



# Digital Britain: the BBC's role

The BBC Executive's response to *Digital Britain*—the interim report

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# I Digital Britain: the BBC's role

*'Delivering to the public the benefit of emerging communications technologies and services'*

BBC sixth public purpose

This document explains how the BBC can continue to fulfil its sixth public purpose in ways that help meet many of the challenges described in the Digital Britain interim report, and should be read alongside a response from the BBC Trust.

For the UK media sector, this is the best of times and the worst of times. The worst is easy to identify. The worst recession in the media and communications industries for decades. Changes in technology and consumer behaviour which threaten to destroy entire business models. Uncertainty and pessimism about things which governments and the public have taken for granted for generations: access to a broad range of perspectives and opinions on the great issues of the day; investment in high-quality content; the sustainability of a system of public service broadcasting which, despite its frailties, remains admired around the world.

But this could also, despite all of these problems, be the best of times. In the first phase of the digital revolution, the UK demonstrated that it could be a leader, and in particular that it could harness its unique strengths in content creation to accelerate public adoption of new technologies and new forms of communication. Now, despite the acute economic challenges which the country faces, the UK stands on the brink of a second phase of the revolution which could transform the lives of the British public and the fortunes of the country as a whole.

A fully connected digital Britain could be a nation in which everyone, irrespective of income or circumstance, could benefit from the social, cultural, economic and practical benefits of the new digital environment. For the public: a new ability to access valuable, high-quality content of every kind; to engage more fully in their community and in the wider public realm, whether they are using a public service or making a political point; to become more skilled and productive and to explore entirely new creative opportunities. For UK plc: the prospect of leveraging traditional strengths in the creative and communications industries to secure a fast track back to sustainable economic growth. And for Britain as a whole: the chance of beginning a new national conversation across the barriers of class, geography and identity.

But this vision will not happen on its own. Government must make the right choices. Commercial players will need the foresight and the courage to commit investment to the future even when near-term pressures are at their most intense.

And the BBC must also look searchingly at its own role in making the vision a reality, at its potential to build on its track record—not just in developing digital technologies, but in making them an everyday experience for tens of millions of Britons. It must also look at its responsibility, given its unique advantages and privileges, to share, to support and to sustain broadcasting and media far beyond the front door of Broadcasting House.

Like the rest of UK media, the BBC stands at the crossroads. A BBC which focused entirely on its own success, which refused to help the wider sector to make its own successful migration to digital, would not deserve public or political support. By contrast, a BBC which opened up, which used partnerships and partnership thinking to deliver success and growth for the whole of British media—a BBC with that vision and that determination would be as relevant and valuable ten years from now as it was in the first decade of its existence. The current difficult context therefore demands new activism from the BBC; a new activism characterised by partnerships, and ones that extend well beyond public service broadcasting. Not transferring value but creating it: investing where others might not; unlocking opportunities with an open and universal approach.

The BBC brings clear supporting principles to its development of new digital opportunities. These include a commitment to universality; content free at the point of use; open standards; high quality; value for money; ease of use; and audience empowerment. And while the BBC once made microcomputers, its role now is to enable rather than to provide digital solutions. Whether through digital television switchover, Freeview, Freesat, the iPlayer, DAB, High Definition, or IPTV—the BBC in 2009 is already helping build a digital Britain through partnership with organisations across the UK and beyond.

This document explains how the BBC can continue, in partnership, to fulfil its sixth purpose in ways that meet the challenges described in the Digital Britain interim report. It builds on the partnership proposals announced by the BBC Director-General in December, including those to deliver internet-connected television, extend the iPlayer, promote digital production and harness the full potential of BBC Online. Further proposals described in this document include:

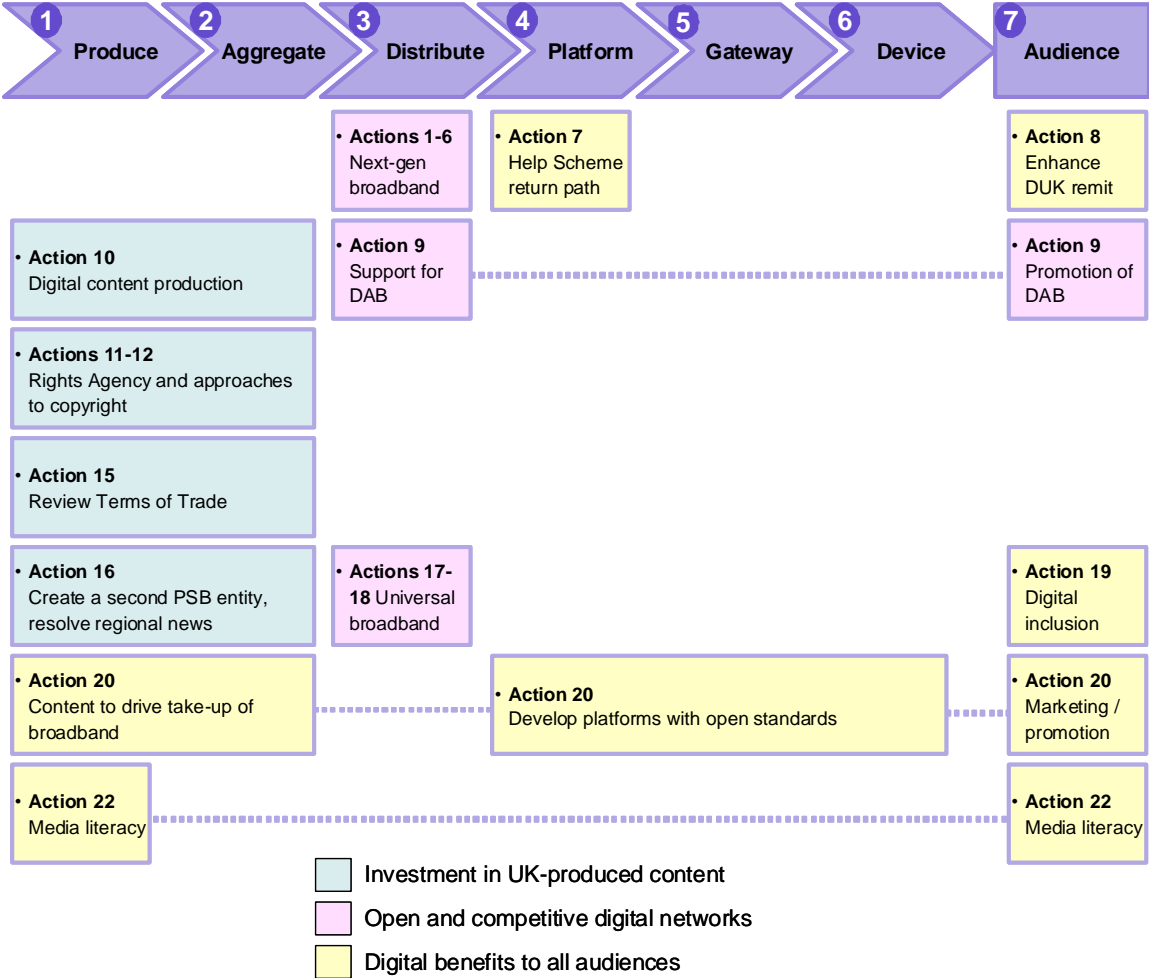
- Extending partnership between BBC Worldwide and Channel 4 (section 2)
- Sharing BBC news content with newspapers (section 3)
- Exploring new approaches to the delivery of content over the internet and helping stimulate investment in digital networks (section 3)
- Partnering with the commercial radio sector, including around digital radio but also on technology and development (section 3)
- Strengthening the BBC's commitment to media literacy (section 4), including
  - High-quality original content unique to broadband, helping inspire people to connect
  - High-impact marketing and cross-promotion to motivate the unconnected to get online
  - Developing internet-connected television and the BBC's mobile presence as means of getting internet content without a PC
  - Appointing a BBC Media Literacy Champion to ensure better co-ordination of activity across the organisation and improve communication of the BBC's media literacy activity externally
  - Aggregating all the BBC's media literacy content in an online 'supertopic', enabling audiences to see the entirety of the offer and navigate easily between the different elements.

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**Structure of this response**

This response has three sections, each bringing together a number of related Digital Britain actions according to their position in the media value chain (see chart below). The three sections are:

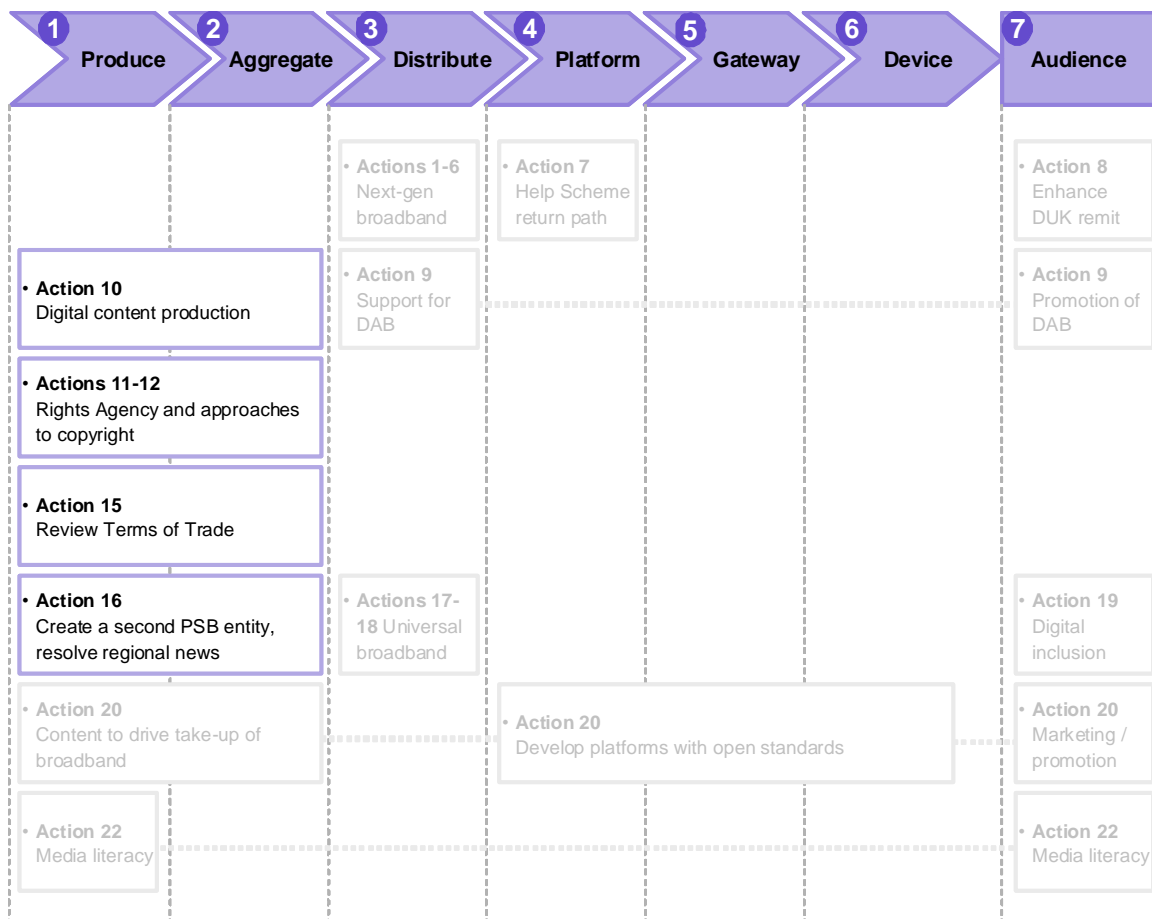
- Investment in UK-produced content
- Open and competitive digital networks
- Bringing digital benefits to all audiences.



## 2 Investment in original UK content

Investing in UK-produced content is at the heart of the BBC’s purposes and remains critical in the digital age. The UK has benefited over many years from substantial and distinctive PSB contributions from ITV, Channel 4 and Five. Increasingly Sky and other fully commercial broadcasters are investing in high-quality programming too, while more and more online content fulfils PSB-like criteria. Plurality in the provision of high-quality content—together with the spur to innovation and quality that plurality provides—is no longer just between PSBs; it is today cross-genre, cross-platform and cross-border.

The UK spends more per head on original programming than any other country, and investing at this level has brought considerable benefits to the UK’s cultural and economic life. The BBC can continue to be the cornerstone of this system but, through partnership, can play a growing role in helping support PSB more widely. In particular the BBC’s proposed digital production partnership can stimulate new forms of content and delivery beyond the PSB system, supported by a natural evolution in copyright policy and terms of trade.



## 2.1 The future of public service broadcasting

### ACTION 16

In the final Digital Britain Report, we will establish whether a long-term and sustainable second public service organisation providing competition for quality to the BBC can be defined and designed, drawing in part on Channel 4's assets and a re-cast remit. It would be a body with public service at its heart, but one which is able to develop flexible and innovative partnerships with the wider private and public sector. While it makes sense to begin by looking at public sector bodies – Channel 4 and BBC Worldwide – the Government is currently evaluating a range of options and organisational solutions for achieving such an outcome.

Section 3.3 of the Digital Britain report begins to draw to an end what has been a lengthy and intense debate about the future of public service broadcasting in the UK. The BBC has engaged fully with the various reviews that have led to this point, contributing significant research, analysis and new proposals. The BBC supports many of the conclusions in the report, in particular:

- We agree that the digital world heralds a great increase in the choices available to consumers and the opportunities for new providers to enter the market
- We recognise that this shift poses a number of challenges to traditional business models. BBC analysis for phase two of Ofcom's second PSB Review showed that there will continue to be direct competition across many areas of PSB, as well as ongoing broader competition between broadcasters and platforms. However, it is equally clear that key PSB genres remain under pressure and would likely see substantial reductions in their provision by the market.<sup>1</sup> This trend is being exacerbated by the current economic situation
- We welcome the Government's commitment to a 'strong, fully funded BBC at the core of delivering public purposes in Britain's media'
- We agree that it is insufficient for the BBC to be the only provider of PSB programming and high-quality news
- The report rightly highlights the need to balance a number of competing priorities, and we support its primary focus on large-scale investment in UK content and impartial news at UK, nations and regional levels.

## 2.2 PSB partnerships

To address these issues, in June 2008 the BBC Trust laid down a challenge to the BBC Executive to find ways to use the BBC's scale and secure funding to benefit the rest of the sector. The resulting partnership proposals aim to work with the grain of market changes and help support the future of PSB by finding new sources of value, rather than simply reallocating existing funds. Partnership benefits could be delivered not only to the commercial PSBs but also to the wider broadcasting sector, strengthening the UK's position as one of the world's strongest creative economies.

