

Factsheet 2 - TV spend

Ofcom

Oxford Media Convention 2 March 2016

This factsheet has been compiled by Ofcom and provides some background to aid discussion at the 2016 Oxford Media Convention. It looks at the total content spend of both the PSB channels and the multichannel sector in recent years, followed by a more in-depth look at their spend on first-run UK originated programming. Figures are provided up to and including 2014 as data are collected from broadcasters on an annual basis and 2015 data are as yet not available. All data referred to can be found in Ofcom's PSB Annual Report 2015

Market Context

Key points

- Spend by the PSB channels on their network programming decreased by £1.0bn in real terms from 2004 to 2014. The decline was proportionately greater across the BBC (29%) than across the commercial PSB channels (24%), as shown in Figure 1.
- Looking at the five years from 2009 to 2014, spend on acquisitions and repeated programming by the PSB channels decreased by 36% in real terms while spend on original UK programming decreased by a larger absolute margin (this is analysed in the next slide).

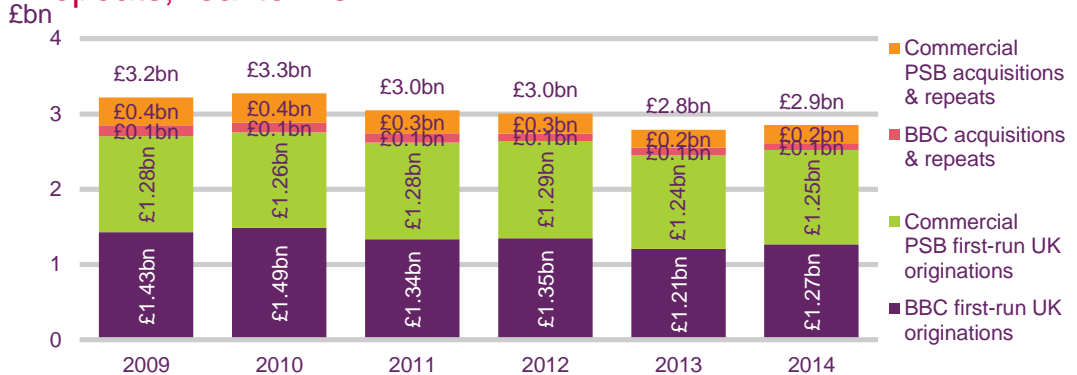


Figure 1 - PSB overall network programme spend; real terms



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming

Figure 2 - PSB network spend on originations, acquisitions and repeats; real terms



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. Commercial PSB includes ITV, ITV Breakfast, Channel 4 and Channel 5. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming.

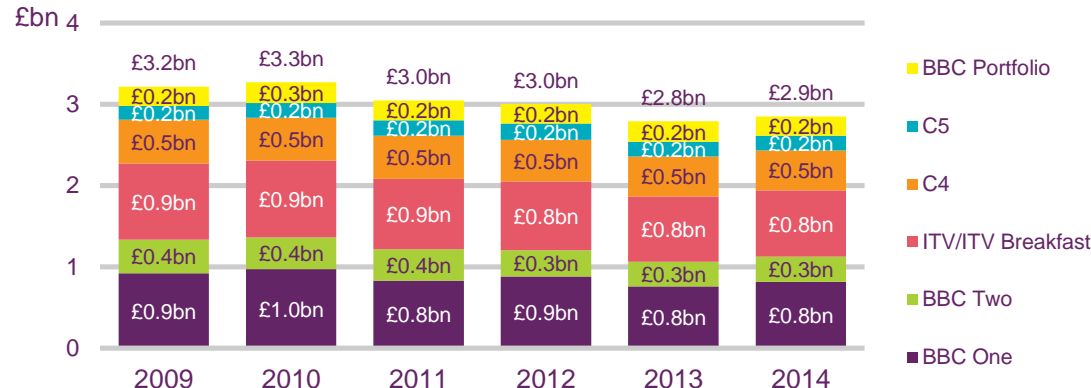
Market Context

Key points

- Figure 3 shows that BBC One, BBC Two and ITV/ITV Breakfast all saw their programme spend increase in real terms year on year, while that of Channel 4 and Channel 5 was broadly stable. The BBC Portfolio channels saw a 5% real-terms decrease in programming spend from 2009 to 2014.

