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# **BBC Scotland Competition Assessment**

## Consultation Annex 1: Review of Public Value

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**CONSULTATION ANNEX:**

Publication Date: 20 April 2018

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# A1. Public Value

## Introduction

- A1.1 The BBC’s role is to act in the public interest and serve all audiences with content that informs, educates and entertains.
- A1.2 It is important the BBC articulates how it delivers public value. This annex sets out our review of the BBC’s assessment of the likely public value generated by its proposal for a new digital television channel for Scotland.
- A1.3 As set out in our Guidance,<sup>1</sup> and consistent with our duties under the Framework Agreement,<sup>2</sup> the nature of this review is different from our assessment of market impact set out in Annex 3. This is because, while it is Ofcom’s duty to consider how a proposal may affect fair and effective competition and if appropriate seek to minimise any harmful effects, how the BBC chooses to fulfil its Mission and Public Purposes is primarily a decision for its Board.
- A1.4 Consequently, in examining likely public value we are principally testing the analysis conducted by the BBC. We have not sought to determine whether the BBC could have delivered greater public value by changing aspects of its proposal. Instead, we have considered whether it has made a compelling, well evidenced and methodologically sound assessment of the public value it believes its proposal will deliver.
- A1.5 In this review, we have considered the extent to which the BBC’s public value assessment is consistent with our Guidance,<sup>3</sup> in particular:
- a) whether the analysis conducted by the BBC is reasonable, complete and objective;
  - b) whether the BBC’s assessment reflects a reasonable view of what constitutes public value;
  - c) whether the interpretation of the evidence presented is credible and relevant;
  - d) whether the assessment of public value is consistent with other elements of the assessment; and
  - e) whether the analysis is robust under different scenarios.
- A1.6 It is important that the BBC considers the overall public value of a proposal. Although a proposal may generate public value in some areas, it may also reduce it in others, for instance by diverting viewing away from other content or services. It is therefore necessary that the BBC considers not just the value of the proposal in isolation, but also the ways in which a proposal may reduce public value through changes to other BBC or commercial

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<sup>1</sup> [Guidance](#), paragraph 5.21

<sup>2</sup> [Framework Agreement](#), clause 10.3.

<sup>3</sup> [Guidance](#), paragraph 5.22

services. We expect the BBC to include more robust analysis of the overall public value in future assessments.

A1.7 We have identified a number of potential impacts which we feel are important to our assessment of public value. We recognise that certain factors (e.g. take up of the BBC Scotland channel) could, in principle, be discussed under more than one of the headings under which the BBC structured its work. To avoid duplication, we have not done so. However, in conducting our review we have ensured that the main potential impacts on public value have all been considered, namely;

- a) The nature of the material that will be shown on the BBC Scotland channel. This is captured as part of the discussion of Public Purposes 1, 3 and 4 (first part) below.<sup>4</sup>
- b) Take up of the BBC Scotland channel. This is captured as part of the discussion of personal value, although the discussion of Public Purpose 1 touches on the likely take up of the 9pm news programme.
- c) The substitution away from publicly valuable content on other channels (both news and Scottish-focused content). This is captured as part of the discussion of Public Purposes 1 and 4 (first part) below<sup>5</sup>.
- d) The changes to BBC Four SD, BBC Two and CBBC HD, which are likely to reduce take-up of these channels. These are captured as part of the discussion of Public Purposes 3 and 4 (first part) respectively.
- e) The impact on the creative industries in Scotland. This is captured as part of the discussion of Public Purpose 4 (second part) below.

## Summary

A1.8 Our review of the BBC’s public value assessment finds there is evidence the BBC’s proposal will contribute to the delivery of public value in important areas.

A1.9 The BBC has provided persuasive evidence the proposal will contribute to the BBC’s Public Purposes “reflecting, representing and serving the diverse communities of all of the United Kingdom’s nations and regions” (part of Public Purpose 4) and “the provision of impartial news and information to help people understand and engage with the world around them” (Public Purpose 1).

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<sup>4</sup> Public Purpose 1 is to provide impartial news and information to help people understand and engage with the world around them. Public Purpose 3 is to show the most creative, highest quality and distinctive output and services. Public Purpose 4 is to reflect, represent and serve the diverse communities of all the United Kingdom’s nations and regions and in doing so, support the creative economy across the United Kingdom.

