

2. A changing landscape – building digital Britain

What people think¹³

- The public think the BBC should remain the cornerstone of public service broadcasting. They think it should ‘keep up with’ developments in technology
- Organisations representing a broad range of interests believe that the BBC should use new technologies to bring benefits to society
- Some recognise the BBC as a ‘trusted guide’, and believe it should introduce people to new technological experiences

Our policy

Digital technologies are revolutionising the way programmes are delivered and the way audiences watch and listen to them. We want to extend the benefits of this digital revolution to all UK households.

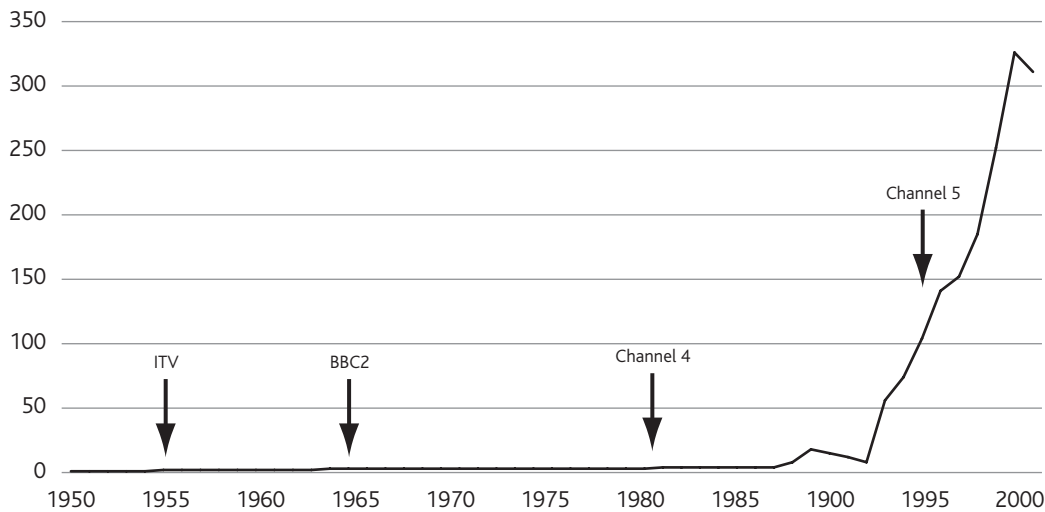
The BBC’s five core public purposes will remain constant in a digital world. But if it is to remain a public service of universal relevance to all citizens, the BBC will have to be fully involved in leading the digital revolution. Over the next decade, the BBC should have an additional public purpose – building digital Britain. That means helping to bring the benefits of digital services to all households and providing high quality content to drive take-up of those services. In particular, it means the BBC taking a leading role in the process of digital switchover in television.

Changes in broadcasting markets and audience behaviour

- 2.1 Over the course of the twentieth century, broadcasting came to be a trusted and stable part of our public realm. It evolved slowly, step by step – from the creation of the BBC to the introduction of ITV, then of colour television, commercial radio, Channel 4 and Five. Much of this development took place within a system of public service broadcasting – where each channel was expected to provide programming that had social value as well as commercial value.
- 2.2 But in the last fifteen years, the world of broadcasting has changed more than it did in the previous thirty. In television, the number of channels has grown from 4 to over 400 since 1988. In radio, the number of stations has grown from 218 to 325 in the last decade.

¹³ At the start of each chapter we have summarised some key findings from our public consultation exercise. More detail can be found in the document *What you said about the BBC*, at www.bbccharterreview.org.uk