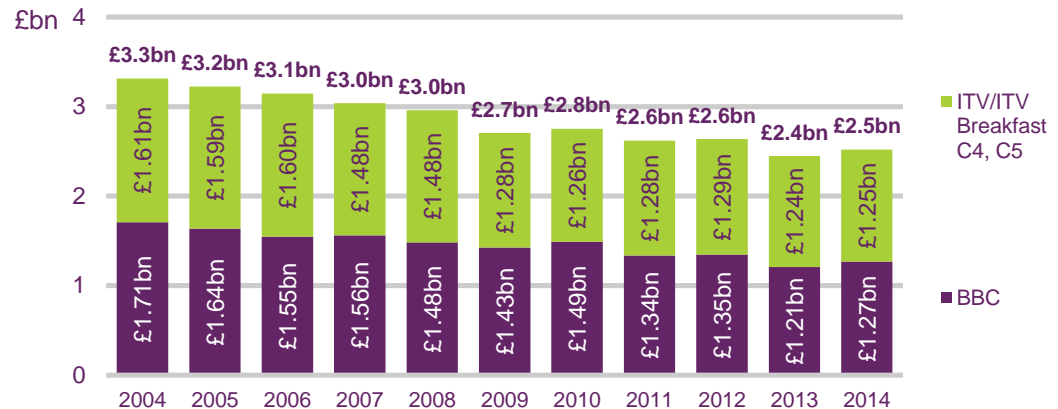
- At £2.5bn, the PSB channels spent 88% of their total programming spend on first-run UK originations in 2014. This was a £0.8bn real-terms decrease since 2004, when 86% of total spend was on such output.

Figure 3 - PSB network programme spend; by channel, real terms



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC Portfolio includes BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming

Figure 4 - PSB spend on first-run UK originations; real terms



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming.

Market Context

Key points

- Figure 5 looks at the spend on original UK content by the PSB channels from 2009 to 2014. While Channel 5 had a 27% real-terms increase over this period, the other main PSB channels saw a decline in first-run spend from 2009 to 2014. BBC Two had the largest proportional drop (down 21% to £286m) in real-terms first-run spend over this period.
- The 2014 PSB channel spend of £2.5bn on first-run UK originations was a £0.1bn decrease in real terms since 2012, the most recent comparable year, due to the presence of major sporting events.
- It's worth noting that these figures exclude the contribution of third parties, such as independent producers and co-production partners, to production costs, estimated at £238m in 2013.
- As part of Ofcom's latest PSB review, changes in content investment were analysed further in *Trends in TV content investment*.*

* Paper available at <http://stakeholders.ofcom.org.uk/consultations/psb-review-3/>

Figure 5 - PSB spend on first-run UK originations; by channel

	Spend on first-run originated output							First run spend as a % of all spend		
	2009	2013	2014	Change (£)		Change (%)		2009	2013	2014
				5 yr	1 yr	5 yr	1 yr			
BBC One	£853m	£707m	£770m	£-83m	£63m	-10%	9%	92%	93%	95%
BBC Two	£361m	£276m	£286m	£-75m	£10m	-21%	4%	87%	91%	92%
BBC Portfolio	£214m	£228m	£213m	£-1m	£-14m	0%	-6%	90%	91%	90%
BBC Total	£1428m	£1210m	£1269m	£-159m	£59m	-11%	5%	91%	92%	93%
ITV/ITV Breakfast	£804m	£762m	£774m	£-30m	£12m	-4%	2%	86%	94%	95%
Channel 4	£394m	£388m	£377m	£-17m	£-11m	-4%	-3%	73%	79%	77%
Channel 5	£80m	£90m	£101m	£21m	£12m	27%	13%	47%	49%	56%
Commercial Total	£1278m	£1239m	£1252m	£-26m	£13m	-2%	1%	78%	84%	84%
Grand Total	£2706m	£2449m	£2521m	£-185m	£72m	-7%	3%	84%	88%	88%

