

Submission for the Secretary of State's Review of the BBC's new digital television services

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Executive Summary and Contents

In October 2003 Tessa Jowell, Secretary of State for Culture, Media and Sport asked the BBC to submit a review of its four new digital TV services in preparation for the Department's own review. This overview summarises the performance of the new services and their contribution to the BBC's public purposes, and is accompanied by detailed individual reviews of each service against consent.

Section 1: Context

This section shows how the BBC responded to the call by the former Secretary of State, Chris Smith, in the last licence fee settlement that it should: "provide a strong and distinctive schedule of benchmark quality programmes on all its services and should drive the take-up of new digital and online services." Through its portfolio of new digital TV services the BBC now reaches audiences previously underserved by both the BBC and the market.

- **CBeebies** and **The CBBC Channel** have offered a distinctively British, safe, educational and entertaining TV environment for the nation's youngest viewers
- **BBC Three** has provided the UK's only public service TV network offering a mix of programme genres to young adults, with a focus on innovation and new British talent
- **BBC Four** has brought new depth to audiences passionate about the arts, documentary, culture and global affairs

Each channel has been extended through online and interactivity. And we have showcased the best output on BBC One and Two.

Section 2: How the BBC's new digital TV services fit within and contribute to the public purposes of the BBC

This section outlines how the new services reflect the distinctive public purpose that underpins all BBC output: *to enrich the lives of everyone in the UK with programmes and services that inform, educate and entertain*. In particular:

- by augmenting the breadth of news coverage for children, young adults, and people interested in global affairs, and supporting social action campaigns, they *support active and informed citizenship*
- by investing in and nurturing new British talent in comedy, drama, entertainment, animation and music from around the UK; by developing on and off screen talent from a diverse range of ethnic and social backgrounds; by extending the volume and diversity of arts coverage; by building links with major cultural institutions; by celebrating cultural and religious festivals; they *enrich the cultural life of the nation*
- by making learning the core of the two children's channels; by using factual, drama, and current affairs as platforms for education on BBC Three; by building BBC Four around arts, science, history and ideas, they *offer educational opportunities for all*
- by bringing together communities of interest on and off line - children, parents and carers, lovers of music, or literature or film, they *help to make the UK a more inclusive society*

This section also outlines how the new services have brought benefit to Britain's media industry in general – through, for example spending a third or more of production budgets outside London and investing in productions from more than 100 independent companies.

Section 3: Performance of the BBC's new digital TV services against consent

This section summarises how the new services have performed against both general and channel specific conditions laid down by the Secretary of State, in granting consent. The BBC believes it has fulfilled all of the general conditions which include:

- *high general standards in respect of content, quality and integrity*
- *that the BBC Governors monitor and report on delivery in line with commitments and conditions*
- *that the BBC undertake a vigorous campaign to promote the uptake of digital radio services and equipment generally*
- *that each service stimulate, support and reflect the diversity of cultural activity in the UK*

The BBC believes it has met all of the specific conditions, with the exception of a small number of the commitments made by CBeebies and The CBBC Channel. Specific conditions include:

- demanding targets for UK/EU/EEA production, and production outside London – and, for BBC Three, targets for independent production and a condition to develop untried talent on and off screen
- a requirement that all channels maintain a mixed schedule – and, on BBC Three, quotas for hours of output in certain genres

Full details of progress against all the specific conditions are covered in the individual service reviews. The role of the Governors is also explored at greater length in Appendix 1.

Section 4: The BBC's role in driving digital take-up and summary of the market impact

This section sets out the how the new services have driven digital take-up and summarises the Oliver & Ohlbaum report, assessing the impact of the BBC's new Television services on the UK TV market. It concludes that the overall balance of market impact is positive and that "the BBC services have had a greater positive impact on the market than originally envisaged" in the report Oliver & Ohlbaum submitted to DCMS prior to the new services' approval. The key findings include:

- That there is "strong evidence to suggest that the four BBC services have played an important role in driving the uptake of Freeview" and that "the BBC services may have added 1 million homes to overall digital take-up over the period"
- That during the period under review 44 new channels entered the UK market while only 17 exited
- That "each BBC service is offering something distinctive to UK multichannel audiences when compared with other thematic channels - and often to a distinct demographic".
- That much of the BBC channels' £150m investment in new UK programming has been on new talent, and a high proportion has gone to the UK's independent production sector. The report also notes that this figure is more than the 140 basic and free to air thematic channels in the UK together invest in UK TV production¹.
- That the financial impact of the services on the advertising revenues of other services has been modest, with a range of £4m to £10m annual negative impact – less than 2.5% of revenues of thematic channels and less than 0.2% of that of commercial networks
- That the impact on the sub fee revenue of thematic channels has probably been neutral or slightly positive, as a result of the BBC services' contribution to the rise of Freeview.

¹ Excluding news and home shopping channels

Section 5: What audiences think of the BBC's new digital TV services

This section outlines the generally positive reaction of audiences to the new services:

- **CBeebies** has achieved significant early success. It is the most-watched children's channel and ranks first in terms of reach and share against all other pre-school channels. Feedback from parents, carers and commentators is very positive.
- **The CBBC Channel** has made good progress since launch and by January 2004 was second only to CBeebies in terms of reach and share, compared to thirteenth at launch. Feedback from viewers and critics is very positive.
- **BBC Three**, launched much later than the other services, already reaches a quarter of 25-34 year olds in digital homes – nearly as many as *five* - and is now regularly among the three most-watched digital-only channels in the UK. After a difficult start, it is now receiving awards and warm praise from critics for programmes in genres as diverse as comedy, science and current affairs
- **BBC Four** is now the most-watched channel in its field with a higher reach and share than any thematic channel offering documentary, performance and drama. Feedback from audience and critics is extremely positive.

Section 6: Plans for the future development of the BBC's new digital TV services

This section sets out how our channels might develop within the terms of their consents:

- **CBeebies**: refresh and strengthen the channel through the next generation of ground-breaking programmes that are both educational and entertaining
- **The CBBC Channel**: keep up with a demanding and changeable audience by developing innovative content across genres
- **BBC Three**: build on the learning from the launch phase, by building breakthrough innovative programming across genres and continuing to provide a high quality platform for the UK's new talent. A key challenge is to develop the right format for the main evening news.
- **BBC Four**: ensure that the channel's potential for growth is achieved as the UK makes progress towards switchover from analogue to digital, with some enhancement of the programme budget to enable a richer mix of genres. We would also hope to be able to respond to the audience's desire for the channel to extend its broadcast hours.

Section 1: Context

The period since the renewal of the BBC's Charter in 1996 has seen a fundamental change in the way television services are delivered to the audience, with the launch of digital TV creating new opportunities and threats for both the BBC and commercial television companies.

While digital TV precipitated an increase in choice for audiences, extensive research by the BBC suggested that many audiences felt that digital TV had little to offer them, and that they were underserved by traditional public service broadcasting.

The BBC's response was a commitment to distinctive new digital services, fresh investment in BBC One and Two, and a clear strategy to harness the potential of interactive services across all of its networks. This strategy was supported by the former Secretary of State, Chris Smith, who said, in his statement announcing the last licence fee settlement in February 2000 that the BBC should: "provide a strong and distinctive schedule of benchmark quality programmes on all its services and should drive the take-up of new digital and online services."

Our new digital television services reflect our ambition to offer every viewer and listener in the UK programming and services which are relevant to them. CBeebies and The CBBC Channel attract families with children; BBC Three is attracting young adults; and BBC Four is attracting people interested in culture, ideas and the arts of every age, including many older viewers.

The channels were also charged with contributing to digital take-up and, since the first new services launched in early 2002, the percentage of individuals in homes with digital television has risen from 40% to over 50%, with more than 55% of young adults and more than 60% of children now having access to digital.

Permission to launch three of the services was granted by the Secretary of State in September 2001 and CBeebies, The CBBC Channel and BBC Four were on air in early 2002. After extensive additional research and re-submission, approval for BBC Three was granted in September 2002 and the channel was launched in February 2003.

Throughout this process and on an on-going basis, the services have been overseen by the BBC's Board of Governors and closely monitored to ensure that they have met, and continue to meet, the Secretary of State's conditions of consent to launch. The Governors were also very much involved in discussing and approving the plans for the new services before the Secretary of State's approval to launch was sought (See Annex 1).

In the relatively short time since the Secretary of State's approval's were granted, we believe the BBC's new television services have created their own distinctive place in the UK broadcast environment. They have each made individual contributions to the BBC's delivery of its purposes, are creating benefits for the UK creative industries, and are evolving as they learn lessons from their first months and years on air.

CBeebies and The CBBC Channel offer a safe, educational and entertaining TV environment for the nation's youngest audiences. The Secretary of State said of the two channels on their approval: "I believe the new stations for children offer the hope of a new golden age of children's programmes; a real national asset which will become a lasting legacy for children and their parents". We believe that both channels are already repaying

this confidence, reaching nearly half of children in digital homes every week with distinctive public service programming.

Free from advertising, CBeebies and The CBBC Channel have a significant amount of high-quality, original UK/EU programming supported by live presentation links. The services provide an integrated, distinctive, mix of programme genres in a market dominated by channels offering largely US acquisitions. Both channels have also made significant use of interactivity in all its forms to engage and connect with their audiences, both online and on TV.

For both channels, the challenge is to remain distinctive while appealing to audiences in an increasingly competitive environment. On CBeebies, we will continue to refresh the schedule with new long-running and innovative programmes that reflect the core principles of the channel: learning through play in a friendly, innocent and safe environment.

The CBBC Channel has risen from the thirteenth most watched children's channel in the UK at launch and is now in the top five. We aim to continue to build on the channel's success through live programming coupled with a broad range of programming across a range of genres that are relevant to, and connect with, six to twelve year olds. Keeping in touch with this demanding and changeable audience is critical to the channel's future success.

BBC Three is the only UK network committed to offering the full range of public service broadcasting to young adults, free from commercial pressures; where news, science, music and arts play in the heart of the schedule alongside the best of new British drama, comedy and entertainment; where reflecting the diversity of the UK is core to every new programme where risk taking and innovation are prized over the proven format; and where new talents can learn their craft in a safe creative space.

The channel is charged with addressing the needs of an audience that many organisations find hard to reach. The channel's risk-taking remit has inevitably led to mixed success, particularly through a challenging launch period, however we now believe we are beginning to get the balance right and have learnt lessons for the future. We are already seeing the fruits on screen with exciting new titles in genres as diverse as UK animation and current affairs, new talent on screen and a rapidly developing reputation for innovation – with breakthroughs in comedy, drama and science. Over 4 million viewers in digital homes² come to the channel each week, in addition to significant audiences for BBC Three programming showcased on BBC One and Two.

The challenge for BBC Three now is to continue to take risks while growing its audience, and building on an audience appetite for innovation while raising the bar for the quality of ideas on screen.

With **BBC Four**, the BBC has taken the opportunity to bring new experiences and new depth to audiences interested in arts, culture and global affairs. On air for less than two years, BBC Four can be credited with creating a new space in British broadcasting – a forum for cultural debate, live performance, world cinema and documentary making of international repute.

BBC Four's role now extends beyond the TV screen – the channel has worked with cultural institutions around the UK to support, and become part of, the nation's artistic life. BBC Four is also committed to an international perspective - in news, in current affairs and documentary programming and in cultural coverage, from international cinema to world music.

² Source: BARB

BBC Four now needs to build on its strong core proposition and to extend the appeal of the network while protecting its values. Recent success in reaching a broader audience, through genres such as factual landmark programmes and drama, suggests a healthy future.

We believe that our digital networks represent an effective investment in the future of UK television. Taken together, the new services represent an extra £150m per annum of spend in the UK content sector, which, coupled with commitments to independent and regional production, represents a critical investment in the diversity and plurality of television production in the UK. BBC Three and Four alone have commissioned more than 100 independent producers, more than half of which had never previously made programmes for the BBC. Independent research by Oliver and Ohlbaum suggests also that the new services can have a positive impact on the UK creative sector as a whole – signalled most clearly by the continuing arrival of new channels in each of the markets in which our new services operate.