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<sup>1</sup> BBC Trust response to Ofcom's Second Public Service Broadcasting Review, Phase Two, December 2008

In December 2008 the BBC Executive outlined a series of partnership proposals,<sup>2</sup> including:

- Sharing the iPlayer
- Bringing PSB on-demand viewing to the television screen
- Sharing the benefits of the BBC's investment and research into digital production
- Supporting the continued delivery of regional news beyond the BBC
- Supporting the development of Broadband Britain
- Creating value through partnership between BBC Worldwide and Channel 4.

Since December, the concept of partnership has become one of the main policy responses to the issues raised by Ofcom's PSB Review. Ofcom itself suggests in its Final Statement on the Review that the future of Channel 4 should be secured through 'partnerships, joint ventures or even mergers between Channel 4 and other organisations.'<sup>3</sup> The Secretary of State has suggested that partnership should become part of the BBC's core mission, saying 'the BBC Trust and the BBC management should be praised for the spirit in which they have embraced this potential new role—exploring the ways in which all licence fee payers can benefit from the BBC working strategically as an enabler, releasing the talent of commercial partners.'<sup>4</sup>

## 2.3 BBC Worldwide

The future role of BBC Worldwide has been part of the BBC's thinking around partnerships and it has also been raised by others as a potential contributor to a future solution for UK PSB. The Digital Britain report comments on the current and future role of BBC Worldwide, calling it 'one of the more successful UK international media operators'. BBC Worldwide has built up and operates Europe's largest collection of global media businesses. All profits are retained by the BBC to be invested in future services: over the past four years BBC Worldwide has provided the BBC with dividends of more than £225m and direct programme investment of more than £330m, with total investment back into the UK creative economy approaching £1 billion. Worldwide's global channels, formats and distribution businesses account for 10% of UK creative exports and showcase UK content to nearly 300m international households. More than 200 independent production companies have chosen BBC Worldwide as their international distributor, delivering benefits to the wider creative sector.

The report suggests that 'BBC Worldwide may now be testing the limits of what can be achieved commercially within the way that it is currently structured'. Recent performance shows little evidence of such limits: in the last financial year Worldwide reported profits of £118m, up from £101m in 2006/7 and £89m in 2005/6. A substantial minority of 2007/8 profit has come from divisions less than five years old.

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<sup>2</sup> BBC, *Public Service Partnerships*, December 2008

<sup>3</sup> Ofcom, *Second Public Service Broadcasting Review, Putting Viewers First*, January 2009

<sup>4</sup> Secretary of State's speech to the Oxford Media Convention, 22 January 2009

The clear majority of the revenues and asset value of BBC Worldwide relies on the flow of IP from the BBC. Moreover, our experience over many years suggests that there is a strong correlation between this flow of IP and the amount of value delivered, both in terms of the continued availability of BBC content and commercial value. BBC Worldwide's significant success over the last few years can be attributed largely to the close alignment of its strategy with BBC aims and objectives.

The relationship between the BBC and BBC Worldwide does operate within certain parameters. As custodians of BBC Worldwide, the BBC Executive and, ultimately, the BBC Trust have a duty under the Royal Charter and under UK and EU law to ensure that the trading of IP between the BBC and BBC Worldwide is fair and does not disadvantage other distributors or potential commercial partners. The Trust and the Executive Board of the BBC have a further responsibility, set out in the Charter, to ensure that nothing BBC Worldwide does damages or undermines the BBC's reputation either in the UK or internationally. The four commercial criteria governing the operations of BBC Worldwide also ensure that it must be commercially efficient and fit with the BBC's public purposes. In addition, Worldwide's access to capital (equity and debt) is more limited than would be true otherwise.

Some suggest that BBC Worldwide should be 'unleashed' so that it can behave like any other commercial player in the market. But it is hard to see how such an unleashing could be achieved without a wider separation between BBC Worldwide and the BBC. Although it is clearly possible that BBC Worldwide could go further in exploiting non-BBC IP, it is highly probable that, far from diminishing, the constraints on exploiting the BBC's own IP would grow: the BBC would likely want more stringent controls on the use of the BBC brand in the UK and internationally, and the current strategic alignment of BBC Worldwide around the BBC would be challenged. Anything that limited the flow of IP from the BBC to BBC Worldwide would significantly affect both the value of BBC Worldwide and the value it returned to its shareholders.

### **2.3.1 The BBC's global mission and reputation**

One of the BBC's six public purposes is 'to bring the UK to the world and the world to the UK.' The BBC has publicly funded international operations (the BBC World Service group of radio channels and foreign language websites) and commercially funded ones (e.g. BBC World News; BBC America and bbc.com; the BBC's international website). In practice, many of the 300 million weekly users of BBC services around the world move from publicly funded to commercial services and back again. The cross-platform BBC Global News strategy, for example, has both publicly funded and commercial elements. Moreover, some platforms—e.g., the global TV channel businesses—require an integrated approach, mixing fully commercial international channels (e.g. CBeebies) with news provision (BBC World News) that has a commercial (ad-funded) model, but that delivers strategic and PSB-orientated objectives as well as profit maximisation. In other words, BBC Worldwide's international branded services support the Corporation's international public purpose.

Suggestions that the international operations of BBC Worldwide could be readily hived off fail to recognise that the company has shifted from being a traditional business-to-business distributor to a global broadcaster and deliverer of BBC-branded services in genres (news,

children's, specialist factual, drama and comedy) which are central to the BBC's reputation and which require direct oversight by the BBC Executive and accountability to the BBC Trust. In some cases, especially online, the overlap of editorial content between UK PSB and global services—and the critical need for public service editorial oversight of the international offering—is extensive. Especially in the field of news and information, the BBC cannot risk any of its branded services failing to conform to its editorial standards and values and, indeed, may wish to strengthen editorial control further. Not all of the IP which BBC Worldwide exploits internationally is exploited in the context of BBC-branded services but, especially online, this is the direction of travel. Whilst the relationship in the international arena is inevitably different, the editorial issues can be as real.

For all of these reasons, it is essential that BBC Worldwide's principal international operations remain under the control and ownership of the BBC if it is to continue to use the BBC brand. There are a small number of non-broadcast international operations, less connected to BBC IP, to which these arguments do not apply, though these are strategic elements of a diversified business.

### **2.3.2 International capabilities and potential**

The BBC brand is one of a handful of best-known consumer media brands in the world. This is true both in a business-to-consumer and a business-to-business context.

The BBC brand stands internationally for trustworthy, impartial British news and for other outstanding British content. BBC Worldwide has built on and promoted this brand to create the largest and most successful distributor of audiovisual content outside of the US majors. This is despite the fact that, by most normal measures, BBC Worldwide—indeed the BBC as a whole—is small compared with those majors. BBC Worldwide's turnover is for example just 3% that of TimeWarner, or 4% of News Corp; while even the BBC Group's turnover is only 15% of TimeWarner's, or 21% of News Corp's. The BBC's scale in a UK context can lead people to forget the extent to which it punches above its economic weight internationally.

Despite its relatively small size globally, BBC Worldwide has already carved out an effective niche for British content. In international TV sales markets (e.g. MIP and its own unique event Showcase), the BBC stand is often the most crowded and successful. Because of this, many UK independents choose BBC Worldwide as their distributor, with BBC Worldwide repeatedly voted the top distributor in industry surveys. While the core focus of BBC Worldwide is exploiting BBC IP, it already distributes a significant amount of content that was originally commissioned by other UK PSBs. This includes both B2B sales and distribution and the inclusion of non-BBC UK PSB content on BBC-branded international services (e.g. Channel 4 and ITV content on BBC America).

Subject to the conclusion of the Commercial Review undertaken with the BBC Trust, the BBC believes that there is potential to enhance BBC Worldwide's international commercial operations and hence to contribute to the BBC's international purpose. BBC Worldwide is already working with the rest of the UK industry to make the exploitation of non-BBC content a significant part of this story—with the overwhelming majority of the profit which derives from such exploitation flowing back to the originators of the content. Thus BBC Worldwide's

global success ensures not just that the licence fee payer gets an appropriate return from the secondary exploitation of BBC IP, but it also helps the rest of the UK audiovisual sector.

For international audiences and for international buyers, the BBC brand already means ‘great British content’ whether it was originally commissioned by the BBC or not. BBC Worldwide already distributes a significant amount of non-BBC IP, but this works best where it can leverage the BBC brand and where the BBC can continue to promote its public service purposes.

### **2.3.3 BBC Worldwide in the UK**

The situation is different in the case of exploitation of audiovisual IP in the UK. Domestically much of the BBC’s exploitation of its IP takes place in a non-branded environment; indeed, because of a desire not to confuse licence fee payers between primary PSB services and secondary commercial services, the BBC has been eager to avoid strong brand association between its UK commercial activities and the BBC brand. This is why, while there may be opportunities for closer working between BBC Worldwide and the other PSBs in an international context, the area which is most likely to lead to a coherent and commercially justifiable structural partnership is UK exploitation. Specifically, we have been exploring with Channel 4 the possibility of creating a new JV based on BBC Worldwide’s non-BBC branded UK assets, which could form part of a solution to the sustainability of non-commercial PSB content on Channel 4.

### **2.3.4 Supporting a new PSB organisation**

The BBC believes that strong and multilateral partnerships are likely to be critical in establishing the new organisation described in the report, potentially including the JV described above between BBC Worldwide and Channel 4. However, if the Government’s ambition is to create a new PSB of real scale, then BBC Worldwide cannot provide a complete solution. This is why the BBC Executive welcomes the fact that the Government is continuing to study other options, including enabling the industry to consolidate in ways that safeguard PSB obligations.

## **2.4 Nations and Regional News**

News for the nations and regions has, rightly, been a particular focus of attention throughout the PSB Review debate. A plurality of nations and regional news suppliers is an important democratic safeguard, and the pressures facing commercial providers are intense. In response to this potential democratic deficit, the BBC has been exploring ways that its own infrastructure and facilities could be used to support provision beyond the BBC.

The BBC has developed a comprehensive and detailed partnership offer around nations and regional news. The partnership proposal has been shaped by a number of key tests, including that it should:

- Not undermine the delivery of the BBC’s public purposes and the quality of its news output

- Be significant enough to help maintain the sustainability of regional news
- Have sufficient flexibility to enable the evolution of regional news as technologies and audience behaviours change
- Not undermine news plurality and distinctiveness
- Be sufficiently simple to ensure workability
- Bring benefits to the PSB system greater than any cost to the BBC.

We have developed a partnership proposal with significant input from ITV plc, and have now reached broad agreement, including a Memorandum of Understanding, on the nature of collaboration on the ground and the benefits it could deliver. The model could potentially also apply to the Channel 3 licensees in the rest of Scotland and in Northern Ireland but discussions here are at an earlier stage. This partnership model would also be flexible enough so that its benefits could be transferred to other providers of regional news over time, were obligations to change.

The proposed partnership, as presently configured, would enable ITV to access a proportion of the infrastructure and resources necessary for its regional and nations television news services from the BBC. It is envisaged that ITV would co-locate with the BBC in eight main regional and national news centres in England and Wales and the BBC would accommodate the majority of ITV's small and medium-sized bureaux at its regional/local premises. The BBC would share existing facilities and resources as well as providing additional support where required.

One part of the proposal would create a facility which would enable ITV's regional news programmes to share a proportion of basic raw material gathered by the BBC's regional news teams. ITV would contribute raw material to the picture facility. Exclusive stories and features would not be pooled to preserve the distinctiveness of both parties' regional news output. As Ofcom's PSB report recognises, this idea would be a natural development of the 'pooling' of video coverage of events such as press conferences which is already agreed on an occasional basis by TV news organisations in the UK. It may also be possible for raw material gathered by the BBC to be made available to other news providers, subject to rights, editorial and regulatory considerations. Under the proposed model, all other editorial and journalistic staff and resources would remain separate to maintain distinctiveness and plurality.

The BBC remains of the view that a partnership-based solution is the best way to maintain plurality in regional news, maximising the value of the BBC's long-term investment in infrastructure and facilities around the UK and increasing the efficiency of public investment.

#### **2.4.1 Contestability in Regional News**

The Digital Britain report outlines an alternative proposition based around opening ITV's schedule to a contestably funded third party news provider. In some ways, regional news appears an appropriate candidate for contestable funds: the outputs can be defined (a certain number of hours of content on a specific topic) and other providers do exist in the provision of regional news in some form (though not primarily in video). However, decoupling regional news from mainstream provision brings a number of significant risks:

- Any ITV bid would enjoy significant incumbency advantages, including established production scale and the availability of a prized channel position best able to deliver the reach and share required. Any other bidder would be unlikely to have similar incentives to ITV to produce a high-quality service (a criterion that is hard to measure in absolute or quantitative terms)
- The investment in sites, technology and staff by any new provider (particularly for nations and regional news, unlike national news) would mean that contracts would need to be very long to allow any new bidder to recoup costs and bid at a comparable level to the incumbent ITV team. Such extended contracts would undermine the original rationale for contestability
- Contestability could increase costs in a number of ways—particularly through increased costs of programming and through additional administration.

Contestably funded solutions may therefore not be appropriate for this particular obligation. Beyond the BBC's own partnership proposals, there are a number of other options to be explored, including:

- The use of regulatory assets (e.g. DTT spectrum) to offset the lower costs of regional news when taking account of the BBC partnership
- A role for the second PSB entity in delivering nations news. A defined commitment to such provision within the remit of the second PSB might, in turn, strengthen its ability to increase its network production commitments to the nations
- Long-term developments in broadband provision: the Digital Britain report refers to securing regional news 'until such time as broadband-delivered local news could become an effective substitute'.

#### *News proposals in Wales*

The Digital Britain report also refers to S4C's proposals for an English-language news service for Wales. We welcome S4C's contribution to the debate in Wales, and we recognise that the S4C Authority—although currently a Welsh language broadcaster—may well have a part to play in protecting English language provision in Wales should ITV decide to reduce its commitments in this area.

As part of its proposal, however, we understand that S4C is proposing it would no longer broadcast the BBC's Welsh language news service, *Newyddion*. We believe the loss of *Newyddion* would reduce the value and impact of existing PSB provision in Wales (in both the Welsh and English languages) and would undermine the BBC's commitment to Welsh language audiences. Losing *Newyddion* would also mean:

- An unnecessary risk for Welsh language audiences, as a valued and trusted news service would be replaced with an unspecified and potentially untested provider
- Increasing the cost of BBC Welsh language provision, threatening investment in BBC Wales' English language programming. Replacing 300 hours of news each year with more expensive genres risks substantially increasing the cost of BBC programming for S4C, at a time when expenditure on English language services is already facing significant pressure
- Threatening to bring to an end the BBC's fifty-year provision of Welsh language television news and undermining the fulfilment of its public purposes in Wales.

