance Tracker](#). In 2018/19 73% of listeners scored their satisfaction with BBC radio highly compared to 68% of BBC TV viewers who were highly satisfied with the service.

¹¹⁵ Digital stations are not generally required to provide news under their Ofcom licence. However, if a digital station is a simulcast of an analogue service, under the terms of its analogue licence it has to offer news.

Fun Kids), rolling news (e.g. LBC News), sport (e.g. talkSPORT), religious programming (e.g. Premier Christian Radio), and serving the diverse communities of the UK (e.g. Sunrise Radio).

Driven by its availability on digital platforms, national commercial radio has increased its reach across all age groups since 2014, in particular to 15-24s, increasing its ability to provide news to large audiences. Local commercial radio, by contrast, has seen a decline in listenership over the years. We have recently changed our regulatory approach to ensure that stations continue to provide news and other content valued by listeners, while allowing greater flexibility in how and where they create this content.¹¹⁶

Further research: diversity and equal opportunities in radio

In July 2019 we published our second report on [diversity and equal opportunities in radio](#), which examines the extent to which the UK's radio broadcasters promote equality of opportunity, diversity and inclusion.

In this report we focused on the three biggest radio broadcasters: the BBC, Bauer and Global. We have identified tangible progress, but there is much further to go. In our first report, we found a worrying lack of data across a range of characteristics, this has improved but large gaps remain.

Where we have data, we found that representation of many groups is taking time to improve, as is expected to an extent as workforces evolve gradually. Women remain less likely to hold senior roles, while disabled people and those from minority ethnic backgrounds are still under-represented. We are encouraged by the diversity and inclusion strategies put in place by many senior leaders, particularly where work experience and training schemes, employee networks and fair recruitment practices are helping provide access and opportunity for those who may struggle to break into the industry.

In 2020 we will collect and publish further data and analysis on the diversity of UK broadcaster workforces, alongside continued engagement with broadcasters to encourage sharing of best practice. Ofcom's next report on diversity and equal opportunities in radio will be published alongside the equivalent report for TV in autumn 2020.

Community radio and the Audio Content Fund support the PSB objectives

Community radio stations are local, not-for-profit services which are provided primarily to deliver social gain to specific regions or communities. Each station's licence sets out at least four social gain objectives that it must support, including reaching under-served audiences, facilitating discussion and expression of opinion, providing education and training to members of the community, and increasing social cohesion. As such, community stations cater to a wide range of audience groups around the UK, including children, different religions and diverse local community groups, and almost all these services are produced outside London. About 6% of adults listen to community radio stations, with around a fifth of these doing so on a weekly basis¹¹⁷.

The number of community radio stations broadcasting in the UK rose from 214 in May 2014 to 281 in March 2019. We expect the sector to grow further, with the launch of small-scale DAB services,

¹¹⁶ Ofcom, 2018. [Localness on commercial radio](#).

¹¹⁷ TouchPoints, 2019.

which allow local stations to achieve affordable transmission on digital radio, and the issuing of new Community Digital Sound Programme licences, scheduled to take place from 2020.

Since early 2019, a contestable fund has been available to support the production of audio content that supports the PSB objectives. The [Audio Content Fund](#) will provide up to £3m in funding for the commercial and community radio sector to produce and broadcast “distinctive, public service radio programming” focusing on genres such as documentaries, comedy and drama, which may be more challenging to fund on a commercial basis. By the end of 2019 the fund had made grants of £655,000 to 25 projects to support content in both the community and commercial radio sectors.

Podcasts are creating new opportunities for content that aligns with PSB objectives and for new talent

Online audio services offer a wide range of speech-based content in the form of podcasts, of which there are now over 700,000 titles. Podcasts have increased in popularity over the past five years: between Q1 2014 and Q1 2019 the proportion of adults who listen to podcasts on a weekly basis has increased from 7.0% to 12.6%. As with radio, podcasts are generally free to listen to, and some podcasts carry advertising and/or sponsorship. Other source of revenue for podcasts include donations, merchandising and live events, and some podcasts sit behind paywalls.

Podcasts produced in the UK cover a wide range of subjects, some contributing to the PSB objectives associating with providing news, current affairs, science, religion, ethics and comedy. The relatively low barriers to entry for creating and distributing a podcast means that the podcast sector is diverse; podcast producers include radio and TV broadcasters, independent radio production houses and other established media outlets including newspapers and magazines. Other publishers including charities and the arts and culture sector also sometimes produce podcasts to help further their organisational objectives. Comedy podcasts are one of the most popular genres among weekly podcast listeners; 54% say that they listen to them, while 49% of weekly podcast listeners listen to news and current affairs podcasts.¹¹⁸

¹¹⁸ Populus, March 2019. Published in [Ofcom Media Nations 2019](#).