We have also ensured that all audiences, not only those in digital homes, benefit from our investment in new services, through showcasing the best of their output on BBC One and Two. More than 12 million people have seen BBC Four output on BBC Two, for example, and we believe that such showcasing helps drive digital take-up, in addition to dedicated on and off air promotion.

The challenge now facing the BBC is to ensure that our services evolve to fulfil their potential and maximise the value we provide to our audiences. In this way we hope that in time each will become a beacon, representing the BBC's particular commitment to audiences in the UK, and a commitment to the talent and diversity of the nation's cultural creative base.

Section 2:

How the BBC's new TV digital services fit with and contribute to the public purposes of the BBC

The BBC's new TV services have been guided by the same public purposes that underpin the distinctiveness of all BBC output. The BBC exists to enrich the lives of everyone in the UK with programmes and services that inform, educate and entertain and the new services contribute to the BBC's aims to:

- Underpin active and informed citizenship by providing trusted, impartial and in-depth news and information that helps people to make sense of the world
- Enrich the cultural life of the nation by enabling the UK's best creative talents to provide a diverse range of memorable, uplifting and enjoyable programmes
- Contribute to education for all by creating a wide range of accessible programmes and services that feed curiosity and enable people to learn throughout their lives
- Help to make the UK a more inclusive society by creating programmes and services that connect communities, bring people together and encourage participation

This section takes each of these areas of public purpose in turn, and considers how our new television services have contributed to their fulfilment. It also considers the extent to which the new TV services have delivered benefits back to the media industry in general.

Enriching the lives of everyone in the UK

The BBC has always aspired to inform, educate and entertain. Our new television networks were designed and approved to complete a portfolio of services that together achieve these purposes in a way that is relevant for *everyone* in the UK.

We believe that offering a full range of new British programming across our services is critical to this ambition – so that together our channels fulfil the BBC's mission to inform, educate *and* entertain for all audiences. This is reflected in our commitment to a mixed schedule of programming across our new services, in contrast to other channels with no obligation to provide news, current affairs, education or arts programming.

We are also committed to a high proportion of new British output on our new services, to reflect the lives and culture of a UK audience. This also clearly differentiates our services from other channels which tend to rely on a high volume of acquired US material and repeats from parent networks. The example below compares the BBC Three schedule for an evening with its competitors and highlights the distinctive mix of programming.

*BBC Three schedule vs. competitors
Showing programming by genre and source*

Schedule Snapshot - Tuesday 20th January 2004						
	BBC THREE	ITV2	E4	Sky One		
19:00	News	Jerry Springer	Good Morning Miami	Simpsons	19:00	
19:15	Re:Covered		The Salon		Simpsons	19:15
19:30	Liquid News	Dancing in / street				19:30
19:45					19:45	
20:00	Hercules	World's Worst Drivers	Friends	Stargate SG-1	20:00	
20:15						20:15
20:30			Friends			20:30
20:45					20:45	
21:00	Little Britain	Fat Friends	The Simple Life	Angel	21:00	
21:15						21:15
21:30	Monkey Dust					21:30
21:45					21:45	
22:00	Eastenders	Extreme Makeovers	Sex & the City	Nip/Tuck	22:00	
22:15					22:15	
22:30	Nighty night		Sex & the City		22:30	
22:45					22:45	
23:00	Sortitoutman	The Great British Driving Test	Shameless	Scrubs	23:00	
23:15						23:15
23:30	New Tycoons				Porno Valley	23:30
23:45					23:45	

Key:	News/Current Aff	Ent/Comedy	Scripted Comedy	Acquisition
	Factual	Animation	Rpt from Primary Network	

Distinctive mixed schedules, with largely original production, will always be expensive to maintain relative to channels reliant on acquired or repeat programming. This is particularly the case for BBC Three, which invests in the relatively more expensive genres of new British drama and comedy and high quality factual programming – areas where it has had its greatest audience success.

We are actively seeking to maximise the value audiences receive from our investment in new services by using our Television portfolio to showcase programming to audiences in analogue only homes. This means offering programming made for our digital-only channels on BBC One and Two, enabling all audiences to benefit from our digital channel investment and hence increasing the value for money of that investment. This also creates an opportunity to demonstrate the advantages of digital television to those still in analogue-only homes. For example, more than 12 million viewers have seen programming made for BBC Four on BBC Two and we have shown breakthrough programmes from *The Alan Clark Diaries* to *Little Britain* on BBC One and Two. To date we have offered around 80 hours of BBC Three and 100 hours of BBC Four output on BBC One and Two.

Digital technologies also enable us to enrich the lives of individuals in new ways through new kinds of content experiences such as complementary interactivity and channel and programme related online material – in particular in education and news.

Underpin active and informed citizenship by providing trusted, impartial and in-depth news and information that helps people to make sense of the world

We see the provision of news, current affairs and documentaries as core to the output of each of the BBC's new television services. Each channel offers programming in subjects and styles that reflect the needs and interests of its particular audience. Hence we offer *Newsround* on The CBBC Channel for children; *The World* (global news) on BBC Four for those seeking extra depth and an international perspective; and 60 second updates every hour on BBC Three for young adults who aren't always available to view regular daily bulletins - in addition to a special daily news programme.

Newsround on **The CBBC Channel** is the only news service for children in the UK, aiming to engage children in the news agenda. With live news bulletins everyday, *Newsround* is an important link for children everywhere, providing tailored content that helps them understand and learn about the world they live in. *Newsround* has expanded from only two bulletins per day on BBC One to five live bulletins each week day and three live bulletins on Saturdays and Sundays on The CBBC Channel. Current Affairs, citizenship and lifeskills form an important part of the *Newsround* schedule. The programme regularly tackles issues such as bullying and domestic violence, often in line with broader BBC campaigns. The programme contextualises world issues such as famine, war and Aids. *Newsround* was broadcast live from Africa for a week in August reporting on the plight of children in famine zones and with Aids; as well as celebrating the diversity of life and culture of the continent.

The *Newsround* website offers **dedicated, rolling news** throughout the day offering relevant, accessible news, complementing the television output with more in-depth comment, explanation and analysis. The site is edited by a *Child Editor* one day a month. The programme also facilitates interactive debates on current affairs and introduces children to social issues and dilemmas. In addition to the channel bulletins, *Newsround* appears on BBC One and Two and the website provides a full range of news-related content delivered in a non-patronising way:

"Newsround's good cos it's made for children." **Harriet, aged 7, Guildford³**

BBC Three news has had a mixed performance. *60 Seconds* has been remarkably successful, providing regular short news bulletins at hourly junctions and has often received audiences three or four times the channel average. However, the BBC Three bulletin, the *7 O'clock News*, has found it harder to establish a regular audience among a group brought up on rolling 24 hour news services. We are looking at options for addressing this, including making the programme more analysis-led and possibly half an hour in length, to allow longer form journalism in the mould of *Newsnight*.

Current Affairs has been a real success for BBC Three. With current affairs comprising many of the channel's genuine breakthrough programmes, BBC Three now plans to exceed its planned commitment to the genre in its first year. Programme makers have relished the opportunity to tell topical, sometimes controversial stories to an audience with passion for particular issues, particularly in the areas of ethics and international affairs. *Jihad in Tipton* told the story of a group of young men from the Midlands held prisoner by the US, suspected of fighting for the Taliban, and achieved one of the highest audiences for the channel in the genre. BBC Three now has its own dedicated current affairs strand, *The Third Degree*, which has covered topics from MMR vaccinations to the pensions crisis. BBC Three also has a part

³ All CBBC and CBeebies quotes are attributed to Vox Pop International, December 2003

to play in the BBC's initiative to help connect young adults with politics, with programmes like *Blair for a Day*. We plan to build on this success in 2004, with seasons commissioned that cut across both current affairs and areas of social action.

BBC Three has also enabled the BBC News and current affairs teams to launch new on-screen talent – Tazeen Ahmed and Sangita Myska on BBC Three news, and a number of new faces for current affairs, including David Akinsanya and Raphael Rowe.

BBC Three's role also relates to the issues young audiences care about and social action programming is important in this regard – the recent parenting season (and upcoming cancer season) aim to tackle these issues in a way that is particularly relevant to young audiences.

Case Study – *The Third Degree* on BBC Three

The Third Degree is BBC Three's flagship current affairs programme strand featuring a mix of story-led documentary, investigations and analysis. More than twenty programmes have been broadcast since BBC Three launched, covering a wide range of national and international issues, all featuring a team of young presenters, often new to television.

In the opening programme, Raphael Rowe presented an expose of the conflict diamond trade in *Blood Diamonds*. The investigation revealed, for the first time on British television, how conflict diamonds were being used to fund the activities of Al Q'aeda.

BBC Four has enabled us to strengthen the international flavour of news and current affairs on BBC TV, with its daily news bulletin *The World*, broadcast globally via BBC World. Launched with the support of established BBC News presenters (George Alagiah went on to present *The Six O'Clock News* on BBC One), the bulletin brings an extra dimension to BBC News. During the Iraq crisis the value and importance of a regular forum for in depth analysis came into sharp focus. Current Affairs programming on BBC Four offers an international slant, found both in innovative formats such as *Holidays In The Axis of Evil*, and large scale event nights on global issues such as terrorism, ecology and international politics, such as the special week of programmes to mark the World Summit in Johannesburg in 2002.

Enrich the cultural life of the nation by enabling the UK's best creative talents to provide a diverse range of memorable, uplifting and enjoyable programmes

Our new services were designed to extend the BBC's range of programming reflecting the needs and interests of the UK audience and its culture. This means a broad range of programme genres on each service which reflect the full diversity of the UK, and specific commitments to UK production on each network.

The multi-genre nature of both **CBeebies** and **The CBBC Channel** make them distinctive services that reflect the diversity of modern day Britain. The channels provide programmes that cover a wide array of topics and genres from varying points of view – from storytelling and painting on CBeebies, to comedy, drama and news programming on The CBBC Channel. No other children's brand in the UK provides such an extensive range of output. To complement this output, CBeebies and The CBBC Channel have developed a family of on-air presenters who come from a diverse range of ethnic and social backgrounds, and these channel faces present our audiences with role models they can trust and with whom they can connect.

CBeebies introduces pre-school children to different aspects and cultures of their world in an appealing and informative way. For example, *Balamory* reflects the diverse range of cultures in the UK with its portrayal of many underserved audiences and includes disabled and ethnic minority actors. The channel provides a distinctive mix of education and entertainment with its learning through play proposition:

“CBeebies is better than other channels, because of the variety of programmes and the broad spectrum, they’re more educational.”

36 year old Mum from South England

Children are encouraged to participate with the channel on a daily basis, from “jumping up and joining in” with the programmes and celebrating their birthdays during the presentation links, to their use of the CBeebies’ interactive television applications developed specifically for young children.

Entertaining children, and providing them with an arena to relax and enjoy themselves, is an important role for **The CBBC Channel**. The diverse range of genres in the schedule are often presented in entertaining ways and the channel has refreshed and modernised familiar UK favourites as well as creating innovative formats in the pure entertainment genre. *Dick and Dom in da Bungalow* empowers children to do what they always dreamed of in a safe environment and looks at comedy from a child’s perspective. It makes children laugh and provides a relief at the weekend from the school week. The live presentation links on the channel offer one of the ways in which children can contribute to the output.

Kerching! and *The Story of Tracy Beaker*, highlight the cultural diversity offered by The CBBC Channel. *Kerching!* is a comedy drama that tells the story of a black family living in North London and, in addition to a largely black cast, the programme has also commissioned four black comedy writers to provide new stories. *The Story of Tracy Beaker*, one of the channel’s top performing programmes, features a strong multi-cultural cast and in the latest season, portrays a character that has Multiple Sclerosis – another example of the channel reflecting UK society in an inclusive manner.

