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Policy Solutions and International Perspectives on the Funding of Public Service Media Content for Children: A Report for Stakeholders

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PREFACE

This project on *Policy Solutions and International Perspectives on the Funding of Public Service Media Content for Children* began on 8 February 2016 and concludes on 31 May 2016. Its outcomes contribute to the policy-making process around BBC Charter Review, which has raised concerns about the financial sustainability of UK-produced children's screen content.

The aim of this project is to evaluate different funding possibilities for public service children's content in a more challenging and competitive multiplatform media environment, drawing on experiences outside the UK.

The project addresses the following questions:

- *What forms of alternative funding exist to support public service content for children in a transforming multiplatform media environment?*
- *What can we learn from the types of funding and support for children's screen content that are available elsewhere in the world – in terms of regulatory foundations, administration, accountability, levels of funding, amounts and types of content supported?*
- *How effective are these funding systems and funding sources for supporting domestically produced content (range and numbers of projects supported; audience reach)?*

This stakeholder report constitutes the main outcome of the project and provides an overview and analysis of alternatives for supporting and funding home-grown children's screen content across both traditional broadcasting outlets and emerging digital platforms. The report has been made publicly available, so that it can inform policy work and responses to the UK Government White Paper, *A BBC for the Future*, published by the Department of Culture, Media and Sport in May 2016.

The research project was borne out of discussions with stakeholders, who felt that there was a need for more research on experiences with funding children's screen content outside the UK.

We, the authors, would like to thank the Children's Media Foundation, PACT (Producers Alliance for Cinema and Television) and Voice of the Listener and Viewer (VLV) for their assistance with dialogue about the issues, important contacts and sources of information for this report. As important stakeholders in the debate about the future of children's content in the UK, we hope the report is useful for informing their policies on the funding of public service media content for children in the UK.

We would also like to thank respondents in Argentina, Australia, Canada, Chile, Denmark, France, Germany, Ireland and New Zealand for talking to us about the funding of children's content in their countries. Details of our methods can be found in Appendix C at the end of this volume.

EXECUTIVE SUMMARY

Introduction

The White Paper, *A BBC for the Future: A broadcaster of distinction*[1] has been published, and the government has announced plans to pilot a new public service content fund. This will be used for public service genres that it has identified as in decline. One of those identified 'genres' is children's programming. This report considers international policy solutions for the funding of public service media content for children and represents a contribution to the consultation about the criteria for the new scheme and the most appropriate body to administer the fund. It focuses primarily on experiences in Australia, Canada, Denmark, France, Ireland and New Zealand, six countries with experience of content funds for a range of screen content including children's content.

UK Children's TV Content Production in Decline

The production of children's television content in the UK has declined inexorably over the last decade. The removal of transmission quotas for commercial public service broadcasters following the 2003 Communications Act was a big blow, because ITV, in particular, no longer felt obliged to support either the transmission or production of children's content on its mainstream channel after quotas were abolished. A ban in 2006 on advertising for junk food and fizzy drinks on UK children's TV made children's content even less attractive to commercially funded PSBs (ITV, Channel 4, Five).

The consequences of these regulatory changes are worth remembering because they go some way to explaining partially the causes of the UK children's production sector's woes. It is the withdrawal of Tier 3 transmission quotas and the ban on HFSS (high, fat, sugar, salt) advertising within children's broadcasting that has left the BBC as virtually the sole commissioner of UK-originated children's television content, because commercial broadcasters are not financially incentivised to commission UK children's programming. The key problem is a lack of demand from broadcasters and other content providers for new UK originated content.

- Between 2003 and 2014 investment by commercial PSBs (ITV, Five, Channel 4) in first run UK originations fell 95 percent from £59m to £3m.
- Between 2003 and 2014 the number of first run originations on commercial PSBs fell 85% from 621 hours to 93 hours.
- Some of the decline in investment by commercial PSBs was masked in 2002 by the BBC's launch of CBeebies and CBBC when the corporation significantly increased its children's output and expenditure.

[1] Department of Culture, Media and Sport, 'A BBC for the future: a broadcaster of distinction', 12 May 2016. Available online https://www.gov.uk/government/publications/a-bbc-for-the-future-a-broadcaster-of-distinction (accessed 22 May 2016)

- From a peak of £110m in 2004 BBC expenditure on first run originations had fallen 24% by 2014 to £84m
- Between 2004 and 2014 BBC hours of first run originations declined 57% from 1332 hours to 579 hours.[2]
- In 2013 commercial children's TV channels including those run by Disney, Nickelodeon, ITV (CiTV) and Turner broadcast 136,311 hours of content, but only 111 of these hours were first-run UK originations, a 61 percent decrease from 283 hours in 2010.[3]
- In April 2016 Sky announced that it would be commissioning content for its new children's service, suggesting that the amount of UK originated content on some commercial children's TV channels may rise.
- While funding from international VOD platforms like Netflix is rising with a small number of projects it does not make up for the decline in UK commissioning of recent years.
- Policy debates on funding children's content are still largely shaped by discussions on the future of children's TV programming.

A Public Service Content Fund

A Public Service Content Fund, financed from unallocated funding from the 2010 licence fee settlement, addresses the issue of supply to some degree by giving content producers *somewhere else to go* to get funding for their projects.

