

A Response from Hodder & Stoughton Educational Publishers to the public consultation regarding the BBC's proposition for a Digital Curriculum service

18th July 2002

Hodder & Stoughton Educational is one of the top three secondary school, college and consumer education/home learning publishers in the UK. We are the fastest-growing secondary-school book publishers, providing high-quality materials to meet the latest curriculum needs in England, Wales, Northern Ireland and Scotland. We are also the market leader in most of our chosen fields for college publishing and in the home learning market.

We share and endorse the concerns expressed by the Digital Learning Alliance, and the Publishers' Association, both of whom have responded to you separately. We believe that this proposal requires **fundamental amendment** if it is not significantly to diminish the long-term choice of learning resources available to our schools and to threaten to undermine the development of a potentially world-leading industry at a vital stage in its evolution.

The BBC and Curriculum Online

The proposed BBC Digital Curriculum service cannot be considered in isolation from the Curriculum Online (COL) service currently being designed by DfES for launch in September. Hodder & Stoughton Educational has been fully supportive of COL right from the start over a year ago. Senior staff have devoted a great deal of time under the auspices of the Educational Publishers' Council (EPC) in partnership with other stakeholders, including the BBC, in constructing the elements which will

make COL a success on a scale which will be a world first. In the longer term however COL depends crucially on the commercial industry investing to develop a wide range of digital learning resources according to COL criteria, an investment that will deliver the rich diversity of learning resources which teachers want and expect.

Unless two factors are in place however the future of COL, the development of a potentially world-class industry, and indeed the whole electronic learning environment in our schools is threatened. The first of these is adequate eLC funding to counterbalance the BBC entry to the market, and the second is that the BBC is constrained to play a complementary role rather than adopting a directly competitive position to the other players wanting to contribute to COL.

The effective use of ICT in schools

The BBC has the potential to become a major player in the emerging market for electronic learning resources for schools. However, we do not see their current proposition as distinctive in terms of the content or the methodology which they propose to deliver; indeed their proposal is lacking any useful detail in either of these respects (Frame of Reference, #3.2). The proposal can only be considered distinctive in terms of the scale of expenditure, which will be untested by market conditions, and the fact that it will be available free of charge. The other benefits they highlight are generic relating to the effective use of ICT in schools and could be applied with equal validity to the offering of the commercial industry. The BBC will be entering a market which is already well provided with commercial product, both from the established educational publishers and from a wide range of innovative small companies devoted to harnessing the benefits of ICT to our schools. For the future benefit of education and learning it is essential that this rich diversity is not diminished or restrained.

A vision, and a historic opportunity

As the Publishers Association (PA) has argued ever since its submission under the COL consultation last June, we envisage a **historic opportunity** to harness the national resources of both the private and public sectors to deliver a world class service to our schools – **a vision that can be realised only if an equitable balance can be achieved between the activities and the objectives of both sectors**. We believe that balance will be fundamentally disturbed by the BBC's current proposition, and we would urge you to consider a number of key issues and how these relate to the

principles needed to achieve this constructive balance. Given positive and significant amendments to the BBC's submission in line with these principles and issues, we believe that the vision can still be achieved and that public and private sectors can work together in harmony for the educational benefit of our schools, and on a world-class scale.

We believe strongly that the BBC should be required to think again in **six critical areas**.

1. Scale

The £150m which the BBC proposes to spend over five years would be equivalent to the “fixed” or “R&D” expenditure that a commercial provider would have to invest in content, plus the overhead required to acquire the technological capacity to deliver that content to schools. The other costs associated with a commercial operation – cost of sales, marketing, distribution, back office overheads, customer service, and profit – are not part of the equation, so to sustain diversity in the face of such extensive free-of-charge competition the potential market for commercial product would have to be significantly larger than at present.

The SRU market impact report (enclosed with the Digital Learning Alliance [DLA] response) argues that the free BBC material will displace commercial product with a market value in the region of £400m. The existing market is thought to be worth £85m per year, so it is clear that if the BBC engages this scale of expenditure in delivering effective product free-to-air into core commercial markets, then they will quickly dominate.