BBC Three’s drama, entertainment and comedy programming is fundamental to its distinctive and innovative proposition. Few channels targeted at a young audience invest in *any* home grown UK drama, and no UK broadcaster makes an investment in comedy on the scale and with the success of the BBC. Our investment in comedy on BBC Three exceeds that of some UK terrestrial networks. BBC Three has a critical role in bringing through the next wave of British talent in these genres and can already claim some considerable success.

The sketch show *3 Non Blondes* was BBC Three’s first audience ‘hit’, transferring subsequently to BBC Two, BBC America and ABC in Australia, and has launched the careers of three new black comedienne. The Guardian described the show as “*Hysterically funny... an absolute triumph*”, and the New York Times called it “*entertaining, good hearted and fast paced*”.

The character comedy *Little Britain* has followed *3 Non Blondes* to BBC Two and was created for BBC Three after initial success on Radio 4. The channel won two awards at the recent RTS Programme Awards – Best Entertainment Award and Best Comedy Performance for Matt Lucas and David Walliams. David Walliams was also awarded the Newcomer Award at the 2003 Comedy Awards and the programme has been nominated for a BAFTA. The Evening Standard described the first series as “*a comedic masterpiece that’s innovative, funny and very, very British*”.

While comedy has found early success on BBC Three, entertainment programming is an area where we have had to modify our initial approach. Early output was developed with a

view to establishing the channel through known talent, and while an effective launch strategy, it led to a number of pieces that lacked originality, relying too heavily on known formats and a celebrity focus. Future entertainment output will need to take more risks, and by both bringing on new talent and giving established talent the opportunity to explore untried formats and ideas, BBC Three will aim to bring new things to audiences. Dom Joly's forthcoming current affairs show is a good example. BBC Three's remit to innovate and experiment means the channel must accommodate both hits and misses – although the rate of success will improve as channel grows its understanding of the audience and builds partnerships with the production community.

Our approach to drama on BBC Three has reflected that on BBC One and Two. Drama on BBC Three aims for the levels of quality associated with these channels, and is resourced to draw on the best new writers, actors and producers. Its distinctiveness lies in the risks it takes with new talent, its capacity to surprise and its focus on stories that matter to young audiences and that would not be told on our main networks. *Burn It*, a drama set in Manchester is a good example of this in practice: Produced by the Manchester based independent Red Productions, makers of *Clocking Off*, it introduced a new writer and new acting talent, and follows BBC Three's working rule that *all* drama made for the channel be produced and set outside London. It achieved strong audiences throughout the run with more than 300,000 viewers for individual episodes, reaching 14% of 25-34s in the UK across the series and again received warm critical praise:

"Burn It fulfilled a promise of intelligent, relevant and challenging material" Daily Telegraph

In addition to drama and comedy, BBC Three has made a unique investment in British animation, with the darkly satirical *Monkey Dust*. Audiences for the programme have exceeded all expectations, and the press have recognised BBC Three's distinctive investment in this relatively high cost and high risk genre. The Financial Times' Creative Business section said:

"it's hard to imagine any other multichannel broadcaster backing Monkey Dust, the satirical animation too good to be a cult taste"

Without BBC Three neither *3 Non-Blondes*, *Little Britain*, *Burn It* nor *Monkey Dust* would have been commissioned.

This commitment to innovation is now recognised and supported by the industry. BBC Three has invested significantly in the independent sector, who now produce around 45% of the channel's output, and has supported both new and established producers. Tim Hincks, Creative Director at Endemol UK:

"Most people talk about innovation and risk-taking and think they've done a good day's work. BBC Three actually does something about it. By consistently encouraging new talent both in front of the camera as well as behind it, the channel has become an indispensable force in British television"

Nicola Shindler of Red Productions, producers of *Burn It*:

"BBC3 is a fantastic place to work on new drama encouraging the creative team to take risks that wouldn't be allowed elsewhere. Placing such trust in a new writer and directors allowed us to create a new, popular and original series that has resonated with many kinds of viewer and I think allowed those involved to do their best work. We always felt supported and encouraged at BBC Three; I don't think 'Burn It' as a series could exist as it does at any other channel."

BBC Three programmes also cover spirituality, architecture, fashion, the arts and international affairs, with innovative formats in genres little seen on UK Television, such as poetry and photography. *Art and the City* was a successful arts series which brought an international view of up-and-coming young artists in large cities throughout the world, while *Changemakers* looked around the globe at people who are making a difference locally which then brought benefits internationally. *The Third Degree* current affairs strand has covered global weapons inspections, HIV in Russia and human rights in the USA. *Africa Kicks*, BBC Three's recent season around the Africa Nations Cup, was a high profile commitment to international coverage, showcasing nine original films on subjects as diverse as albinism in Morocco, the story of an African mother who wants to be HIV positive and an examination of the role of voodoo in African football.

BBC Three aims to give a sophisticated modern view of diversity in the UK. *Mega Mela* was the name of the coverage of the annual Asian music and cultural events. Drama *Grease Monkeys* followed an Asian family mechanics shop in Manchester and soon returns for a second series, extended to ten episodes. and the *India vs Pakistan* documentary explored the history of the Kashmir conflict.

Case Study – Little Britain on BBC Three

The comedy series *Little Britain* is a great example of investment in emerging talent in a traditionally high risk genre. It also illustrates the unique position of the BBC in being able to develop successful shows across media and channels, maximising the investment and widening the appeal to multiple audiences.

Originally a successful Radio 4 programme, it has subsequently made the transition to television on BBC Three, to audience and critical acclaim: "*A sketch show with extremely funny sketches throughout is hard to come across in these straitened times, but Lucas and Walliams have got it down to a pat*" (Guardian Guide).

More than 3 million viewers saw *Little Britain* on BBC Three (17% of all 25-34s in the UK) and it has now gone on to BBC Two where it has achieved audiences of more than 3 million viewers per individual episode.

BBC Four is an important new part of the BBC's commitment to the nation's cultural life, through the broadcast of new and distinctive performance, arts journalism and external events. It works with other parts of the BBC to sustain links with cultural institutions around the UK.

In music, the channel has significantly extended the volume and diversity of BBC Television's output, offering a wide range of performance and documentary across classical, folk, soul and jazz, both from the UK and around the world. More than a dozen events and festivals have received their first significant broadcast on the channel, including the Cambridge Folk Festival, Brecon Jazz, St Magnus and Celtic Connections; while existing BBC events such as the Proms and BBC Singer of the World have benefited from more broadcast hours than ever before.

In visual arts, some 50 cultural events have been given coverage by the channel since launch, bringing key exhibitions to a national audience, including Dante Gabriel Rossetti at the Walker Art Gallery in Liverpool and Max Beckmann at Tate Modern. In the contemporary art field, BBC Four is media partner for the Becks Futures competition, which showcases young and emerging talent in the visual arts. The channel has also collaborated with the

National Gallery and more than 50 other galleries and museums around the UK to launch the first ever interactive art exhibition across online and interactive television – *Painting The Weather*, and currently in preparation is a major new exhibition at Tate Britain of 1960s British Art, inspired by BBC Four's upcoming series on this theme:

“An innovative idea for those of us really interested in art but without the funds or in many cases without the time to visit exhibitions. BBC Four in general is a welcome addition to my digital viewing.” **Viewer feedback via e-mail**

BBC Four provides regular air-time for foreign-language film with its *Saturday Cinema* slot, but has also actively supported the distribution sector in the UK by pre-investing in new releases, thereby enabling distributors to make more prints and do more publicity, and increasing the reach of international film in cinemas around the UK. As a further step in its promotion of the sector, BBC Four has recently launched its own annual *World Cinema Award*, to recognize the best film not in the English language released each year.

The channel has worked with theatre producers to bring some of the best theatrical performances to a television audience, including Eddie Izzard in *A Day In The Death of Joe Egg*, Kristin Scott-Thomas in *Three Sisters* and Kyle McLachlan and Woody Harrelson in *On An Average Day*. The channel has also made television versions of acclaimed recent plays, including Michael Frayn's *Copenhagen* and the National Theatre's production of Kwame Kwei-Armah's *Elmina's Kitchen* while a two-week *Pinter at the BBC* season was the most significant television retrospective ever devoted to a living playwright. The relay of *Richard II* from the Globe Theatre was the first ever live television transmission of a Shakespeare play and opened up this key venue for the first time to audiences across the UK:

“Thrilling to see this live theatre from the Globe! Particularly enjoying the interactive comments (not knowing the piece at all). As they say “More please” especially from the Globe!” **Viewer feedback via e-mail**

In literature, BBC Four stepped in as sponsor for the Samuel Johnson Prize for Non-Fiction when the original sponsorship lapsed, and the channel has successfully worked with the Prize's organisers to raise its profile as a media event, while maintaining its prestige and distinctiveness. More generally, across its output the channel has discussed or showcased the work of more than 130 writers and poets, often featuring books from smaller, specialist publishers. On occasion BBC Four has focused in depth on the work of a single author: a season on the work of JG Ballard included *Home*, a new adaptation of his short story, *The Enormous Space*, which Ballard described as “superb, one of the very best adaptations of my fiction I've ever seen”.

BBC Four has also explored a wider repertoire of genres beyond serious factual and performance programming to deliver its remit, bringing to the screen intelligent home-grown comedy from unusual talents that has proved an effective and popular format including *The Mark Steel Lectures* on thinkers from Aristotle to Freud.

BBC Four's commitment to portraying a multi-cultural and multi-racial Britain was recognised in 2003 by the Commission for Racial Equality at their Race in the Media category where it was commended in the Broadcaster of the Year category. Programming has included a season devoted to exploring the relationship between India and Pakistan, documentaries on the black image in western art, Indian indentured labour, and *Black Flash*, the history of black footballers in Britain; while in news and topical programming presenting talent such as Nisha Pillai, Robert Beckford and Maria Misra have all made contributions.

Significant exposure has been given to disability including a week of programmes on Stephen Hawking, *Care House*, which took an in-depth look at a residential home for people

who are learning disabled, and a documentary on the singer Robert Wyatt. The channel recently broadcast from the Edinburgh Festival the first television recital by Thomas Quasthoff, the great thalidomide-disabled singer.

There is also a strong global theme to BBC Four's programming remit. Performance programming regularly features artists from across the globe, and has included a successful series of 60 minute world music *BBC Four Sessions* specially recorded for the channel. In factual programming, the weekly *Storyville* strand offers the best of international documentary film-making.

This year in partnership with distributors and cinemas, BBC Four has collaborated on *Discoveries*, a programme of work by first time directors from around the world, which have a theatrical release followed by a season on the channel. The channel has also extended this commitment by launching *The BBC Four World Cinema Award* for the best non-English language release in the UK in 2003.

Case Study – *The Alan Clark Diaries* on BBC Four

The BBC Four drama *The Alan Clark Diaries* has become a milestone for the channel and has been a breakthrough for the channels mix of intelligent, home-grown programming. John Hurt's portrayal of the colourful MP drew almost 850,000 viewers to the first episode. The adaptation's popularity meant that in homes with digital television, more people were watching BBC Four at 10pm than were watching any other channel except BBC One or ITV1.

The Alan Clark Diaries will be screened in a primetime slot on BBC Two in March, demonstrating our commitment to ensure that the best of our digital programming is quickly made available to the BBC's analogue services.

Contribute to education for all by creating a wide range of accessible programmes and services that feed curiosity and enable people to learn throughout their lives

The new digital TV services build on the BBC's strong commitment to lifelong learning, stimulating debate, and encouraging audiences to engage in new and unfamiliar topics. Education is core to each channel proposition and the individual services provide programming that reflects each target audience; delivering content that is relevant, accessible and thought-provoking.

Through its underlying philosophy of "learning through play", **CBeebies** reinforces the core BBC values of quality, trust and editorial independence. Free from commercial advertisements and inappropriate programming, almost all CBeebies programmes and online content are linked to the government's Foundation Stage curriculum. In addition, the vast majority of CBeebies programming is developed in conjunction with trained educational advisors who together enable CBeebies to deliver pre-school content that engages the UK's youngest audiences in a playful, fun and interactive environment:

"We would choose to watch CBeebies over everything else. It has higher educational value because it's well researched – delivers what pre-schoolers need. It's about having fun as well, it's about learning through fun."