The growth in television channels in the UK, 1950-2002



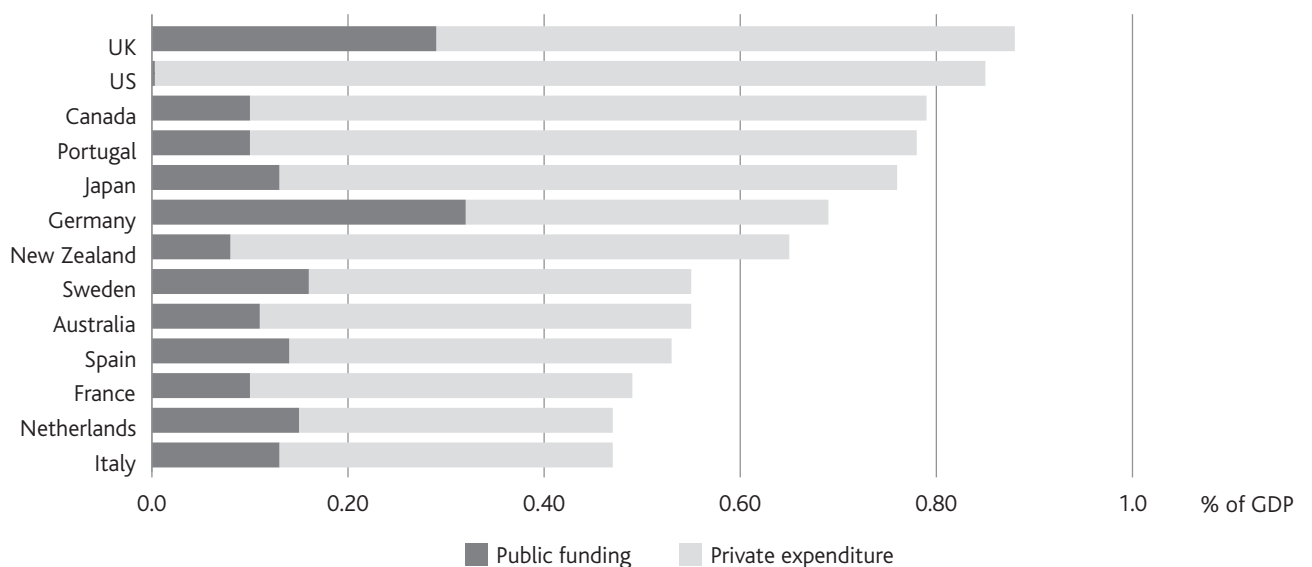
Source: DGA; Ofcom

2.3 These trends began in the 1990s with the development of satellite and cable television and the growth of commercial radio. But the key change in the past seven years has been driven by the emergence and growth of digital broadcasting. Nearly 60% of households now have digital television. That represents one of the highest rates of digital take-up in the world. Over seven million homes have digital satellite and 200,000 new terrestrial set-top boxes are sold, on average, every month. Digital radio has also grown rapidly since affordable portable receivers became available – over 800,000 sets were sold last year.

2.4 The growth of digital television is changing the relationship between viewers and broadcasters. Following digital expansion, in 2003-4 annual TV subscription revenues (for pay to view channels) were £3.3 billion, exceeding advertising revenues (£3.2 billion) and income from the TV licence fee (£2.3 billion). A market has developed that stretches much wider than the traditional public service broadcasters. In fact, the UK spends more on its television market than any other country, as a share of GDP: nearly 1 per cent.

Public and private funding of broadcasting services

Expenditure as a share of GDP



Source: McKinsey

- 2.5 The increase in channels means more choice for viewers. A bigger market means more competition for the main broadcasters. As a result, people now spend less time watching the main public service channels: BBC1's average audience share fell from 29.5% in 1998 to 25.6% in 2003; ITV1's average share fell from 31.7% to 23.7% over the same period.¹⁴
- 2.6 In the next decade, the pace of change is expected to increase. There will be even fiercer competition between television channels. Digital technology is likely to provide exciting new opportunities for audiences, who need no longer be so passive in their receipt of entertainment. Interactive services are increasingly used to support programmes and create new ways for commercial broadcasters to make money. Personal video recorders (PVRs) allow viewers to create their own schedules and may encourage them to skip through the adverts. New broadband television services have started in parts of London, Stevenage and Hull, giving audiences access to a huge range of on-demand programming. Digital radio already allows listeners to stop, rewind and record songs. Some digital radio broadcasts now have bigger audiences on the internet than they do through conventional sets. This convergence of technologies, and the development of on-demand broadband networks, may signal the end of broadcasting as we know it, allowing people to watch and listen to whatever they want whenever they want to.
- 2.7 It is difficult to make predictions about which technologies will succeed with any degree of certainty. But as more go digital, it seems certain that audiences for the major channels will be further reduced. People will search more actively for content they can schedule in their own way and on their own terms, rather than accepting the schedule they are given.