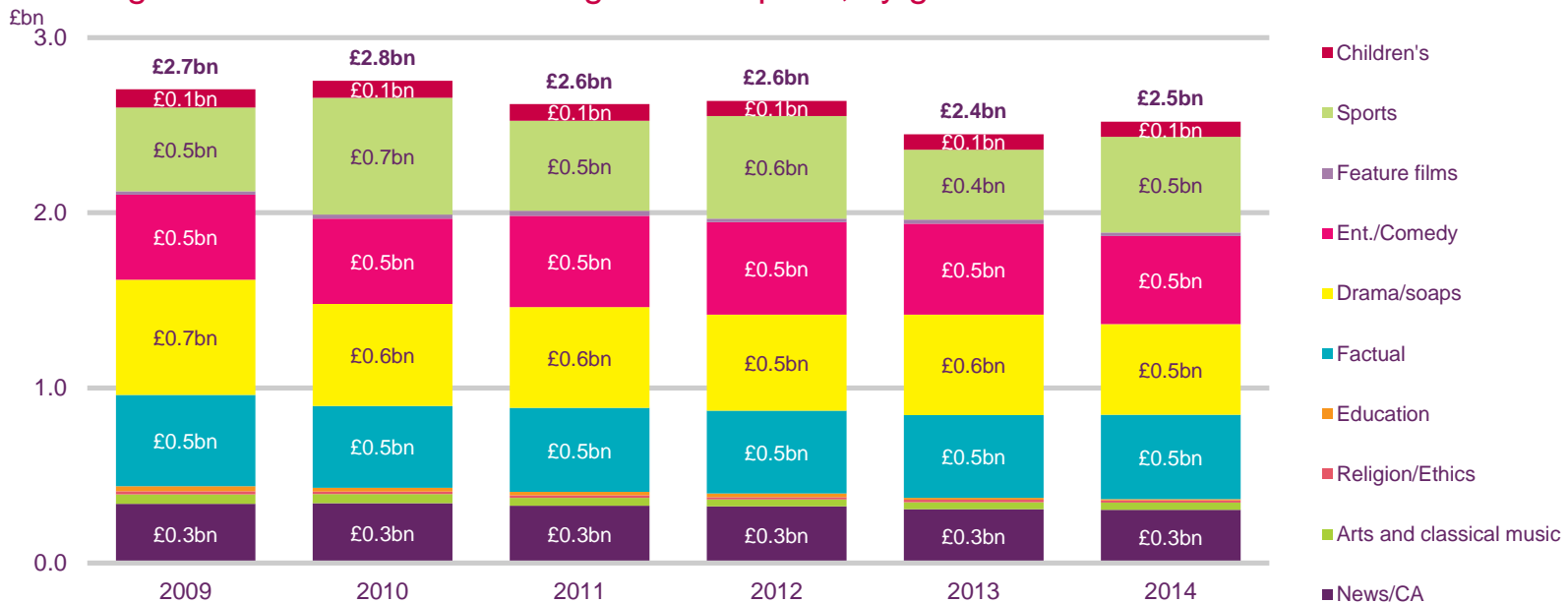
Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming.

Market Context

Key points

- Entertainment and comedy originations received a 4% real-terms increase in spend across the PSB channels from 2009 to 2014. Sport was the only other genre to have an increase over this period, although sport spend is greater in even-numbered years.
- Original UK drama and soaps programming had £516m spent on it by the PSB channels in 2014; a 21% decrease in real terms from the 2009 spend of £657m.