Nikki, Mum aged 37, South England

CBeebies' connection with UK audiences is not just limited to its core 0-6 year old audience: CBeebies provides a unique online service for parents and carers alike. The channel's website includes a "for grown-ups" section that connects parents to broad range of parenting topics, including children's early learning, special educational needs, and activities that help children learn and develop.

Case Study – Fimbles on CBeebies

Fimbles is a multi genre programme featuring a sibling group of stripy creatures who live in the magical Fimble valley. The key 'magical finding moment' encourages recognition and discovery, developed through Bessie's exploration of the object contextualised in the environment of a real child.

The programme supports and extends knowledge of the early learning goals from music and movement with the Fimbles Dance, to literacy with Roly Mo, the avuncular mole's daily story. Numeracy is developed through counting and positional language such as Rockit the frog climbing "up" and "down" his Humdinger tree or hiding "behind" the Thinking rock. The supporting website has related games, singalong songs, stories and make and do suggestions for children to do with their parents and carers.

The CBBC Channel underpins its schedule with "learning through fun" – inspiring children to find out more about the things that they are interested in and introducing them to new ideas. This approach offers the core audience many soft learning opportunities, taking advantage of children's natural curiosity and thirst for facts and knowledge. Programmes such as *Eureka TV!* and *Blue Peter* are complemented by dramas like *Out There* and *UGetMe* that explore social issues and the complexities of family life and relationships:

"Other channels don't have much educational things on them, but The CBBC Channel does – it's good that." **Emma, aged 12, Scotland**

BBC Three has an important educational role for its audience, reflected in the specific commitments made to the genre by the BBC in its channel submission to DCMS. BBC Three's audience are at a life stage where they still feel young but have to face adult responsibilities such as parenthood, mortgages and marriage, and the mix of output on the channel has reflected this – the recent parenting season and forthcoming cancer season are good examples. The programme *Little Angels* looking at problem children, was a breakthrough for the channel reaching above average audiences with a serious documentary. Using factual, drama and current affairs programmes as a platform for education, BBC Three explores these topics in an accessible and informative way, extending to issues of ethics, inclusion and morality. BBC Three also took part in the BBC's recent season *Taking Care*.

BBC Three's flagship science programme *Body Hits* also covers a diverse range of important social issues, including family planning, depression and sleep deprivation in a tone and style that is relevant to younger audiences. The second series of *Body Hits* has already proved to be one of BBC Three's most popular programmes.

Drama and factual programmes on BBC Three cover subjects relevant to young adults, and from which they can learn. To date these include major pieces on personal finance and pensions, as well as dramas that reflect genuine situations like unemployment, drugs and relationships, with which young people are dealing at this stage of their lives. BBC Three's

Celebdaq is a unique blend of business and entertainment programming that, while entertaining, teaches viewers about how the stock market and the broader financial world operates. The *Celebdaq* website is at the forefront of the BBC's rich media broadband proposition, and attracts more than 1 million users a month. As 15 year old James Stringman told us,

"celebdaq is the greatest thing ever because I have always wanted to go into the stocks and shares in further study...and this had made me want to go into stockbroking even more, so thank you celebdaq"

BBC Four's remit includes a commitment to serious factual programming, extending BBC Television's offering across specialist subjects including the arts, science, history and ideas. More than 50% of BBC Four's airtime is given over to factual programming and the channel aims to deepen the learning experience with a commitment to longer format documentaries. Viewers and critics have expressed their appreciation for more in depth approaches to subjects:

"It goes into things in more detail, it's not just a surface sound-bite or a surface wash on the subject, it tends to be deep, it tends to be more interesting" **Viewer feedback**

"When they next hand out awards, Waldemar Januszczak will most certainly scoop the pool for Paul Gauguin: The Full Story: Best Itinerary, Most Photogenic Subject and, I expect, Best Art Documentary. BBC4 had the courage to show it in its full two-hour glory last night and it wasn't a minute too long...a cohesive portrait of a difficult man...All along, Gauguin's life was illuminated by generous and lingering views of his amazingly varied paintings, sculptures and carvings." **Marsha Dunstan, Telegraph, 1/7/03**

The channel's debate and discussion output exposes the audience to alternative and challenging perspectives on cultural and topical issues, whilst innovative and entertaining approaches to serious areas of knowledge can open them to new audiences, for example the *Mark Steel Lectures* on the work of key thinkers of our age, produced in collaboration with the Open University.

The website extends the scope of the learning opportunity, providing links to further supporting information for key documentary output and profiles for writers, composers and musicians featured on the channel. Interactive events are also often enhanced with further learning material for the audience, for example *The Proms* notes and *Richard II Live from the Globe's* simultaneous text commentary and specially prepared pre-performance and interval content. *Painting The Weather* has proved much used by schools and includes an audio tour from Neil MacGregor, the former Director of The National Gallery.

"Thank you so much for the information about Pinter on your website! I'm doing a performing arts degree and it was so useful!" **Viewer feedback via e-mail**

"Congratulations on your excellent proms coverage on BBC Four. The interactive programme notes give a new dimension to one's enjoyment of the music." **Viewer feedback via e-mail**

Help to make the UK a more inclusive society by creating programmes and services that connect communities, bring people together and encourage participation

While the BBC's online services are particularly relevant to this purpose, our new digital television services, with their particular audience focus and integrated interactive offers have also allowed us to offer support for specific audience communities, whether geographical or defined by interests – such as arts or music lovers.

CBeebies has developed a unique online space where parents and carers can communicate and learn about child development. The site has message boards, chat functions and provides materials for parents to create their own communities, such as “Story Circles”.

The CBBC Channel's proposition is linked closely to audience participation – ‘your input is our output’ is a tag line for the channel. We have achieved this right across the UK - this summer the channel broadcast “*Britain's Amazing Mates*”, an on-air strand that gave children the chance to have The CBBC Channel broadcasting live in their home for the day, and *Blue Peter's* Wateraid campaign brought together groups of children from across the country to raise money and awareness of important issues.

The channel expands on the *Newsround* experience by exposing children in the UK to people and cultures from around the world through dramatic and factual programming. *Serious Jungle*, *Serious Desert*, *Friends International* and *Out There* are good examples of where the channel has provided UK children with a window on the world.

Case Study – Xchange

Xchange on The CBBC Channel has more than 175,000 X-ID members who use their IDs to participate in the television programme and the website. For example, to get a “My Work on the Web” badge a child has to contribute something to the Xchange website; and to get a computer generated X-ID head, children have to download software or send in pictures. This has developed an environment where children can create and add their own content within the channel's integrated service proposition.

BBC Three provided extended coverage of the Glastonbury Festival, now one of the most popular music events in the UK, as well as a special version of the Eurovision Song Contest. Through the parenting season we were able to offer parents and carers advice from paediatric experts and their peers. The channel has also actively participated in pan BBC charitable events, supporting Comic Relief through *Celebrity Fame Academy* for example.

BBC Four broadcasts from a number of cultural events and festivals around the UK, providing greater exposure to occasions that bring people together. This ranges from extended coverage and more depth to events covered on BBC One, Two and Radio 3, such as the Proms (an additional 30 television broadcast hours per year) and *BBC Singer of the World*, to first time television coverage of smaller festivals including Cambridge Folk and Brecon Jazz.

The BBC Four website message board offers the audience the opportunity to discuss and share their views on particular passions ranging from the cult show *Curb Your Enthusiasm* to literature to the channel itself via the *BBC Four Forum*.

Interactive participation such as voting further enables communities of interest to come together and to have a say in the outcome of a shared interest – for example, fans of international cinema will decide the winner of the *BBC Four World Cinema Award*.

Bringing benefits to the Media Industry

In addition to the contributions the new services have made against the BBC's stated purposes, the four new channels have delivered significant benefits back to the media industry. These benefits are illustrated in terms of the channel commitments to EU and UK programme activity; acting as a catalyst to develop specific programme genres; and through its nurturing of new and emerging on and off-screen talent. Furthermore, the new services are subject to the BBC's quotas for independent and regional production and continue to play a key role in developing a diverse and strong UK programme supply base.

The channels are also recognised to have made a significant contribution to digital take-up in the UK – summarised in Section 4.

The new services expansion in investment has also resulted in an increase in the BBC's focus on training and development for production and related staff. A wider range of programmes including new digital programme skills and on line production safety training were introduced in training and development during 2003, the first full year of operation of the channels. In addition, the BBC set up the Learning Board now chaired by Paul Gerhardt, Controller, Learning, to oversee the BBC's strategic investment in training and development, and has established four Centres of Excellence to make sure that the training and development needs for the future are being addressed.

Both children's channels have significant commitments to UK / EEA output. To date, **CBeebies** has met its UK / EEA output target of 90% and more than 75% of the channel's investment has been in new British programming. Similarly, for **The CBBC Channel**, approximately 75% of output and investment must be in UK and EEA programmes and the channel has met both targets since launch. Both channels continue to develop programmes from a diverse range of regional in-house and independent production companies.

As part of its channel commitments, The CBBC Channel has developed innovative production techniques, and also looked at new ways of developing and using existing technology. These include the use of cool lights to reduce heat in studios, tapeless production for the CBeebies channel, the on-air development of *Nelly Nut* - a voice controlled live animation technology created by tv.animation in Denmark, and the use of satellite phones and web cameras as a means of access, rather than just for news reporting. New ways of working are constantly explored, such as the innovative use of shared studio facilities, different schedules that sustain long-running series in the most efficient manner, the use of self-operation techniques within craft supported areas, and working methods that support training initiatives for craft staff as well as production teams.

BBC Three's commitment to UK creative industries is underpinned by its commitment to source more than 90% of its output from the UK/EEA - more than 80% of output is specially commissioned for the channel. BBC Three also has specific commitments to invest in independent and regional production and is operating well in excess of these targets. The channel has commissioned more than 40% of its programme hours from independent producers against a 25% target and has used more than 30 independent companies. More than a third of these had never previously worked for the BBC - *3 Non-Blondes* was a first commission for Brown-Eyed Boy Productions. More than 33% of programming for BBC Three is made outside London and the South-East and the channel has produced and set all of its drama outside London.

BBC Three has a particular role in encouraging new talent: every one of its major programme titles has brought forward a new presenter or a production team member new to TV (Paddy O'Connell and Libby Potter on *Celebdaq*, Raphael Rowe on *The Third Degree*, Dr John Marsden on *Body Hits*, David Adjaye on *Dreamspaces* and Dr Tanya Byron on *Little Angels*). This ambition is core to the channel's remit and will culminate in BBC Three's involvement in the BBC Talent Week in March 2004.

BBC Four has met the condition that around 70% of output should be made in the UK/EEA, with a proportion of that output made by companies based outside London. While it has no specific commitments to independent production, BBC Four has commissioned programming from more than 70 independent production companies, half of which had never previously worked for the BBC.

The new services' contribution to digital take-up is summarised in section 4..

Section 3: Performance of the BBC's new digital TV services against consent

The Secretary of State granted consent for new digital TV services subject to general conditions that apply to all the services and importantly, specific conditions for each individual new service. This section reflects the BBC's performance against the general requirements and then goes on to summarise the specific conditions for the individual services.