The Government's response

- 2.8 The market is delivering a vast array of choice to consumers. As we explained in Chapter 1, however, commercial providers will not deliver everything that we want from broadcasting as a society. We will therefore act in pursuit of two objectives:
- to extend the benefits of the digital revolution to all UK households; and
 - to strengthen and maintain public service broadcasting in the new digital environment.
- 2.9 Nearly 60% of households have access to digital television services. This proves the popularity of digital TV and the demand for it. But the market alone will never deliver a fully digital Britain – Ofcom figures suggest that take-up is likely to plateau at around 80% without Government intervention. That is because for many people the most convenient and affordable way to get digital television will be from terrestrial signals, and 27% of households will be unable to get digital terrestrial services until the analogue terrestrial signal is switched off. We will therefore pursue digital switchover as the only way to ensure that the benefits of high quality, free-to-view digital television are available to all.

¹⁴ Ofcom review of public service television broadcasting, *Phase I – Is television special?*, www.ofcom.org.uk

Giving choice to everyone

At present, many people are concerned that they cannot easily receive the BBC's new digital channels on a free-to-view basis. Some of those who contributed to our public consultation process were angry at what they perceived to be an unjust arrangement:

"I am annoyed that I am paying for things that I can't get but other people can. I am paying for them to get services that I can't." (C2DE, 61-75, heavy TV watcher, Scotland)¹⁵

The BBC's role in building digital Britain

- 2.10 The BBC must not become a relic of the analogue age. It must help to shape the digital future. Already, new BBC services have helped to drive the take-up of digital TV and radio. But a new burst of activity will be needed if the country is to become fully digital.
- 2.11 Our qualitative research suggests that people value the changes the BBC has made to introduce new channels and interactive services. There is a widespread belief that the BBC should be at the forefront of developments in digital broadcasting.¹⁶
- 2.12 To this end, we will make 'building digital Britain' an additional purpose of the BBC for the next decade.
- 2.13 That means the BBC will be expected to meet its current target to extend digital audio broadcasting (DAB) radio coverage to 90% of the UK population. The BBC and the commercial radio industry have together played a key role in promoting digital radio and jointly set up the Digital Radio Development Bureau (DRDB) with the specific purpose of promoting the take up of DAB. The BBC invested £20 million in its new digital stations in 2003-04 and, in 2003, embarked on extensive marketing activity. By Q3 2004 these stations had between them a reach of 1.72 million listeners. The BBC should continue in its promotional role in this area.
- 2.14 'Building digital Britain' may also involve developing new interactive and web-based services, as demand grows for new media, such as broadband. It also means the BBC should make sure there is adequate access provided, across all media platforms, for viewers and listeners with sensory impairments.
- 2.15 In television, the BBC has already volunteered to play a leadership role in the process of digital switchover¹⁷. The BBC's role in switchover is described in more detail in box 2.1. It means that the public will help to pay for the process of digital switchover through the licence fee. In summary, we will ask the BBC to:
- Help to establish and manage the organisation that will co-ordinate the technical process of switchover – currently known as 'Switchco';
 - Play a leading role in the public information campaign that will tell consumers when and how the switch will happen, what choices of equipment they have and how they can install it;
 - Help to establish and fund schemes to help the most vulnerable consumers make the switch.

¹⁵ Cragg Ross Dawson, *Qualitative Research to Inform BBC Review*, 2004

¹⁶ Cragg Ross Dawson, *Qualitative research on key issues*, 2005

¹⁷ BBC, *Building Public Value*, p. 61

Box 2.1 Completing digital switchover and the BBC's role

We expect the switchover from analogue terrestrial television to digital television to happen during the lifetime of the next Charter, and we believe the BBC should play a key role in planning, preparing and implementing the switchover process.

We want the BBC to continue to promote the benefits of digital television and to drive take-up. The BBC's investments in digital channels, interactive services and its role in Freeview have already significantly helped the success of digital television in the UK.