6. The future of PSB, and next steps

Our five-year review highlights the many enduring strengths of the PSB system, for audiences and for the UK creative economy. The PSB channels have delivered a wide range of high-quality content including a significant amount of original UK programmes in a range of genres that were generally highly valued and widely watched by viewers. Other media services, including commercial TV, audio and online also played an increasingly important role in supporting both the PSB objectives and the UK creative economy.

However, the challenges to the continued effectiveness of the current PSB system are equally clear. Live broadcast viewing is in decline, as viewers increasingly shift to global on-demand and online services. The connections which some audiences, particularly younger people, have traditionally had with PSB channels has diminished. The time is right to explore new ways in which PSB could be delivered, so that audiences and the wider UK economy continue to benefit.

The goal of the *Small Screen: Big Debate* programme is to stimulate new ideas on the future of PSB and how the positive outcomes for audiences and the creative economy could be strengthened for the next decade and beyond. We are looking at *what* the PSB system should deliver in the future, *how* it should be delivered and *what* legislative and regulatory framework might be needed. We outline our work in more detail below.

Our PSB work programme

The scope of our work

Our work will be structured around the following themes:

What should PSB deliver?

We are asking what PSB should aim to achieve in the future and are considering:

- what the diverse audiences across the UK consider to be personally valuable, such as a wide choice of content; and the importance they attach to various aspects of the framework, including the universal availability of PSB content;
- the importance in a democratic society of access to a wide selection of information and viewpoints, as well as the function which the PSB system plays in contributing to, and being a part of, the culture of the UK; and
- the importance of maintaining a creatively and financially successful UK broadcasting sector, which promotes the UK to the world and contributes to the economy in all parts of the UK.

How should PSB be delivered?

Given viewing trends and changing audience expectations, we are considering:

- What options there are for who should deliver PSB to UK audiences, and what role the whole sector should play in delivering this content;
- How PSB content could be distributed so it is widely available and audiences can easily access it; and what opportunities there may be for greater collaboration across the sector; and

- What options are there for how PSB could be funded to enable the sector to attract sustainable investment and to innovate; and how to develop skills, talent and expertise to help showcase UK creativity and export it to the world.

Policy and regulatory options

As part of our work programme, we are also exploring how options for the future of PSB might best be supported under the current legislative and regulatory framework, as well as alternative approaches. As technology and viewing habits continue to change at pace, the UK needs a regulatory approach that is flexible and able to respond to future challenges.

We have already made recommendations to Government on creating new prominence rules for PSB on-demand¹¹⁹ and we continue to work with Government and industry on how these recommendations could be implemented in practice. Our proposed approach to new rules for PSB prominence are sufficiently flexible that they could be adapted to accommodate any relevant recommendations that may result from *Small Screen: Big Debate*.

Whether any other new measures are needed will be informed by discussions on what the priorities for PSB should be and how it could be delivered in the future. If other measures are identified, we will consult on these in the summer to provide evidence to policy makers and legislators and inform their decisions on the future of PSB.

What are we doing?

***Small Screen: Big Debate* – understanding audiences**

Audiences are at the heart of our work and we want to understand what different groups might want and expect from PSB. To complement existing research, we have commissioned additional market research and analysis, and are keen to hear directly from audiences. We want to look at what all audiences might value, but with a particular focus on those aged 16-24. We will look at the connection between the different life stages young adults go through, their viewing habits and preferences. We will also explore the type of content they particularly value, as well as asking them what they want from PSB, now and in the future.

***Small Screen: Big Debate* – engaging with stakeholders**

We are already meeting broadcasters and other interested parties through a series of panel and round-table events across the UK. We are planning further engagement throughout the first half of this year, including an industry conference in May to examine future options for Public Service Broadcasting.

We have launched a dedicated *Small Screen: Big Debate* website where everyone can contribute to the conversation around the future of PSB. We will publish more information about *Small Screen: Big Debate* on this website as it becomes available, including links to both Ofcom and other relevant external research and papers. This will allow users to view previous events and share views, including via video clips and social media.

¹¹⁹ Ofcom, 2019. [Review of prominence for public service broadcasting: Recommendations to Government for a new framework to keep PSB TV prominent in an online world.](#)

Small Screen: Big Debate – building evidence

These discussions around the UK, together with our research, analysis and further evidence from stakeholders, will inform a consultation on options for the future of PSB which we will publish this summer. We will then invite views and evidence on these options before making recommendations to Government by the end of this year.