In the Green Paper last July the Government suggested that 'a small amount of contestable funding' derived from the licence fee, might 'introduce greater diversity of providers and greater plurality in public service provision' particularly in children's content where the BBC dominates commissioning.

The DCMS consulted with industry figures and advocacy groups including PACT, the Children's Media Foundation and the Voice of the Listener and Viewer, who at a meeting in February 2016 warned against the risks of top-slicing the licence fee to fund a contestable content fund, if it resulted in cuts to BBC Children's budgets.[4]

The proposal in the White Paper is for a pilot fund of £20 million per annum over three years (£60m), taken from left over funding from the 2010 licence fee settlement, that had previously been ear-marked to pay for digital switchover and local television. Nevertheless the principle of top-slicing remains. As the government states on p. 71 of the White Paper:

> *It is the government's view that while the licence fee continues to be paid for receipt of television services a small proportion of the licence fee may be available to organisations other than the BBC to help deliver quality and pluralistic public service content, using competitive forces to ensure the highest quality for the best value for money*.

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[2] Ofcom, 'Public Service Broadcasting in the Internet Age', Data Annex, 2015. p. 13

[3] Ofcom, 'Public Service Broadcasting Report 2014, Children's PSB Summary, Annex 6', December 2014, p. 9. Available online http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb3/Annex_6.i_PSB_Review_Childrens_summary.pdf (accessed 22 May 2016)

[4] Anna Home, 'Meeting the Minister', *Children's Media Foundation.* Available online http://www.thechildrensmediafoundation.org/archives/4442/meeting-the-minister (accessed 20 May 2016)

Questions for the Consultation

A pilot content fund is one way to test the marketplace, and consult more widely on the administration and criteria for the fund. In addition to the issue of potential top-slicing in future, there are two other key issues that need to be addressed.

First the White Paper states that any publicly funded content should be free at the point of use and then mentions free to air broadcasters Channel 4, Channel 5 and ITV as possible platforms. A key issue here is how do you get these or any other organisation to take children's content if they have no regulatory obligation to do so.

Second the White Paper refers to the availability of content on a platform with 'appropriate reach'. This could be YouTube or a free app on ITunes or content made freely available online as video on demand or streamed content. Any consideration of online platforms requires careful consideration of how this content will be promoted and curated on an existing website or online aggregator in ways that children are likely to discover it, particularly if it is to represent value for money. A £20m fund (possibly shared among different genres) is not big enough to establish an independent online platform. This suggests that it will have to work with existing online platforms or aggregators that already operate in front of the pay wall.

One possible partnership is the BBC's proposed single online platform for children, IPlay. Last September the BBC indicated that it wanted to work with carefully chosen partners with complementary public service values on this initiative.[5] Just as CBeebies and CBBC were important public service additions to multichannel offerings in 2002, the BBC's proposal for *iPlay*, could serve as an advertising free space to test the crossover between TV, games and other digital content. As an on-demand portal it could become a catalyst for investment in high quality distinctive content that goes beyond television, allowing children to **discover** high quality curated material from different content providers in a safe trusted online space. However, the removal in the White Paper of the BBC's sixth purpose of helping to deliver to the public the benefit of emerging communications technologies and services might make it more difficult to partner with emerging UK digital industries rather than existing organisations like YouTube.

There are many questions that need to be answered during the consultation period. These include:

- What type of organisations will be allowed to access the fund and on what terms? Will applications be confined to content producers or will broadcasters and other platform providers be allowed to apply?
- Will a free to air broadcaster or online publisher be obliged to co-fund at a particular level (minimum guarantees)?
- What type of online publisher is acceptable? Would an online platform with advertising and sponsorship such as YouTube Kids be acceptable? Or would an advertising-free online portal like the BBC's proposed iPlay be preferable?

[5] BBC, 'British Bold Creative', *BBC* London 2015.

- Will the fund offer partial content funding or is there scope for 100% funding in certain instances?
- What will be the balance of funding between traditional broadcast content and digital first content?
- What age range will form the focus of the fund's activities? Is it likely to limit its funding to projects for children under 12 (the age at which most broadcasters cease to serve children), or will it extend its remit to teenagers and young people who are underserved?
- What is meant by "appropriate reach" and does it mean that funded content will still be available to all children living in the UK?
- What will be the balance of funding and interests between serving children and other diverse audiences (BAME), the arts and the Nations and Regions?
- If a small panel assesses bids, will there be scope to include representatives from other groups and organisations in society other than industry figures alone?
- Where is the panel likely to be located and administered? (Ofcom, British Film Institute)?
- Who will sit on the panel and how will its members be selected?
- How will the balance be struck between small and medium-sized enterprises (SMEs), smaller cross-platform producers and international production entities with larger internal resources and access to international markets?
- To what extent should profitable broadcasters and platforms be allowed to benefit from publicly funded content?
- What will be the BBC's relationship with the fund, particularly in view of the fact that BBC Children's will no longer have an in-house production guarantee?
- How will a three-year pilot fit with the extended development, funding and production timescales of most children's productions?
- How will the fund ensure that content is supported that is relevant to a diverse range of children living in the UK, rather than just international audiences?
- Where will the balance be struck between innovative original content for UK children and the need to fund from a wide array of sources?
- How will the fund ensure that content is supported that is original, innovative and high quality, but which the market is unlikely to support?
- How will the distinction be drawn between the desire to support investment and growth in the children's content sector and the desire to support the discoverability of diverse and innovative public service content for children living in the UK? These aims overlap, but they are not the same.
- Should funding be provided as an equity investment or grant, bearing in mind that equity investment will support the sustainability of the fund?
- How will the fund be financially supported after three years at the end of the pilot?
- How will the fund address key issues related to **demand, distribution and 'discoverability'** in a situation where children and young people's media consumption is changing?