The BBC's statutory programming supply to S4C is ratified each year by the BBC Trust to ensure that it contributes effectively to the fulfilment of the BBC's public purposes in Wales. The provision of news, as the foundation of this statutory supply, is considered essential to meet the BBC's own statutory obligation to support citizenship and civil society in Wales.

It is expected that any further discussions regarding the future supply of BBC news to S4C will take place within the framework of the Strategic Partnership between the BBC Trust and the S4C Authority.

## 2.5 Investing in digital content

### ACTION 10

In the final report we will examine measures needed to address the challenges for digital content in more detail, including opportunities for providing further support to foster UK creative ambition and alternative funding mechanisms to advertising revenues.

The BBC already provides large-scale guaranteed funding to digital content through its annual television, radio and new media content spend, a significant proportion of which (~40%, ~13% and ~31% respectively) is now commissioned from the independent production sector.

Digital media open up exciting new opportunities to create new kinds of content—content and services specifically made for and native to the medium, which provide audiences with the wider benefits that the internet can offer, rather than simply supporting other media. Such content could play an important role in a number of areas:

- Fostering innovation in content production
- Supporting new producers and business models in the production sector
- Driving take-up of digital media and the platforms over which it is delivered (particularly amongst those less engaged by the medium)
- Providing incentives for infrastructure providers to invest in upgrading digital networks.

Over a number of years, the BBC has been exploring and experimenting with the potential of digital platforms and media to develop new forms of creativity. There are a number of themes which continue to inform the way that the BBC approaches commissioning and producing content for digital media:

- *Longevity and interactivity*: the *Britain From Above* site provides segmented versions of the programmes and additional content allowing users to create self-selected 'journeys' through the material. A related archive project puts the recent series in the context of past aerial film photography
- *Greater depth and context*: the annual BBC Electric Proms is a multiplatform festival, with innovative coverage across all digital platforms. The 2008 festival attracted just over 4.4m

viewers to BBC Two, Three and Four<sup>5</sup>. 540,000 people watched coverage including non-televvised shows and 'making of' features via the red button on digital satellite<sup>6</sup>, whilst the Electric Proms website was visited by an average of 124,000 unique users from the UK per week<sup>7</sup>

- *Greater choice*: the BBC Sport website and the Red Button allow viewers to choose between different courts at Wimbledon or they can access up to half-a-dozen different sports during major events like the Olympics. During Beijing 2008, there were 32m requests for online video streams in the UK<sup>8</sup>. A total of 11.8m people used the Red Button during the Games<sup>9</sup>. The BBC's use of digital services also allows greater coverage of 'minority' sports—ranging from basketball online to extended coverage via the Red Button of skiing and tennis events such as the Australian Open and the Davis Cup
- *Content aggregation and deep search*: the BBC is creating a new online portal—Democracy Live—to bring together live and on-demand coverage of all of the UK's political institutions and the European Parliament. The site will include two significant technical innovations: firstly, an eight-screen video wall on the home page, which will give people access to full sessions of committee proceedings; secondly, a 'speech-to-text' technology which will revolutionise the way users are able to search for video clips. For the first time, they will be able to search the actual words spoken in the video, rather than just the headline and brief text written by journalists to describe the item
- *Immediacy*: the *Big Cat Live* broadcast programme provided edited highlights of the day and some live coverage; online the BBC could provide 24-hour live webcams of life in Kenya's Masai Mara (with c250k UK unique users in the week<sup>10</sup>)
- *Wider engagement*: *Dragon's Den* had two new 'online dragons' with £50k to invest, opening up participation to a wider range of entrepreneurs and giving the chance for people to take part with less financially ambitious projects
- *Personal creativity*: encouraged by creative skills content such as *The Doctor Who* Comic Maker and Trailer Maker, *Blast!*, and the semi-professional Film Network showcasing the work of British makers of short films
- *Taking part and collective action*: the BBC will launch Lab UK this year, a survey engine allowing people to derive personal results and contribute to genuine scientific research. This builds on the BBC's Climate Change Experiment which, together with Oxford University, used distributed computing (harnessing the power of individuals' own computers) to deliver the world's largest ever experimental analysis of climate change
- *Location-aware*: the *Coast* mobile site provided audio walking guides to coastal paths delivered over a mobile phone
- *Portability*: the BBC has played an important role in the development of podcasting
- *Content designed as a resource*: e.g. to provide knowledge discoverable at the point of need, not transmission. For instance, Learning Zone Broadband has a searchable database of segmented programme content identified by pedagogic metadata making it possible to locate a specific relevant item of classroom content for teachers

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<sup>5</sup> Source: BARB

<sup>6</sup> Source: BARB

<sup>7</sup> Source: Sage data from BBC server logs

<sup>8</sup> Source: Livestats

<sup>9</sup> Source: BARB

<sup>10</sup> Source: Sage data from BBC server logs

- *Building communities*: e.g. through *Strictly Come Dancing* message boards
- *Access to programme makers*: BBC Three's *Being Human* site hosted a writer's blog and audience comments, with the writer directly responding to audience comments/suggestions during the transmission of the series.

The BBC also helps to stimulate new forms of content production outside the organisation, through initiatives such as BBC Backstage and the Innovation Labs. BBC Backstage encourages and supports those who have provided most of the innovation on the internet, by providing data, resources and support for users who wish to build prototypes and proofs of concept using BBC material. This encourages people both inside and outside the BBC to share knowledge, ideas and prototypes with each other. BBC Innovation Labs are a series of creative workshops held by the BBC for interdisciplinary teams of professional creative technologists, application designers, software developers and interactive media designers.

### 2.5.1 Partnerships in digital content

Increased engagement with digital content owners outside the BBC is already leading to a new approach to public sector partnerships. Discussions are underway across the cultural sector—for instance with the British Museum, the V&A, the British Library, the Open University among many others—seeking to identify areas where the BBC can partner in online and broadband content creation. In this world the BBC draws on its experience as a content creator but looks beyond the exclusive IP-ownership models of the past in an effort to facilitate and support content creation by others, focusing on the creative optimisation and delivery of other publicly-owned content.

One approach being looked at closely is where the BBC seeks to put the traffic volumes and accessibility of [bbc.co.uk](http://bbc.co.uk), together with its expertise in editorial propositions and user experience, at the disposal of highly valuable digital content assets owned by other public sector bodies in order to create compelling audience experiences. Two specific projects are already entering the pilot or development stage:

- The BBC is working with the Public Catalogue Foundation (PCF) to explore how to create a definitive visual database of publicly owned British art. The PCF, a registered charity launched in 2003, is 30% of the way through an ambitious project to take high-resolution digital photographs of all the 200,000 paintings in public ownership in the UK. The collaboration with the BBC aims to establish how all these art works can be presented as an exciting online experience which will allow users to have access to paintings, 80% of which are normally hidden away; to make minute examinations of every art work; and then to link through to additional on-demand content such as artist biographies, provenance information and social context in audiovisual, audio and text form
- The BBC and Arts Council England have announced a development project to establish whether ACE's remarkable collection of specially commissioned arts films, dating from the early 1950s—which have already been digitised and loaded onto servers—could be made accessible beyond their current academic audience, and linked to supporting content from the BBC, ACE and beyond. Partnership is at the heart of this proposal with the BBC potentially able to bring [bbc.co.uk](http://bbc.co.uk) traffic, iPlayer on-demand functionality and expertise in

user experience to the ACE's highly valuable film collection, in concert with the independent producer who brought the idea to both parties in the first place.

### **2.5.2 Partnerships in digital production**

The BBC believes that audience demand for interactive experiences and new forms of content will increase and is therefore planning for significant, long-term change within its internal production base. It has committed £82 million of investment into a set of new production tools through its internal Digital Media Initiative. As part of the partnership announcements in December 2008, the BBC has proposed to share the creative and efficiency benefits from this investment with the wider industry, a collaboration that would be in the interests of the entire television sector. For this reason, we are currently in discussion with a number of broadcasters, producers and technology vendors with a view to forming a digital production partnership.

The partnership will aim to drive efficiencies through common standards by bringing the UK's creative industry and technology providers together. As a first step, the BBC is proposing a partnership goal of developing an industry 'blueprint' in 2009 which looks at the similarities and differences between production processes across the industry and how they fit together. This will be done through combining the BBC's blueprint with architecture models from broadcasting and production partners. Technology providers will then be able to use this to deliver more flexible commoditised digital production tools and services at higher margin but at lower cost to broadcasters. Furthermore, the blueprint will lay the foundations for internet (or 'cloud-based') solutions.

These innovations will also produce significant creative benefits. Barriers to entry for digital content production will be lowered, enabling small producers to use large-scale services on a pay-as-you-go basis with minimal capital investment. This will effectively increase competition in the market and encourage further innovation in content creation. The creative benefits delivered by the digital production partnership will further strengthen the UK's position as a leader in the creation and production of compelling and innovative multiplatform content. It will enable collaborative production through enhanced tools, so that the most suitable resources, no matter how geographically dispersed, can all contribute in the production of content.

The digital production partnership will also explore a common approach to the cataloguing and storage of digital content. This could enable an online marketplace, facilitating the commercial re-use of content within the production process on a larger scale than ever before. To enhance the operability of the marketplace, the BBC is already working to solve key issues around back-office systems (including rights payment processing) and will be engaging with partners in the industry.

This common approach to cataloguing will also open up the potential to make archive content available in a way that is findable and discoverable by audiences. For over eighty years, the BBC has played a central role in documenting contemporary Britain, providing radio and television programmes that have educated, informed and entertained the UK population, alongside distinctive and innovative PSB contributions from ITV, Channel 4 and Five. IP-based distribution presents an opportunity to make this wealth of UK-originated BBC content available to audiences. The BBC also proposes to work with other public partners to release the value of

their archives, creating a rich cultural resource of broad appeal with a particular opportunity to reach audiences as yet underserved by digital technologies.

Through all these initiatives, the BBC believes it can play an important role in enabling and fostering new digital content production, both through its own direct commissioning and production spend and through the partnerships and sets of open standards it can create with others.

## 2.6 Rights and Terms of Trade

### 2.6.1 New approaches to copyright issues

#### ACTION 11

By the time the final Digital Britain Report is published the Government will have explored with interested parties the potential for a Rights Agency to bring industry together to agree how to provide incentives for legal use of copyright material; work together to prevent unlawful use by consumers which infringes civil copyright law; and enable technical copyright-support solutions that work for both consumers and content creators. The Government also welcomes other suggestions on how these objectives should be achieved.

#### ACTION 12

Before the final Digital Britain Report is published we will explore with both distributors and rights-holders their willingness to fund, through a modest and proportionate contribution, such a new approach to civil enforcement of copyright (within the legal frameworks applying to electronic commerce, copyright, data protection and privacy) to facilitate and co-ordinate an industry response to this challenge. It will be important to ensure that this approach covers the need for innovative legitimate services to meet consumer demand, and education and information activity to educate consumers in fair and appropriate uses of copyrighted material as well as enforcement and prevention work.

#### ACTION 13

Our response to the consultation on peer-to-peer file sharing sets out our intention to legislate, requiring ISPs to notify alleged infringers of rights (subject to reasonable levels of proof from rights-holders) that their conduct is unlawful. We also intend to require ISPs to collect anonymised information on serious repeat infringers (derived from their notification activities), to be made available to rights-holders together with personal details on receipt of a court order. We intend to consult on this approach shortly, setting out our proposals in detail.

The BBC welcomes the Digital Britain report's proposal to explore the potential for a Rights Agency in the UK. Strong copyright protection balanced by easy access to copyright material is essential in promoting creativity and the development of a digital knowledge economy.

The rights environment required by Digital Britain will be one that is capable of efficiently protecting and rewarding the interests of all the collaborative creative elements that come together to create content, while content providers can concentrate on increasing the ability of consumers and audiences to enjoy compelling legal content provided how, where and when they want it.

The BBC has been at the forefront of delivering the benefits of the new communication technologies to UK audiences, for instance via the BBC iPlayer. Commercial deals through BBC Worldwide make content available via third party services such as YouTube and iTunes, for example. Both the iPlayer and BBC Worldwide's new commercial services have been innovative

and successful but have entailed disproportionate complexity in clearing material because of the present rights system.

The BBC has therefore become increasingly concerned that the current copyright regime and copyright management practices no longer meet the demands of new technological developments and consumers' expectations of being able to access broadcasters' services (both current and archive) 'any time, any place, anywhere'. Negotiations for rights on an individual basis or for specific platforms or territories are no longer efficient for content providers like the BBC in the internet age.

The complexities associated with on-demand rights clearances pose even greater difficulties for small businesses and individuals who want to use copyright material to develop innovative new content and services with copyright material. They present a barrier to entry into the market place for new players, thereby stifling creativity and innovation.

These issues will become even more important as broadcasters such as the BBC seek to open up their archives to the public. The exciting opportunity to make many thousands of hours of programming—currently gathering dust in broadcasters' archives—available online as a rich public offering will be frustrated unless there are new systems in place to clear this material.

In response to these challenges, the BBC would support a range of proposals:

- One solution for many of these difficulties and the most effective way to promote the circulation of works online is for a copyright framework to facilitate and promote a 'one-stop shop' through collective licensing. Collective licensing is an efficient and simple way of clearing large quantities of content and of ensuring that rights holders are properly rewarded; copyright legislation should be used to underpin its use. We have described possible models for this approach in our response to the consultation on '© the Future' and would welcome the opportunity to explore those suggestions further
- The BBC agrees that deterring copyright infringement online by consumers in both the short and longer term will require a combination of policy responses. This will need to include a strong message from the creative community to consumers on the importance of respecting copyright as a foundation for the production of creating new high-quality content
- Content providers will need to embrace technological developments and the need to meet consumers' expectations
- The BBC agrees that consumers should also be educated about how digital products can be used and why there may be limitations on their use.

The facilitation of legal services by a straightforward and effective system of rights licensing and clearance is critical to achieving a major reduction in online piracy, along with effective copyright enforcement and education initiatives. However, as documented in the BBC's response to the recent BERR consultation on legislative options to address illicit peer-to-peer (P2P) file-sharing, the BBC would stress that the problem for rights holders and broadcasters is far broader than the illicit use of P2P technology. The unauthorised streaming of whole programmes on websites set up for the purpose (whether simultaneous or on-demand) is a growing concern and the BBC would like to see the issue of online piracy addressed more broadly. We agree that legislation in this area would be helpful, owing to the need to have a

level playing-field for all ISPs, provided that it is also supported by the other approaches outlined above and by educational initiatives.

