

Channel 4's response to the DCMS consultation on BBC New Services

Executive Summary

- i. Channel 4 welcomes the publication of the BBC New Public Service Approval Guidelines by the DCMS. In particular, we welcome the new innovation established by the Secretary of State of consulting widely on the BBC's proposals.
- ii. Channel 4 believes that the BBC's primary public service requirements as established in the Charter and Agreement are met by the proposed new television services. Despite that, Channel 4 is concerned that the new services may be failing to meet other stated public service aims, in particular aiding the switch over to digital.
- iii. Should the Secretary of State decide to approve these new services, therefore, Channel 4 recommends that specific requirements be placed upon the BBC in the letter of approval in order to ensure the BBC meets these public service aims.
- iv. Channel 4 supports in principle the channel proposition of BBC FOUR, but suggests that specific programming requirements are built into any approval letter to ensure that the reality measures up to the rhetoric.
- v. However, Channel 4 questions the need for the BBC to launch a service such as BBC THREE. We believe that in its current form this proposed channel will not further the BBC's primary aim of aiding the switch over to digital.

Background

i. The BBC has applied to the DCMS for permission to 'change and improve' its digital channels BBC CHOICE and BBC KNOWLEDGE into BBC THREE, BBC FOUR and two children's channels. This is, according to the BBC, to "improve the quality of its existing digital channels as an incentive for analogue switch-off and to offer channels, and thus more choice, for those who cannot afford pay television but will be forced to go digital"¹.

ii. The DCMS has recently published guidelines for the approval of new BBC public services. In essence, the guidelines state that the Secretary of State will be looking at: whether or not a proposed new service meets the BBC's public service purposes; whether the new service is of value to the Licence Fee payer; what effect a proposed new service will have on the wider broadcasting market, and; whether the value to the Licence Fee payer outweighs any negative effects that the new service may have upon the television market (see Appendix)..

iii. In this response, Channel 4 gives its views on these individual issues as they relate to the BBC's proposed new television services. We have not commented on the proposed digital radio services.

¹ Letter from Caroline Thomson to Andrew Ramsay, 9th January 2001

Issues that concern the Secretary of State

1. "that the proposed new service...is compatible with the BBC's primary public service role as set out in the Charter and Agreement and that it furthers any or all of the public purposes for the Home Services set out in those documents"

i. The BBC Agreement states that the Home Services must provide programming for "disseminating information, education and entertainment". More specifically it states that they should include drama, comedy, music, visual and performing arts, news, sporting and other leisure interests, educational, factual, religious, social issue, children's, local, regional and national programming. In effect, the Agreement states that the BBC should provide almost all genres of programming. To that extent, Channel 4 agrees that the proposed new services are compatible with the BBC's public purposes for the Home Services: indeed, it would be impossible for them to not do so.

ii. Channel 4 believes that the nature of BBC funding via the licence fee means that it is in a position to finance new digital channels without the risks inherent in commercially-funded channels. Channel 4, by comparison, has an obligation when it launches new services like E4 to devise business plans aimed at ensuring they will be self-financing over the medium term and not a drain on our main channel. So the BBC has a unique freedom and responsibility to launch channels aimed at later adopters of digital.

iii. Should the Secretary of State decide to approve any of the proposed new BBC services, Channel 4 suggests that his letter of approval specifies minimum content guarantees, for example over levels of investment and origination, as a condition of that approval. This will protect and guarantee the benchmarking status of the BBC and give the reluctant digital viewer confidence in the new medium.

iv. Incidentally, it is worth noting that a number of the content guarantees relating for example to interactive programming that the BBC has given in statements and documents other than the Charter and the Agreement are being sidelined within the new programming proposals. For example, the 1999 Davies Report into BBC Funding states that:

"The Panel found many BBC proposals compelling, including, for instance, the expansion of KNOWLEDGE into a truly interactive service providing learning for all the different groups wanting education at home"²

But the BBC FOUR channel proposal contains no mention of interactivity.

² *The Future Funding of the BBC*, Report of the Independent Review Panel, July 1999, p57

v. Channel 4 also believes that further specific content guarantees should be built into each new service approval to ensure that the BBC's broader objective of aiding digital switch over is met. In particular, both BBC THREE and BBC FOUR should have obligations to provide news and current affairs, education, multi-cultural and other factual programming as part of their programme mix.

2. that the value to the public of the service is proportionate to the likely impact on the market.

i. To assess the proportionate value of each new service we have sought to evaluate the benefits to the public of the service, evaluate the impact that such a service would have upon the commercial sector and to weigh those two evaluations against each other.

ii. In its letter seeking approval, the BBC states that the reason it wants to alter its digital offering is "as an incentive for analogue switch-off and to offer channels, and thus more choice, for those who cannot afford pay television but will be forced to go digital". This was also the primary reason that the BBC sought additional funding in its Funding Review.

iii. As part of that Funding Review, the BBC commissioned a report from economic consultants dotECON to establish which audiences were under-served by the digital revolution. They found that "those who are currently most resistant to taking up digital TV are indeed those who are most likely to be influenced by a BBC digital offering".³ Whilst we recognise that this research was undertaken 18 months ago and that digital penetration has increased substantially since then, Channel 4 is not aware of any more recent research that would lead us to question or reassess dotECON's original findings.

iv. DotECON recognised that digital viewers were not representative of the population at large: they were significantly younger, less likely to count the BBC as a favourite channel and preferred genres of programming such as arts, music and children's. The Report also revealed that the genres of programming valued most highly by those who expressed no interest in getting digital television were factual, current affairs, education and news programmes.⁴

³ *BBC Services and the Take-up of Digital Television*, dotECON, Sept 1999, p.25.