<sup>5</sup> In principle, audience substitution away from commercial television channels could result in the content shown on those channels changing (e.g. they might reduce their investment in news), which could affect the public value that they deliver. However, as discussed in Annex 3 our analysis suggests that the impact on commercial providers is likely to be limited. We therefore think it is unlikely that they will reduce their investment in content and have not discussed this in our public value review below.

- A1.10 The evidence the BBC has provided to demonstrate how the channel will “show the most creative, highest quality and distinctive output and services” (Public Purpose 3) and “support the creative economy across the United Kingdom” (Public Purpose 4) is less compelling.<sup>6</sup>
- A1.11 Although viewing estimates for the new channel are modest,<sup>7</sup> the increased choice for viewers in Scotland afforded by the new channel is also a source of public value. We also note that if, within the budget it has set, the BBC is able to deliver a wide range of high-quality content across a range of genres and with a focus on new formats, this is likely to lead to higher public value, both in its delivery of Public Purpose 3 and by generating higher viewing figures and personal enjoyment.
- A1.12 The BBC’s analysis of the contribution the proposal makes to the mission and public purposes does not address all the impacts the proposal is likely to generate, i.e. the value once the impact on existing BBC and commercial services is taken into account. We would have expected the BBC to also consider negative impacts as part of this assessment:
- a) the potential impact on the consumption of Scottish content on STV/STV2;
  - b) the potential impact on the consumption of Scottish content on BBC Alba and BBC Two;
  - c) the potential reduction in viewing and discoverability of high quality, distinctive content on BBC Four SD caused by moving BBC Four’s EPG slot; and
  - d) the replacement of CBBC HD in Scotland from 7pm on digital terrestrial television (DTT).
- A1.13 Taking these factors into consideration, we remain of the view that the new service will contribute public value. Nevertheless, it is clear that some of these elements, all of which are a direct result of the launch of the new channel and which therefore fall within the scope of our review, will have a moderating effect on the overall public value.

## The Public Value Assessment

- A1.14 The BBC considered the following in its assessment:
- i) How the proposed BBC Scotland channel would contribute to the BBC’s Mission and Public Purposes;
  - ii) The extent to which the new channel would be watched by and benefit audiences, i.e. the aggregate value that the proposal will generate for viewers as individuals.
  - iii) The costs of the proposal, i.e. the value in the context of the licence fee.

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<sup>6</sup> The BBC did not discuss whether the proposal would contribute to the deliver of Public Purpose 2: To support learning for people of all ages.

<sup>7</sup> As noted in paragraph A2.89 of Annex 2 we estimate a range of 1.65% to 3.65% (including the BBC Two simulcast) for the audience share of the BBC Scotland channel (our base case is 2.14%). This is higher than the BBC’s estimated audience share of 0.95% (or 1.09% including the BBC Two simulcast).

A1.15 We have reviewed the BBC’s evidence and analysis in each of these areas, concentrating on areas i) and ii). Information on the costs of the proposal has provided useful context for our review.

## How the BBC considers its proposal will contribute to its Mission and Public Purposes

A1.16 The BBC begins its public value assessment by looking at how the proposed changes will support it in fulfilling its Mission and promoting the Public Purposes, attributing a neutral, low, medium or high measurement to each driver of public value identified.

A1.17 Within this framework, the BBC considers “stakeholder feedback and our research and analysis strongly indicate the new channel will contribute very strongly to the BBC’s Mission and the promotion of the following particular Public Purposes:”

- a) Public Purpose 1: To provide impartial news and information to help people understand and engage with the world around them;
- b) Public Purpose 3: To show the most creative, highest quality and distinctive output and services;
- c) Public Purpose 4: To reflect, represent and serve the diverse communities of all the United Kingdom’s nations and regions and in doing so, support the creative economy across the United Kingdom.<sup>8</sup>

The BBC concludes that “the contribution of this driver of public value is high”.<sup>9</sup>

A1.18 We review the evidence put forward by the BBC in each of these areas below.<sup>10</sup>