EU State Aid Rules

Another imponderable is the issue of EU rules on state aid. A content fund is likely to qualify as state aid, but this does not mean that it will not get EU approval, assuming it meets the four criteria of proportionality (it remedies a failure), appropriateness (it is the best way to remedy a failure), incentive effect (it changes the behaviour of the organisation that receives it) and the balancing test (the benefits outweigh any negative effects).[6] In principle state aid is limited to 50% of the production budget, with co-productions receiving up to 60%.[7] There are no limits for 'difficult' audiovisual works, and this might apply to some children's content.

At this stage there are more questions than answers. Any solution for public service children's content, geared to the UK, needs to be independent, long-term, culturally relevant and capable of reaching significant numbers of children on a wide range of platforms. A content fund also needs to take account of how children's consumption of and engagement with the media is changing. Beyond television, policy-makers need to do much more thinking about what a public service commitment to children is likely to mean in future across a variety of digital platforms and services. It means paying attention to how content is distributed to and discovered by children.

Funding Children's Content in Other Countries

In all of the countries surveyed for this report children's content that is relevant to the culture where children live is recognised as important. At the same time there are considerable pressures on children's content producers and providers in all markets because of competition from well-resourced transnational channels (Disney, Nickelodeon, Turner) and from digital content on online platforms (YouTube). Broadcasters continue to play an important role, but they are not the main funders of higher cost animation and live action programming, which as in the UK has to be funded from a variety of domestic and overseas sources (See Annex B).

Different countries take measures to ensure that children do have access to children's broadcast content that is relevant to them, but there are few policy measures that tackle the provision of local content online. *Most of the support systems currently in place stem from the world of linear broadcast television.*

In all countries, there are tensions between the policy objective of supporting a viable children's content industry as well as supporting homegrown content that is culturally relevant to children. There is a distinction between the degree to which interventions support investment and growth in the children's content sector, and the degree to which they exist to support plurality, reach and discoverability of public service content for children living in a particular country.

In France, for example the policy toolkit of output and investment quotas, levies and subsidies appears to be primarily designed to incentivize animation production, as opposed to other types of children's content, suggesting that policy makers prioritise industrial over *cultural* goals.

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[6] Department for Business Innovation and Skills, 'State Aid: the Basics guide', July 2014. Available online https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443686/BIS-15-417-state-aid-the-basics-guide.pdf (accessed 20 May 2016)
[7] European Commission, 'State aid: Commission adopts new film support rules', 14 November 2013. Available online http://europa.eu/rapid/press-release_IP-13-1074_en.htm (accessed 20 May 2016)

What is a Contestable Fund?

Funds to support public service or local programming are a feature in many countries. Some are financed from direct taxation (New Zealand, Australia) and others are funded by levies on commercial players (France, Canada). In Ireland and Denmark contestable funds are financed from the licence fee. Not all funds (CNC in France, CMF in Canada) are strictly contestable.

The idea behind contestable funding as it relates to public service content is that content is something separate and discrete and that it does not have to be funded within a public service institution, which follows a particular public service ethos and provides a full service model of broadcasting.[8] According to this approach, competition for resources to fund public service content by both private and public organisations can potentially result in more diverse outcomes that are beneficial for audiences. This competition can take place across a range of platforms.

The benefits of contestable funding or decentralised delivery of public service content[9] might include more quality and value for money through targeted funding and services that meet specific criteria. It is the idea that competition will deliver the best quality at the best price, and encourage innovation and efficiency. As funding is granted directly to production, funding could be more efficient. It also allows subsidies to be awarded to other organisations including private companies.

The arguments against contestable funding suggest that there are broader social and cultural benefits to broadcasting and institutional delivery, which cannot be matched by contestable funds with a narrow focus on content.[10] In particular there are benefits of a 'holistic' public service built around an ethos and culture that can deliver values such as universality, quality, diversity and creativity. Delivery of public service content by a PSB allows it to be associated with a brand that the public will hopefully trust and see as a 'place to go' to find quality curated content. Finally commercial players may not want to avail themselves of public service content funded by a contestable fund, because it does not sit well with their commercial priorities.

The Importance of National Context

It is important to remember that approaches to funding are also shaped by particular national contexts. For example in Ireland, a contestable fund, financed from the licence fee, was established partly in response to concerns about public broadcaster, RTÉ, being part-financed from advertising.[11] This was felt to disadvantage its commercial competitors and the establishment of a contestable fund addressed some of those competition

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[8] Karen Donders, *Public service Media and Policy in Europe* (London, 2011)
[9] See Tim Raats and Karen Donders 2015 ' From centralized to distributed public service media: an analysis of market and public value-driven arguments' *International Journal of Digital Television.* 6/2 (2015), p. 106.
[10] Ibid.
[11] Roddy Flynn, 'Public Service Broadcasting beyond public service broadcasting', International Journal of Digital Television', 6/2 (2015), p. 129.

concerns by allowing commercial broadcasters to bid for funding to make public service content.