To support the BBC's approach to these issues, we are organising an industry-wide conference bringing together content creators and rights holders from across the creative sector. The conference will aim to set in train the development of common approaches and solutions to the issues raised in the Digital Britain report.

## 2.6.2 Reviewing the television Terms of Trade

### ACTION 15

The existing Terms of Trade between the independent producers and broadcasters have worked well. In light of new entrants to the market, new business models and new distribution channels, it makes sense to have a forward look at how the relationship between independent producers and those who commission their ideas could evolve. This review will focus on the appropriate rights holding agreements and definitions required for a multi-platform digital future, on the overall health of the sector and on continuing to ensure that viewers, listeners and users get the best and most innovative content and programming.

The BBC believes that sustaining a strong UK production sector will be a critical part of a successful Digital Britain. The independent production sector, the BBC (including its in-house production arm) and commercial broadcasters (including ITV Productions) all contribute to creating a thriving and plural broadcasting environment, characterised by high levels of content investment, continual innovation and commercial achievement. In particular, we welcome the recent success of the independent sector, where major producers achieve global recognition and contribute significantly to UK creative exports.

Over recent years, the BBC has developed its policies and relationships with the production sector as a whole. As part of the last Charter Review the BBC introduced a new system of creative and business competition between the independent and the in-house production sector (the 'Window of Creative Competition', or WoCC). This established some new commitments. On top of the BBC's statutory minimum commitment of commissioning 25% from the independent sector, the new system introduced a further 25% available for independents to compete for in head-to-head competition with the BBC's in-house production base. A further part of this reform supported the critical role of the in-house production base across the UK by establishing a minimum in-house guarantee of 50%. The overall reform therefore combines the benefits of a large in-house production base (efficiency, a culture of creativity, extensive training for content creators, building the foundations and the scale necessary for network production across the UK) with the benefits of independent production. The first independent review of the WoCC recognised the overall benefits that the new system has delivered across the wider ecology and to licence fee payers.

In addition to the WoCC, the BBC's relations with the independent television production sector are governed by a number of elements including the Communications Act, Broadcasters' Codes and the Terms of Trade.<sup>11</sup> We believe this overall framework forms a sound basis for the BBC's commercial and creative relationship with the sector.

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<sup>11</sup> Different terms of trade apply to radio production

The BBC supports the broad thrust of the existing commercial framework. Even though these provide for one-off deals to be made for major projects, the vast majority of commissions have been undertaken on standard terms. Since 2004, the BBC has continued to fully- or majority-fund most of the programmes it commissions, although there has been growth in third-party investment over the last few years. This is unevenly spread, and is now increasingly essential to the economics of programme-making in many genres, for example in drama.

However, it is critically important that the terms of trade between broadcasters and producers should continue to evolve to take into account constant changes in the market, including new entrants, new business models and new distribution channels, and thereby to allow the BBC to deliver value for money for the licence fee payer. The first terms (formalised in 2004) were largely based on a linear world with some basic provisions for non-linear delivery and have already been modified to reflect market changes. The current terms of trade represent a series of changes made in 2006 (agreed between the BBC and the independent sector) to enable the BBC to meet audience expectations for on-demand delivery of programmes and for additional content.

As a result, the BBC has been able to offer the iPlayer and a series of different content add-ons that are now routinely produced to complement the traditional linear programme. These include not just online programme support but also games, clips, and additional video content (e.g. 'making of' footage). As part of these revised terms, independents have been able to exploit programmes in the UK and keep a greater share of the associated commercial revenue. None of this would have been possible without evolution in the terms of trade.

Since 2006, the market has changed rapidly, both for broadcasters and for independent production houses:

- The independent sector has matured and, facilitated by the new terms of trade, a number of companies have emerged with real scale and maturity. These super-indies are large, professional and profitable businesses
- New technologies have developed, allowing new ways of working, greater flexibility and reduced cost. Technology brings major benefits in the use of archive (both that owned by the BBC and by independents); changes in production technology offer the opportunity to create new and exciting forms of content as well as to deliver new commissions more efficiently and in a greater range of outputs
- The current economic climate means that broadcasters and producers will both be under severe financial pressure. This will necessitate increasingly imaginative and flexible solutions as to how content is both made and funded. Ensuring the right balance between risk and reward will be particularly important in this climate
- There is a growing audience expectation that broadcasters will be able to make their content available on a number of platforms. The iPlayer has driven audience expectation of the online viewing of long-form programming and the BBC will continue to innovate in the delivery of video content across different platforms and media.

We welcome the Digital Britain report's recognition of the benefits of the existing terms of trade, but also its endorsement of the benefits of looking ahead to their future shape. From the

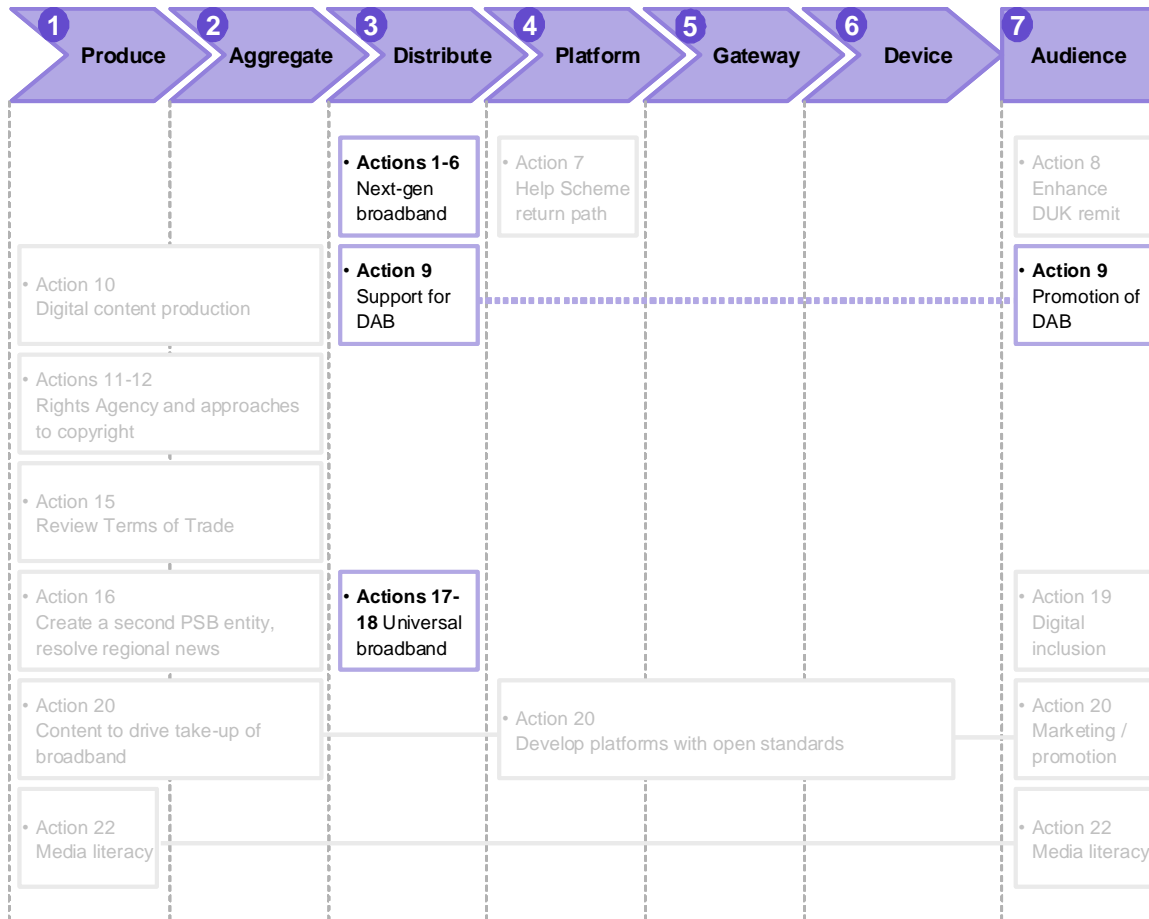
BBC's perspective, we believe that a number of issues will need to be addressed by any revision, including:

- Development of the BBC's public services to meet the growing expectations of what audiences want to receive from the BBC for their licence fee. The BBC will need to be able to take full advantage of the content, service and delivery opportunities created by a more fully digital Britain. This will include looking again at how long content is made available, the platforms on which it sits and the way it is consumed
- Maintaining the BBC brand and editorial values in a multichannel / multiplatform world. Appropriate levels of control of BBC-badged content will become more important as platforms and distribution channels fragment
- The rapidly changing world may require more flexible business relationships—with the potential for different business models and deal structures which more clearly reflect the balance of business risk being managed between broadcaster and producer
- Severe pressures on programme funding (as a result of the severe economic downturn and the need for the BBC to live within its licence fee settlement and to deliver the efficiency agenda set as part of that settlement) will mean that terms of trade will need to maximise both production efficiency and programme investment in a sustainable fashion for all parties. From the BBC's perspective, it is imperative that terms of trade continue to allow high-quality programming to be produced in a way that provides value for the licence fee payer
- The framework should allow independent producers to continue to flourish and take advantage of the new commercial opportunities that will arise. This will enable independents to continue to grow their businesses and increase their ability to make their own investment into UK programme-making, so that they are fully able to share both the risks and rewards with broadcasters.

The existing terms of trade have allowed the BBC to develop its services to audiences as well as ensuring independent producers have been able to make a major contribution to UK broadcasting and to the creative economy. As in recent years, the BBC will want to work in partnership with the independent sector to evolve the right terms on which to do business in the new world. The power of a strong creative and business partnership between the BBC and the independent sector, together with a strong in-house production base can make a positive contribution to the health of the UK creative economy. It can deliver creativity and innovation; imaginative new services (both public service and commercial); efficient new ways of creating content; support for the wider production ecology across Britain; and the development of great talent and formats. All of this will help Britain sustain and grow its reputation as the best creator of original content in the world.

### 3 Open and competitive digital networks

Much of the Digital Britain report focuses on digital networks—the delivery and distribution mechanisms that will take digital content to audiences in the future. These are areas where the BBC can play an important and distinctive role.



Throughout its history, the BBC has been at the forefront of developing new distribution mechanisms, from PAL, Teletext and NICAM stereo through to HD. It continues to do so today, with its world-respected Research and Development arm pioneering the development of new technologies and forging new partnerships around the world. However, the BBC has tended to rely on third parties to distribute its content—a mutually beneficial relationship that delivers the BBC’s content to audiences and increases demand for the distribution services of its partners.

This policy continues to hold true for the digital age, with the BBC’s current proposals designed to ensure the wide adoption of open standards and increase demand for digital services overall. However, it can play an even stronger role in a converged media landscape: influencing audience behaviour, unlocking new markets, and acting as an enabler and catalyst for new forms of distribution. The BBC is uniquely positioned to take this lead position. Its rich heritage in research and development on behalf of and with the industry has positioned it at the forefront of technical innovation and, on the basis of its public purposes, it has been able to act as a

neutral broker to agree standards amongst broadcasters, device manufacturers and technology partners.

Achieving a truly digital Britain is increasingly important to the delivery of the BBC's public mission. In particular:

- As an institution charged with 'delivering to the public the benefit of emerging communications technologies and services', the BBC is keen to help all citizens benefit from the internet whether for entertainment, information, education or democratic participation
- As a major public service content provider, we want to ensure universal access to our services in the most convenient way consistent with a reasonable cost
- As a producer of innovative public service output, we are always seeking opportunities to develop new content formats, and believe that extending the physical limits of networks will allow creativity to flourish.

In securing these public interests, we believe that the following principles are important:

- Working towards universal access to BBC services and closing digital divides
- Maintaining free access, at the point of use, to licence fee funded services. Whilst this does not prevent payment by consumers of a price to access a distribution system (cable for example), such a price should be transparent and affordable
- Offering a good quality of service to all, particularly where this involves mediation by third parties between the BBC and its audiences
- Ensuring value for money in distribution costs in order to invest as much as possible in content
- Supporting open standards, as far as possible (for example in IPTV)
- Empowering audiences through media literacy, giving them confidence not only to take up and use our services but also to interact with them (see section 4).

## **3.1 Partnerships in digital distribution and technology**

In addition to the content and content exploitation partnerships explored in the previous section, the BBC has also proposed a number of partnerships related to distribution and technology. This section explores how they could support the aims of Digital Britain, before responding to some of the report's specific actions on digital networks.

### **3.1.1 Internet-connected television**

The BBC welcomes the recognition in the Digital Britain report of the role that the BBC continues to play in driving broadband, and the potential future role it might play in helping further this objective through the shaping of industry standards on internet-connected television.

Since the publication of the report the BBC Trust has published specific BBC management proposals in this area, referred to as 'Project Canvas'. The BBC believes that these proposals

are fundamental to the delivery of the ambitions set out in the report as well as being consistent with the BBC's public purposes and the role it described in its partnership publication in December 2008. If adopted, these proposals would see the development of a standards-based environment that would enable a co-ordinated horizontal market for internet-connected TV devices. Coupled with the BBC's, other PSBs' and third-party content, these proposals will enable UK consumers to enjoy a wide range of on-demand and interactive media through the television screen, free of additional subscription and with all the benefits of high definition.

The Canvas proposals build on the BBC's heritage in R&D and the already successful Freeview and Freesat free-to-air platforms. Underpinned by the twin principles of being 'free' and 'simple', the platforms have contributed to delivering one of the highest levels of digital TV take-up in the world and an even distribution of services and functionality among audiences regardless of their ability to pay. Canvas is intended to build on these achievements in two ways:

- By ensuring that UK consumers unwilling or unable to pay for subscription TV can enjoy the full benefits of technology, i.e. the service propositions enabled by broadband connectivity
- By building on the principle of a horizontal, open market for devices it can enable a wide range of device manufacturers, ISPs and third-party content providers to derive value from the proposals.

The BBC, with its partners, is working across the media value chain to explore the benefits of Canvas to the wider media sector. These include value delivered to:

- PSBs, by protecting DTT as the principal platform through which commercial PSBs earn advertising revenues and creating opportunities for new revenue streams
- ISPs, where a consultative approach to evolving business models and risk mitigation is being developed to minimise costs and maximise opportunities
- Device manufacturers, through evolution of standards and the resulting deployment of new equipment
- Other content providers, in particular those bodies who are today prevented from accessing the main television set owing to prohibitive fixed costs but who could make services available over IP (e.g. arts organisations, community media, educational and skills bodies, government services).