A1.19 The BBC did not discuss the likely take-up of the BBC Scotland channel in its assessment of the contribution of its proposal to its Mission and Public Purposes. For example, the PIT’s assessment of Public Purpose 1 focused on the news output the BBC would provide on the new channel, rather than the size of the audience it would attract. In our view, take-up is relevant to these aspects of the public value delivered by the BBC’s proposal (as well as to the value generated for audiences, where the BBC did take it into account).<sup>11</sup>

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<sup>8</sup> [Public Interest Test, p.43.](#)

<sup>9</sup> [Public Interest Test, p.42.](#)

<sup>10</sup> The BBC has not included any evidence on the contribution of its proposal to Public Purpose 2 – to support learning for people of all ages. We have therefore not considered it within this review.

<sup>11</sup> We recognise that the BBC must balance attracting large audiences with the creation of distinctive, publicly desirable content which may only be taken up by smaller numbers of people. The exact balance between these will depend on the nature of the service and what the BBC is trying to achieve.

## Public Purpose 1: To provide impartial news and information to help people understand and engage with the world around them

### BBC Assessment

- A1.20 The BBC’s assessment states that the proposal will contribute to the provision of impartial news through the delivery of a new, integrated news hour at 9pm. It argues this programme will engage audiences with a unique range and depth of analysis and content, contributing to more informed citizens and a more informed society.
- A1.21 The BBC also cites a number of other elements of the proposal it believes are relevant to this Public Purpose:
- i) improved coverage of Scotland in network news programmes broadcast across the UK, including re-versioned content for inclusion in news bulletins on BBC One;
  - ii) availability of the new channel across the UK via iPlayer, helping to build understanding of Scotland in other parts of the United Kingdom; and
  - iii) increased investment in Scottish journalism which will ensure the new 9pm news programme and other coverage will meet the BBC’s editorial standards, using the highest calibre presenters and journalists.<sup>12</sup>
- A1.22 The BBC states that “the new BBC Scotland channel and the news hour will give the BBC an opportunity to ensure that the news agenda in Scotland more fully reflects the devolved powers of the Scottish Parliament” with “the continued provision of live day time political coverage... further enhance[ing] the channel’s contribution to this Public Purpose.” It also argues that its proposal “offers an opportunity to cover more Scotland-wide issues” and that it will “further enhance how the BBC delivers high quality, accurate and impartial news in Scotland”.
- A1.23 The BBC concludes that its proposal will “contribute strongly” to the promotion of this Public Purpose.<sup>13</sup>

### BBC Evidence

- A1.24 The BBC noted support from stakeholders for investment in news, and for the 9pm news hour, suggesting the proposal is seen as addressing a need for a space where Scottish issues can be debated, increasing choice and allowing for a greater diversity of coverage beyond Westminster and the Central Belt.<sup>14</sup>
- A1.25 The BBC cited its own quantitative research in Scotland as evidence of public support for the value of its proposal.<sup>15</sup> The BBC’s assessment notes that 63% of respondents approved

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<sup>12</sup> [Public Interest Test, p.36-37.](#)

<sup>13</sup> [Public Interest Test, p.38.](#)

<sup>14</sup> The BBC’s assessment does not provide details of the respondents who expressed these views.

<sup>15</sup> The BBC commissioned Kantar Media to conduct [quantitative research](#) with adults aged 16+ in Scotland, designed to be representative of the Scottish population.

of the BBC’s plans for news, with 13% disapproving. Six per cent spontaneously identify news as the feature they most liked about the channel, with 3% specifically mentioning Scottish news.

A1.26 The BBC also cited evidence from deliberative research it commissioned from PAPA.<sup>16</sup> The research took the form of structured group discussions in which participants were provided with information about the BBC proposal and asked about their views of the value to them personally and to society as a whole. The BBC’s assessment stated that most workshop participants agreed that the BBC’s plans to show news from a Scottish perspective would create public value, and that the proposal would be either slightly or much better than current provision.<sup>17</sup>

### Ofcom Review

A1.27 In our first Operating Licence for the BBC, we set out the key role played by the BBC in helping to ensure that UK citizens are well informed and able to participate actively in the world around them. We developed clear objectives for the BBC, requiring it to “provide a significant level of news [...] across its full range of services and platforms, and seek to reach and serve all audiences”.<sup>18</sup>

