



Market Impact Assessment of the BBC's Local Video Service Proposals – Terms of Reference

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Terms of Reference

- 1.1 This document provides the terms of reference for Ofcom's market impact assessment of the BBC's proposal for a new Local Video service.

Introduction

- 1.2 The BBC's new Royal Charter and Agreement, which became legally effective on 1 January 2007, requires the BBC Trust to undertake a Public Value Test ('PVT') before a decision is taken to make any significant change to the UK Public Services. The PVT comprises two elements – a Public Value Assessment ('PVA') and a Market Impact Assessment ('MIA').
- 1.3 For the purposes of conducting MIAs, Ofcom and the BBC Trust have established a Joint Steering Group ('JSG'). The JSG has set these terms of reference for the Local Video MIA. The substantive findings of the MIA will, however, remain a matter for the judgment of Ofcom.

Proposition

- 1.4 The BBC Executive is applying for permission to provide an on-demand, Local Video service delivered via both fixed and mobile broadband internet connections.
- 1.5 The proposed offering would expand upon existing BBC Local websites (on bbc.co.uk) and focus on 60 geographic areas across the UK. In Wales, there will be offers in both the Welsh and English languages, representing a total of 65 separate local offers together covering the whole of the UK.
- 1.6 There are a number of planned changes taking place under the existing bbc.co.uk service licence. This proposal is an incremental change to the BBC website in the provision of Local Video.
- 1.7 The core of the proposal is the creation of bespoke local video news, sport and weather to complement the BBC's existing online provision. Local Video would be defined by; content creation, distribution and geography.
- 1.8 Specifically, the service would provide additional content in the following areas:
- Local news
 - Local sport
 - Local weather
- 1.9 In addition to these areas, there will also be a lesser quantity of video coverage linked to, or deriving from, linear BBC content around such genres as nature, heritage, culture, arts and religion.
- 1.10 Three daily bulletins for each of news, sports and weather would be available to be updated up to three times per day, per area. An upper limit of 10 stories (excluding the daily bulletins), not exceeding 20 minutes in total per day, per local area, would apply.

- 1.11 The content would also be remodelled in a format suitable for mobile phone use and be available on the BBC mobile website.
- 1.12 The 60 geographic regions each typically cover a geographic area of more than 250,000 people (and on average, around one million), equivalent to the BBC's existing network of local radio services and websites.
- 1.13 Content would be free at the point of use (without advertising) and available across the whole of the UK on any internet enabled device.
- 1.14 The BBC Executive has proposed a phased roll-out of the Local Video service. Investment would increase by small increments each year in each of the 60 areas, starting in 2009/10 (no spend in 2008/09) and reaching maturity at around £23m a year in 2012/13.
- 1.15 A full description of the proposed service has been agreed by the BBC Trust and Ofcom, and is published by the BBC Trust at:
http://www.bbc.co.uk/bbctrust/consult/open_consultations/local_video_pvt.html.

Objective

- 1.16 The purpose of the MIA is to assess the impact which the introduction of the proposed service would have on products and services for which the proposed Local Video service is likely to be a direct substitute or complement, and on other related products and services. The impact of the proposed service may be either positive (in the case of the impact on a complementary product or service) or negative (in the case of a substitute product or service).

Approach

- 1.17 The MIA will be carried out in accordance with the methodology which has been agreed between the BBC Trust and Ofcom.
- 1.18 The assessment of the proposed BBC service will require data and information from a number of sources. Examples of data required include information on broadband take-up, media consumption trends and future business strategies. Ofcom expects to gather this information through desk research, external market research, information provided by the BBC and through meetings with stakeholders.

Output

- 1.19 The MIA will provide an assessment and, where possible and relevant, a quantifiable evaluation of the impact on the relevant primary and other services identified. This includes an assessment of the impact on suppliers, other market participants and ultimately consumers.
- 1.20 The assessment of some effects is likely to remain purely qualitative, for example those related to investment incentives. Ofcom should, however, seek to obtain some information as to the likely impact on existing (and perhaps future) suppliers' plans.
- 1.21 The MIA analysis may also include some sensitivity analysis to:
 - identify which aspects of the service may have a particularly strong impact on the overall assessment; and

- as appropriate help identify possible modifications to the service to remove/mitigate some of these effects.

Coordination between the MIA and the PVA

1.22 Ofcom and the BBC Trust will seek to coordinate the conduct of the PVA and the MIA by:

- sharing data and collaborating on the construction of market models where appropriate;
- attempting to minimise the risks that the PVA and the MIA are built on assumptions and inputs that are not easily reconcilable at a later stage; and
- working to ensure that the PVA and the MIA cover all relevant issues.

Identification of affected products and services

1.23 Ofcom should consider the potential impact of the Local Video proposition on the following products and services:

- Local newspapers and associated web services;
- Local radio stations and associated web services;
- Local & Regional TV services and associated web services;
- Mobile TV services; and
- Other relevant services.

1.24 This list is not necessarily exhaustive. Ofcom has discretion to examine the impact on other products and services that it considers relevant in the course of conducting the MIA, subject to agreement by the JSG.

1.25 The MIA will identify the services for which the proposed Local Video service is likely to be a direct substitute or complement (the “primary” services), as well as other related services upon which the proposed Local Video service is likely to have a significant indirect impact (the “secondary” services).

Timetable for completion

1.26 Ofcom is required to deliver the MIA to the BBC Trust by 17 November 2008. This timetable has been agreed by the JSG. It is anticipated that the results of the MIA will be published alongside the BBC Trust’s Public Value Assessment in Winter 2008.

1.27 In the event of unforeseen circumstances, or delays caused by the unavailability of data, Ofcom may ask the JSG to approve amendments to the MIA timetable. In such cases, the JSG would make clear its reasoning and revised timetable for production of the MIA report.

1.28 Agreed by the JSG on 19 June 2008.