The BBC is working with a wide range of stakeholders to develop the proposals and, through the ongoing BBC Trust public consultation process, it is hoped all voices will be heard. Overall, though, the BBC Executive believes that this proposal could be one of the most important contributions that the BBC makes to the challenges outlined in the report and could allow the UK to make a step-change in its progress towards a truly Digital Britain. In particular:

- The proposal will create a set of open standards that can be used by all content providers, ISPs and device manufacturers (Action 20)
- The user experience will be open, easy-to-use and developed to high levels of accessibility (Actions 21 and 22)

- It will enable the creation of innovative digital content by providing a route for niche providers to reach larger audiences on television and for traditional content providers to experiment with new forms of digital programming, mixing linear, non-linear and interactive content (Action 10)
- It is likely to support the delivery of online public services (Action 21)
- Bringing services like iPlayer to the television could play a powerful role in driving broadband uptake, particularly when supported by the marketing and cross-promotion of the BBC and its partners (Action 20)
- It is likely to include other attractive functionality such as PVRs and, depending on technical developments, high definition services (Actions 20 and 22)
- It could form part of an upgraded offer from the Digital Switchover Help Scheme and the associated marketing from Digital UK (Actions 7 and 8)
- It will help to protect the reach and share of PSB by future-proofing the free-to-air platforms over which it is delivered and by maintaining the principle of due prominence in an on-demand world (Action 16)
- The BBC is working closely with ISPs to research new technologies to manage the increased load on the current network, but the proposal could also help to stimulate investment in next generation broadband and enable the development of new business models (Actions 1-6, 17 and 18).

### 3.1.2 Sharing the iPlayer

As part of its PSB Review, Ofcom raised the possibility of the BBC iPlayer being opened to PSB more widely. In December 2008, the BBC confirmed its readiness to share the iPlayer technology and brand, making the iPlayer a platform to find and view not just great BBC programmes but also wider PSB content.

The BBC's public service content (the seven day catch-up service for the output from BBC Television and Radio) would continue to be offered in a wholly non-commercial environment, without any charge or advertising or any other form of commercialisation. Partner PSBs, however, could use the same technology and user experience to support their own branded, independent on-demand service commercialised through advertising or by other means. Modelling undertaken by Deloitte for the BBC showed that this proposal could improve online revenues significantly for participating broadcasters, mitigating the impacts of a scenario where each broadcaster developed its video-on-demand strategy independently.

The BBC Executive is currently exploring how this might work with partners. Though these discussions are on-going, it appears that—like internet-connected television—the iPlayer proposal could support a number of the Digital Britain actions. Namely:

- It could help support commercially funded PSBs by reducing development costs and increasing traffic (Action 16)
- It will establish common publishing standards for long-form video, including common metadata systems (Action 20)
- It will continue to deliver a simple, effective user experience with high levels of accessibility such as subtitling (Action 21)

- In combination with the BBC's digital production technology partnership it could streamline the creation and publishing of digital content (Action 10)
- New technical innovations like edge caching will help to reduce the load on the network and reduce costs for both content providers and distributors (Actions 17-18)
- It will include rights management systems to facilitate new forms of content delivery (Actions 11-12)
- The additional marketing and cross-promotion attributed to a joint service is likely to stimulate demand for broadband that can support live video, supporting the drive towards a Universal Service Commitment (Actions 17-18)
- High definition services delivered through a broader iPlayer proposition could stimulate investment in next generation networks (Actions 1-6)
- There is the potential for other public service providers to join the proposition, increasing the opportunities for digital content to reach new audiences (Action 10).

### 3.1.3 BBC Research and Development

The BBC's Research and Development department undertakes research and development across the media production chain, from increasing creativity and reducing costs in production, innovating around media management and archiving, supporting distribution across all platforms, to the development of new interfaces, formats and interactivity. Increasingly, this work has expanded from traditional broadcast platforms to internet technologies as the media environment has evolved. The majority of significant developments in broadcast media over the last century have been influenced by the group's work.

This world-class capability and heritage is defined by the unique nature of the wider BBC:

- i) *Longevity*: R&D's involvement in technology advancement has taken place over a very long time without the restrictions of a commercial pay-back period. This has allowed it to build up a deep expertise that could not be re-created elsewhere and to undertake research into areas or at times that may not have been commercially viable but have ultimately delivered significant commercial value
- ii) *An industry-wide remit*: by deploying an approach that is designed to benefit the overall industry, the research output has helped to create industry-wide technologies that achieve wide consensus and facilitate technology developments by a wide variety of companies
- iii) *Impact*: by linking the research and development expertise to the wider technology and editorial communities within the BBC the research is immediately relevant to broadcasters and producers. By locating the output of the department within the context of the BBC the department is able to have an international influence that benefits the wider UK creative industries.

R&D works on behalf of the wider ecosystem, preferring open standards and publishing most of their research output (see for example <http://www.bbc.co.uk/rd/pubs/latest/index.shtml>). The department also seeks to influence value chain dynamics to create the greatest long-term value. It therefore takes on a significant proportion of the industry investment in research and development. Without this investment, it is likely that PSBs and other companies would have to share many of these costs. In addition, given the knowledge base within the department and the wider context of the BBC, any equivalent investment would have a significantly smaller impact.

In the future, BBC R&D will build on this heritage to take a critical role in defining the new world where internet and broadcasting technologies meet on behalf of the other broadcasters. The group will be central to the delivery of the BBC's other partnership proposals, enhancing the organisation's ability to deliver those ambitions and ensuring that its collaborative heritage is intrinsic to the approach. Placing BBC R&D in this role will support the collective efforts of broadcasters at a time when they, and others, are struggling to fund long-term initiatives.

More broadly, the BBC will recognise the potential for BBC R&D to have a larger impact. The BBC's track record shows how its research and development activity can act as a multiplier to the other benefits of partnership and bring real value to the whole media sector. New initiatives include the creation of a laboratory in the North to complement the existing facility in the South. This wider footprint will improve the department's ability to work with industry, the public sector and academia to drive UK economic growth in technology and creative industries. By acting as a catalyst for investment, innovation and effective transfer of intellectual property, the BBC can help to create markets and to link UK companies with opportunities in the wider global economy.

### **3.1.4 Syndication of BBC content**

In August 2007, the BBC Trust published the overall BBC syndication policy, stating that 'there will generally be public value in the syndication of content and it is in licence fee payers' interests that content be made available as widely as possible'. Such syndication is not only in the interests of licence fee payers but can also bring real benefits to partner organisations, whether in the public or private sector. Syndication of the BBC's content, however, needs to take place within a consideration of factors including:

- The impact on the wider market, endeavouring to minimise negative competitive impacts
- The ability of the BBC to fulfil its public purposes, for instance where syndication to a third party might bring the BBC into disrepute
- Value for money, recognising that there may be occasions when the costs incurred by the BBC would be disproportionate to the public value created.

Mindful of these considerations, the BBC Executive is developing an online syndication strategy for the wider media sector. Specifically, the BBC will explore whether it can do more to support the newspaper industry through a range of initiatives including greater online linking and the syndication of online content.

The current proposal is for a phased roll-out to a limited number of partners in the first instance, before extending the offer more widely. The proposed editorial offer is likely to include a sub-set of audiovisual content. Syndication would be subject to partners agreeing to appropriate terms and conditions in relation, *inter alia*, to branding of BBC content, advertising and editorial considerations.

## 3.2 Current and next generation broadband

### ACTION 1

We will establish a Government-led strategy group to assess the necessary demand-side, supply-side and regulatory measures to underpin existing market-led investment plans, and to remove barriers to the timely rollout, beyond those declared plans, to maximise market-led coverage of Next Generation broadband. This Strategy Group will, by the time of the final Digital Britain Report, assess the case for how far market-led investment by Virgin Media, BT Group plc and new network enterprises will take the UK in terms of roll-out and likely take-up; and whether any contingency measures, as recommended by the Caio review, are necessary.

### ACTION 2

Between now and the final Digital Britain Report, the Government will, while recognising existing investments in infrastructure, work with the main operators and others to remove barriers to the development of a wider wholesale market in access to ducts and other primary infrastructure.

### ACTION 3

The Valuation Office Agency has provided new, clear guidance which addresses the problem of clarity over business rates identified by Francesco Caio in his report, and will ensure that they respond to any queries from existing and new investors and maintain clear, helpful guidance. For its part, the Government will ensure that the guidance is widely understood by potential investors.

### ACTION 4

We will, by the time of the final Digital Britain Report, have considered the value for money case for whether public incentives have a part to play in enabling further next generation broadband deployment, beyond current market-led initiatives.

### ACTION 5

The Government will help implement the Community Broadband Network's proposals for an umbrella body to bring together all the local and community networks and provide them with technical and advisory support.

### ACTION 6

We are specifying a Wireless Radio Spectrum Modernisation Programme consisting of five elements.

### ACTION 17

We will develop plans for a digital Universal Service Commitment to be effective by 2012, delivered by a mixture of fixed and mobile, wired and wireless means. Subject to further study of the costs and benefits, we will set out our plans for the level of service which we believe should be universal. We anticipate this consideration will include options up to 2Mb/s.

### ACTION 18

We will develop detailed proposals for the design and operation of a new, more broadly-based scheme to fund the Universal Service Commitment for the fully digital age – including who should contribute and its governance and accountability structures.

As a content provider committed to universality, the BBC welcomes the far-reaching scope of the infrastructure recommendations outlined by the Digital Britain interim report. The BBC supports the establishment of a dedicated Strategy Group for further assessment of the broadband industry and the market-led solutions by Virgin, BT and others, including Content Delivery Networks (CDNs). We welcome wider consideration of the entire market and all existing infrastructure providers.

Across the UK's network infrastructure, the BBC takes responsibility for putting its content onto the internet (*via* the BBC's own servers or *via* CDNs) but not the cost of onward carriage to the consumer. These costs are typically recouped from the consumer by the ISP or cable operator. The BBC's approach has been to maximise value for money for licence fee payers by:

1. Maximising availability of content by ensuring it is available *via* all ISPs
2. Encouraging plurality of supply through the distribution chain
3. Encouraging a healthy ISP sector which enables ongoing investment in the network.

The network continues to evolve in different ways across the UK. From the BBC’s perspective, the market can be characterised in three phases of evolution across three geographies, each with different market dynamics.

	Phase One <b>High speed</b>	Phase Two <b>High volume</b>	Phase Three <b>Next generation</b>
Urban	Delivered by LLU ISPs	May be delivered by LLU ISPs?	Market delivering e.g. Virgin, BT
Rural	BT Wholesale pricing issues	Pricing & congestion issues - no solution yet?	No market solution yet
Remote	Market failure	Market failure	Market failure

**3.2.1 Phase One—high speed broadband**

Over the last five years, regulatory intervention in the broadband market has increased the number of urban homes benefiting from Local Loop Unbundling (LLU). This competition has resulted in significant investment in the network, higher headline speeds, lower costs for consumers and has created significant social value.

Meanwhile, rural and remote homes are served largely by ISPs who rely on BT Wholesale (BTW). We note that there is a lack of wholesale competition in this area of the market, which risks impacting backhaul pricing and creating congestion in the network. Distance from the exchange has meant that remote homes are hampered by ‘last mile’ infrastructure and left even further behind. Taken together, these factors have created a rural divide; recent Ofcom research has shown that connections to these homes are on average 13% slower. The BBC therefore welcomes the proposal in the Digital Britain report to move towards a converged solution to universal broadband access using fixed and wireless networks with a view to closing this rural divide. We also welcome the policy of committing spectrum usage to deliver new services with universal coverage to audiences.

The core challenge in Phase One is to extend the benefits of competition further into rural areas. One solution could be infrastructure-sharing commercial arrangements between ISPs in these rural exchanges. However, in remote areas it is unlikely that there will be a viable business case even for shared infrastructure investments.

**3.2.2 Phase Two—high volume broadband**

Today the open internet is entering a new phase, where the delivery of increasing volumes of video content will result in audience demand for broadband services that test claimed headline speeds and demand a higher quality of service. This challenge has been met historically through ‘closed’ or managed cable or IPTV networks.

The BBC understands that broadcasters have a particular responsibility to work more closely than ever with network providers. The BBC itself plans to help ISPs optimise traffic flowing over the network by pre-delivering popular content either over the air to television set-top boxes (as proposed in project Canvas) or closer to the edge of the network. The BBC believes that working with the industry in this way may be sufficient to evolve the infrastructure serving urban homes for this new phase of high-volume usage.

However, high-volume broadband will accentuate the dual issue of insufficient 'middle mile' investment and inadequate 'last mile' infrastructure in rural and remote areas. The BBC notes that Ofcom has reported a strong increase in demand for broadband in rural areas between 2006 and 2008. Nonetheless, if there is no investment in rural and remote areas, a significant proportion of homes will be prevented from accessing video services,<sup>12</sup> including PSB content, as opposed to merely experiencing slower access to the services. Regulators should consider what lessons have been learnt to date with respect to BT Wholesale and consider how long it will take before investment in the 'middle mile' will deliver access to these services. Meanwhile, remote users will not be able to access these services until the universal service obligation is implemented, perhaps five years from now.

The BBC considers that wireless solutions should be explored in areas where the fixed network has so far failed to offer a good service or competition.

#### *Net neutrality*

The BBC notes the Digital Britain report's overall view on the issue of net neutrality, which it views in the context of incentivising market-led investment in the network. The BBC agrees that the Government and Ofcom must ensure that any position on net neutrality does not prevent innovation of the existing networks and business models.

As the report suggests, there are various definitions of net neutrality. In the long term, the BBC considers that adequate provisioning of bandwidth is the best way to deliver quality of service and the rollout of 2ICN products should make this easier. However, while it remains costly for some ISPs to adequately provision, the BBC accepts that a level of traffic prioritisation may be required to manage the available bandwidth in line with consumer expectations. Traffic management, as a short term solution, should be carried out on the basis of *categories* of content or application rather than on the basis of individual content providers.

The BBC notes that consolidation in the sector is resulting in pay TV operators having increasing market share of broadband. Unless there continues to be healthy competition in the retail market for broadband, there is a risk that the UK internet could effectively become a 'closed' platform operated by a small number of pay TV operators, whom content providers would have to pay for access. This could stifle content and application innovation by increasing the costs of publishing.

Finally, an essential characteristic of a 'neutral' internet is that end-users are able to access and distribute any lawful content and to run any lawful applications and/or services of their choice.