We believe that we have met each of the general commitments for each service:

General Commitments relating to all services

- 1 *That high general standards in all respects (and in particular in respect of content, quality and editorial integrity) be maintained in relation to each service.*
 - All the new digital TV channels are expected to meet the editorial standards of the BBC. All comply with the BBC's producers' guidelines and have won awards for their quality, from Best Digital Programme (*Burn It*, BBC Three) to runner-up Digital Channel of the Year (BBC Four), as well as eight children's BAFTAs for CBBC across the entire range of output in 2003
- 2 *The BBC Governors monitor the implementation of the new services and report each year in their annual report on their delivery in line with the BBC's commitments and the conditions set including an analysis of the distinctiveness of the service.*
 - The Governors have overseen the new services since their inception and monitored their performance to ensure their compliance with the Secretary of State's conditions of consent to launch. For details, see Annex 1.
- 3 *That there will be a periodic review of the services by the Secretary of State. Such a review will involve seeking detailed confirmation from the BBC that the Corporation is acting in accordance with the facts and assurances upon which the approval was given. The review will include an independent assessment.*
 - This is now being undertaken
- 4 *That the BBC shall draw up and publish a plan for promoting digital television and radio services by the end of 2001 and shall commit to and undertake a vigorous and continuing campaign to promote the uptake of digital TV and radio services and equipment generally.*
 - Specific digital campaigns have been carried on all the channels, and BBC One and Two have been used to showcase their output (via zones and co-commissions). In addition, shows from the main analogue channels have either been premiered or repeated on the digital channels, helping drive audiences to them and thus introducing these viewers to the benefits of digital and the channels' own output.
- 5 *That each service shall stimulate, support and reflect the diversity of cultural activity in the UK within the defined scope of the service.*
 - Since launch, each of the BBC's four new TV services has made a strong contribution to stimulating and supporting the diversity of cultural activity in the UK. All channels feature a

mixed genre proposition based on their target audience that provides opportunities for programme-makers to reflect life in the UK in many new and innovative ways.

- Each channel is charged to stimulate, support and reflect the diversity of cultural activity in the UK. The CBBC Channel and CBeebies have developed a family of ethnically and socially diverse on-air presenters, while programmes such as *Balamory* on CBeebies and *Kerching!* on The CBBC Channel portraying many underserved audiences, including disabled and ethnic minority actors, are just the start of the way in which the channels provide children with role models with whom they connect. Similarly, ethnic minority presenters on BBC Four and Three, dramas set in the nations and regions of the UK on BBC Three and documentaries on race and disability on BBC Three and Four all illustrate the commitment of the channels to reflecting the diversity of UK society.
 - The launch of the BBC's new services has provided on and off-screen talent with many more opportunities to develop their skills.
- 6 *That consideration be given to promoting the understanding and enjoyment of each of the new television services by viewers with sensory impairments; and that the BBC Governors should monitor the levels of subtitling, signing and audio description provided on each new service, and apply to those levels from time to time the same targets which they apply from time to time to existing BBC digital channels.*
- All the channels provide access support for those with sensory impairments (subtitling, signing, audio description) and have met their targets as set by the BBC's Board of Governors.
- 7 *That a proportion of programme production must be allocated to companies based outside London.*
- Each channel allocates a proportion of output to production companies located outside of London and BBC Three is forecast to meet its commitment that a third of programme spend will be outside London from 2004/05.

Specific Commitments for the new digital TV services:

The majority of the conditions and commitments for the individual digital TV services are grouped around common themes. The conditions were detailed and specific for each channel and were particularly stringent for BBC Three.

There are both objectively measurable and more subjective commitments within each theme, depending on the channel. Headline commitments are set out below, with specific delivery against each set out in the accompanying individual channel documents.

In three cases CBeebies and in one case The CBBC Channel have been unable to meet specific conditions – in each case progress is summarised below:

- **Programming mix:** All the digital channels are committed to a multi-genre proposition, with explicit commitments in particular for BBC Three in genres such as news, current affairs, music and arts and education. The channels have met all of these commitments.
- **Interactivity:** Commitment to driving innovation and utilising newer technologies to connect with audiences are integral to the channels' remits, and they all exist on multiple platforms in different forms from pc internet to interactive TV to mobile phones. This activity represents an integral part of the BBC's promotion of digital services on all platforms. However, CBeebies has so far been unable to carry information for parents/carers on its unique interactive enhanced text service, due to the currently limited capacity of the technology available. However the same information has been offered to date on-line and the interactive services will be operational in 2004/5.
- **Impact on BBC One and Two:** Rather than having an adverse effect on the flagship BBC channels, the new services have provided new talent and programmes to BBC One and Two. There was, however, a one off reduction in the hours of pre-school programmes in year one of CBeebies launch, but this was due to extended coverage of Parliament and the Iraq War, rather than the specific arrival of CBeebies. Since this time, the hours of pre-school programming on BBC One and Two has actually increased by over 30% with new dedicated schedule slots. The period since the launch of BBC Three and Four has seen an increase in the volume of arts hours and spend on BBC One and Two, and an increase in reach to 25-34 year olds. Zones or branded output for all the new channels exist on BBC One or Two, extending audience access to our digital programming investment and so increasing its value. During seasons (e.g. *Hitting Home*, *Obesity*) we have coordinated programming to add depth and a range of perspectives, and on-screen menus have been employed to provide simple guidance to what is on all the channels.
- **Audiences:** Despite their relatively young age as channels, our new services have already made an impact with their target audiences – BBC Three now reaches 4 million people and a quarter of all 25-34 year olds in digital homes every week, and is making a significant contribution to the BBC's overall performance with this group. BBC Four reaches over one million viewers every week and continues to grow. Nearly one million viewers regularly watch the children's channels on a weekly basis.
- **Programme Supply:** All the digital channels are committed to UK production and, in particular in the case of BBC Three, to commissioning from independent production companies. BBC Three has exceeded its 25% hours and spend quota and the other channels have also met their commitments, with the exception of animation co-production on CBeebies and The CBBC Channel, where instead we have been involved in smaller

investments in animation projects (less than 25% is not classified as co-production), which meets the same objective of supporting UK animation more cost effectively.

Section 4: The BBC's role in driving digital take-up and summary of the market impact study

Driving Digital

As Tessa Jowell noted when she approved the new services

"...the new stations should attract a wider range of viewers to all digital services. This can only be good news for all broadcasters and for the viewer and listener. Not all games are zero sum; sometimes everyone can win."

The period since the approval and launch of the BBC's new digital TV services would seem to support this view, with major growth in digital penetration in the UK, and most significantly, the launch and rapid growth of free to air digital terrestrial. In this period overall digital penetration has grown from under 40% to over 50%, and Freeview has become the fastest electronic media proposition to reach 1 million sales of all time, with free to air penetration increasing from under 0.5 million to 3 million homes in the last two years.

We believe that the BBC's new services have played a significant role in driving this growth through their specific contribution to the success of Freeview, our extensive cross promotion of digital services from our analogue networks and as unique propositions in the digital marketplace. The sections below briefly outline the BBC's activity and impact in each of these areas.

Contribution to the success of Freeview

- BBC services represent a significant proportion of channels available on Freeview, and have featured in the launch and subsequent marketing of the proposition.
- Early audience research suggested that the BBC's new digital TV channel were the second highest ranking influence on their decision to buy Freeview⁴
- In a more recent survey, when asked to rank which channels available on Freeview were most interesting to them, audiences placed BBC Three third and CBeebies seventh. Those audiences specifically considering Freeview purchase ranked BBC Three second and CBeebies sixth⁵
- We have received both critical and audience credit for the decision to go digital:

"I'd simply stopped watching television...When I found out about BBC Four, I didn't only have to get a box, I had to get my TV out of the loft"
BBC Four viewer, London

"Dixons will sell you a Freeview box that enables you to watch 30 channels, including BBC4, for a one-off payment of £54.99... My advice is to get one before Christmas. That way you will be able to see the channel's new, six-part dramatisation of Alan Clark's Diaries starring John Hurt....Now that is what I call must-see TV."
Toby Young, Guardian

⁴ Source: TNS research March 2003

⁵ Source: Morpace research commissioned by the BBC, March 2004

Marketing and cross channel scheduling

- The BBC backed the launch of its new services with major marketing campaigns and has continued to back its new services with support, both off and on air
 - There have been over 9 hours of BBC Three related marketing messages on the analogue channels, and all available 25-34s have seen at least one BBC Three message since it launched;
 - In 2002, 16% of CBeebies on BBC One and BBC Two and 34% of CBBC on BBC One and BBC Two marketing airtime was dedicated to cross promoting the digital channels.
- We have sustained a strategy of showcasing the best of the new services output on our analogue networks, offering over 100 hours of BBC Four and 80 hours of BBC Three programming to date and simulcasting output across The CBBC Channel, CBeebies and BBC One and Two.
- We also ensure that 'hits' that transfer from our new services to BBC One and Two are credited to their original channels, to reinforce the quality of their offerings, in addition to using CBeebies and CBBC idents in related airtime on BBC One and Two.

Unique propositions in the digital marketplace

Quantitative research, cited in Oliver & Ohlbaum's independent study, demonstrates the particular and distinctive appeal of our new services to particular audiences. We suggest that this distinctive appeal is instrumental in attracting new audiences to digital television.

- BBC Four is unique in the digital marketplace in its range of genres and investment in new programming, and appeals to a more upmarket and slightly younger audience than other factual channels
- BBC Three appeals to a more upmarket and slightly older audience than its near rival channels, and is unique as a mixed genre proposition offering new British programming
- CBeebies and The CBBC Channel are unique not only in their audience appeal and mix of new programming, but also as the only free to air children's channels in the UK without commercials

Oliver & Ohlbaum's independent study of market impact concludes:

"The evidence suggests that the new BBC services have been the lead driver of Freeview penetration, and that Freeview penetration has been largely additional to, rather than a substitute for, digital pay TV take up. The BBC channels may well have helped increase overall digital take-up by about 1 million households over the period"

Summary of the market impact study

The Oliver & Ohlbaum report submitted with this paper assesses the impact of the BBC's new Television services on the UK TV market. Their report updates their assessment of the potential impact of the new services in Spring 2001, and again in the Spring of 2002 for BBC Three.

Oliver & Ohlbaum conclude that while the intervening period has seen dramatic change in the UK TV market, it is possible to reach some indicative conclusions, with the overall balance of market impact being positive. They also go on to say that "the BBC services have had a greater positive impact on the market than originally envisaged" - in the report Oliver & Ohlbaum submitted to DCMS prior to the new services' approval.

The key findings are as follows

- That the new services have had a particular role in driving the take up of digital TV, and in particular that there is "strong evidence to suggest that the four BBC services have played an important role in driving the uptake of Freeview" and that this effect is "greater than originally assumed". It also concludes that Freeview has succeeded in attracting new viewers to digital TV rather than cannibalising pay TV.
- That while the new services have had some direct financial impact on other channels, during the turbulent period under review 44 new channels entered the UK market while only 17 exited⁶.
- That each BBC service is offering something distinctive to UK multichannel audiences when compared with other thematic channels - and often to a distinct demographic. Specifically:
 - *"BBC 3's commitment to new UK drama and comedy especially commissioned for the channel differentiates it from all other under 35 year old focused entertainment channels. Unlike E4 and ITV2, it does not make extensive use of main network repeats and spin-off programmes, and unlike Sky One and Paramount, the vast majority of its schedule is made up of UK originated material.*
 - *"BBC 4 has a far greater range of programme genres and types than any factual, arts or performance focused thematic channel. It also attracts a very distinct, heavily skewed ABC1 audience profile, although its age profile is a bit younger than many factual channels. Its reliance on UK and continental European originated material differentiates it from anything else in multichannel TV homes.*
 - *"CBeebies utilises far less animation and shows more educational programming than its nearest rivals. When the channel does use animation/puppet based output it shows a far greater proportion of UK originated material.*
 - *CBBC also tends to use far less animation than all its rivals, although a fair proportion of what it does use is US originated. Overall its schedule has far more factual and current affairs programming than any near rival, with far more educational programming than any of its rivals except Discovery Kids. However, almost all Discovery Kids educational output is non UK originated, and the channel only obtains about 0.3 per cent of children's viewing in mutlichannel homes compared to CBBC's 3.2 per cent."*

⁶ Excluding shopping channels

- That much of the BBC channels' £150m investment in new UK programming has been on new talent, in particular on BBC Three, and a high proportion has gone to the UK's independent production sector. The report also notes that this figure is more than the 140 basic and free to air thematic channels in the UK together invest in UK TV production.
- That while overall the BBC services are getting slightly less share than predicted before launch – about 2.7 per cent versus a predicted 3.2 per cent of all day multichannel viewing - that this is rising slightly over time and is already higher than the share of BBC Choice and Knowledge in 2001 – which was about 1.9 per cent⁷.
- That the financial impact of the services on the advertising revenues of other services has been modest, with a range of £4m to £10m annual negative impact. The report also suggests that about half of this impact has been on thematic TV channels (1% to 2.5% of their total revenue) and about half on the commercial networks ITV1, Channel 4 and five (0.08% to 0.2% of their revenues).
- That the impact on the sub fee revenue of thematic channels has probably been neutral or slightly positive, as a result of the BBC services' contribution to the rise of Freeview increasing the leverage of pay TV channels with pay TV platform owners.
- That in the medium term, the increased penetration of Freeview and pay TV and slightly rising shares for BBC Three and BBC Four will see a slightly larger direct financial impact on near rivals advertising revenue - moving up to £6m to £15m combined. However, that the broad impact on pay TV sub revenue "is likely to turn more unambiguously positive with the arrival of the digital terrestrial Top Up TV proposition".
- That the BBC services are likely to remain distinctive in a thematic channel market and that the BBC's investment in new programming may spur existing thematic channels to invest in home grown programming.