The BBC's participation in switchover will ensure that its digital channels are made available to every licence fee payer. But it will also result in significant savings, with the termination of the analogue transmission of BBC1 and BBC2. It should therefore be seen as a long-term investment.

We will include in the next Charter appropriate obligations to complete digital switchover. The timetable for this will be confirmed later, although we note Ofcom's view, shared by the BBC, that switchover could begin in 2008 and be fully completed by 31 December 2012.

Replicating the analogue terrestrial coverage in digital

We are committed to ensuring that people have, where possible, a choice of means to enjoy their television services, including those funded by the licence fee – on different platforms. This is why we believe that the BBC services should continue to be available as widely terrestrially as the analogue service is today, as well as being available on cable, satellite and the developing DSL services.

We will therefore include in the new Charter obligations to replicate in digital form "substantially the same coverage" as in analogue (around 98.5% of households). In doing so, we are requiring the BBC to comply with similar obligations to those contained in the licences granted to the commercial public service broadcasters by Ofcom on 17 December 2004.

Developing alternative reception options

We welcome the decision taken by the BBC to ensure all its services are available free to view on satellite. We would also like to see the BBC continue to promote the development of a free digital satellite service. We are also keen to see the BBC extend the availability of its services on alternative platforms and 'on-demand'.

The days of receiving television services only through an aerial are long gone. Digital television services are already available by means of satellite, cable and broadband (DSL over telephone lines or ADSL through a computer) transmission systems, as well as terrestrially through an aerial. Each platform offers different features, and consumers will attach different values to those features. We believe that not only should all households be able to enjoy the full range of services for which they are paying through

the licence fee, but also, so far as practicable, they should be able to choose between the different offerings.

Coordinating role

As the BBC recognises in its report *Building Public Value*, achieving digital switchover by 2012 requires the cooperation of all the terrestrial broadcasters and close working with other stakeholders – manufacturers, retailers, consumer groups and the wider broadcasting industry. We expect the BBC, in agreement with other public service broadcasters, to take the lead in this coordination, and we welcome the steps it is already taking on this.

In particular, we welcome the BBC's willingness to play a leading role in the establishment and management of the organisation created to implement switchover, currently referred to as 'Switchco'. Subject to any necessary approvals for the BBC's detailed proposals, we expect this organisation to be in place as soon as possible.

One of the main tasks of this organisation will be to increase people's awareness of switchover, and ensure consumers know what they need to do and by when. Switchover will need to be supported by a significant communications campaign, both at national and regional levels.

Information on switchover

While we expect all the broadcasters to explain to their viewers how to receive their services in digital form, and to play their part in wider communications, the BBC will need to be a major contributor to the awareness and information campaign that will ensure viewers across the UK are fully aware of switchover before it happens.

Commercial public service broadcasters are required through their digital licences to tell their viewers what they need to do to continue to be able to view their services once analogue transmissions stop. We will place a similar obligation on the BBC for its services. Viewers will also require generic information on digital television. This will include the options for getting digital services in their area, guidance on equipment, and help for people with particular needs, such as those with impaired sight. We envisage that the BBC, working with the other broadcasters, manufacturers and retailers, will play a leading role, both directly and through Switchco, in the delivery of a programme of reliable and impartial information about switchover, telling viewers:

- when switchover will happen in each region;
- what consumers have to do;
- how to receive the major channels (the public service broadcasters);
- how to plug in a set-top box and/or retune existing equipment;
- what choices of equipment they have;
- what facilities digital television offers to the disabled.

Helping the most vulnerable to cope with switchover

The vast majority of citizens will need only a source of good information to help them through switchover. However, we are fully aware that some people will need more than information. They may need help to understand what they have to do, to install their boxes or check their aerials, or to use their new equipment. A few might also need financial assistance. We are considering, with the BBC, the recommendations made by the Consumer Panel, the Consumer Expert Group and leading charities. We believe it is an essential part of the BBC's role to ensure that everybody can receive digital television services, and we will ask the BBC to help implement and pay for schemes that will ensure no-one is left behind.

An accurate assessment of how the needs of the vulnerable are to be met is essential before a switchover strategy can be finalised. We will continue to work with the BBC and others on the scope and delivery mechanism for these schemes before confirming the switchover timetable.