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By email: 20 December 2007

**Re: “The Future of Children’s Television Programming” Discussion Paper**

In summary, HIT Entertainment makes the following comments:

- Create effective and monitored guidelines
- Amend the BBC’s WOCC agreement to be more equitable
- Introduce a minimum % of UK production originations for dedicated children’s channels
- Ensure proposed “solutions” include pre-school programming
- Ringfence children’s animation in the UK
- Maintaining the status quo is not an option

Dear Sirs,

As one of the UK’s largest and most successful independent producers of pre-school children’s broadcast entertainment, HIT Entertainment clearly has a vested interest in seeing the future of this influential genre enhanced over the years. However, we are also passionate about the need to provide entertainment that is of the highest quality, which reinforces positive behaviour and social activity and which, critically, is endorsed and trusted by parents.

For many years the UK has led the way in the provision of such high quality programming and this discussion report, and any subsequent policy response, is likely to determine whether we will continue to be world leaders and to be proud of the programming we put in front of our children in future.

The report raises a number of issues and makes a number of key proposals ranging from maintaining the status quo through to creating new institutions focusing on children’s programming.

In considering action, however, it is essential to distinguish between children’s programmes on advertiser funded channels and children’s’ programmes on the BBC. It is very hard to see how, post 2012 and possibly earlier, ITV and Channel Five will choose to play childrens output. It is likely to become a straight market decision for those channels as to whether or not they play children’s output at all and if they do to ensure that a fair proportion of it is European.

Without public subsidies or some other sort of incentive it is hard to see how the commercial channels can be encouraged to stay in this market in the medium term. What this means is that the BBCF will be more not less important in the years ahead and it is here that we have concerns.

Of all the production areas of the BBC it is in children’s that the relationship between BBC Worldwide and BBC Production is most unhelpful to independent producers. It is very difficult

for an independent producer to sell programmes to the BBC without giving the rights to BBC Worldwide and, with two children's channels and all the children's output on BBC2, the BBC will end up being dominant in this market should ITV and Channel Five pull back. It is for this reason that, in order to maintain quality and competition we feel strongly that in the area of children's television there needs to be effective and monitored guidelines.

Specifically, however, we also would recommend a number of other considerations.

#### Amend the WOCC

The BBC currently operates under the WOCC (Window of Creative Competition) agreement whereby 50% of commissioned programmes are guaranteed to be produced in-house with 25% going to external (independents) producers and the remaining 25% tendered for competitively between BBC in-house and the independents.

In reality, there is little competition for the 25% not ring-fenced for independent production as BBC Worldwide has tended to co-produce or co-fund projects that, superficially, may appear to be independent (Rag Doll productions, for example), but to all intents and purposes are BBC productions.

By ensuring that 50% of all production commissioned by the BBC for example in pre-school children's programming is put out to tender by UK-based producers (without any competition from BBC in any form, either in-house or from BBC Worldwide), and perhaps closely defining what a "UK Producer" is in return, this would significantly enhance both the number of commissions from UK producers and the competitive landscape (leading, ultimately, to greater quality).

This is a simple, elegant solution which would help to redistribute a proportion of the licence fee tax in a more competitive and fair manner.

#### Introduce a minimum % of UK production originations for dedicated children's channels

As one of the concerns of parents is about the high-level of imported American shows at the expense of UK-originated shows which reflect UK culture and social values, we think it is worth considering that a fixed % of output on the dedicated pay children's channels should be commissioned from UK producers – say 25%. Nickelodeon has supported local production since its inception (being an early co-producer of Thomas the Tank Engine) and latterly both Turner Networks and Disney have announced local production initiatives; however, this is currently all voluntary. Having a formal framework for them to adhere to would make a level playing field and stimulate the UK production industry.

#### Ensure proposed "solutions" include pre-school programming

The report and its findings tend to suggest that the real problem lies in programming for children six years and above, and as such, that is the programming demographic which should be the beneficiary of any tax break, or funding via broadcaster levies etc. We would like to emphasise that the parents interviewed as part of this report were basing their thinking on current programme schedules, the dominant percentage of which were shows that were produced at least two years ago.

In the ensuing two years, life has already got more difficult for producers of pre-school programming with many specialists experiencing financial difficulties, and so this important category of producers should not be left out of any proposed support mechanisms or positive discrimination, but instead should be entitled to the same proposed solutions.

#### Ring-fence UK animation

An additional concern for HIT Entertainment and others in the pre-school market is the increasingly harsh environment for animation production, a particular strength of UK producers over the years. If nothing is done to support this specialist market there will be very little home-grown animation in the pre-school children's market in future and the skills-base that has developed over the years will be lost.

Our proposal would be to ring-fence animation as a special case and, whether via broadcaster-based interventions or production incentives or even via a new institution, ensure that UK-based animation receives special acknowledgement and either funding or a percentage of new commissions.

#### Maintain status quo – a comment on government intervention

Finally, we would like to comment on the idea, included in this report, of leaving things as they are – maintain the status quo. As a successful independent, we are quite comfortable in operating in a competitive market where securing commissions against other producers is a fair contest.

When the Government, via Ofcom, introduced measures to restrict television advertising to children of HFSS food products, it effectively interfered with the status quo and, as a result, caused ITV to withdraw from commissioning new children's programming (whether this was "just an excuse" is moot and irrelevant – they withdrew).

Whilst this is not the place to debate the merits of this kind of state intervention, it does mean that there is an obligation on the part of the Government, via Ofcom, to rebalance the playing field. Maintaining the status quo is not, in our opinion, an option under these circumstances.

#### Funds/Grants/Tax Breaks

Hit does not favour any particular method of financial support over another but does recognise that it is no coincidence that the most flourishing countries for Children's Production are Canada, France and Australia, which all have positive national discrimination, broadcast quotas and funding subsidies in place. Indeed, HIT is, as a matter of course, exploring on each production how we can put together co-productions with broadcasters and independents in these countries. This means we will be actively supporting creative talent in France, Canada and Australia, and not necessarily that in the UK. We know for a fact that we are not alone in following this strategy - other UK independents are forced to make the same creative choices. So unless similar financial support mechanisms - with similar positive discriminatory factors - are put in place in the UK, the UK creative community will wither and die on the branch.

We would of course welcome a further discussion and we are looking forward to your next publication in Spring 2008.

Yours faithfully,

Bruce Steinberg

Chief Executive Officer