Figure 6 - PSB first-run UK originations spend; by genre



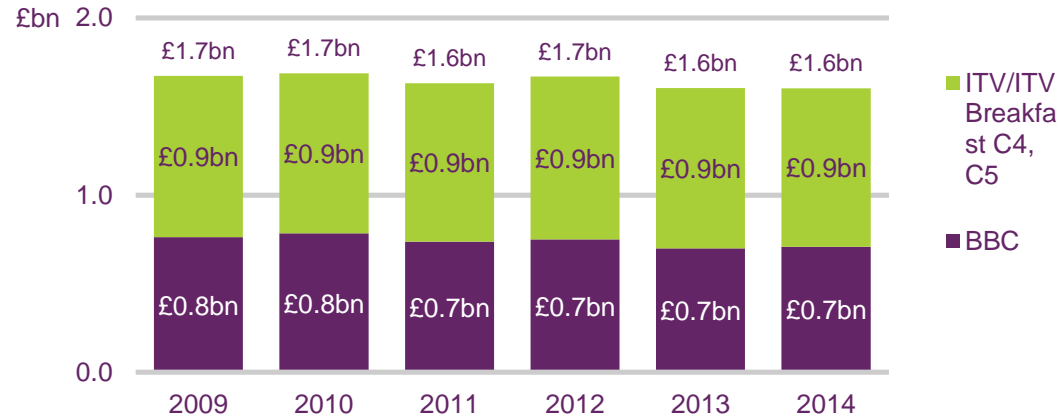
Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. Figures include PSB services: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, ITV Breakfast, Channel 4 and Channel 5. The analysis does not include S4C, BBC Alba or BBC HD. Figures exclude nations/regions programming.

Market Context

Key points

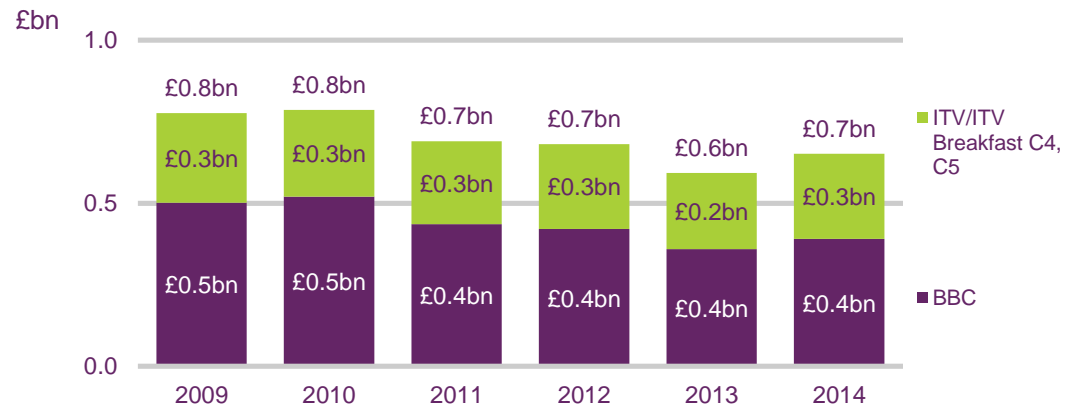
- Proportionally, the decrease in spend on original content has come from the daytime schedules (down 16% in real terms, as shown in Figure 8) rather than from peak-time programming (down 4% in real terms, as shown in Figure 7).
- The shift in investment towards cheaper genres, along with the PSBs' investment in catch-up services to meet the changing consumption habits of audiences, have been the key drivers of reduced PSB content spend over recent years.

Figure 7 – PSB first-run UK originations spend; peak time



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. Commercial PSB includes ITV, ITV Breakfast, Channel 4 and Channel 5. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming.

Figure 8 - PSB first-run UK originations spend; daytime hours



Source: Ofcom's PSB Annual Report 2015. Note: figures are expressed in 2014 prices. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. ITV figures consist of ITV network content only. Figures exclude nations/regions programming.