When taken in combination with the public service benefits arising from the new services, we believe that there is a strong case that the public service value created significantly exceeds the small market impact arising from their launch. In particular, the new services have led to an increase in digital take-up and in particular have provided specific and direct support to the growth of the Freeview platform in the UK, with resulting benefits to the whole UK TV market.

⁷ Oliver & Ohlbaum analysis is based on share of viewing rather than reach because the measure translates into impact on commercial networks' advertising revenue. BBC analysis typically refers to performance in terms of both share and reach.

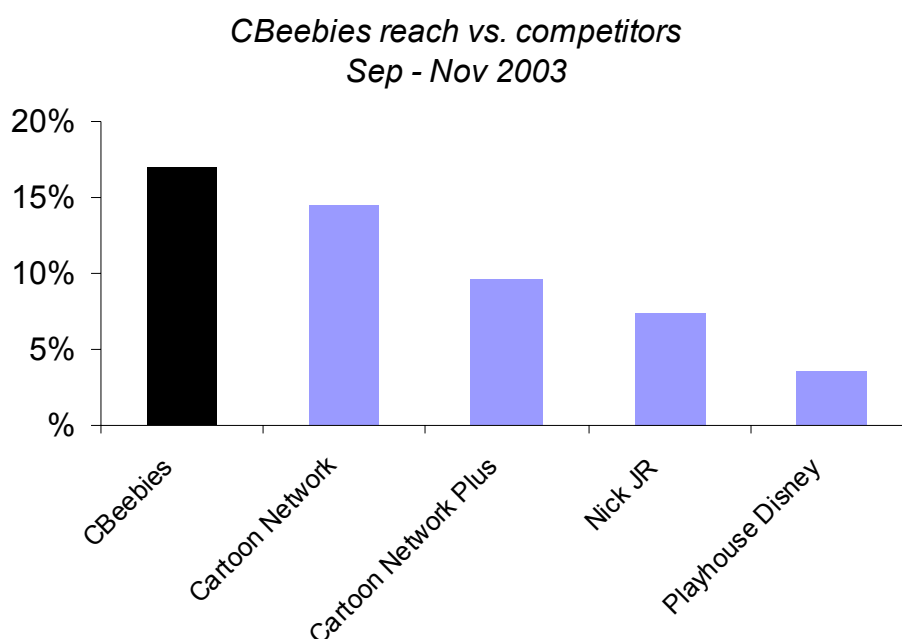
Section 5: What the audience thinks of the BBC's new digital TV services

This section describes licence payer's reactions to our new services, expressed both quantitatively and qualitatively and in terms of their role in driving digital take-up. It also highlights areas for potential improvement, which have been identified via close monitoring of the channel and initial audience feedback via focus group research. The measures being taken to address areas for improvement are developed further in Section 6.

CBeebies

CBeebies is targeted at children aged five and under, and importantly, their parents and carers. The channel is seen as distinctive compared to other pre-school offerings, through its UK based programming and educational value. The BBC brand conveys a trusted viewing environment for young children.

CBeebies has had outstanding success since launch. It is the most watched children's channel, reaching nearly a million viewers each week (902,000) and taking a 6.8% share of the children's digital universe during its transmission hours. CBeebies ranks first in terms of reach and share against all other pre-school channels.



The schedule offers a variety of pre-school genres and emphasises the way in which CBeebies continues to push the boundaries for pre-school children with high quality programming.

This is defined by its commitment to educational content and the high degree of originated, UK output. This high quality is confirmed by its success in the BAFTA awards. *Bob the Builder Special – A Christmas to Remember* won the Children's BAFTA for Animation in 2003; and the channel dominated the pre-school live action section with two nominations for

Balamory and *Fimbles*. In 2002, CBeebies won the BAFTA Children's Pre-School award for *Teletubbies Everywhere*.

The channel premiered the first pre-school drama, *Balamory*, which had an 8% share and received critical acclaim. *Tikkabilla* introduced a fresh approach to the magazine format, with every show being a journey of discovery and learning, receiving a 7% share. *Smarteenies*, a "make and do" art show, became the number one performing programme on CBeebies with a 9% share (in digital homes containing children over 4 years old). *Fimbles*, centres on a magical valley and supports and encourages learning.

"A regular viewer tells me that, supposing she had to pay for it, the sublime trio of Balamory, Tikkabilla and Storymakers would alone justify the licence fee, for they not only amuse, she believes, but instil an early sense of all the good and intelligent things television can do" Catherine Bennett, *Guardian*, 17.7.03

Beyond specific programme responses, the channel has received acclaim overall for its output, forming an important part of the BBC's digital portfolio and improving the market offerings:

"CBeebies is a merit good: a socially desirable item that the market would not provide by itself." John Gapper, *Financial Times*, 7.10.03

"There isn't another channel around with such good quality programmes and such a variety of programmes to keep the children interested. It works!" Mum, North England

Interacting with young audiences on all levels is a critical element of the CBeebies' proposition, from participating with the channel output to the use of the CBeebies' interactive television applications developed specifically for young children. The interactive TV games and stories reached around 14% of the available audience in November, and the CBeebies website has been a phenomenal success offering content for parents and carers as well as small children. This received nearly 36.5m page impressions in November.

Awareness of the channel is relatively high. CBeebies ran a qualitative survey in June 2002 among 4000 people who regularly look after young children aged five or under in a home environment. This showed that within four months of launch, 89% of parents or carers with children under five had heard of the CBeebies brand. Amongst parents or carers with digital television 91% had heard of the CBeebies channel. The Pan BBC Tracking Study shows CBeebies has the highest awareness among parents of pre-school children of all digital children's channels, at 76% and 88% in digital homes.

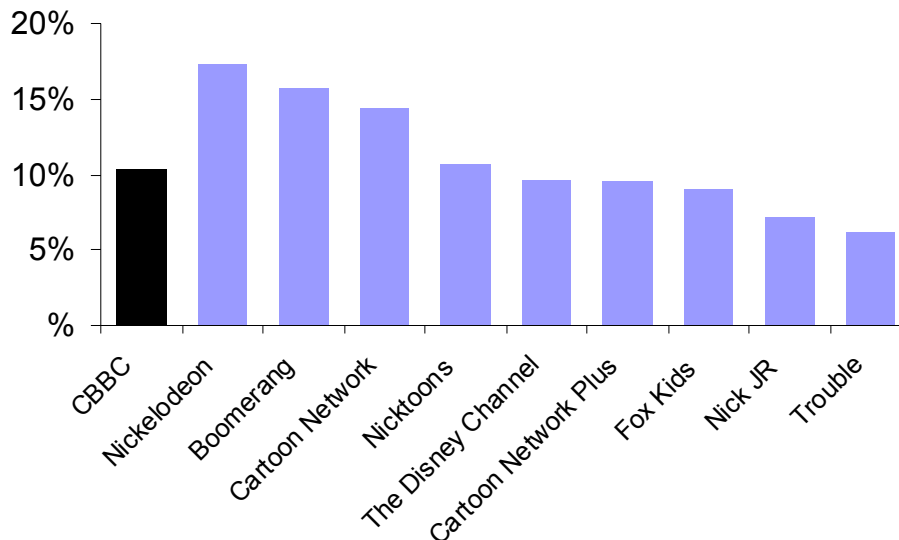
CBeebies employs a "best of" strategy for cross-channel scheduling to help drive digital take up. This sees much of the new CBeebies programming launch on the digital channel. The BBC ONE 15:25 slot showcases current and key CBeebies titles, delivering the best programmes to both analogue and digital viewers via the CBeebies brand. For BBC TWO, new titles move across in stages, approximately 6-12 months after they have premiered on the channel. This way CBeebies ensures that programming is constantly fresh and new year-round while the analogue zones are replenished by the most successful channel brands.

The CBBC Channel

The CBBC Channel is targeted at the broad and difficult to reach age range of children from six up to and including twelve year olds. This audience group is short of time and require a brand that grabs their attention and delivers something relevant. The younger children have just grown out of CBeebies and the older ones are beginning to crave a certain amount of independence. Over 60% of them now have access to digital television.

The channel's performance has improved considerably since a slow start at launch. Weekly reach among 4-15 year olds grew from 5.8% in March 2002, to over 10% in the September to November period this year, and in November 2003 increased to 14% (808,000) during its transmission hours. The channel had an average 2.9% share of viewing among this audience in the digital universe. The channel has risen from being ranked 13th at launch in terms of reach and share to 5th in November 2003.

*CBBC reach vs. competitors
Sep - Nov 2003*



Output spans the full range of programme genres as agreed in the conditions and commitments; from drama to news and animation to factual. This mixed genre schedule is at the heart of the channel and emphasises the distinction between The CBBC Channel and other players in the market. Live programmes also form a significant part of the output, such as the daily presentation links and regular *Newsround* bulletins.

The channel offers high quality content, particularly originated, UK based output. This is confirmed by its continuing success in the BAFTA awards. CBBC won seven BAFTA children's awards in 2002 and eight in 2003 across the entire range of output. Top performing programmes based on average share demonstrate the variety of the offering; from *The Story of Tracy Beaker*, a funny and thought-provoking drama offering a slice of life in a children's home; to *Kerching!* the London based multi-cultural sitcom in which a 14 year old boy wants to become the first dot.com millionaire; and the *Beckham's Hotshots* series which tells the story of eight talented children from the UK who are inspired by their experience with David Beckham to work hard and aim high.

Interacting with its audiences goes to the heart of the CBBC Channel proposition. "Your input is our output" is the channel ethos and audiences are encouraged to contribute across

all output using various methods of technology. The channel connects with children through a range of ways, including mail, phone, email, SMS messaging and online communities. The CBBC website, offering a vast range of content for its audiences, and creating online communities of young children, received nearly 24 million page impressions in November alone.

In order to track awareness of, and responses to, the new digital channels, The CBBC Channel has commissioned its own research; a quantitative research study amongst among six hundred 6 to 12 year olds entitled "The CBBC Audience Monitor". Perceptions and awareness have been tracked since launch and show a steady increase in awareness of the CBBC channel from 37% at launch to 69% by late summer 2003, regardless of whether they have digital TV or not. Perceptions of the channel are also improving with 64% scoring the channel highly, compared to 52% immediately after launch.