However, if the BBC were to maximise its expenditure in areas that **complemented** the provision of the commercial sector, then this would enhance the benefit of using ICT in schools, would justify their own role as a public service provider, would stimulate the demand for digital learning resources right across the curriculum, and would encourage commercial investment in the national curriculum. There is ample scope for the BBC to target its proposition at minority and specialist areas where economies of scale will preclude significant commercial investment, and the BBC is uniquely placed to service the needs of pupils working at home. We had also expected that the BBC would want to contribute resources for the 16-19 age range and for lifelong learning, as envisaged in their original consultation in September 2000.

2. Coverage

The BBC proposes to restrict its coverage to a maximum of 50% of the learning outcomes for any subject (Frame of Reference, #3.3). A reality check on the ratio of ICT resources to pupils in schools and on the extent to which teachers will employ ICT resources to deliver the learning experience in the classroom will quickly reveal that 50% coverage will potentially deliver all that will be required in any one subject. The BBC do not specify which learning outcomes they propose to cover in any one subject, so it is impossible for a commercial provider to plan their own coverage secure in the knowledge that the BBC's free material will not undermine their investment. We also note that the BBC proposes to publish its plans only annually (Frame of Reference, #5.1), whereas the industry had expected a six monthly disclosure following the direct negotiations earlier this year.

We urge most strongly that this level of coverage in the core and non-core NC subjects is not permitted in order to leave scope for a range of other providers. It is difficult to specify an appropriate figure, but an average of 25% with a maximum of 20% in the core subjects would probably give the commercial industry the confidence fully to grasp the COL opportunity.

3. Promotion

The industry has asked that the BBC should cost in broadcast promotion of its service at commercial rates, but this is not mentioned in their submission. This in effect considerably enhances the scale of their investment when compared to a commercial provider and only adds to the scale of the commercial market required to ensure diversity and choice. We also believe that the BBC should be required to use the COL URL in its trailers rather than the BBC's own DC.

4. Commercial exploitation, and the role of BBC Worldwide

Worldwide is the partner of choice for exploitation of material generated using the licence fee. The BBC's submission proposes to restrict access to DC material by commercial providers (Frame of Reference, #6.3) which will ensure beneficial terms for Worldwide engagement which are not available to the commercial industry, in relation to use of a brand developed through licence-fee expenditure and access to licence-fee-funded material for incorporation into added-value products. We consider the restriction specified in the submission to be unfair and far from the spirit of public service broadcasting. Resources developed using the licence fee should be fully available to commercial providers on equal terms with Worldwide.

This cannot but help to stimulate further an already vibrant marketplace, without diminishing the BBC's public service contribution.

We cannot see how this can be thought to align with a fair trading commitment, and we are concerned that there is little in the proposition which will restrict Worldwide from building on the licence-fee-funded initiative in order to enter the commercial market for learning resources intended to deliver the national curriculum in the classroom. This is already a vibrant and diverse market which has never failed to deliver what schools require. If Worldwide is ever to become a player in this market, it should be on equal terms with the commercial industry.

We propose to you that the activities of Worldwide associated with the Digital Curriculum should be clearly specified as follows:

1. The BBC should make an undertaking that Worldwide shall not produce any print-based student material associated with the Digital Curriculum beyond technical manuals for the teacher or materials to enable the home learner to make use of the Digital Curriculum. The DC is an electronic concept, and should remain so.
2. There should be no special relationship between the publicly funded DC and further exploitation by Worldwide, beyond the technical manuals. BBC should encourage the wider use of their DC material by allowing free licensed access to commercial providers without a cap and at marginal cost. Any proposal for further exploitation should be subject to a clearly defined tender process based on transparent and regulated decision criteria. This would enable a wide range of publishers to support the use of digital learning materials and to deliver maximum educational pay-back.
3. Materials associated with the DC should cover only those elements of the curriculum covered by the DC itself, and should not become a vehicle for a comprehensive offering by filling in the gaps.
4. Where Worldwide produce independent material using digital content which does not draw on DC material there must be no use of DC logos nor any implied linkage.