All the funds included in this study stress the importance of reflecting local identity in that they support homegrown content for children living in these particular countries. This is particularly important for countries like Australia and New Zealand, which are net importers of content from other English-speaking countries including the UK. It is also important for Ireland and Canada who are within reach of children's content from their larger English-speaking neighbours. Although the support of quality and innovative content features in the criteria for most schemes, this is always difficult to quantify or judge. It is also worth noting that contestable funds have been introduced in small countries (Ireland, New Zealand, Denmark) where it is more difficult to sustain local content because of the size and capacity of the media economy.

What is clear from other countries is that a fund for supporting particular types of programming such as children's content is not a panacea and is usually accompanied by other support measures designed to support investment and growth in an industry and/or support the diversity, reach and discoverability of certain types of desirable local content. Other interventions include

- Broadcast transmission/output quotas
- Investment quotas for certain types of production e.g. drama or animation.
- Publicly funded public service broadcasting
- Direct public funding through other public bodies, targeted at particular types of programming including children's
- Tax benefits, usually in the form of tax credit schemes

New Platforms – Underserved by Alternative Funds

In every country surveyed for this report it is clear that the consumption habits of children are changing because of different devices and platforms including tablets and mobile phones that allow on demand viewing.[12] Yet it is also important to take care when claims about children's changing media practices are made, because as Sonia Livingstone and Claire Local point out these claims are often 'over stated and under-evidenced'.[13] Children still watch a lot of television, including live television, but they are not necessarily always watching on a TV set. This makes it difficult to formulate policy, because we do not have enough answers, backed up by research, about how much time children actually spend watching TV on a TV set or on other devices. We do not know the balance spent on TV content and other content online, and even how much time children spend consuming PSB services online or offline, which might help to formulate policy about the future provision of public service content online.[14] We do know that Minecraft and pre-school channels like, Little Baby Bum are enormously popular online, even generating their own licensing and publishing deals. Yet there are far fewer possibilities online for children to

[12] See for example Ofcom (2015) *Children and Parents: Media Use and Attitudes Report*
[13] Sonia Livingstone and Claire Local 'Children and Public Service Broadcasting', Submission to the Puttnam Inquiry, 2016. http://futureoftv.org.uk/submissions/children-and-public-service-broadcastin/
[14] Ibid.

access non commercial public service content that is high quality and matches the purposes we associate with public service broadcasting, that it should inform, educate, and crucially also entertain.

When setting out do to this research, we thought we might find something about contestable funds that would indicate the future direction of public service content for children, especially with regard to online provision. Yet contestable funds do not provide many answers on this. Designed to fund content for a broadcast world, those without the back up of quotas (as in France, Canada), face the issue of limited demand from commercial broadcasters to take on children's content (Ireland, Denmark, New Zealand).

Almost all the current schemes for funding public service content for children are primarily focused on funding broadcast-based linear content. This is unlike the original Public Service Publisher format formulated by Ofcom in 2005, which had a much more radical concept of public service content, based on digital media, new forms of non-linear content and user participation.[15] All the schemes we looked at were designed to deal with funding television content for linear television. Many require a broadcast licence before they can allocate funding, and even if they do provide funding for content on other platforms, they still mainly fund broadcast content for children. According to Flynn current contestable schemes do not address the future of public service content, because they are more concerned with addressing market failure in the 'existing broadcast market'.[16]

New Zealand On Air is the only funder to seriously consider one contestable multimedia fund for all children's content regardless of platform, and has put out a tender for an 'online home' for content provided and distributed by a range of producers. In France the funding system is apparently 'stable and reliable', but the majority of funding allocated by the CNC is broadcast-based and aimed at animation. Only very small amounts are allocated for digital first content. In Canada there is a concerted lobby by independent production funds to remove the broadcast first rule, which unlocks funding for tax breaks and state subsidies. However, none of these initiatives really address the other key issue for children's content, which is 'discoverability'. If you commit to publicly funded children's content, how far do you go beyond television programmes to include games, apps and other digital content, and how do you ensure that children will discover it, and that we can evaluate how valuable it is to children? These are the bigger questions that are not really addressed yet by any public service content fund for children's content.

Children's TV in Decline on Commercial Free-to-Air Broadcasting

In all the surveyed countries free-to-air private broadcasters are scaling back their commitment to children's content, because catering for children is not a profitable enterprise and child audiences are shifting to dedicated children's channels and online offerings.

In **Australia** commercial free to air broadcasters (Seven, Nine and Ten) were at the heart of a quota system designed to increase and enhance Australian children's content.

[15] Ofcom, 'A new Approach to public service content in the digital media age' (London, 2007)
[16] Flynn, 'Public Service Broadcasting beyond public service broadcasting', p. 141.

However, increasingly they have sought to fill their transmission and drama quotas with cheaper animation, which 'looks and feels' more international than Australian. Inconsistent scheduling and lack of promotion suggests that quotas are less fit for purpose, but there are no clear ideas on what will replace them and how Australian content for children will be safeguarded in future.