⁴ ditto, p 28.

BBC FOUR

v. Channel 4 believes that, on the basis of the details outlined in its letter seeking the Secretary of State's approval, BBC FOUR would bring added value to viewers because its remit seeks to serve the audiences that dotECON identified as being reluctant to switch to digital. Although there are existing channels that focus purely on high brow performance events, there are currently none that provide a mix of intellectual political, philosophical and business programming as well as high brow arts.

vi. Nevertheless, the amount of added value that BBC FOUR would bring to the public is completely dependent upon the extent to which the reality measures up to the rhetoric. In 1999, Channel 4 provided 278 hours of arts and music content, including such challenging programmes as *The Turner Prize* and *Thomas Ades: Music for the 21st Century*. Both BBC ONE and BBC TWO also broadcast significant amounts of programmes that would fit the BBC's "unashamedly intellectual" description for BBC FOUR. If the BBC is to make a contribution to the overall offering, it is important for BBC FOUR to guarantee a wider and more diverse schedule of 'unashamedly intellectual' content than any of the existing services.

vii. We would therefore urge that, should he wish to approve the launch of BBC FOUR, guarantees about the breadth and depth of programming should be included in the Secretary of State's letter of approval. Those guarantees could take the shape of minimum levels of genre programming, for example, or a guarantee that a certain percentage of the channel's annual budget is dedicated to, for example, factual and arts documentaries.

BBC THREE

viii. Channel 4 does not believe that BBC THREE would deliver as much added value to viewers as BBC FOUR. The 16 - 34 year old audience is already well served by both free to air broadcasters, such as Channel 4, and digital pay broadcasters, such as Sky, Turner Broadcasting and Flextech. Channel 4, for example, broadcasts comedy like *Ali G* and *The 11 O'Clock Show*, drama such as *Queer as Folk* and *North Square*, music such as the *MOBO Awards* and *The Priority*, all of which have proved very popular with younger audiences. Only last month, we added to that offering by launching E4, an entertainment and comedy channel for the younger age group, featuring programmes such as *Friends* and *Ally McBeal* as well as new British made content such as *Trigger Happy TV*.

xix. More importantly, it is unclear how BBC THREE will appeal to the audiences dotECON identified as reluctant to switch to digital. The genres of programming that BBC THREE proposes to specialise in – contemporary drama, light entertainment and comedy – are genres that dotECON identified as appealing to those people *already* keen on digital. Genres of programming popular with those who are not interested in digital - news, current affairs, education and factual - do not feature significantly in the BBC THREE channel proposal.

x. Furthermore, the youth bias of BBC THREE is also at odds with the aim to persuade those reluctant to go digital. 42% of existing digital viewers are aged 15 – 34, compared to 34% of the general population, implying that digital television is already proving disproportionately attractive to younger viewers. In fact, the only age group which is insufficiently represented within the digital audience is the 55 - 64 year olds, who represent only 17% of digital viewers, but 32% of the general population.⁵

xi. If the BBC is to fulfil the role that it has carved out for itself - persuading analogue viewers to switch to digital - then it should be launching services that appeal to late adopters and not the younger, early adopters. The BBC THREE channel proposition as outlined in this consultation does not do this.

Children's channels

xii. Channel 4 believes that the Children's channels should have significant levels of educational programming guarantees built into their approval letters to ensure that they make a valuable contribution to viewers. A significant level of educational programming would enable digital television to be marketed better to parents, thus ensuring that the BBC is assisting the drive towards digital switch over.

Likely impact of BBC new services on other services within the market

xiii. It is inevitable that the launch of BBC THREE and FOUR will impact on other services within the market, as would be expected with the launch of any other new major brand, big spend channel.

xiv. The impact on the market can be both positive and negative for existing broadcasters. On the one hand, if the channel encourages analogue viewers to switch to digital, the impact may be positive as it grows the number of potential viewers for other digital channels. On the other hand, if the channel fails to grow the digital market, the impact may be negative as it simply threatens to draw existing audiences away from other, similar services.