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<sup>12</sup> Standard definition video at broadcast quality resolution

The BBC agrees with Ofcom that consumers should remain ‘properly informed’ of new ISP business models but notes the challenges of doing so when content providers, ISPs and other third parties all contribute towards a good user experience.

The BBC believes that the most effective means to deliver increasing volumes of video content is to allow investments to be recouped from consumers at retail level by making the category of video content an integral part of the ISPs’ business models. This would allow consumers to weigh up the quality and cost tradeoffs of their broadband package. For example, the consumer would be able to choose whether or not they would like to pay for a more expensive package in order to receive a broadband service capable of delivering HD video. This would also ensure that all content providers can benefit equally from improved infrastructure. New products and services will provide the opportunity for premium broadband products; other innovative video-based applications should also benefit from this infrastructure.

The key challenges for Phase Two are therefore likely to be:

- Safeguarding innovation of content and applications as well as within the network
- Ensuring competition within rural fixed networks, potentially by releasing spectrum for a competitive wireless broadband technology.

### **3.2.3 Phase Three—next generation access**

Next generation access (NGA) or ‘last mile’ infrastructure enables headline speeds of 25Mb/s up to 100Mb/s (BT’s rollout of fibre to the home at Ebbsfleet, Kent). The BBC is aware that the incremental benefits of next generation broadband (over 25 Mb/s) are not yet clear and we agree with the report that demand for services requiring 100Mb/s is uncertain compared to the more likely demand for services requiring average speeds of 20Mb/s by 2012. On this basis, the BBC believes that the possibility must be left open for later intervention to ensure the UK is prepared for high-speed access when it is required. Furthermore, the BBC considers that it is crucial that LLUs, or the equivalent in the NGA environment, continue to flourish in order to maintain the benefits of competition in the sector.

However, it is possible that next generation access could transform the productiveness and competitiveness of the whole UK, spreading significant economic benefits to businesses outside urban areas. The BBC believes that having high-speed links in place between regional hubs and eventually later to homes could spark unprecedented audiovisual and IT-based economic activity. There is no better way to create Digital Britain than creating a widespread low-cost, high-bandwidth communication network. The BBC is currently calculating the macro-economic effects of implementing these high bandwidth links in conjunction with the deployment of its own digital production partnership which might stimulate the use of such networks. With the world-class engineering expertise of its R&D department, the BBC is well placed to work with the industry towards solutions for delivery of content on next generation broadband.

The BBC is not best placed to weigh up the economic benefits across all industry sectors against the costs of any intervention seeking to accelerate universal access to next generation broadband. However, such an analysis should be broad, and may consider cost savings in public service provision arising from online services (e.g. from non-physical public welfare and service

delivery) as well as cost avoidance of duplicative infrastructure investment (such as the roll-out of DAB to complete coverage).

Without increased industry collaboration and intervention it is clear that the digital divide between urban rural and remote will widen. While an evidence-based case for a bold USC at next-generation speeds may not yet appear compelling, Government should consider whether a leap of faith is required to deliver a truly Digital Britain. In particular, there appears to be an opportunity for a bolder approach to accelerate network development in remote areas towards next generation broadband speeds. There may well be a role for innovative models for NGA, such as those advocated by the Community Broadband Network, which might reduce the cost of roll-out.

In summary, it is possible that wireless broadband infrastructure may offer a solution to three of the biggest challenges facing the rural network: access issues in Phase 1; a lack of competition in the backhaul in Phase 2; and potentially even next generation speeds in Phase 3. There may therefore be an opportunity to make a bolder intervention through the USC with these longer-term objectives in mind. This could avoid a scenario whereby a basic USC starting in 2012 must then be followed rapidly by another intervention. The BBC's view is that, at a minimum, this commitment must be actual speed, end-to-end 2Mb/s which is enough to deliver on-demand standard definition (SD) video content to the living room and would be a step forwards for universality. While 2Mb/s would be not enough to deliver multiple SD streams within a single household, the additional bandwidth necessary for, say, three simultaneous streams could be accommodated by current generation networks in many parts of the country.

The BBC believes that its contribution to this part of the Digital Britain agenda—and the most appropriate use of the licence fee in the context of broadband development and roll-out in general—is to create content and services that stimulate demand and to empower audiences through increasing media literacy.

### 3.3 Supporting Digital Radio

#### ACTION 9

We will take action to support DAB digital radio in seven areas:

- a. We are making a clear statement of Government and policy commitment to enabling DAB to be a primary distribution network for radio;
- b. We will create a plan for digital migration of radio, which the Government intends to put in place once the following criteria have been met:  
When 50% of radio listening is digital;  
When national DAB coverage is comparable to FM coverage, and local DAB reaches 90% of population and all major roads.
- c. We will create a Digital Radio Delivery Group which includes the retailers, the Transmission Networks, the BBC, the Commercial Radio Companies, the Car Manufacturers, consumer representatives and the device manufacturers, whose role would be to increase the attractiveness, availability and affordability of DAB and to advise on the Digital Migration Plan.
- d. We will work with the BBC to explore how they could extend their digital radio coverage to replicate at least current FM analogue coverage.
- e. As recommended by the Digital Radio Working Group, we will conduct a cost-benefit analysis of digital migration.
- f. We will consult on new legislation to allow a one-off five-year extension of existing community radio licences, to bring them in line with other radio licences and recognise the important role they have in delivering social gain. We also intend to re-consider the rationale for the current restriction of 50% of funding from any one source.
- g. We will commission an independent expert examination of the economic viability, continuing social contribution of, and most effective delivery methods for, local radio services and the relevance of the existing localness legislation.

The BBC supports the vision for digital radio laid out in the Digital Britain interim report, in particular the:

- Importance of digital distribution for the medium
- Recognition of radio's need for a dedicated digital platform
- Commitment to DAB as a significant distribution mechanism.

Radio's general performance as a medium gives some cause for concern. Hours per listener have declined by 8% since 2003. Between 2003 and 2008, weekly reach to 15-24 year-olds has dropped by three percentage points; those remaining spend 3.6 hours per week less with their radios than this age group did in 2003.<sup>13</sup> Against this backdrop, digital radio offers the radio industry a proven means of improving the audience experience and increasing the breadth and quality of radio listening: 61% of DAB set owners claim to listen to more radio since their purchase, and 73% listen to more stations.<sup>14</sup> Digital radio offers audiences a number of significant benefits over analogue radio, including a wider choice of stations; improved sound quality; ease of tuning; an Electronic Service Guide; and live text services. Further, the new generation of hybrid DAB/IP radios offer even more exciting ways for radio to engage audiences, including enhanced interactivity and access to content on demand. The BBC believes that digital radio adoption is therefore critical for the medium to continue to play its central role in the social and cultural life of the UK.

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<sup>13</sup> Source: RAJAR

<sup>14</sup> Source: DRDB online survey of 14,000 DAB set owners, May 2006

### **3.3.1 Digital radio content**

The BBC has maintained a major commitment to exploiting digital technologies to deliver innovative and distinctive content to audiences, both through digital distribution of its existing services and by launching a portfolio of new, digital-only networks. Since their launch in 2002, the BBC's digital networks have grown to achieve record reach of 3.02m during July–September 2008,<sup>15</sup> and have demonstrated the power of compelling and distinctive digital content in promoting take-up of digital radio—for example, BBC Radio 5 Live Sports Extra's coverage of the 2005 Ashes series. The BBC therefore supports the Government's recognition of the importance of new and innovative content in strengthening the consumer proposition of digital radio. We shall continue to explore ways of further extending our provision of such content; for example we plan to offer non-stop coverage of this year's Glastonbury festival on the BBC's digital-only 6 Music station.

### **3.3.2 Industry leadership and partnership**

The BBC also fully supports the Government's proposal for an industry body to lead the digital migration process, learning from the experience of Digital UK's leadership of the switchover process for television. As part of this body, the BBC believes that it, too, can play an important leadership role in the transition, drawing on its experience of digital switchover in television, its unique breadth of expertise and the strength of its relationship with audiences. In partnership with the commercial radio sector, we are proposing to help establish the UK Radio Council to present a 'single voice' for the UK's radio broadcasters. The BBC will also seek to pursue more extensive partnership with the commercial radio sector, including:

- Creating an industry-approved user interface, with supporting technical standards, for digital radio devices supporting both live and on-demand listening, and enabling new interactive and enhanced radio services
- Developing an online digital radio player—an application providing high-quality live streamed radio services from the BBC and all participating commercial and community radio operators
- Sharing thinking within the industry on technology research and development more widely, reaching beyond the two initiatives outlined above
- Exploring opportunities for developing digital-only content on an industry-wide basis, and marketing it as one overall calendar of 'exclusive' digital radio content.

### **3.3.3 Digital radio coverage**

The interim report identifies extended DAB coverage as a linchpin of the switchover process for radio. The BBC is already committed to building out its own multiplex to 90% population coverage and expects this work to be completed during the first quarter of 2011.

As part of its own thinking about a digital future for radio, the BBC is considering proposals to extend DAB coverage further towards FM equivalence. However, the investment required to achieve this would present a significant challenge in the context of increasing pressure upon BBC resources, within and beyond the current licence fee period. Further, the BBC is mindful

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<sup>15</sup> Source: RAJAR, Quarter 3 2008

of the rapidly diminishing return on investment that is available as DAB coverage approaches FM equivalence. Only 31 transmitters were required to provide the first 65% UK population coverage for the BBC's DAB network; another 59 transmitters were required to take coverage from 65% to 85%; and it will take another 140 to reach 90%. To extend the network from 90% population coverage to FM equivalence would require several hundred additional transmitters, and might take approximately seven years to complete. There may well be alternative means of providing digital radio services to the very small proportion of the population that lives in the most remote areas of the UK. These alternatives could include high-speed wireless or wired broadband, and would only be compelling for 'gap filling' given the economics of achieving full FM equivalence, rather than viable alternatives to DAB on a national scale.

The BBC will continue to distribute its Nations and local radio services through local and regional commercial radio multiplexes in line with current contractual commitments. However, we note with concern the uncertain financial outlook for many of these multiplexes, as well as the very significant misalignment of their total survey areas with those of the BBC services. Whilst the BBC believes that securing the transition path for national services is a first priority, we urge the Government, Ofcom and commercial stakeholders to accelerate negotiations on the future of local and regional commercial multiplexes in order to secure the digital future of the BBC's Nations and local radio services.

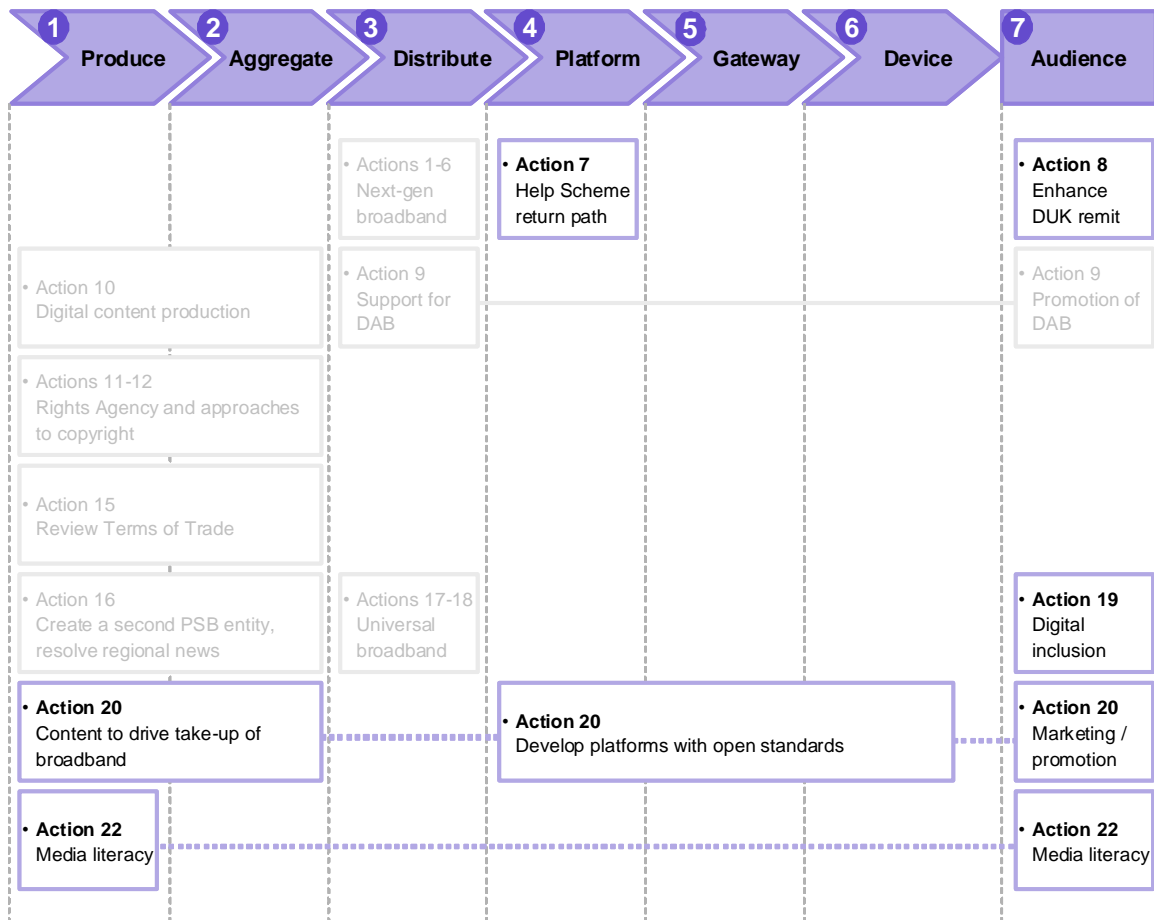
In addition to investment in network infrastructure, significant incremental spend on marketing digital radio will be required in order to meet the digital listening criteria outlined in the interim report. Alongside capital investment in marketing, the BBC will consider how it can use airtime and take advantage of its other resources to further promote digital listening. Such initiatives will be even more effective with a commensurate commitment from industry partners, particularly in the commercial radio sector—as was demonstrated by the successful joint marketing effort in December 2008, which saw the equivalent of £2m of advertising airtime committed to promoting digital radio. Retailers and manufacturers reported very favourable impact from this campaign in what was a very challenging retail environment.