In **Denmark** state-owned commercial broadcaster, TV2, has reduced its commitment to children's broadcasting, preferring instead to focus on family programming.

In **France** commercial free to air broadcasters, TF1 and M6, are still important as investors in children's content, not least because they are still required to observe transmission quotas and animation investment quotas. In **New Zealand** there are no public service broadcasters. Local content is dominated by commercial broadcasters, TV2 and Four, whose children's programmes are in large part funded by NZ On Air, a government broadcast funding agency, which invests in local television, radio, music and digital media for New Zealand audiences. Yet the appetite for children's content seems to be declining. TV2's hours of NZ children's originations have fallen 51% since 2006 to 184 hours.

Reliance on PSB for Local Content

Just as free to air broadcasters are scaling back their commitment to children's content, it is public service broadcasters who are becoming the mainstays of locally-produced public service television content for children in spite of growing financial pressures.

In **Australia,** the **ABC** is emerging as the main supporter of Australian children's live action drama, just as commercial broadcasters have shifted their investment to cheaper internationally oriented animation series to meet their production quotas. The establishment of ABC3 in 2009 and the ABC Kids pre-school block on ABC 2 have been popular with audiences, but the ABC struggles with budgets and how it will continue to support Australian content.

In **Canada** commercial players DHX and Corus Entertainment are more significant than public broadcaster, CBC-Radio Canada, operating a wide range of dedicated specialty (niche) channels for children on cable and satellite. CBC-Radio-Canada has no dedicated children's services. Provincial educational broadcasters are important both for English (TV Ontario) and French language (*Télé-Québec*) communities.

In Denmark, DR continues to be the main producer and funder of children's content, a position that has been reinforced since the virtual withdrawal of state-owned commercial broadcaster, TV2, from children's content. As a PSB DR can also tap into Nordic public service networks such as Nordvision and the Nordisk Film and Television Fond for co-production funding and programming exchanges.

In **France** PSB *France Télévisions* has emerged as a key force in children's television with the launch of dedicated children's channel, France 4, in 2014. It now also surpasses commercial broadcasters as an animation investor, accounting for 62% of channel investment in animation in 2014 and 54% of commissioned hours, at a time when commercial channel investment halved in 2014 to €10.4m (£8m)

In Ireland, **RTÉjr**, Ireland's dedicated public service children's channel has benefited from a raft of subsidies targeted at Irish animation. Ironically licence fee funding used to finance the Sound and Vision contestable fund, has found its way back to animation programming that RTÉjr commissioned, and it manages to commission 3 to 4 animated series a year because of this. A combination of licence-fee funded contestable funding, state subsidies from the Irish Film Board, European funding and generous tax reliefs have supported phenomenal growth in the Irish animation industry, which has allowed RTÉjr to benefit from domestically produced animation such as *Zig and* Zag, *Puffin Rock* and *When Harry Met*.

The Role of Pay TV and Video On Demand

In all countries surveyed transnational pay TV channels and emerging VOD platforms continue to invest very little in domestic children's content. This is mostly because they are usually not obliged to adhere to local transmission or investment quotas, and because it makes no economic sense for them to cater for small national markets, when they can tap into international content, dubbed where necessary, that can be recycled many times, as child audiences grow up and are replaced by new audiences.

There are opportunities with Netflix and Amazon, but there are not very many to match what is available in domestic markets for local content. In the countries surveyed there are few national players of significance in the VOD world, but most local broadcasters offer content online as catch-up services and increasingly as apps. In Canada, commercial providers DHX and Corus have a substantial YouTube presence.

Output and Investment Quotas

While output quotas regulate the amount of children's content on channels, investment quotas are used to direct funding into local production In many countries they are on the wane, but they have been strongest in France and Canada, which also operate a range of other inventions in the children's production sector.

For most public service broadcasters in this report there are no output or investment quotas, although the statutes governing most PSBs assert that they must serve children. In Europe broadcasters adhere to EU rules that demand a majority of time for European works with at least 10% of transmission time or budgets set aside for commissions from independent producers. In Canada CBC-Radio Canada is required to broadcast 15 hours a week of children's content, but has no investment quotas. In New Zealand there are no public service broadcasters and no quotas.

For commercial channels the situation is different. In **Australia** the quotas enshrined in the Children's Television Standards for commercial free to air channels are under strain. Local output quotas (390 hours a year) and an investment quota of 32 hours of first release Australian drama a year, are suffering from poor scheduling and lack of promotion. As the quota definition of drama includes animation, commercial channels largely meet their quotas with cheaper internationally oriented animation, which qualifies for a 20% tax rebate.

In **Canada** output and investment quotas have been combined with subsidies and tax breaks to support Canadian content. However in 2015, transmission quotas were reduced to 35% for specialty (niche) channels, including dedicated children's channels where these have been higher for Teletoon (60%), Treehouse (70%) Vrak (60%) and YTV (60%). Investment quotas for Canadian Programme Expenditure (CPE) remain for Teletoon (34%), Treehouse (31%) and YTV (31%).

In **Denmark** quotas on state-funded commercial broadcaster, TV2, have been removed. In **New Zealand** there are no quotas creating a natural tension between broadcasters, programme makers and funding agency, NZ On Air, which sees its role as one of representing the audience at the bargaining table.

