

Supplementary written evidence submitted by the Association for
Commercial Broadcasters and On-Demand Services

Inquiry into Film and High-End TV

Introduction

1. COBA is the Association for Commercial Broadcasters and On-Demand Services. It represents multichannel broadcasters in the digital, cable and satellite television sector and on-demand services.
2. COBA members operate a wide variety of broadcast and VoD services, offering news, factual, children's, drama, music, arts, entertainment, sports, shopping and comedy. Their content is available on free-to-air and pay-TV platforms, as well as on-demand. They account for around 30% of all linear viewing in the UK and include some of the biggest VoD services in the UK, as well as many smaller ones.
3. COBA members are one of the fastest growing parts of the UK TV industry:
 - Scale: In the last decade, the sector has increased its turnover by 30% to more than £5 billion a year. This is rapidly approaching half of the UK broadcasting sector's total annual turnover, and has helped establish the UK as a leading global television hub.¹
 - Employment: As part of this growth, the multichannel sector has doubled direct employment over the last decade.²
 - UK production: In addition, the sector has increased investment in UK television content to a record £1.1 billion per annum, up nearly 75% on 2011 levels.³
4. For further information please contact Adam Minns, COBA's Executive Director.

¹ Ofcom International Broadcasting Market Report 2013

² Skillset, Television Sector – Labour Market Intelligence Profile

³ COBA 2019 Content Report, Oliver & Ohlbaum Associates for COBA

Additional Evidence

1. In light of the Committee's concerns about the pressure on PSB production budgets – and discussions during oral evidence about levies – COBA has commissioned independent analysis to demonstrate how non PSB broadcasters and SVoDs are **already** directly funding the content made by PSBs at record levels.
2. In our previous written evidence, we set out how rising demand for collaborations between global and domestic players has fuelled investment from non PSBs into PSB programming – as part of co-productions or similar partnerships, where each partner contributes towards production costs. This has enabled PSBs to offset their spending on more commercial genres such as drama and channel funds into other genres where the market may not be so active.
3. The extent and make-up of this third-party funding for PSB drama is set out in fresh researched conducted by Oliver and Ohlbaum Associates, a leading media analyst, for COBA. It is based on Ofcom's and their own data. We have provided the full report separately, but it shows total third-party funding for PSB drama production rose from £321m in 2018 to £469m in 2022, up more than 50%.
4. As a result, third-party funding now represents 58% of all investment in PSB drama – i.e. more than the PSBs themselves invest in PSB drama. This additional investment has enabled the total value of PSB drama to rise from £581m in 2018 to £809m in 2022 – a growth of more than a third during the period.
5. As noted above, this provides PSBs with the ability to channel a greater proportion of their production budgets into genres where the market is not so

active. In other words, non PSB sources are directly funding PSB genres such as drama and indirectly supporting other less commercial genres.

6. To break down third-party funding, non PSB broadcasters and SVoDs now provide £132m a year for PSB drama, up from £78m in 2018. This is a growth of around 66% over the period. The remaining third-party investment comes in the form of tax reliefs and equity from independent producers.
7. This underlines our argument in our original submission that, while co-production has always taken place, third party funding is now “the new normal” for many areas of programming. As Ofcom concluded recently:

[T]he PSBs do not have to meet the entire cost of programme making, instead trading off part-ownership of the associated rights.”⁴

8. Some have suggested that this third-party funding is drying up. On the contrary, even if the number of co-productions with Netflix has slowed, others such as non PSB broadcasters or other SVoD services have stepped up. For example, co-productions and partnerships between the PSBs and our members have included the BBC and Amazon on well-known titles such as *Small Axe*, *Fleabag*, *A Very English Scandal* and *The Pursuit of Love*.
9. This is of course in addition to the positive impact of inward investment from non PSBs in developing the critical mass that is crucial to developing creative clusters such as in South Wales, as well as their substantial levels of commissioning of UK content in their own right. We have already provided the Committee with detailed evidence of both.
10. As we noted previously, given the sustained success of the UK, it is important to guard against complacency. This is critical given the economic headwinds affecting the sector and the economy generally if the UK is to maintain current

⁴ Ofcom Communications Market Report, 2018

levels, let alone grow investment. We welcome the Government's recent endorsement of the UK tax reliefs for production and caution against imposing further costs on investors, such as introducing levies, which will inevitably damage the UK's competitiveness.