

Channel 4 submission to the Independent Review of the BBC's new digital services

Introduction

The Secretary of State has asked the independent reviewer to address three broad questions:- whether the approval conditions set out for the BBC's new digital services have been met; what has been the impact of these services on the rest of the market; and how might they be developed in the future.

In this submission Channel 4 gives brief responses to the first two of these questions, in the context of our experience of BBC 3, and with some reference to BBC 4. Without dedicated children's services of our own, it is appropriate for us to leave comment on the children's channels to others.

We offer a more substantial response to the last question of how new BBC services might be developed and regulated in the future.

This submission should be seen in conjunction with Channel 4's submission of March 2004 to the DCMS Consultation on the BBC Charter Review, in which we set out views on the need for radical overhaul of the governance of the BBC, for clearer remits for individual channels and services, and for more transparent processes to decide what financial resources should be made available to provide those services. The substance of this submission is a restatement and amplification of those views, with an emphasis on future proposals rather than past intentions or present practice.

Summary

- BBC 3 appears to meet its approval conditions but demonstrates the need for a more systematic approach to deciding such conditions in the future.
- It is too early to identify the direct commercial impact of the new channels on the rest of the market, but the case of BBC 3 demonstrates that impacts may be creative as well as commercial.
- Each new BBC channel and service should have a specific remit, an appropriate and proportionate budget and a transparent system of monitoring and enforcement.
- These remits should be set out on the basis of licences issued by a reformed and reconstituted Board of Governors, similar to the licences issued by Ofcom to commercial public service broadcasters.

Do the new services meet the approval conditions that were agreed?

BBC 3 has broadly met the approval conditions that were set by the Secretary of State – we believe. We have the BBC’s word for it but without the level of monitoring and transparency which is applied to all the commercial public service broadcasters it is not possible to tell. That is why, in our submission to the DCMS of 25 January, 2002, we called for a monitoring system for BBC3 which worked “in the same tried and tested way that Channel 4 and other ITC-licensed channels are held to account currently by the ITC”. Later in this document we set out how such a system might work. Furthermore, although the approval conditions have been met, we believe the way in which those conditions were arrived at offers lessons for the future.

The BBC’s declared purpose in proposing a number of digital channels was to establish a strong presence in the new digital world and, in so doing, help drive the UK’s switch to digital. The specific purpose of BBC 3 was to establish an entertainment channel which would appeal to young adult viewers, a section of the audience which the BBC feared it

was beginning to lose in the more competitive multi-channel environment. The newly appointed controller of the channel succinctly expressed this core purpose when he told Broadcast magazine that it was in business “to screw E4”.

Concerns voiced by the Secretary of State and many others, including Channel 4, altered the feel and balance of the proposed channel by requiring it to take on some conventional public service characteristics, including news, a broader variety of genres, an education purpose and a high level of origination. These changes were grafted on to the original proposal, creating a channel whose fundamental rationale was no longer clear. Was it to help secure the BBC’s place in the digital world? Was it to help drive analogue viewers to digital? Or was it to provide an experimental platform for new talent aimed at an audience already familiar with the digital world and already well served by mainstream entertainment on digital channels? These purposes are not mutually exclusive but they do pose conflicting priorities. Furthermore, it is not clear why it was decided that a programme budget of £100 million (more than the other three proposed digital channel combined), with many millions more for marketing, was needed for any of these purposes to be effectively met.

The BBC’s Statement of Programme Policy for 2004/5 sets out BBC 3’s “key service priorities” as “supporting informed citizenship for young adults”, offering “the best of British culture” and “encouraging depth of learning”. But its original purpose was to be an entertainment channel. And a casual viewer might consider that it still was. It is not clear what part football, blockbuster movies, or episodes of East Enders have to do with promoting the higher ambitions set out in the Statement of Promises, although of course they do lift the audience figures. In its own submission to this Review the BBC says that BBC 3 “has provided the UK’s only public service network offering a mix of programme genres to young adults, with focus on innovation and new British talent.” We would argue that Channel 4 is a public service network that provides such a mix as part of its overall audience offer, does it more effectively, with much greater impact, and without recourse to public funding. The additional value which BBC 3’s £100 million brings to the public service environment is not clear.

This experience suggests that clear purposes and clear remits, established by a regulator, not the Secretary of State, and transparently monitored and enforced, would be a better way of arriving at more coherent criteria for new channels and services. We propose such a system later in this document.

By contrast with BBC 3, BBC 4, with a clearly articulated role, a widely acknowledged public service purpose, and a budget less than half that of BBC 3, has established a well-defined position for itself. We agree with the statement in the BBC's own submission to this review that BBC 4 has "significantly extended the volume and diversity of BBC Television's output."

What impact are the new services having on the rest of the market?

The market impact analysis commissioned by the BBC from Oliver and Ohlbaum as part of their submission to this Review estimates the value of BBC 3's impact on the rest of the market in cash terms and notes that the two "most impacted" channels are Channel 4 and E4. In Channel 4's view it is too early to identify the cash cost of BBC 3's impact on Channel 4 or E4. It is also too early to arrive at an informed view of what that impact might be in the long term. BBC 3 has been on air for less than eighteen months and has not yet reached maturity.