In **France** the system of transmission and investment quotas is holding firm because, the industry and policy-makers support it. It includes children's content transmission quotas for lead commercial broadcaster, TF1, of 750 hours a year (reduced in 2014 from 1000 hours), and substantial animation investment quotas in excess of €21m in 2014.

What alternative funds exist for children's content?

In addition to public service broadcasting and quotas, there are a number of different content funds that also support children's content. Most funds are not exclusively for children's content. Not all funds are contestable. Funds available for content can be state-funded, funded by levies or in some cases funded by the licence fee.

Most funds, unless they involve automatic support, apply basic criteria that focus on the quality and originality of the funded project, the potential to connect to the target audience, the track record of the team, and the ability to attract additional finance including from overseas, which is especially important in small markets with limited funds. In most cases projects require commitment from a commissioning platform, usually a broadcaster. This means that many of the qualitative and business judgements about a project will already have been taken during the commissioning process before the funding application.

Most funds tend to be used for content that is more costly and therefore more challenging to fund – namely animation and live action drama. In New Zealand, NZ On Air does fund some drama, but most of its funding supports long-running magazine shows on free to air channels, TV2 and Four, which are very popular.

Most funds require a broadcast licence to access funding (CMF and Independent funds in Canada; Public Service Puljen in Denmark; CNC in France; Sound and Vision in Ireland). Screen Australia and NZ On Air fund content for all types of platforms, but in practice most funding still goes to linear broadcast projects. NZ On Air does not fund programming behind a pay wall, but the CMF in Canada and CNC in France do fund content on cable and satellite channels.

Most funds do not fund children's programming in its entirety, with the exception of NZ On Air, which does fully support some content, because there are few alternative funding opportunities.

In most countries surveyed for this report content funds are just one part of a funding system that also includes broadcast licence fees, pre-sales and tax breaks.

State Funded Content Funds

State-funded content funds include Screen Australia, New Zealand on Air and film institutes such as the Irish Film Board. All state-funded content funds are vulnerable to government spending cuts. Screen Australia and the Irish Film Board have seen their funding cut in recent years and New Zealand On Air has had no increases in funding for eight years. As a result of funding cuts the Irish Film Board's support for animation fell 73% between 2012 and 2015 to €460,000 (£350,000).

Screen Australia provides state funding for Australian films, documentaries, TV drama, online web series and children's programmes. It awards subsidies to producers for linear children's drama including animation, but only on the basis of a commissioning platform, which can include subscription TV or subscription video on demand as well as a free to air broadcaster. Screen Australia is estimated to spend about £5m (A$8m) a year on children's programme production, and applies a minimum licence fee of A$100,000 (£50,000) per broadcast half hour for children's projects to access funding. Screen Australia executives in consultation with industry specialists review applications. Decisions to fund are made on the basis of the quality of the proposal, the potential to connect with the target audience, track record of the team, funding from other sources including overseas, and the 'diversity of the slate.' However, with the arrival of producer offset tax breaks in 2007 for children's drama and animation, producers have opted to pursue this route to produce cheaper animation rather than opt for Screen Australia subsidies, which require a significant broadcast licence fee investment.

Similarly the Ireland **Irish Film Board** offers state support, €11.2m (£8.6m) in 2015, for Irish feature films, documentaries, animation and television drama. However unlike Screen Australia, animation rather than children's programming is the focus of attention, and Irish animation producers often apply for IFB support alongside support from the Sound and Vision Fund and S481 tax breaks. Selection criteria include targeting the appropriate audience, originality and additionality (the idea that without IFB support, projects would not be made). There are also industry criteria that recognise the limited capacity of the Irish market, and include the ability to work with talent from other countries, the development of Irish talent and expenditure on Irish personnel.

In New Zealand government broadcasting funding agency **NZ On Air** spends approximately £7.5m (NZ$16m) a year on New Zealand children's content. Funding has not been increased in 8 years, limiting what it can do. It funds documentaries, drama, arts programming, regional television and children's content that reflects and develops New Zealand identity and culture. Unlike the IFB or Screen Australia it does not support content behind a pay wall. Decisions are made on the basis of cultural value, the balance between mainstream and specialist content, the degree of risk (both creatively and in a business sense), value for money (the ability to attract audiences), content that the market alone can not support, the ability to attract other investment, and the track record of partners.

Levy Funded Systems – Envelope funding

France and Canada have the most extensive supports for children's content based on complex systems of industry levies, subsidies, output quotas and investment quotas. While in France the system seems 'very stable and reliable' in Canada the system is undergoing a period of transition under a new regulatory initiative that is geared towards less regulatory intervention and more consumer choice. These changes breed uncertainty. Levy-funded systems are vulnerable to downturns in income from broadcasters and cable companies.

The Canada Media Fund (CMF), a public private non-profit partnership, is funded from state funds and a 3% proportion of the 5% levy on the gross revenues of cable and satellite operators (BDUs). In 2014/15 it supported 799 hours of children's content at a cost of C$56m (£29.4m) about 12% of total funding for Canadian children's content in 2014/15. The combination of tax breaks, CMF funding, independent production funds and public broadcaster licence fees means that 53% of children's production is publicly funded and up to 92% of children's production is funded in Canada. Public subsidy delivered by the CMF operates as a system where a commitment by a broadcaster gives producers automatic access to the Performance Envelope Program, a licence fee top up or equity funding.

