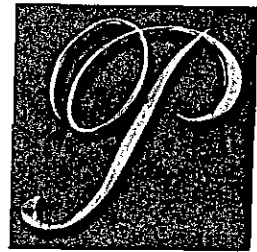


26th February 2001



Rt. Hon Chris Smith MP
Secretary of State for Culture, Media and Sport
2 - 4 Cockspur Street
London SW1

PERFORMANCE
THE ARTS CHANNEL

Dear Mr. Smith,

RE: SCRUTINY AND APPROVAL OF NEW BBC TELEVISION SERVICES

I am writing to you in my capacity as Managing Director of the Daily Mail & General Trust's television division-DMG TV Ltd. This division includes "Performance". The Arts Channel.

Performance is a cable exclusive channel devoted to the performing arts, broadcasting recordings of opera, ballet and concert performances and a wide range of arts documentaries 24 hours a day.

The channel has been broadcasting continuously since 1992 and has built a loyal and highly dedicated audience. Because of our specialised remit the channel has a small share of viewing but a very high appreciation index among regular viewers, who typically value it above all other non-terrestrial channels.

Indeed we frequently broadcast more opera and ballet in a month than the BBC broadcasts in a year.

Many of the viewers who appreciate the channel most, are not able to attend live performances due to geographical location, economy, infirmity or age, so Performance has always had a "public service" role in bringing the arts to many who would otherwise have no opportunity to see world class opera and ballet.

Performance is currently available throughout the digital networks of the two main cable operators NTL and Telewest. It is a basic channel, offered to viewers as part of a package of channels determined by the operators.

DMGT plc has made a substantial investment in this company over the last 6 years, with the reasonable commercial expectation of making a profit.

It is our view that the proposed launch of BBC FOUR, which as far as can be determined, will offer a similar service to The Performance Channel but from a very uneven playing field will have an anti competitive impact on our business.

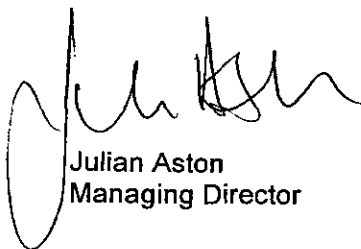
Whilst we as a group have no fear of "fair" competition and indeed thrive on it, we do have a number of very real concerns and wish to make the following points.

- The BBC has a policy of cross subsidising programme acquisition for its digital channels. We have already experienced the negative commercial impact of such cross subsidies in one of our other television businesses- British Pathe plc. [BBC Worldwide acts as a distributor for Pathe and has sold programmes to BBC Choice at significant discounts to the prevailing commercial rates.]
- We are also concerned that the BBC has unlimited and highly effective "free" platforms for cross promotion of the new Channels, which in turn could potentially lead to a dramatic drop in the number of cable subscribers opting for the Performance Channel.
- On a broader canvas we feel strongly that the lack of detail regarding content and finance in the BBC's proposal for BBC FOUR makes it very difficult for the DCMS and the OFT to assess the value of the new service and its likely impact on commercial services already in the market.
- We question also, whether the new service represents value for money for the majority of licence fee payers. In our view the BBC is moving too far in advance of its public – proposing to spend £57,000,000 of licence fee money in two years on a service which at best will only be available to less than 50% of licence fee payers.
- By its actions the BBC has implied it believes the DCMS Approvals procedure is merely a rubber stamping exercise: before approval has been given it has advertised new jobs for the new services.
- In proposing the new television services, the BBC is asking you to sanction new expenditure of significant licence fee funds after it has previously squandered licence fee funds on the launch of BBC Knowledge and BBC Choice which are acknowledged – not least by this proposal – to have been mis-judged ventures.

The BBC claims to have learned from these ventures! Commercial broadcasters, such as ourselves who are held more accountable for mis-judgements, do not enjoy the luxury of such publicly funded learning exercises.

We are concerned that public funds spent unwisely will distort the commercial market and potentially lead to less, rather than more choice in the digital arena, as niche channels such as Performance become commercially unsustainable, in the face of "unfair" competition from the BBC.

Yours sincerely,



Julian Aston
Managing Director