

Monday 22 July 2002

Rt. Hon Tessa Jowell, MP
Secretary of State
DCMS
2-4 Cockspur Street
London SW1 5DH

Cc Rt. Hon Patricia Hewitt, MP
Secretary of State for Trade and Industry

Rt. Hon Estelle Morris, MP
Secretary of State for Education and Skills

Dear Secretary of State,

BBC Application for Digital Curriculum Service

I am writing on behalf of Intellect to express concern on behalf of the UK's ITEC industries regarding a number of aspects arising from the above application. This is in response to your invitation to comment, as set out in the document *BBC Public Services: Approvals*.

Intellect is the new association created for the information technology, telecommunications and electronics industries in the UK. Intellect incorporates members of CSSA¹ and FEI² and represents over 1000 organisations including suppliers of communications components, equipment and software and a broad range of operators and service providers. Intellect is committed to improving the environment in which our members do business, promoting their interests and providing them with high value services.

Intellect has a range of interests in relation to the BBC application, and this letter seeks to place these and the likely outcome of the application into a broad, national interest perspective.

Intellect supports the outcomes of the application, including the production of quality digital curriculum material. We believe that in addition to the significant educational benefits, the digital curriculum would be a critical demand side driver for the take up of broadband services in the UK.

However, we are concerned about the competition implications of the BBC proposal which risks placing too much market power in the hands of the BBC. This course of action will result in the probable exclusion of any substantive investment and development opportunities by alternative suppliers. It will also significantly reduce the opportunities for the development of the UK educational software and services industry which, according to latest estimates, is worth £85 million and allows for the production of over 2,500 digital learning products (according to the BECTa Education Software Database).

This is a very obvious case of the need for extreme care where a public body, the BBC, enters and immediately dominates a market previously supplied by diverse private sector companies. Currently, the application concentrates too much power over the development of the digital curriculum in the hands of a single provider. In the longer term, this may be counterproductive to

¹ Computing Services and Software Association

² Federation of the Electronics Industries

the evolution of diverse, digital education content and software, with the likely consequence that future educational outcomes would be severely impacted.

By reducing the capacity of suppliers to develop new content, there is every likelihood that the UK's capability to become a global leader in the production of digital learning resources will be adversely affected. In many industries, a strong, competitive domestic marketplace has often been fundamental to export success.

Even if the BBC's market dominance is not a concern to the Government, it must acknowledge the consequences of increasing reliance on funding digital curriculum material via the BBC licence fee, which may be subject to overriding priorities set by BBC governors at any time in the future. The BBC's position as a public service broadcaster, is one where it can deliver real change, however, the digital curriculum is not simply a 'one-time' development; it must continually be refreshed and over time redeveloped to take advantage of new capabilities.

Ultimately, there is no guarantee in the current application that the BBC will (or, indeed, can) commit to this long-term programme. This exposes the Government to a high risk in relation to on-going and future digital curriculum development.

Further examination should be undertaken as to whether the BBC, an organisation with little experience of mainstream curriculum development, is able to deliver value for money to the licence fee payer. It is important that a comparative analysis of the cost of producing a similar service through a market-driven mechanism is developed and analysed.

Intellect strongly supports the DfES' Curriculum Online initiative, however, we believe the current proposal will have a disproportionate impact on the market for digital learning resources by curtailing choice, innovation and diversity. The BBC application in its current form represents a high-risk strategy for government, both in terms of development, the supply of digital curriculum materials and their future funding.

Intellect therefore requests that you reject the BBC application in its current form, and indicate the Government's desire for a future application to contain specific details covering:

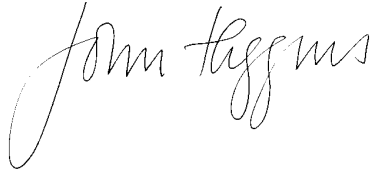
1. How the proposal will ensure that the commercial sector will be provided with a market opportunity that allows it to continue to grow and prosper;
2. The level and value of curriculum material including content and software that will be contracted out by the BBC (which should be the overwhelming proportion of the material); and
3. An open and fair process by which the BBC will administer the contracting out of third party development must be specified (appropriate consideration should also be given to the intellectual property implications of such arrangements).

Intellect further requests the Government gives a firm, five year commitment to the funding of Education Learning Credits at an appropriate level. Although £50 million has been committed to ensure the continuity of the commercial market during the 2002/03 academic year, this funding will not properly compensate an £85 million market or encourage growth and innovation or offset the BBC's proposed expenditure of £150 million. By providing an extended guaranteed commitment, this will further enable schools to exercise choice in acquiring digital curriculum materials and provide an alternative development horizon for the many existing educational software developers and suppliers.

Intellect urges the Government and related stakeholders to reach a quick and clear resolution to this matter. The current uncertainty has had detrimental impact on the evolution of the marketplace and on the ability of companies to plan and develop future product offerings.

Should you require any more information on our concerns outlined above, I would be more than happy to meet with you or your officials at any time.

Yours sincerely,

A handwritten signature in black ink that reads 'John Higgins'.

John Higgins
Chief Executive

Email john.higgins@intellectuk.org

Contact on this issue: Nick Kalisperas (nick.kalisperas@intellectuk.org; tel: 020 7331 2179)