It could be argued that an investment of £100 million in original programmes and new talent could not be anything other than beneficial for audiences and for the industry, whatever its negative impact on competitor channels might be. This has been claimed by the BBC and is reiterated in Oliver and Ohlbaum's study for the BBC submission to this Review.

However, it could be argued equally that the scale of the BBC 3 budget bears little comparison with any comparable digital channel, and that such disproportionate investment by the BBC has had significant impact elsewhere in the industry, an impact which can be measured in creative as well as in commercial terms.

An example would be the development of new comedy talent, something which is at the heart of BBC 3's programme offer. New comedy talent needs time and room to grow. Artists moving from live performance or

radio into television need to be able to find their feet, perhaps by first appearing as one element in a larger, already established show. Digital television enhances these opportunities by offering a greater variety of platforms on which new ideas can be tested with niche audiences. BBC 3's commissioning policy has tended to bypass some of these stages, rushing relatively new performers into having a whole series of their own before they may be ready to do so, for example *Cyderldelic*, and *Sort it Out Man*. This is of no benefit to the audience and of no lasting benefit to the performers, whose experience may not be sufficient to sustain an entire series with success and who therefore appear to fail, blighting their careers almost before they have started. It also drives inflation into the talent market, in terms of performers' expectations as well as in terms of prices.

This approach is encouraged by the huge imbalance between the BBC 3 programme budget and that of any comparable digital channel. But even if budget considerations are set aside, BBC3, as a publicly funded public service channel, should be seeking to nurture new talent in British comedy in a more measured and sustained way.

Despite BBC3's stated commitment to developing new on-screen talent, the size of the Channel's budget has also allowed the poaching, at great expense, of already well-established television personalities such as Dom Jolly and Johnny Vaughan. This, too, fuels inflation in the talent market and makes no contribution to the public service purposes of the Channel. Nor is it apparent what logic there is in spending seven-figure sums to move successful television performers from channels where their audience is counted in millions to channels where their audience is counted in thousands.

Finally, for all the commitment to new ideas and new talent, much of the BBC 3 entertainment output has been highly derivative, and much of it has been based on formats developed by Channel 4 (*Stupid Punts*, based on *Banzai*; *Fame Academy*, based on *Big Brother*; *Who Rules the Roost*, based on *Wife Swap*; and *3 Non-Blondes* based on *Trigger Happy TV*), posing yet more questions as to whether its very large budget brings genuine additional value to the overall public service offering to viewers.

This experience suggest that clear purposes and remits, setting out what channels should not be doing as well as what they should be doing, and accepting particular public service responsibilities with regard to issues such as training and talent development would be a better way of defining the role which a publicly funded broadcaster should be playing in the overall public service environment. We propose this approach later in this document.

How might the BBC's digital services be developed for the future?

In the light of these observations about BBC 3, and the way in which it was approved and launched, Channel 4 argued in its submission to the DCMS Charter Review consultation that individual BBC channels and services should

- have clear remits, with indications of what they should not be doing as well as what they should be doing;
- have transparent processes for monitoring and enforcement;
- be able to demonstrate that budgets are appropriate and proportionate;
- should acknowledge that public funding imposes particular responsibilities to address issues of market failure in terms of content and scheduling which may not be practical for commercially funded public service broadcasters.

We argued that the BBC Board of Governors (which we argued should be reconstituted as an entirely regulatory body at arms length from the Corporation) should

- document these remits in a form similar to the licences which Ofcom issues to commercial public service broadcasters;
- receive regular data from BBC management and report annually on the overall performance of the Corporation and on the delivery of the individual remit for each channel or service;

- have an explicit obligation to ensure that budgets are broadly appropriate for the fulfilment of their remit and proportionate in relation to others in the relevant media market;
- ensure that efficiency and cost effectiveness in the running of channels matched best practice elsewhere in the industry (notwithstanding the particular circumstances of the BBC as an organisation responsible for addressing issues of market failure).

In general terms we argued that the BBC

- should probably have a higher quota for commissions from independent production companies (we suggested 50%);
- should have particular responsibilities for training and talent development;
- and should have particular responsibilities with regard to sustaining production in the nations and regions and sustaining programming specifically made for viewers in particular nations and regions.

Channel 4 as a commercial broadcaster sustains a range of specific responsibilities and quotas across these three areas. There is no reason why each publicly funded BBC channel should not have specific requirements of its own.

We also argued that as the publicly funded national broadcaster, the BBC's role should be creative and developmental, working with other providers to grow and develop new services, rather than seeing itself as a commercial competitor or aspiring monopolist.

Finally, we argued that the new BBC Charter should be formally aligned with Ofcom's quinquennial review of public service broadcast television, with a consequent expectation that the Charter would undergo an in-depth review at the end of five years which should cover the levels and method of funding, the range and remit of services and their governance. This would help ensure that any new channels or services developed by the BBC were properly integrated into the larger public service picture.

*Channel 4 Television Corporation
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