However, there are concerns about potential declines in levies and cable revenues as viewers switch to over-the-top video-on-demand, and because of changes in the arrangements for bundling cable channels, which may affect the revenues of both cable operators and children's channels.

In France, the CNC, an agency of the French Ministry of Culture is funded mostly by a broadcaster levy (75%). In respect of French children's content most CNC funding supports French animation. CNC subsidies accounted for just under 20% of all animation funding in 2014 at €29.6m (£22.9m). Broadcasters (26%), overseas financing (25.6%) and producers (19%) are also key contributors to funding. As in Canada, French producers can fund a high proportion (74%) of their animation costs within France. As in Canada, the CNC delivers state subsidies through an automatic subsidy system, Cosip, which can be accessed by producers with a 25% commitment from a broadcaster, having satisfied cultural and employment tests. Although the system is thought to be very stable, it really only supports animation, and it is largely broadcast based. In 2014 only €2.9m (£2.24m) was distributed for digital content through Web Cosip, compared to €29.6m (£22.9m) allocated to animation from automatic support, advances and selective support.

The French system continues to be an elaborate way of taking money from commercial broadcasters and recycling it back into animation content that commercial broadcasters are obliged to fund and broadcast, because of stringent output and investment quotas. In France commercial broadcasters pay indirectly for animation through a levy to funding body the CNC and directly through animation investment quotas.

Licence Fee Funded Systems – that Benefit PSBs?

In Ireland and Denmark small contestable funds are funded out of licence fee revenues, but the experiences of both countries differs quite markedly. As with most other funding schemes, the focus is on linear broadcast content and commissions by broadcasters rather than digital first content.

In Denmark the Danish Film Institute allocates DKK42.5m (£4.4m) a year for drama, documentaries and children's programming in all genres. This represents less than 1% of licence fee funding and is allocated from excess funds, once parliament has voted how much public service broadcasters (DR and the Regional TV 2 stations) will receive every year over a period of 4 years. 25% of the Public Service Puljen fund (about £1.1m a year) has to be allocated to children's content, which can fund up to 65% of production costs. Unlike the Irish scheme public service broadcasters (DR, TV2 regional stations) are excluded from applying as are 'expensive' pay channels and those channels unable to reach 50% of the population. Only 4 productions were funded between 2011 and 2013 and the number of applications for children's projects remains low, because of a lack of demand from commercial broadcasters. With a broadcaster commitment applications are assessed on their originality, significance and quality. It has to be material that the market would not otherwise support.

In Ireland the Broadcasting Authority of Ireland administers the Sound and Vision scheme funded from a 7% levy on licence fee revenues which funds all types of programming except news and current affairs to the tune of €9.25m (£7.1m) for 50 TV projects in 2014. The original intention behind the scheme was to encourage commercial broadcasters to produce public service content and guard against RTÉ becoming too commercial, since it is part-funded by advertising. Sound and Vision accounts for less than 5% of all funding for Irish productions, but has become significant for the animation industry, and also RTÉ which commissions animation. With a commitment from RTÉjr, Sound and Vision represents the start of a well worn route for Irish animation producers, which includes subsidies from the Irish Film Board, Creative Europe, Northern Ireland Screen and S481 tax breaks. Between June 2015 and January 2016 Sound and Vision allocated €1.943m (£1.5m) to ten children's productions including six animation projects (77% of funding) and eight RTÉ commissions (74% of funding). Assessment criteria include fit to the scheme objectives, quality and innovation, additionality to the market, third party partnerships and adequate resourcing.

Specialist Children's Funds

There are no specialist children's content funds in the countries surveyed except the ACTF (Australian Children's Television Foundation) and the Shaw Rocket Fund in Canada. The

ACTF is funded by the state governments of Australia, rather than central government. The Shaw Rocket Fund receives a discretionary allocation from the levy paid by Shaw Communications and Shaw Direct. Both the ACTF and Shaw Media Fund have limited financial resources, but play a significant policy role in campaigning for quality domestically produced content that appeals to Canadian and Australian children.

The ACTF invested Aus$134,662 in seven productions in 2014/15 (about £67,000) and put up Aus$598,000 (about £297,000) in distribution advances for 4 projects. Recommendations to fund are made by the 11-member board based on the originality and quality of ideas that are not currently in the marketplace, the experience of the team (particularly the ability to access other funding within Australia) and the potential to engage with young Australian audiences with culturally relevant content. To date the ACTF has mainly concentrated on linear television and drama for the broadcast market, because this unlocks other funds from Screen Australia. In recent years it has worked mostly with the ABC rather than commercial broadcasters.

The Shaw Rocket Fund invests about C$15m (£7.86m) a year in a wide range of children's broadcast content and related digital productions, which it recoups for reinvestment. Decisions are made by the board of directors based on projects that demonstrate high quality, originality and cross-cultural representation, promote positive role modelling, and provide close captioning or audio description.

What gets funded and how is it funded?

Children's content is often stipulated alongside other at risk genres as eligible for funding subsidies. In most countries the key issue is demand as there are few customers in the market place who will screen or distribute children's content.