5. There should be a process to monitor the activity of Worldwide according to these criteria, and to remedy any cases of transgression.

5. The BBC's Virtual Learning Environment, and its role in the distribution of electronic learning materials

The initial VLE which the BBC proposes to develop in order to deliver its DC will be available free to schools. It is vital for the benefit of the long-term market that this VLE does not become the de facto standard VLE which schools will use merely because it is free. The industry's understanding following the negotiations in January was that the BBC would **withdraw** its VLE should a suitable commercial alternative become available, but this is no longer clear in their submission (Frame of Reference, #7.2, 7.3). DfES is working on an open standard for VLEs in schools. The BBC should be required fully to comply with that standard and thus to stimulate interoperability of all digital learning resources in schools.

6. Accountability

We realise that regulation of the BBC is an issue which lies beyond the scope of this consultation. For the commercial industry however, the greatest potential threat in the BBC's DC proposition lies at the detailed level, in terms of coverage within each subject. The regulation procedures which exist or are proposed for the BBC are entirely inadequate in this respect, and we would urge you to require the BBC to introduce a procedure which would render it more accountable at this level.

We understand that the DfES proposes to establish a Content Advisory Board to advise the Secretary of State on the effective development of COL. We believe that the BBC should work positively with the CAB to ensure that its free provision complements the commercial provision, and that the regulation process should take account of their performance in this respect. The BBC should publish performance data against its key undertakings on a quarterly basis, and a procedure should be established to resolve disputes.

Funding the commercial market

As alluded to earlier, two further issues should be taken into account in considering the BBC's current proposition.

Commissioning of BBC material

The BBC proposes to spend 50% of its content funds with outside suppliers on a fee basis with ownership of IPR depending on the input negotiated with the supplier. This will amount to around £9m per year. **It must be realised that this is not only insufficient to stimulate the development of the commercial industry on a significant scale, but will not ameliorate industry anxieties on the other key issues.** These contracts will still produce free-to-air material in the ownership and control of the BBC. Significant commercial providers of digital learning resources are publishers such as Hodder & Stoughton Educational wanting to invest at our own risk, not contractors working on a fee basis. This thinking is an extension of the practices of the television industry, where independent producers expect commissions on a fee basis. True publishers will not respond to this kind of model. They need a secure open market to stimulate their investment, a market which has not been undermined by free material, and which has sufficient funds to purchase commercial alternatives.

Demand-side funding

The PA has argued consistently throughout the COL process for a mixed economy solution. There is potentially a complementary role for the BBC within a balanced solution to market development. An essential component of such a solution however is secure demand-side funding, and DfES is to launch such funding as eLCs for schools in England from September. It must be realised however that at the time of writing such funding is for one year only, that no plans have been declared for future years, and that no parallel mechanism exists for Scotland, Wales or Northern Ireland. So the industry can only see the BBC proposition as a direct threat to existing expenditure on paid-for resources until such time as secure long-term, demand-side funding has been publicly confirmed.

This forward commitment is essential. The industry is looking at long pay-back periods for innovative electronic products and needs a four to five year funding horizon in order to make the necessary investments. It is encouraging that the BBC lends its support to such funding, but we would urge you to support the extension of the existing scheme for the long-term benefit of a vibrant open market. Until such time as such funding is in place, we will be unable to invest significantly in innovative new products should the BBC proposition with its current scale of expenditure and coverage of the national curriculum be allowed to proceed as planned.

In conclusion

We urge you strongly to require the BBC to think again on the six issues. The industry is prepared to offer a set of realistic constraints in line with the issues and principles above which we believe you should impose on the BBC as a requirement of a new service approval. To do so would be to grasp a historic opportunity to stimulate the development of a world-class online educational resources industry in this country harnessing the best of our national resources available in both the public and private sectors.