A1.28 The quantitative and qualitative research evidence presented by the BBC shows that there is broad public support for more news reflecting Scotland and Scottish perspectives. The BBC’s deliberative research also found that impartial news and information in Scotland was an area where participants thought there was room for improvement: they gave the BBC’s current performance against this Public Purpose in Scotland an average rating of 5 out of 10.<sup>19</sup> This is supported by our own research, which found that 72% of respondents agreed that there should be more Scottish focused news coverage.<sup>20</sup>

A1.29 The evidence of support for the 9pm one-hour news programme format is more mixed. The BBC’s deliberative research report showed that nearly half of the participants thought the 9pm news programme would create low or medium-low societal value, the second lowest ranked element out of nine asked about.<sup>21</sup>

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<sup>16</sup> [Deliberative research conducted by PAPA on behalf of the BBC](#). There were eight groups across eight locations in Scotland, with a total of 179 participants. The groups were broadly representative of Scottish adults in terms of age, socio-economic group, ethnicity and regional voting in the Scottish voting referendum. It also included one group with participants with a particular interest in Scottish content.

<sup>17</sup> A high proportion of participants expressed medium to high or high approval of the value of the proposal to society, similarly a high proportion said the proposal would be slightly or much better than current provision.

<sup>18</sup> See, [Ofcom’s Statement: Holding the BBC to account for delivering for audiences](#), section 3.1 and [Operating Licence for the BBC, section 1.24.1](#).

<sup>19</sup> [Public Interest Test, p36, figure 4](#).

<sup>20</sup> [Summary of research findings, BBC Competition Assessment: Scotland](#).

<sup>21</sup> [BBC deliberative research report](#), slide 14. The BBC did not reference this research finding in this section of their public value analysis.

- A1.30 Ofcom’s research<sup>22</sup> found that a third (32%) of Scottish adults said they would be likely to watch the 9pm news programme on the new BBC Scotland channel, compared to 43% who said they would be unlikely to do so. It is the case that people often find it difficult to predict their future behaviour. Given our modelling indicates that the new channel will achieve an average weekly reach of between 9.70% and 21.40% of the adult population in Scotland by 2019 this may be an overestimate.<sup>23</sup>
- A1.31 We agree with the BBC that the provision of more news reflecting Scotland and Scottish perspectives will contribute to the creation of public value in Scotland. Given the mixed views about the format of the 9pm programme, it is unclear from the evidence provided whether this will be sufficient to satisfy the demand from Scottish audiences which the BBC had identified. However, we note the BBC’s decision to start broadcasting from 12 noon to ensure that audiences can continue to receive existing live daytime Scottish political coverage, and agree that retaining access to this coverage is important.<sup>24</sup>
- A1.32 The BBC’s also describes other elements of the proposal, in addition to the 9pm news programme, that are relevant to this Public Purpose. As set out above, these include: improved coverage of Scotland in network news programmes broadcast across the UK, including re-versioned content for inclusion in news bulletins on BBC One; availability of the new channel across the UK via iPlayer; and increased investment in Scottish journalism.<sup>25</sup> The BBC, in its more detailed description of the proposal, also notes that there will be some increase in its online news provision.<sup>26</sup>
- A1.33 Ofcom acknowledges the potential relevance of these elements to Public Purpose 1. However, further details and supporting evidence would be required to assess the extent to which these elements contribute to the delivery of public value.<sup>27</sup>
- A1.34 Finally, our research suggests that those who consume news at least once a day are more likely to say they are likely to watch the proposed 9pm news programme than other potential viewers. Seventeen per cent of Scottish adults also say they would consume less news from other sources as a result of the 9pm news programme. It may be the case that the 9pm news programme is less likely to attract new audiences to news, and more likely to be providing additional or substituted viewing for existing news consumers. Although this will still generate public value, this value will not be as high as if it was attracting large numbers of new audiences to news.

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<sup>22</sup> [Summary of research findings, BBC Competition Assessment: Scotland.](#)

<sup>23</sup> See Annex 2.