### **3.3.4 Measuring network coverage**

The BBC welcomes the Government's articulation of the criteria for commencing digital switchover. However, we believe that additional analysis may be required to support a robust migration plan that maintains continuity and quality of service to all listeners, whilst providing clarity to the radio industry and key partners such as consumer electronics, mobile phone, and car manufacturers. In particular, it will be necessary to define a single approach to calculating network coverage in order to measure progress towards fulfilling the migration criterion in this area. Currently, the BBC's approach to calculating the coverage provided by its DAB network differs significantly from that taken by both Arqiva and Ofcom. The difference arises from differing assumptions in three areas: levels of interference from other countries; the actual transmission characteristics in use; and the behaviour of receivers in certain situations. As we approach the levels of digital listening and coverage defined in the migration criteria, it is crucial that all parties share an agreed methodology for measuring when those criteria have been met; failure to do so will create uncertainty for audiences, the industry and manufacturers, which may in turn delay or obstruct digital migration unnecessarily.

# 4 Bringing digital benefits to all audiences

The interim Digital Britain report places a strong emphasis on the need to encourage the take-up and use of broadband by all audiences and stresses the vital role of the BBC in this area. The BBC agrees that it is uniquely placed to have a significant impact. Throughout its history, the BBC has introduced audiences to new technologies. Its commitment to universality and its unique funding mechanism oblige it to bring new developments to all audiences, no matter who they are or where they live. A number of the actions in the Digital Britain report relate to this purpose.



## 4.1 Supporting take-up of broadband and media literacy

### ACTION 20

We are inviting the BBC to play a leading role, just as it has in digital broadcast, through marketing, cross-promotion and provision of content to drive interest in taking up broadband. With other public service organisations, the BBC can drive the development of platforms with open standards available to all content providers and device manufacturers alike.

### ACTION 22

The current statutory and specific remit on Media Literacy is contained within s.11 of the Communications Act 2003. As this report makes clear, since 2003 there have been significant market changes in the availability of digital technologies and how they are used. We will ask Ofcom to make an assessment of its current responsibilities in relation to media literacy and, working with the BBC and others, to recommend a new definition and ambition for a National Media Literacy Plan.

The BBC welcomes the invitations set out in Actions 20 and 22 of the interim report. These actions are a clear and natural development of the BBC's sixth public purpose, through which it seeks to bring the benefit of emerging technologies to the UK through the provision of content and services.

The BBC agrees with the report that media literacy is critical to having a population that is confident and empowered to access, use and create media, and the BBC is committed to using its resources and trusted relationship with audiences to enhance media literacy in the UK. Under its Royal Charter, the BBC must have regard for 'the need to promote media literacy' and has a requirement under its sixth public purpose to help to 'deliver to the public the benefit of emerging communications technologies and services'.

For the purposes of this submission we will use the definition of media literacy previously developed by Ofcom, after formal consultation with stakeholders, as 'the ability to access, understand and create communications in a variety of contexts'. We interpret this definition as follows:

- **Access:** Are people accessing (digital) media? Are they aware of the benefits of doing so? Do they have the skills, confidence and opportunity to do so? Can they keep themselves and their personal data safe online?
- **Understand:** Do people understand in general terms how media is made and operates? Can they evaluate media sources and determine which of them to trust?
- **Create:** Are people interested in creating (digital) media? Are they aware of the benefits of doing so? Do they have the skills, confidence and opportunity to do so?

The BBC is active in all three areas and its contribution in recent years has been considerable, not least through the role that BBC Online has played in bringing people to the internet. It is the most visited British-owned content site in the UK<sup>16</sup> and the most trusted website by some margin.<sup>17</sup> 9% of internet users agree that 'the existence of the BBC's website www.bbc.co.uk

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<sup>16</sup> Source: Nielsen Netratings

<sup>17</sup> Source: BBC-commissioned research conducted by YouGov, June 2008. Base: 5,097 online adults

was one of the main reasons why I first accessed the Internet.’<sup>18</sup> More recently iPlayer has begun to play a significant role in popularising the consumption of video and audio on-demand online, and the PC iPlayer now generates 9.4m requests to stream or download TV programmes each week.<sup>19</sup>

In addition to the wealth of content on BBC Online, the BBC has also delivered specific initiatives to promote particular aspects of media literacy. These include:

- **Webwise** (supporting ‘Access’): providing practical guidance to internet beginners and a series of online guides, attracting c94,000 UK users a week<sup>20</sup>
- **Guidance labelling** (supporting ‘Access’) and associated parental PIN control: developed by the BBC (and adopted by other broadcasters) to provide parents with information to complement the watershed, enabling them to make informed choices about what programmes their children consume in an on-demand environment
- **BBC News School Report** (supporting ‘Understand’ and ‘Create’): giving 11-14-year-olds the opportunity to make and broadcast their own news to a real audience and to a real deadline. We expect 500+ schools to take part this year
- **Me and My Movie** (supporting ‘Create’): inspiring children to make their own films and tell their own stories. Workshops have been held in 18 cities around the country and the film-making pack has been downloaded 300,000 times to date.<sup>21</sup>

The BBC also contributes to public debate and policy-making on media literacy. It is a member of the Media Literacy Taskforce and a signatory to the Charter for Media Literacy. We have contributed to the recent public consultation on the Government’s Action Plan for Digital Inclusion; we are represented on the new UK Council for Child Internet Safety; and we are participating in the Digital Britain Media Literacy Working Group’s development of a national media literacy plan.

However, the BBC recognises that, with an estimated 17 million adults not using computers and the internet, there is much more to be done to motivate and inspire them to acquire IT skills and go online. The BBC believes that it can and should make a substantial contribution to achieving a higher ambition in this area, and will seek to make significant new investment to implement a reinvigorated BBC media literacy strategy. This new strategy is still being finalised but provisional top-line conclusions are that the BBC should:

- Deliver high-quality original new content and products unique to broadband, including around mass audience brands such as *EastEnders* and *Strictly Come Dancing*, to drive traffic to the medium and inspire people to connect
- Prioritise the marketing and cross-promotion of selected content and services that may motivate those currently unconnected to go online, including iPlayer
- Develop Canvas (see section 3.1.1) and the BBC’s mobile presence as a means of getting internet content without needing a PC

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<sup>18</sup> BBC-commissioned research conducted by TNS, December 2007. Base: 1,038

<sup>19</sup> Livestats. Week ending March 1, 2009

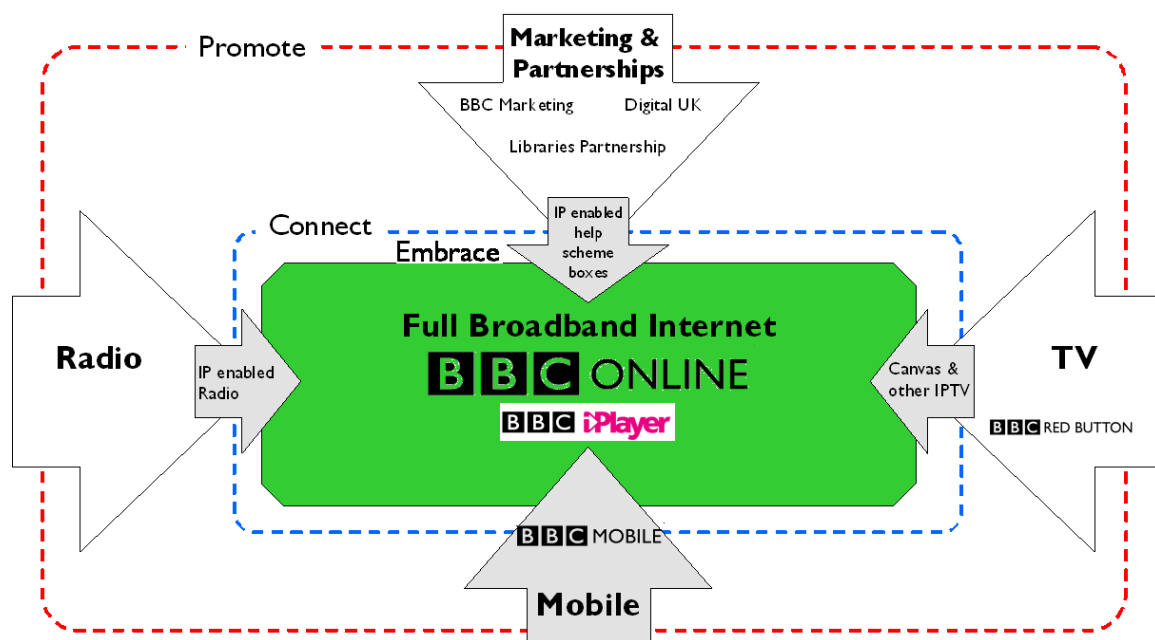
<sup>20</sup> Weekly average unique users, Sage data from BBC server logs, January 2009

<sup>21</sup> BBC Learning Campaigns, January 2009

- Leverage the BBC's existing partnership with libraries and explore the potential for further partnerships to provide on the ground support for those we inspire to take first steps into going online
- Appoint a BBC Media Literacy Champion to facilitate better co-ordination of activity across the organisation and improve communication of the BBC's media literacy activity externally
- Aggregate all the BBC's media literacy content in an online 'supertopic', enabling audiences to see the entirety of the offer and navigate easily between the different elements. This will raise the profile of media literacy (under a new audience-facing branding to be developed) and establish its place in the portfolio of BBC knowledge content alongside subjects such as History and Science.

Where the BBC can be particularly powerful is in putting various necessary elements together: presenting people with compelling reasons to go online; providing routes through different platforms for doing so; and creating multiple entry points to all kinds of different content and functionality.

*A coordinated BBC approach to driving interest in broadband take-up*



The chart above outlines how the BBC's emerging strategy in this area could become much more than the sum of its parts, by co-ordinating activity across a number of areas including:

- **Promoting** broadband take-up to the unconnected: using marketing and editorial content on TV and radio to develop interest in the range and depth of what the BBC and others can offer online and the access broadband offers to Government and other services. Partnerships can also play a role here, for example working with libraries to enable people to see what the BBC and others offer online
- **Connecting:** once people have an interest in getting connected, the BBC, partners and others can offer a number of routes for doing so besides investing in a home computer, whether through mobile internet through phones and other mobile devices, Canvas and

other IPTV solutions or IP-connected radio. IP-enabled Digital Switchover Help Scheme boxes could also play a role in getting broadband connectivity into homes

- **Embracing:** the final step is for people to gain access to full broadband internet, whether through a home computer or through computers in other spaces such as libraries or UK Online Centres (and similar organisations in Scotland, Wales and Northern Ireland). Through this they can experience the full richness of what the BBC and others offer online and engage fully as digital citizens.

These elements will be combined with engaging, easy-to-follow training materials from the BBC for getting started on computers and online, together with the assurance that the BBC offers a safe environment for parents and children to access content and services.

To realise this co-ordinated approach and increase the effectiveness of the BBC's contribution in this area, the BBC will appoint a senior figure to be its Media Literacy Champion. That person will be tasked with overseeing the delivery of the new BBC media literacy strategy and improve communication of the BBC's media literacy activity externally. To provide additional focus and immediate impetus, we will include in the pan-BBC objectives for 2009/10 an objective for the BBC to 'help drive broadband take-up and increase media literacy'.

We will also test our new strategy with significant research, designed to acquire a deeper understanding of the reasons for non-adoption amongst different segments of the unconnected population and the potential drivers of and incentives for take-up. We will share the findings with Government and other bodies working in this field, and they will be used to inform the final BBC media literacy strategy.

The rest of this section outlines the components of the developing strategy above in more detail.

#### **4.1.1 High-quality original online content and products**

In addition to the range of existing content already available through BBC Online, a series of major new online content initiatives are planned for 2009/10 covering genres including sport, news & current affairs, entertainment, knowledge and children's. These include:

- **Sport:** This year will see an increase in BBC video and news coverage of local Football League teams across the UK allowing fans to follow their local teams in more depth. For the first time, fans of smaller teams in the Football League will be able to access all the goals via the BBC website. Formula One on the BBC will use BBC Online to provide context in the countdown to each race plus live action in high-quality video
- **Entertainment and drama:** New interactive content will be developed around key programmes of particular interest to a mass mainstream audience, such as *EastEnders*, *Doctor Who* and *Strictly Come Dancing*
- **News & Current Affairs:** Democracy Live, due to launch in autumn 2009, will open a window on the workings of all the UK's political institutions and the European Parliament with live and on-demand video coverage

- **Radio 4:** A revamp of the station website will include a focus on listening again and development of the *Archers* site to offer more incentives to get online, potentially encouraging greater take-up amongst older demographics.

To support and enhance this new and existing content, BBC Online will be rolling out a range of technology improvements including a new, secure and open identity system which will allow users to personalise, shape and share BBC content and services such as BBC iPlayer. These initiatives are expected to have broad appeal, with Entertainment propositions and Sport as particular drivers. The important role of broadcast content as a stimulus to broadband adoption—whether technology reporting, the *One Show* team discussing blogging or Terry Wogan on Radio 2 musing on his podcast—will also continue to be a critical part of the BBC offering.

Proposals to open the BBC iPlayer to PSB more widely could also be significant, potentially attracting a broader UK audience to consumption of video and audio on demand. Two further areas of significant BBC activity will be:

- **Archive:** The UK's archive holdings collectively represent a huge, under-valued and under-exploited resource of material which could appeal to audience groups not yet fully engaged in the potential of broadband. The BBC is currently in the process of developing its Archive Strategy and intends to innovate ambitiously in this area, working in partnership with other public bodies, to help drive wider availability of BBC and non-BBC content to UK audiences
- **London 2012:** The BBC is aiming to cover every single London sport event live *via* its digital services and use its mobile rights to offer the Games whenever and wherever people want them, with a choice of live viewing or the ability to catch up through iPlayer and on-demand options. The BBC's ambition is to cover every genre of Olympic activity—from news, sport and events through to culture and performance—in a way that brings the nation together using digital technology. The potential for this range and depth of coverage to motivate people to connect online for the first time—or broaden their existing internet usage—is significant.

In addition to producing new content, the BBC will also invest in making BBC Online simpler to navigate so that those new to the internet can find what they want with confidence. Further, we will maintain our commitment to arm audiences with the tools they need to make the most of the internet. This includes allowing deaf and hard of hearing people to 'listen' to the *Archers* *via* transcripts and children with motor and cognitive disabilities to access CBBC online games with 'Switch' technology.

#### 4.1.2 Prioritised marketing & cross-promotion

The strong performance of the BBC's linear television and radio services means that it is well-placed to promote take-up of broadband content and services through marketing and cross-promotion initiatives. In 2009/10 a major BBC marketing priority will be promotion of iPlayer, with the aim of expanding usage from early adopters to a broader mainstream audience. We are examining how to support these iPlayer campaigns with explanatory messages and material that can guide the unconnected who want to experience iPlayer to do so for the first time. Other BBC multiplatform output—digital activity alongside the main linear offering such as BBC

Online content and products, mobile and red button content—will also continue to attract on-air promotional support. This activity will focus on key brands, events and propositions such as BBC Weather, the Winter Olympics, *EastEnders* and *The Apprentice*.

