

SECTION B

Read Figures 1 and 2 and the following extracts (A to C) before answering Question 6.

Answer ALL Questions 6(a) to 6(e) and EITHER Question 6(f) OR Question 6(g).

You are advised to spend 1 hour and 5 minutes on this section.

Question 6

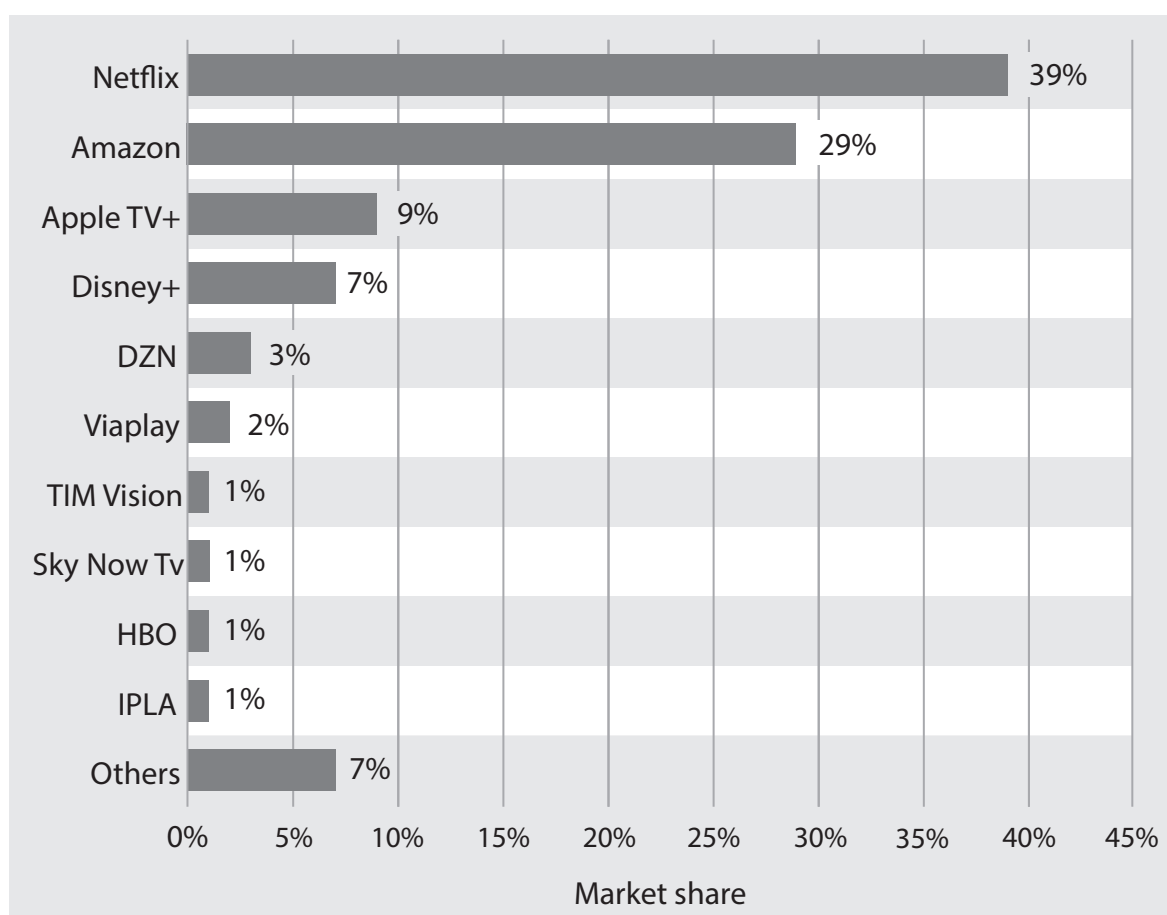
The market for television content

Figure 1: Elasticities of demand for streamed television services, UK, 2021

Price elasticity of demand	-0.6
Income elasticity of demand	1.6

(Source: adapted from <https://www.consultancy.uk/news/24986/covid-19-presents-netflix-with-chance-to-hike-prices>)

Figure 2: Market shares of streamed content providers, Europe, 2021



(Source: adapted from Statista 2021)



Extract A

The growth of streamed television content

Netflix currently has 13 million UK subscribers, who typically pay £9.99 a month to the US based private sector firm. At this price, up to two users can view the television content at the same time. The demand for individual firms' streamed television content boomed when people were forced to stay at home and has only begun to slow recently as more firms enter the market e.g. Amazon Prime Video.

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The launch of Disney+ at the end of 2019, including original content such as the £74 million *Star Wars* TV spin-off *The Mandalorian*, resulted in the service adding more UK subscribers in a year in 2020 than any other streaming platform has ever managed.

However, the costs of providing streaming television content have risen. Consumers now expect original content, for example *Stranger Things* which costs around £10 million an episode to make. Furthermore, advertising in a saturated market is expensive.

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In 2021, Netflix put up the price of its most-popular package by £1 a month to £9.99. Fortunately for Netflix, its subscriber demand has proven price inelastic. Just 3% of customers in a survey said they would definitely cancel their subscription after Netflix's latest price rise.

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(Source: adapted from 'As UK hits peak, Netflix the streaming giant will have to work harder', The Guardian, Monday 3 January 2022)

Extract B

Is television content a public good?

Public service broadcasting in the UK is made up of a number of parts. First, there are the main UK-wide public service broadcasters (PSBs). There is the publicly funded BBC, and the publicly owned Channel 4 which is funded through advertisements.

The BBC was established in 1922 by a Royal Charter. It is mainly funded through the TV licence fee, which costs £159 a year and is a compulsory charge for those who watch live TV on any device. Live TV and catch-up services are free to view and do not restrict household usage. Without the licence fee very few people would pay due to the free rider problem.

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The BBC's Charter sets out its five public purposes:

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- To provide impartial news and information
- To support learning for people of all ages
- To show the most creative, highest quality and distinctive televised content
- To provide content for minority groups which would not be profitable for a private firm
- To reflect the UK, its culture and values to the world.

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(Source: adapted from <https://publications.parliament.uk/pa/cm5801/cmselect/cmcumeds/156/15604>, and 'BBC licence fee to be abolished in 2027 and funding frozen', The Guardian, Sunday 16 January 2022)

Extract C**The environmental impact of streaming television content**

The carbon footprint produced by watching a month of Netflix programmes is equivalent to driving a car to Saturn. Every activity in the chain required to stream video, from the use of huge datacentres and transmission over Wi-Fi and broadband to watching the content on a device, requires electricity. The majority of this is generated by emitting CO². Modern flatscreen televisions use significant amounts of energy. 5

There's very little a government can do about this in a free market dominated by US firms. The focus of any government intervention could be to encourage alternative forms of entertainment and recreation, support the development of more energy efficient devices, to improve information on the environmental effects or to use regulation to limit viewing hours. 10

(Source: adapted from 'Streaming's dirty secret: how viewing Netflix top 10 creates vast quantity of CO₂', The Guardian, Friday 29 October 2021)

