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Walt Disney Television International

David Hulbert
President

Andrew Ramsay, Esq.
Director, Creative Industries,
Media and Broadcasting Directorate
Department for Culture, Media and Sport
2-4 Cockspur Street
London SW1Y 5DH

25 January, 2002

Dear Mr Ramsay

Re: **BBC Three**

We are writing in response to the BBC's recent submission to the Secretary of State of a revised proposal for the creation of BBC Three, a new digital channel for young adults. Walt Disney Television International, with its four digital pay-tv channels (Disney Channel, Disney Channel +1, Toon Disney and Playhouse Disney) plus the recently acquired Fox Kids channels, caters of course primarily to children from the ages of 4-14. For this reason, the proposed creation of BBC Three is probably less relevant to our core business activities than the creation of the two new digital children's channels (CBBC and Cbeebies), both of which the Secretary of State approved last year.

When consultation took place on the two new digital children's channels, Disney submitted several comments, copies of which are attached hereto for your information. Many of the general comments we made in respect of those new channels apply equally to the proposed BBC Three, and we will therefore not repeat all of the points here.

We recognise the enormous value of public service broadcasting, and in order to maximise its effectiveness, we believe that the BBC ought to concentrate its activities on those which genuinely reflect its public service remit, and not replicate services that are already provided by the market. The young adult audience is already well served by existing commercial channels. The research conducted for the BBC by Oliver & Ohlbaum concluded that BBC Three would be distinctive from that which is already available in the market, and that BBC Three is necessary in order drive digital take-up. In our view, this research is contestable, and neither point is accurate. We would urge the DCMS to consider commissioning an independent study to market test these conclusions, in consultation with the private sector.

As we have stated in the past, it is our view that the BBC has failed to demonstrate that any of its digital channels are necessary to drive digital take-up. In fact, the DCMS's own research shows that the market segment slowest and most unlikely to adopt digital television is the elderly (55+). In identifying a youth audience, the BBC is in effect targeting audiences that have already switched to digital or who are likely to do so with or without the presence of BBC Three. If the BBC is looking to enhance the attraction of digital television to new audiences, this is not the most important place to put their resources.



If the Secretary of State does decide to approve the creation of BBC Three, we would suggest that the approval be conditional upon the BBC meeting some very clear, empirically testable performance criteria:

- 1 The BBC has said that 90% of BBC Three's programming will be of British origin and will reflect a full range of diverse genres. These commitments should apply to both peak and non-peak times in order to prevent a scenario in which the BBC acquires popular non-British programming and schedules it during peak times for the sole purpose of maximising its ratings and competing with commercial channels. Peak and non-peak times should also be clarified, and the BBC should be required to dedicate a certain percentage of airtime to each genre of programming.
- 2 The BBC has stated that some programmes made for BBC Three will also be shown on BBC One and Two. Given that the BBC's overarching objective is to provide a distinctive service, we would expect the repeat rate on these channels to be subject to a reasonable and measurable limit.
- 3 Criteria need to be developed that will ensure distinctiveness from what the market provides over time so that the BBC channels do not merely reflect commercial developments. These criteria should include demographics, genre, quality, platform carriage and transmission time.
- 4 Finally, it is crucial that there be an independent body (other than the Secretary of State) charged with the responsibility of monitoring and enforcing the BBC's compliance with the Secretary of State's conditions and reviewing on a regular basis the impact on the commercial sector. The commercial sector has and will continue to monitor the BBC's activities in this regard, but there needs to be an independent body to whom concerns can be addressed.

Please do not hesitate to contact us if you would like to discuss this matter further.

Thank you,
Yours sincerely,

David Hulbert

cc: Rt Hon Tessa Jowell MP, Secretary of State for Culture, Media and Sport
Kim Howells MP, Minister for Film, Broadcasting and Tourism
Ed Richards, Media Policy Advisor to the Prime Minister