<sup>24</sup> [Public Interest Test, p.17.](#)

<sup>25</sup> [Public Interest Test, page 36-37.](#)

<sup>26</sup> [Public Interest Test, page 24.](#)

<sup>27</sup> For instance, while the BBC sets out some details for its plans to reversion content for news bulletins on other channels, as well as for radio, online and social media ([Public Interest Test, p.24](#)), it does not provide any evidence of audience appetite for this. Similarly, while it notes the channel will be available across the UK via iPlayer, it does not provide any evidence of expected viewing of this channel beyond Scotland. It is therefore difficult to judge the extent to which this availability will help “build people’s understanding of Scotland in other parts of the United Kingdom.”



## Public Purpose 3: To show the most creative, highest quality and distinctive output and services

### BBC Assessment

- A1.35 The BBC’s assessment states the new channel will have creativity and quality at its heart, and will:
- i) Cover a range of genres including drama, comedy, documentaries, arts, entertainment, specialist factual, news and current affairs, music and sport;
  - ii) Incorporate a substantial proportion of new programming, specifically curated for Scottish audiences;
  - iii) Have a distinctive focus on news, with its new integrated news hour edited and presented from Scotland; and
  - iv) Include a broad range of live Scottish sport in the channel’s schedule.<sup>28</sup>
- A1.36 The BBC concludes the BBC Scotland proposal will contribute strongly to the promotion of this Public Purpose.

### BBC Evidence

- A1.37 The BBC noted that a high proportion of people in its quantitative research approved both of the proposal’s focus on Scottish audiences (70%) and the fact that the new channel would show a mix of different types of programmes (76%).<sup>29</sup> The BBC also stated that its deliberative research found that the new formats and talent proposed for the channel and the mix of shows it would feature were the two areas most likely to be rated as having high or medium-high public value.<sup>30</sup>
- A1.38 The BBC notes in its assessment that some industry stakeholders who responded to its consultation on the proposed channel and some participants in the qualitative research were concerned the budget of the service would be insufficient to deliver quality programming, especially in areas other than news.<sup>31</sup>
- A1.39 The BBC also highlighted the distinctiveness of its news output in its discussion under Public Purpose 1.

### Ofcom Review

- A1.40 The 9pm news programme is part of the way in which the channel will contribute to this purpose. The BBC assert that the 9pm news programme will be “different to that offered

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<sup>28</sup> [Public Interest Test, p38.](#)

<sup>29</sup> [Public Interest Test, p38.](#)

<sup>30</sup> [Public Interest Test, p39.](#)

<sup>31</sup> The BBC’s assessment does not provide the names or number of stakeholder responses that raised this concern. However, analysis of stakeholder comments show this was raised by [Hopscotch Films](#), [Caledonia TV](#), [Tern TV Productions](#), [Matchlight Limited](#) and [Creative Scotland](#).

by the commercial sector”. However, we note the concern expressed by STV that the new 9pm news programme may prove similar to the bulletin of Scottish, UK and international news launched by STV2 on 24 April 2017. We agree that the BBC does not explain, in detail, how its service will differ from the others available.

- A1.41 Looking at the non-news content, the BBC’s quantitative and deliberative research findings indicate strong public approval for the focus in the proposal on new formats, a range of genres and Scottish audiences. However, while there is clearly support for the BBC’s stated aims in this area, the extent to which the non-news elements of the proposal will contribute to delivery of this public purpose is unclear. Although the BBC’s PIT provided some indicative breakdowns of the type of content mix, the early stage of development of the channel at the time that work was completed means the BBC has provided only limited detail about the non-news programming.<sup>32</sup>
- A1.42 In addition, stakeholders and participants in the BBC’s research expressed concerns as to whether the budget would be sufficient to provide high quality programming.<sup>33</sup>
- A1.43 The BBC revised its proposal in response to this feedback before submitting its PIT to Ofcom. It did not substantially increase the overall budget for the channel. However, it revised the proposed ratio of 60% of hours of first-run originations and acquisitions to 40% of hours of repeats between 7pm – 12 midnight, to a 50%/50% ratio. It argued that this model “would allow for a higher Cost Per Hour (CPH) spend on first run originations, thus increasing the quality of the channel.”<sup>34</sup>
- A1.44 As noted above, we have not sought to determine whether the BBC could have delivered greater public value by changing aspects of its proposal. How the BBC chooses to fulfil its Mission and Public Purposes is primarily a decision for its Board.
- A1.45 In addition, as part of the proposed changes, the new BBC Scotland channel will take the EPG slot currently occupied by BBC Four on some platforms. BBC Four provides innovative, high-quality output, with quotas for original productions.<sup>35</sup> Our modelling suggests the new EPG slot for BBC Four is likely to lead to a reduction in audience share from 0.95% to 0.77%.<sup>36</sup>