⁵ BMRB, July 2000

xv. It is difficult to quantify precisely the impact that the launch of BBC THREE will have upon other youth channels by examining simply an outline proposal. The most tangible indicator is to compare the amounts spent on each hour of BBC THREE programming with other channels. BBC THREE proposes to spend £95m on six hours of programming a day in 2002/3. This breaks down as a programming budget of £45,000 per hour. E4, on the other hand, proposes to spend £10,300 per hour on its programming.

xvi. We expect BBC THREE to have a significant impact on E4 – not simply because it will be spending four and a half times the E4 budget – but because this is an already crowded market place. Channels such as E4, Sky One, Paramount Comedy, UK Play and MTV already provide entertainment, comedy, music and drama targeted at a youth audience. The BBC THREE channel proposition does not give any unique programming ideas to suggest it will grow the digital youth market any further. Instead, we believe that BBC THREE will draw its audiences from existing services and threaten their commercial success as a result.

That the value to the public of the service is proportionate to the likely impact on the market.

xvii. Channel 4 believes that the value to the public of BBC FOUR will outweigh the likely impact on the market. We believe that – as long as the channel can be guaranteed to be as wide and as deep as stated in this consultation document – then it will serve to encourage new viewers to switch to digital television, thereby growing the digital market for other broadcasters.

xviii. Channel 4 believes that, if the BBC THREE proposition was more unique, it could potentially have a positive impact upon the digital markets. If BBC THREE were to offer genres of programming 'for the young at heart' that other, commercial channels were not offering, then the digital youth market could grow. Channel 4 therefore believes that, in order to enhance both the value to the public of BBC THREE and to make its contribution to the market a positive one, the Secretary of State should, in his letter of approval, oblige BBC THREE to provide a significant amount of news, current affairs, educational and multicultural content for young people.

xxii. Channel 4 is not best placed to evaluate the impact of the new BBC Children's services on the market. We do not therefore feel qualified to weigh this against the potential benefits to the public of such services.

*Channel 4 Television,
28 February 2001*

Appendix

The DCMS has said that the Secretary of State will be concerned about the following issues when considering whether or not to approve the launch of new BBC services:

" 3.1.1 that the proposed new service (or changes to existing services that require his approval (see paragraph 1.6 above)) is compatible with the BBC's primary public service role as set out in the Charter and Agreement and that it furthers any or all of the public purposes for the Home Services set out in those documents....

3.1.2 that the value to the public of the service is proportionate to the likely impact on the market. The Secretary of State will consider:

- whether the BBC has fulfilled its obligation to consult licence fee payers on proposals to make any material change to the nature of the Home Services);
- whether the BBC has published detailed results from its consultation
- the nature and coverage of commercial services of a similar nature;
- the likely impact of the proposed service on commercial services already in the market and on potential future services;
- the distinctiveness (in programming or content) of the proposed BBC service from those provided by other broadcasters.

3.1.3 that the service will be universally accessible within a reasonable period of time to those with appropriate receivers and free at the point of use (though recognising that the BBC is reliant on others for distribution mechanisms and the extent of coverage those access mechanisms afford).

3.1.4 BBC financial prudence (ie that the Board of Governors is satisfied that the new service represents value for money for licence fee payers)".⁶

⁶ *BBC Public Service Approvals*, DCMS, Jan 2001

Channel 4 response to the DCMS further consultation about the BBC's proposed new services

Channel 4 welcomes the BBC initiative in launching new channels and extending the range of digital services available to UK viewers and listeners although, as we said in our response to the original proposals, we are concerned that they should meet acknowledged public service objectives and help to drive digital take-up.

The document '*BBC proposed new services: additional information supplied by the BBC*' responds to many of the criticisms and observations made by Channel 4 and others during the first round of consultation. We welcome the fact that the BBC has fleshed out details of its proposals and we look forward to these specific commitments being fulfilled by the BBC and enforced by the Secretary of State.

Channel 4 has already expressed support, in principle, for the establishment of BBC 4, and is pleased to see the fuller description of its programme plans set out in the new document.

In our response to the original consultation, we said "Channel 4 questions the need for the BBC to launch a service such as BBC 3. We believe that in its current form this proposed channel will not further the BBC's primary aim of aiding the switch over to digital". We argued that any justification of a new BBC3 service should be based on a more unique and distinctive service that should be obliged "to provide a significant amount of news, current affairs, educational and multi-cultural content for young people".

This new document responds to such criticisms. We welcome the new commitment to BBC 3 as a mixed genre channel, with firm programming proposals in the areas of news, factual and education programming. These commitments should be clearly embedded in any approvals granted for the service. BBC commitments on origination should be fulfilled not just for the first year, as the BBC proposes, but thereafter as well.

The BBC places great emphasis on its commitment to original programming on BBC 3, and Channel 4 believes such increased levels of investment in original UK production can only be welcomed.

In this revised form, BBC3 would provide both competition and complementarity to E4. Building on Channel 4's long-established reputation as a show-case for the best of American TV programming, E4 is drawing new audiences to digital. It is also building a new reputation for original British entertainment talent, backed by substantial investment, which will help to define the BBC's aspiration for BBC3 to "occupy different territory to existing entertainment providers".

Channel 4 welcomes the redefining of BBC 3 as a genuinely multi-genre channel. We believe this validates its launch as a service that will make a distinctive contribution to digital viewers' choice, although we remain sceptical that it will prove a significant force in winning new audiences for digital overall. However, the other proposed new BBC channels will be well placed to do so.