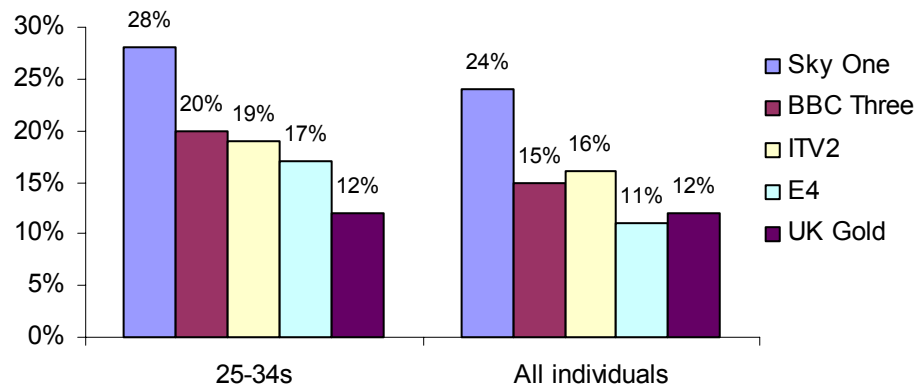
The CBBC Channel has done much to drive digital take up and raise awareness of the digital channel. The zones on BBC ONE and BBC TWO provide a critical link between terrestrial audiences and the enriched digital television service that the channel offers. CBBC ONE and CBBC TWO showcase the "best of" what The CBBC Channel has to offer and directs children to the additional output offered by the CBBC channel. Talent tends to be developed across both platforms and is not mutually exclusive to either.

BBC Three

BBC Three is now regularly among the three most watched digital-only channels in the UK, with around 3.8 million people tuning in each week. It is already starting to develop a reputation for innovative new programming, with BBC Three programmes being nominated for no less than 39 awards including 3 RTS awards and one BAFTA, winning 16 of them in genres as diverse as comedy, drama and current affairs, and we have seen the successful transfer of two of its hit comedies to BBC Two.

The channel's reach and share has grown steadily and BBC Three has now been watched by more than 20 million individuals and more than 80% of 25-34s in digital homes. Around a quarter of 25-34s watch BBC Three every week and the channel has achieved an average 2% share among this group since launch during its transmission hours⁸. The only digital channels to exceed BBC Three's audience rely on a small number of well known acquired US series to drive their overall performance.

*BBC Three reach vs. competitors
Data since launch*



While BBC Three suffered at launch from the pressure to launch many new programmes into the schedule simultaneously and as a result, sometimes unclear scheduling, performance in the autumn of 2003 (only 6 months since launch) reflects a story of growth and development. We have now successfully commissioned and broadcast to all our commitments in key public service genres and are seeing signs of critical, audience and performance success across a diverse range of original British production.

In arts, BBC Three's series *Art and the City*, looking at new artists in the world's great metropolises, was described as:

"award-worthy... superb from start to finish" The Observer

Dreamspaces, BBC Three's architecture show, now in its second series, was also singled out:

"One of the successes of BBC Three, this remains an entertaining, unpretentious take on modern architecture" Simon Horsforth, The Daily Telegraph

The channel's flagship science and education strand, *Body Hits*, is also in its second series and as well as receiving warm critical reception, has also resonated strongly with viewers.

⁸ Source: BARB. All BBC Three data is digital homes 1900 – 2600

The new series is attracting well over the channel average audience with an average 150,000 audience, and has become one of the channels most talked about successes.

BBC Three's current affairs programming is fulfilling its remit to bring stories to this audience in a way which is fresh and unexpected, and has been well received by the audience. Programmes like *War in Irag*, *Fantasy Retirement* and *The Kennedy Dynasty* were well researched and presented and achieved higher than average audiences as a result. Current affairs programmes appear in the top 20 programmes on BBC Three since launch and we plan to significantly over achieve our stated hours commitment in this genre in the launch year.

It has been in comedy, however, where the channel has taken the most substantial, risks and broken through on several fronts. The channel has been serious in its intent to develop new comedy talent from the first night of transmission, with *3 Non Blondes*, which brought on a trio of previously unknown British black female comediennes. *Little Britain*, a new sketch show created for Television from a Radio 4 show, continued in the same creatively risky approach and has been nominated for a BAFTA. The channel has also had recent audience and critical success with unconventional pieces like *Catterick* and *Nighty Night*. BBC Three is also committed to new British animation – a genre that the press have recognized as fundamental to the channel's distinctive proposition.

"Monkey Dust is probably the closest to something you haven't seen before, a warped animated version of Britain that's actually got something to say" Guardian Guide, November 2003

Both shows have been acclaimed as innovative and new and the audience figures on BBC Three have reflected this praise. *Little Britain* has received audiences in excess of 500,000 and the aggregate audience across multiple transmissions means that BBC Three has brought individual episodes to as many as 3.2 million viewers.

Beyond quantitative outcomes, both the audience and the press have recognized many of BBC Three's programmes for their originality and innovation:

"You get the feeling they're testing new ideas and trying new things that are too risky for BBC One"

"To me the channel is unique. Its targeting an older age group (than E4) and it mostly shows new British programmes. It's a test bed for BBC [and] every so often it comes up with a winner. I love 3 Non Blondes and I think they made Little Britain, which is superb"⁹

Over 65% of 25-34 year olds are already aware of BBC Three. While this is an impressive level of impact in a very short time, we are conscious that many viewers still identify BBC Three for programming first shown on BBC One and Two. While such output makes up a very small amount (less than 10%) of total output, these known titles can tend to dominate perception:

To me it's just about Eastenders repeats, which is a great programme but they don't make it do they"

For a new channel, known titles are a useful tool for establishing audience awareness and provide a genuine 'catch up' service to viewers. While the volume of BBC One and Two programming is already very low, we hope over time to reduce the prominence of these

⁹ Qualitative research, Vegas, December 2003

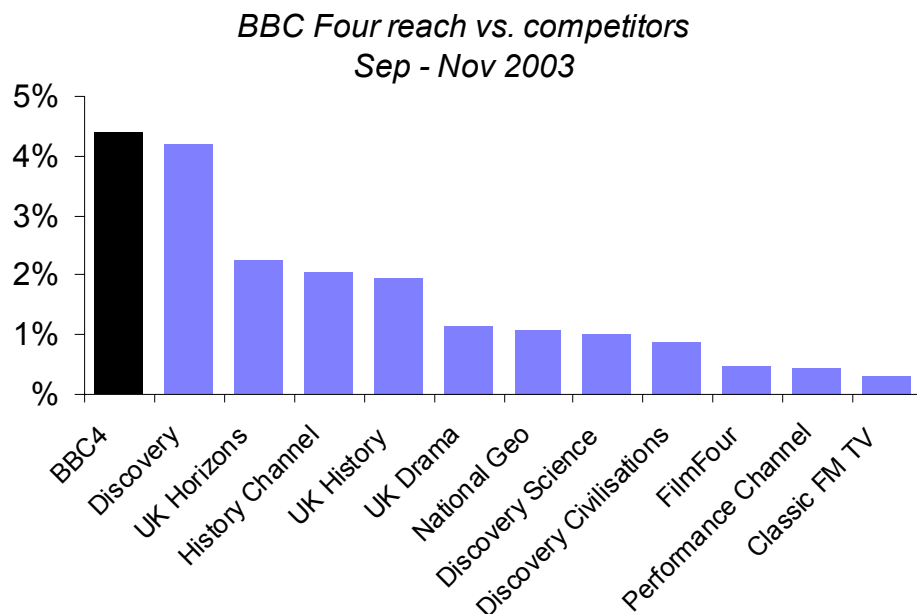
programmes as the channel builds more hits of its own. Since launch the channel has tended to use known BBC One and Two titles only to support the launch of new programmes for BBC Three.

At times we have offered audiences the opportunity to ‘turn over now’ from BBC One or Two – for example for the next series of a drama – and we are finding this a highly effective means of providing more choice and audiences to digital TV and so driving take-up. *Little Britain* and *3 Non-Blondes* are the first examples of BBC Three programmes transferring to BBC Two, and there is a regular showcase of BBC Three programming on BBC One, to extend the value of our digital investment to analogue viewers and to help drive digital. A BBC Three showcase in 2003 had an average one million viewers on BBC One.

BBC Three also provides programming to complement and supplement the schedules on BBC One and Two. BBC One’s landmark arts series *Leonardo* was accompanied by a new documentary *Leonardo’s Amazing Inventions* and new programming has been commissioned to extend coverage of events like *Glastonbury* and *Fame Academy*.

BBC Four

BBC Four is now the most watched channel in its field, with a higher reach and share than any thematic channel offering documentary, performance and drama – measured within its hours of transmission¹⁰. The channel reached an average 1.3 million people during the three months September to November 2003, or 4.4% of people in digital homes. The nearest comparable channel is the US output led Discovery, which reached an average 4.2% of people in digital homes.



The underlying trends for channel reach and share have been steadily upwards, and performance has been consistently above that of its predecessor BBC Knowledge. In the latest available month (November 03), BBC Four achieved a share of 0.5% within its broadcast hours (19:00-26:00) and reached 5.9% of people in digital homes. This represents

¹⁰ Source: BARB. All BBC Four data is digital homes 1900 - 2600

growth of more than 100% on March 2002. The channels total reach since launch is 11.4m viewers, 44% of the digital viewing universe.

The top 20 performing programmes on BBC Four since launch show a diverse range, encompassing a variety of genres including documentary (*Autism Puzzle*, *The National Trust*, *Gauguin*), discussion (*Human Instinct – the Debate*), drama (*The Falklands Play*), current affairs (*Iraq – the Cameraman’s Story*) and film (*The Officer’s Ward*). Twelve of the Top 20 titles are unique to BBC Four. As reach increases, so the audience to individual titles increases. The first episode of new series *National Trust* for example reached an audience in excess of 350,000 viewers – one of the highest audiences for any programme on a digital-only network that week.

The perception of BBC Four among the core audience is extremely positive, with feedback received via focus groups, email and the BBC Four online message board. The remit and purpose of BBC Four is understood and appreciated by viewers and the launch marketing statement *Everybody needs a place to think*, resonated strongly with the target audience.

“I certainly think I’m watching more television but I was watching very little, and was listening more to the radio...I’ve come back to television after a period of being disenchanted, basically.” BBC Four viewer, Edinburgh

“The kind of broadcasting that makes one glad again that television was invented. A magnificent theatrical feast, with an enriching and useful enhancement in the interactive accompaniment...Superb” (Feedback via e-mail)

BBC Four has also attracted widespread critical approval

“BBC Four has fulfilled its brief to be the thinking person’s channel to a degree exceeding expectation. Among the TV round ups of 2002 in recent weeks, no other channel has been praised so frequently...If it can continue to commission (and buy in) material as intelligent, informative and challenging as that on display last night, it seems only a matter of time before audiences must catch on” Gerry O’Donovan, Daily Telegraph, 1 Jan 2003

“BBC Four, a brilliant, innovative and accessible channel... it has the power to change lives” Tim Lott, Evening Standard, 9 Jan 2003

“Why I Love BBC Four”

Title of a feature article by Toby Young, Guardian

Our priority now is to improve overall awareness of BBC Four, and to address a perception that the channel can feel exclusive or intimidating. Section 6 explores some of the ways in which we have already begun to make BBC Four more accessible, by introducing intelligent comedy and entertainment, and original, scripted events in drama in addition to theatre relays – *The Alan Clark Diaries* for example.

Awareness of BBC Four has grown steadily since launch and at November 2003 is around 60% overall, rising to 76% in digital television households. This compares favourably with established networks like Discovery (86%) but we are continuing to work to improve awareness of BBC Four and to encourage viewers to try it.

An important component of this strategy is partnership with BBC Two, where BBC Four now has a weekly programming showcase. This is a powerful tool for extending BBC Four’s total reach and hence the value of its programming, as well as demonstrating the range and

quality of its output. In addition to this weekly commitment, BBC Two continues to take the best of BBC Four programming to complement its own schedules – *National Trust* and *The Alan Clark Diaries* for example – both enriching the mix of new programming on BBC Two and giving analogue-only viewers access to BBC Four programming and tempting them to switch to digital. To date more than 12 million¹¹ people have seen BBC Four programming on BBC Two.

Complaints

The BBC's new TV services have not attracted any complaints upheld by the Broadcasting Standards Commission, although the BBC has received viewer complaints on a limited number of issues, including the repeating of BBC One and Two programmes on new services and specific complaints about programmes which individual audience members felt were inappropriate.