Alongside these larger-scale initiatives, the BBC will maintain a continuous level of cross-promotional support for broadband services such as for BBC iPlayer in programme trails. Radio will play an important role in maintaining an ‘everyday conversation about digital’ with audiences, particularly services such as Radio 2 and BBC local radio. The role BBC Radio played in developing consumption of audio online through the BBC Radio Player (now part of iPlayer) and stimulating interest in podcasting in the UK has already been significant. The BBC will also explore the potential for drawing on the expertise and resources of Digital UK to promote broadband as proposed in Action 8 of the Digital Britain report (discussed in more detail in section 4.3, below).

#### **4.1.3 Develop Canvas and the BBC’s mobile presence**

Research recently conducted by the BBC on the Canvas (IPTV) proposition, including talking to a small sample of offline respondents, produced indicative findings suggesting that propositions like Canvas have the potential to increase broadband take-up amongst the offline population by offering them a new route to a range of online content, as well as iPlayer and other catch-up services on TV. Another recent report suggests that the sample, which included participants of varying levels of technical confidence, had a strong preference for watching long-form on-demand content through the TV screen.<sup>22</sup> The restriction of most video-on-demand services to a PC screen was a significant barrier to wider use, with a typical response from consumers being ‘*Usually I’d rather miss it than watch it on the computer—it’s not the same as watching it on the sofa*’. In another study, around 80% of respondents who had watched VoD on their television indicated they preferred watching programmes through a television than through a PC.<sup>23</sup> It therefore appears likely that the provision by the BBC and its partners of a straightforward, easy-to-use and safe way to bring on-demand video—and other internet content—to the television screen could be an incentive to drive take-up of broadband.

Fewer individuals in C2DE socio-economic groups are connected to the internet at home but many are enthusiastic users of mobile technology.<sup>24</sup> The BBC will ensure that its online services are available and accessible on many platforms, including mobile. It will look for opportunities to develop products specifically for mobile that enhance existing services and leverage the medium’s unique potential for localisation and personalisation. While the mobile internet experience may not be as rich as on a full PC, it represents a convenient way for non-internet households to access online services and a potential stepping-stone towards using full broadband internet.

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<sup>22</sup> Essential Research, VOD: State of Play, September 2008, sample size of 17 households (40 people)

<sup>23</sup> Continental Research, September 2008. Base: 1,014

<sup>24</sup> Source: Ofcom Media Literacy Audit – Report on UK adults’ media literacy, May 2008

#### 4.1.4 Leveraging the BBC's existing partnership with libraries

While the BBC can inspire people to get online it cannot give on-the-ground support to those who need assistance in doing so. Libraries, UK Online Centres and other public spaces with free or low-cost internet access can play a vital role in helping them to get started and the BBC will seek to work more closely with these entities in future, to promote the help they can provide and referring audiences to them at appropriate times. The BBC can also provide learning materials for libraries and others to use, including the popular Webwise online programme and the new RaW Computers module (part of the broader BBC RaW proposition to assist adults with everyday skills).

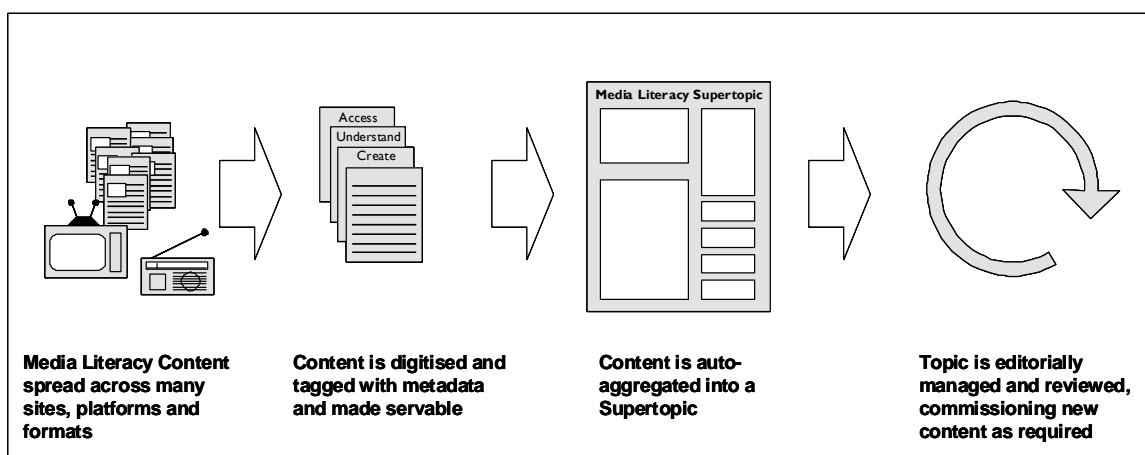
## 4.2 Media Literacy beyond 'Access'

Although the BBC has been asked to respond specifically on how it can drive interest in broadband take-up, we believe the Corporation has an important contribution to make in promoting both Access and the other elements of media literacy:

- Understand, including how media is created, regulated and funded
- Create, including people's interest in and ability to create their own content.

An issue for the BBC and its audiences is that, although we have a wealth of media literacy activity, there is no simple way to see an overview of it or to navigate around it online. We are therefore proposing to aggregate all of the BBC's media literacy content into an online 'supertopic' enabling audiences, for the first time, to see the entirety of the offer and navigate between its different elements. To develop this, the BBC will need to invest significantly in digitising and tagging all of its media literacy material from across the organisation, so that it can be pulled together dynamically in a new audience-facing aggregator site under a single brand.

*Potential for a 'supertopic' to bring together all BBC media literacy content in a coherent, engaging way*



This 'supertopic' will provide an easily accessible and frequently updated one-stop-shop for people who wish to develop their skills, understand more about the media and find opportunities to create content of their own. It will be accessed both through its individual

components (each of which can be the starting point for a media literacy ‘journey’) and as a destination in itself. This is a significant undertaking and some of the technology is still developing, so it will take around 12 to 18 months for a fully functioning ‘supertopic’ to be in place. However, it will raise the profile of media literacy and establish its place in the portfolio of BBC knowledge content alongside subjects such as History and Science.

#### 4.2.1 Supporting ‘Understand’

A key part of the BBC’s Citizenship purpose is to help audiences develop an understanding of how media is created, regulated and funded. The BBC has a long tradition of offering news reporting and programmes providing insights into how media operates in general as well as specific content regarding the commissioning, production and distribution of content from the BBC. News reporting continues to play a critical role, with the BBC’s media and technology correspondents providing extensive coverage, explanation and analysis of developments in media and digital technology. The BBC also broadcasts many programmes that allow audiences to understand how media is created and how editorial decisions are made, including opportunities for people to question programme-makers directly. Regular strands include *Feedback* and the *Media Show* on Radio 4, *Points of View* on BBC One, *Newswatch* and *Click* on the BBC News Channel. Similarly, Charlie Brooker’s *Screenwipe* series has provided entertaining insights into how media is created and a new series, Charlie Brooker’s *Newswipe*, will explore the inner workings of news media. Documentaries and series examining the media and its role in society are also important and, in 2009/10, these will include a major commission charting the history of the internet, supported by a significant online resource and *Learning Zone* content for use in schools.

But the internet presents new possibilities to engage audiences with how media in general, and the BBC in particular, operates. As a publicly funded organisation, the BBC is well aware of the particular obligation it has to be open and accountable and it has embraced the web as a platform for programme-makers and decision-makers to communicate directly with audiences. An extensive network of BBC blogs, including The Editors’ blog portfolio from BBC News, allows senior BBC leaders to explain their editorial decisions and stimulates debate around them.

Our future strategy will include:

- The launch in 2009/10 of a significant new online initiative that will break new ground in explaining how the BBC works. The College of Journalism, developed by the BBC as a video-rich online resource for internal training purposes, will be made public, giving audiences the opportunity, for the first time, to understand how BBC journalists are trained and BBC news content is produced. We will examine the potential to make other online training resources available to the public as well
- Developing a ‘behind the scenes’ area, as part of the supertopic aggregation described above, making it easier to find and navigate online content inviting audiences to go behind the scenes of programme-making, including the Natural History Unit’s ‘making of’ films, drama offerings such as *Dr Who Confidential*, CBBC’s *How We Make TV* and video from BBC Radio

- Providing more opportunities for people to come and see what the BBC does through tours, open days and creating public areas in our buildings—such as in the BBC’s new northern centre in Salford. There are also virtual opportunities to open up services to audiences: for example Radio 1 is planning a virtual open day in 2009/10 that will enable listeners to find out more about the life of the station and participate in it.

#### 4.2.2 Supporting ‘Create’

‘Stimulating Creativity and Cultural Excellence’ is one of the BBC’s six public purposes. The internet has opened up extraordinary new opportunities for the BBC to harness and inspire creativity on a new scale—whether indirectly through, for example, telling people about the social networking phenomenon and how to get involved, or by providing direct opportunities to develop creative skills or participate in communities of interest and creative projects from the BBC.

Two major BBC initiatives to stimulate creativity for children, *Me and My Movie*, promoted through *Blue Peter*, and *News School Report*, delivered through schools, are highlighted above. In addition, CBBC offers a wealth of creative opportunities including My CBBC, CBBC message boards, the *Newsround Press Pack* and the ‘Create’ area on the CBBC homepage offering a range of creative activities including Bamzooki (a basic introduction to software modelling) and Funky Fables (putting children into stories). For the youngest children, *Get Squiggling* from CBeebies familiarises pre-schoolers with online drawing and painting tools.

The BBC also offers teenagers and young adults a range of creative opportunities. BBC Introducing, supported by BBC services including Radio 1 and local radio, recently launched the facility for undiscovered artists to upload their music with the potential of getting airtime on BBC Radio or even getting to play at one of the BBC Introducing stages at festivals such as Glastonbury.

The ‘Blast!’ proposition is focused on motivating teenagers to develop their creative talents through art, dance, film, music, writing, games and fashion. Interactive resources help young people develop and share their ideas, alongside creative workshops held around the country which have involved more than 350,000 teens<sup>25</sup> in the past three years. The Blast! website re-launches in spring 2009 and the Blast Tour goes on the road again in April with a 27-week programme of events across the UK.

For adults, the BBC provides a range of guides to blogging, social networking, sharing pictures and uploading videos. We also provide a range of opportunities for people to showcase this material. On 2 February 2009, when parts of Britain saw record snowfalls, BBC News Online attracted almost 35,000 pictures and 350 videos of the snow, more than ever received on a story before.

Looking ahead, the BBC will continue to support people in developing creative skills and provide creative opportunities for adults, including those who may not yet be online, as well as

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<sup>25</sup> BBC Learning Campaigns/Discovery Research, October 2008

focusing on creative opportunities for more digitally conversant younger audiences. Plans include:

- *My Story*: a nationwide campaign to find remarkable untold true stories in Britain, which launches in autumn 2009 with promotional activity encouraging people to submit their own real-life stories online. Outreach support, with partners, will assist people in telling and submitting their stories. The best stories will feature in a series of programmes on BBC One
- *A History of the World in 100 objects* (at the British Museum): a major 100-part narrative history series for Radio 4, to be broadcast in 2010. The series will be supported by a multi-layered digital proposition, including the opportunity for audiences to 'self-curate' their own collection through a virtual museum that they can personalise and contribute to. In collaboration with the British Museum and its regional partners we aim to create a unique treasure trove of content that this partnership will gift to the nation as part of the Cultural Olympiad
- Adding new functionality to BBC Online that will introduce community and social discovery to BBC sites. As audiences consume and create content, their activity can be displayed on their profile, allowing them to share it with friends or those with similar interests
- Exploring the potential 'halo effect' of creative initiatives for younger audiences, to examine how they might also interest and involve parents, grandparents or other friends and family who may be less conversant with digital technologies.

As with other media literacy content, 'Create' material will be aggregated and linked as part of the 'supertopic' proposal to provide audiences with a more coherent, easily accessible guide to what the BBC offers to support their creative interests and endeavours.

### 4.3 The role of the Help Scheme and Digital UK

#### ACTION 7

We will consider at what point and at what cost the standard offer provided by the Digital Television Switchover Help Scheme could have a return path capability, and we will ensure that such capability is available as an option.

#### ACTION 8

We will examine how the marketing and communications activity around Digital Switchover could be enhanced to use the region-by-region programme of publicly funded information and advice on one form of digital transition to provide impartial information on wider opportunities of digital beyond digital broadcast television.

The BBC shares the Government's view that offering public services in an attractive and easy-to-use way is one of the keys to encouraging the take-up of broadband. An increasing number of users are accessing iPlayer and other VoD on their television screens via Virgin Media, and there is rising uptake of BT Vision, both indicating a potential demand for televisions which also offer this capability.<sup>26</sup>

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<sup>26</sup> Source: Virgin Media return path data and <http://www.btplc.com/sharesandperformance/quarterlyresults/quarterlyresults.htm>

The BBC therefore strongly supports proposals to promote broadband take-up. It is investigating how it could draw on the expertise of Digital UK in doing so and what impact could be made by the offer of digital television equipment with a return path as an option under the Digital Switchover Help Scheme. Some of those eligible for help under the Scheme who can also afford a broadband subscription will undoubtedly find this idea attractive.

However, though the vast majority of people now have digital television, some people still find digital television itself a challenging prospect and they are those who most need help from Digital UK and the Help Scheme. The key messages which these people need to receive are that digital television is coming soon and that they have to switch—but that doing so is a simple, unthreatening proposition which need not involve any extra cost for those most in need. Broadband associated costs and benefits, meanwhile, are significantly different from those of digital television and the messages for audiences may be too different to be aligned in a straightforward and clear marketing message.

The Help Scheme also offers the further message that the standard offer box has been designed with expert advice to ensure that it is as easy to use as possible, especially by older and disabled people. It therefore provides, for example, clear on-screen information and easy access to services such as subtitles and audio-description. Future standard boxes must therefore retain these features. Adding broadband to those messages and offering a return path as part of the standard offer Help Scheme box should only be pursued, therefore, if it can be done without deterring the most vulnerable people from seeking help from Digital UK and the Help Scheme so that they can switch to digital TV in time for switchover in their area. The BBC and the BBC Trust must also ensure that such proposals would offer licence fee payers value for money from both Digital UK and the Help Scheme.