In **Australia** state funding is available for children's drama (including animation) from Screen Australia subject to a minimum broadcast licence fee of A$100,000 (about £50,000) per half hour. However, producers tend to apply for the 20% producer offset tax rebate, which requires no minimum broadcast licence fee. As a consequence animation has increased as a proportion of total Australian children's drama production, because commercial broadcasters can satisfy their investment quotas with lower licence fees.

In **Ireland**, the main beneficiary of the licence fee funded Sound and Vision Broadcasting Funding Scheme in respect of children's content has been RTÉjr and the animation industry, because there are no other significant customers for children's content apart from TG4, the Irish language channel. Between June 2015 and January 2016 eight out of ten awards from Sound and Vision went to programming commissioned by RTÉ, accounting for 74 percent of allocated funding. 77% of funding went to six animation projects.

In **Canada**, a combination of tax credits, broadcaster licence fees and at least 12% public funding from the Canada Media Fund public-private partnership have helped to build up the Canadian children's production and broadcast industry with two powerful commercial groupings in Corus and DHX. However animation production experienced a 5.3% fall in value in 2014/15 to C$201m compared to a 28% rise for live action children's content to C$321m. The industry has prospered on the back of high levels of state intervention, which is now being rolled back.

In **Denmark**, public service broadcaster DR and the regional TV 2 channels are barred from applying to the Public Service Fund. However, there are very few other broadcast customers for children's content. Commercially funded broadcasters TV2 and SBS are the main broadcast beneficiaries of the Public Service Puljen fund, but their interest is diminished because programming has to be targeted at the under 14s, and there is a ban on advertising within programming. The Danish Film Institute, which runs the scheme has suggested that the 50% penetration rule be relaxed. Between 2011 and 2013 the scheme funded four dramas at a cost of DKK19.5m (£2m) and developed four more at a cost of DKK1.5m (£160,000).

In **France** funding from the CNC and tax breaks is geared almost entirely towards animation. However, hours of animation are declining. In 2014 the volume of animation commissioned by free to air channels fell 21.8% to 223 hours and investment by broadcasters fell 18.6% to €39.5m (£30.4m).

In **New Zealand** NZ On Air's limited resources make it difficult to fund animation or live action drama, which needs co-funders, although it does fund at least one drama a year. NZ On Air spent about NZ16.1m (£7.5m) on children's content in 2015. In 2014/15 70% of funding went to programming commissioned by TV2. 55% of funding went to three magazine shows, which accounted for 81% of the children's hours funded by NZ On Air.

Tax Benefits

Tax breaks are important in Australia, Canada, France and Ireland. In most cases they are designed to promote overseas investment rather than encourage the production of public service content for children.

In **Australia** the Producer Offset rebate scheme has given a boost to lower cost internationally oriented animation at the expense of more expensive live action drama.

In **Canada** provincial (22%) and federal tax credits (10%) have been very significant for funding Canadian children's and youth production. Combined they have been more important than either broadcast licence fees (26%) or public subsidy from the Canada Media Fund (12%), allowing Canada to fund children's content up to 90% from domestic sources. However a combination of cuts to tax credits, changes to output quotas and the way that channels are sold/bundled on cable threatens to undermine the stability of the system.

In **France** tax credits account for about an 11% share of funding for animation. They are not as significant as broadcaster funding (26%) or subsidies from the CNC (20%), but contribute to French animation being funded by up to three quarters in the French domestic market.

S481 tax credits of 32% have been especially important in **Ireland** attracting overseas productions including *Doc McStuffins* (Disney), *The Amazing World of Gumball* (Turner), and *Octonauts* (Silvergate Media). In 2015 overseas animation accounted for 72% (11) of the animation projects supported by Section 481 and 78% of project value (€38.9m). Tax credits have benefited Irish production as well, allowing RTÉ to participate in a growing number of Irish animation series, which would not have been possible twenty years ago. However there is some volatility. In 2015 the value of animation projects fell largely because of a decline in the value of incoming projects from €70m (£54m) in 2014 to €40m (£31m) in 2015.

Final Thoughts

Most of the current content fund–based interventions are best suited to linear broadcast content.

Benefits seem to accrue to animation production particularly in Canada, France, Ireland and increasingly Australia - in part driven by tax credits and the international attractiveness of animation compared to other forms of local children's content such as drama.

Commercial broadcasters and new aggregators are unlikely to invest significant sums in local children's content unless there is regulation in the form of output and investment quotas.

The most successful support schemes for production have been in Canada and France. But these rely on substantial state intervention in the form of output quotas, investment quotas, levies on commercial players, and the redistribution of funds to producers through subsidies and tax breaks.

In France this system continues unabated. In Canada there are cracks with reduced Canadian output quotas, the removal of terms of trade for independent producers, and a possible reduction of levies as cable operations contract.

While content funds do contribute to the funding of children's television content, in many instances there is a problem with demand. In Ireland contestable funding for children's content has largely benefited commissions from public broadcaster, RTE. In Denmark there are few applicants for funding. In New Zealand there is limited funding and few outlets for funded content. In Australia there are concerns about range and diversity as commercial broadcasters focus on animation programming.

None of the funds, as currently constituted, really significantly address funding for children's content other than television (games, digital content). Nor have they really yet found a solution to distribution and discovery of publicly-funded children's content online.