Risk taking and innovative programming can provoke criticism, sometimes even before they have been broadcast. We received more complaints of our policy of broadcasting popular programmes such as *The Alan Clark Diaries* on digital channels before showing them on BBC ONE or TWO. Such programmes do, however, help to drive digital take-up and we are committed to a high level of new originations on each channel.

¹¹ Source: BARB 15 minute consecutive reach, all homes

Section 6: Plans for the development of the BBC's new digital TV services

The BBC has set out how we believe the new services have, with small exceptions, satisfied the terms of their consent and the commitments made by the BBC at the time of their approval.

As the new services develop, the BBC and the Board of Governors will continue to review their performance, to ensure that they operate within the terms of their consent, and offer value to audiences. It is too soon to offer a full evaluation of the services' value for money but in the early years of the channel a priority will be to offer programming made for the new services on BBC One and Two – extending the value of this investment, and attracting new viewers to take digital TV. Over time, the value for money of our new services will of course increase with the level of digital take-up.

Over the next three years, the BBC will look to fulfil the potential of the current services, and particularly in the case of BBC Three, to develop the proposition as it moves beyond the launch phase. We are committed to meeting the terms of the channels' consents on an ongoing basis and will continue to set out our detailed plans for the channels in annual Statements of Programming Policy.

What follows are initial thoughts on the impact that the development of the UK TV sector and the needs of our audiences will have on the nature of our services over the next few years. The BBC's longer term ambitions for the overall TV portfolio will be set out in more detail within the context of the Charter Review process.

CBeebies has been a British success story, providing parents and their children with the highest quality programmes in an environment that is built on the notion of learning through play. Since launch, CBeebies has benefited from its strong pre-school programme brands including *Teletubbies*, *Balamory*, *Tikkabilla*, *Tweenies* and *Fimbles*. Our challenge is to refresh and strengthen the channel through the development of the next generation of ground-breaking pre-school programmes that are both educational and entertaining. Finally, it's critical for CBeebies to maintain the integrity of the brand in order to provide the safest possible environment for the nation's youngest audiences.

For both CBeebies and The CBBC Channel original animation is an area the channels must continue to develop and nurture. To date, the channels have found it difficult to make significant enough investments in order to fully commission home-grown animation. Animation is expensive and traditionally the BBC has acquired its children's output in this genre. However, both CBeebies and The CBBC Channel pre-buy many UK animation titles in order to have editorial input and influence over the finished products. At the same time, this business practice supports the UK animation industry by cash-flowing animation projects through the early stages of development and production.

Keeping up with our audiences, maintaining key programme strands, and developing new and innovative content across the entire range of genres are the main challenges for **The CBBC Channel**. The service will continue to create soft learning opportunities in its schedules to build an integrated channel proposition that connects with, and encourages children to participate in the output. The CBBC Channel aims to help children become discerning consumers of all the media on offer to them and better understand the world in which they live.

Another component that differentiates The CBBC Channel from its competitors is the amount of live output that enables active participation and offers interactivity in all its forms and this will continue to be a defining feature of the channels' offer going forward. In future we also aim to develop stronger community initiatives around core brands; a good example of this is the re-launch of *Newsround's* Press Pack for aspiring young journalists. Finally, the most important challenge for The CBBC Channel is to remain a distinct service, providing a high-degree of British programming that genuinely reflects the lives of children growing up in the UK today.

BBC Three is now facing up to the challenges which emerged out of the launch period of clarity, consistency and quality, and the channel is now regularly reaching a quarter of its core audience of 25-34 year olds each week with innovative new programming across all genres. We intend to build on success in current affairs, comedy, animation, and science, learn from progress made in entertainment and seek to increase the profile of arts and drama, which we believe are new and distinctive.

Challenges remain in changing audience perceptions of the channel as a place to catch up on programming first shown on BBC One and Two. The channel will over time reduce the prominence of such output and will measure its success by its new titles – how regularly BBC Three programmes and talent develop onto the flagship terrestrial channels for example.

A key programming challenge remains BBC Three's news output, particularly with an audience that is often news-avoiding and has access to rolling news channels. The one-minute hourly bulletins remain successful, but the main news programme may develop into a longer, more analysis and discussion based format, a *Newsnight* for younger audiences.

Young adults are a genuinely multi-platform audience and BBC Three must reflect this; we will continue to explore the capabilities of offering fully interactive programming experiences, to continue to push the boundaries of cross platform content, and to look at ways of developing the channel into a multi-stream experience, to give the audience new ways of experiencing BBC Three output and to drive digital take-up.

The challenge of extending **BBC Four's** appeal beyond its initial core audience is already being met with some success, but there is still huge potential for growth. Many people who would value BBC Four have not yet made the transition to digital television. We will ensure that our promotion and marketing campaigns make these sections of the audience fully aware of what the channel has to offer, and how they can receive it. We will also continue to offer analogue viewers opportunities to view BBC Four programmes on our terrestrial channels, such as the regular BBC Four programmes scheduled on BBC Two zone, to allow viewers to benefit from their digital investment as well as raise awareness of what the channel has to offer.

With its distinctive remit, BBC Four will continue to evolve to keep pace with the UK's dynamic creative and artistic sector. In particular we have ambitions for BBC Four to grow its impact and presence in the UK's cultural life by using its brand to build partnerships with other cultural institutions, and acting as a catalyst and showcase for new kinds of creative expression. Our vision is of a channel that is strongly valued for its contribution to the UK's cultural life, as well as to the landscape of broadcasting.

BBC Four will build on the breadth and depth of its factual, discussion programmes, arts and culture output as well as deepening its international coverage but will also continue to invest in new dramas and theatrical films as well as intelligent and original comedy. We plan some enhancement of the budget to achieve this. The channel's experiments with innovative drama have been well-received and we have ambitions to increase investment in theatrical relays, pieces authored for television as well as adaptations. We will further expand our

commitment to the Proms and will seek new ways of providing topical coverage of developments across the arts, media and cultural world, to give this audience an even more in-depth service. We also expect BBC Four's international remit to become increasingly important as UK culture becomes even more diverse and globally-connected, and will extend our global network of partnerships with specialist producers and cultural broadcasters.

And in time, we would hope to be able to respond to our audience's desire for the channel to extend its broadcast hours. This would represent a genuine extension of choice for UK TV daytime audiences, and would also extract greater value from the channel's core programming investment.

Annex 1

Oversight of the new digital Television services by the BBC Board of Governors

The BBC's Governors have taken a very close interest in the development and performance of our new digital television channels since their first inception and they have been the subject of particular discussions at the following meetings:

9 May 2000

- At the Joint Boards' Conference the then Director of Television reviewed the performance of BBC Television over the past year and highlighted the challenges which the division faced. Governors remained concerned by the performance of the two digital channels BBC Choice and BBC Knowledge despite attempts to improve their image, positioning and content. A fundamental review of the purpose and funding of both channels was agreed in order to develop an overall vision for the BBC's portfolio of television channels in digital households to ensure that the BBC's television networks better served licence payers.

20 July 2000

- The Executive Committee presented the Board with a new strategy for the BBC's television services as part of the new services vision. The strategy included launching a new channel for young adults (BBC Three), and developing a further channel focusing on culture, the arts and ideas (BBC Four), and two new children's services, one for pre-school children, and one for older children, to offer original UK content. Plans were also agreed to revitalise BBC One and Two. It was felt that the existing digital channels and new offerings would present a more coherent offering alongside the analogue services for the digital user.
- The Board agreed that the BBC should increase its level of spending on television - on both analogue and digital services and they supported the specific plans for the digital channels and the overall structure of the portfolio in principle. But they sought further details of the proposed plans and asked for information as to how the proposals would be perceived by commercial channels. They were also keen to ensure that the BBC had clear proposals for determining how the success of the new strategy would be measured. Quality and creativity of output were overarching concerns for both analogue and digital services.
- Governors were also interested to understand better how the analogue and digital channels would work as a portfolio. They asked for more information about how output would be commissioned between the analogue and digital services and what the schedules might look like. Governors also wanted to have a better understanding of patterns of viewing in digital homes and when the transition from digital to analogue was likely to happen.

21 September 2000

- Governors reviewed the proposed new services against the Board's public service criteria as set out in the 1999/2000 Annual Report and made clear the need to emphasise their innovative and distinctive nature. They also discussed and agreed the draft public consultation paper.

14 December 2000

- The Board reviewed the positive outcome of the formal public consultation, agreed that the proposals should be put forward to the Secretary of State for approval and commented upon a draft letter seeking that approval.

22 March 2001

- Governors received an update as to the approval process and the reaction of commercial channels to the industry consultation process.

22 November 2001

- Following the Secretary of State's rejection of the initial proposal for BBC Three in September 2001, the Governors considered a revised proposition for BBC Three which concentrated more clearly on the core age group of 25-34 year olds, and made more substantial and quantifiable commitments, including to:
 - news, current affairs, education, music and the arts; these genres would account for more than one third of new programming for the channel
 - promoting new talent both on and off screen
 - reflecting Britain's multicultural, multiethnic society
- Governors welcomed the new proposition, including the greater detail and felt it offered an exciting proposition that held up the BBC's public service values. It had the potential to help re-connect younger audiences with public service programming, while supporting new talent, especially from the ethnic minorities, and increasing investment in UK production.

13 December 2001

- Governors reviewed a draft plan for promoting digital television and radio services and agreed that the new digital services were key to convincing audiences that it was worthwhile to switch.

Following their launch and throughout 2002, the new services have been carefully monitored with monthly and quarterly performance data and full annual performance reviews. Their forward plans have also been subject to specific scrutiny. The BBC also publishes annual Statements of Programme Policy for each its services. Statements for 2002/3 for each of the digital television networks, with the exception of BBC Three which had not then launched, were published in July 2002, having been approved by the Governors and in the 2002/3 Annual Report Governors reported that all of the digital television networks' measurable commitments had been met.

11 December 2002

- Governors reviewed the BBC's priorities and television strategy for the next two years and the positioning of BBC Three and Four within it. During the discussion the role of BBC Three was discussed, including the need to offer thought-provoking current affairs well as entertainment. The relationship between BBC Two and BBC Four was also discussed but it was not felt that BBC Two's identity would be lost if its proposition overlapped with BBC Four's.

30 January 2003

- Governors considered the launch plans for BBC Three, including how BBC Three would meet the conditions of its approval.

13 May 2003

- At a joint meeting between the Executive Committee and the Board of Governors the digital television services were reviewed in the context of reporting performance against the BBC's objectives for 2002/3.

August 2003

- The Director of Television and Controller, BBC Three led an editorial review of BBC Three which fed into strategy development during Autumn 2003

30 October 2003

- Governors considered a review of BBC Four since launch and proposed a strategy for future direction ahead of the submission to DCMS as part of the digital services review in 2004. BBC Four had met all regulatory requirements in its first year and was on course to meet them in year two. The Board of Governors noted the quality and range of output on offer on BBC Four and the value it contributed to the BBC's reputation. Concern was expressed that the channel's willingness to take creative risks should not be lost in the drive to build audiences.

27 November 2003

- Governors considered a review of the CBeebies and The CBBC Channel since launch and against the DCMS conditions. They concluded that both channels were performing well against the conditions and commitments set but that they should not become complacent in an increasingly competitive and fragmented commercial market place. The channels required a clear strategy to respond to the increase in commercially available children's channels and would need to demonstrate that the channels were continuing to offer distinctive content to children. Governors also asked about the commitment to music, drama and arts on the channel, and whether there were plans to work with Radio. The Board gave its full support to the channels and congratulated them on their achievements to date. The submission to DCMS would need to be clear about the distinctive characteristics of the channels in the children's market.

During January and February 2004, Governors again reviewed the digital channels against the BBC's objectives with members of the Executive Committee and reviewed BBC THREE's first year in February. The Governors will provide more in-depth reports on performance against the 2003/4 Statements of Programme Policy in the Annual Report for 2003/4. Their assessment will be based on:

- Performance reports using qualitative and quantitative data provided by ExCo
- Public Accountability events, including focus groups and
- Input from the Governors' advisory bodies, e.g. the Broadcasting Councils and Regional Advisory Councils in England