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<sup>32</sup> The [Public Interest Test](#) (p.20-21) states that there will be 912.5 hours of first run originations and acquisitions and 912.5 hours of repeats between the hours of 7pm to midnight each year, and indicates that it will include drama, factual, music, news and current affairs, quiz/entertainment, comedy and drama and sport. This level of non-news repeats is comparable with previous analysis of BBC Four.

<sup>33</sup> This was also an issue raised with Ofcom by stakeholders in meetings and roundtable discussions held by Ofcom during the initial assessment period.

<sup>34</sup> [Public Interest Test, p20](#). We also note, in paragraphs A2.62-A2.63 of our analysis on take-up and substitution, that opportunities for co-commissioning and cross-commissioning could provide additional programme funding beyond the allocated budget.

<sup>35</sup> [See paragraphs 2.21 and 2.32 of the Operating Licence](#)

<sup>36</sup> These figures also take into account the substitution between channels that occurs as a result of the BBC’s proposals. The direct impact of reducing the prominence of BBC Four (and excluding substitution effects) is to lower its audience share in Scotland from 0.95% to 0.80%.

- A1.46 The decision to broadcast BBC Scotland in HD also means that the new channel will take the CBBC HD slot on Freeview between 7pm and 9pm. Although this will result in some loss of viewing to that channel this is likely to be very small<sup>37</sup> and we do not therefore expect this to lead to a significant loss of public value.
- A1.47 In summary, we consider the evidence for the contribution of the proposal to public value in this area is limited. The proposal may contribute to the delivery of Public Purpose 3, depending on the quality and nature of the programming on the new channel, although there is also likely to be some loss of existing value caused by the EPG changes to other BBC services.

## **Public Purpose 4: To Reflect, represent and serve the diverse communities of all of the United Kingdom’s nations and regions and, in doing so, support the creative economy across the United Kingdom.**

### **Part 1: Reflecting, representing and serving the diverse communities of all of the United Kingdom’s nations and regions**

#### **BBC Assessment**

- A1.48 The BBC’s assessment states the BBC Scotland proposal will contribute very strongly to the promotion of this Public Purpose.<sup>38</sup>
- A1.49 It states that the new channel will help ensure the BBC better reflects the diversity of the United Kingdom. It will do this by accurately and authentically representing and portraying the lives of the people of Scotland and raising awareness of the different cultures and alternative viewpoints that make up its society.

#### **BBC Evidence**

- A1.50 The assessment notes a range of supportive views from stakeholders, including: trade bodies and industry groups noting that the channel would be “a positive move for the Scottish broadcasting and media sectors”; independent producers commenting on the “potential benefits to Scottish audiences”; and stakeholders suggesting the channel was vitally important for national identity and “Scotland’s cultural renaissance.”<sup>39</sup>

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<sup>37</sup> If BBC Scotland displaces CBBC HD between 7-9pm we estimate it could lose up to 0.009pp of its viewing share across all hours and platforms. However, viewers are still able to watch CBBC content in HD via the iPlayer or on CBBC SD, which is located in a very close EPG slot on Freeview. See paragraph A2.98.

<sup>38</sup> [Public Interest Test, p.41.](#)

<sup>39</sup> [Public Interest Test, p.40.](#) As elsewhere the BBC did not quantify or list the respondents who expressed these views in their response. However, examples include [Creative Scotland](#), who argued that the proposal represents an opportunity to “provide a platform for Scottish cultural output and a means of engaging Scottish audiences with high quality cultural content from Scotland and elsewhere.” The [Scottish Newspaper Society](#), which welcome the channel and the “potential investment in the cultural, creative and media life of Scotland it represents”; and [Tern TV](#) who said that the new investment would help counter what many believe to be an imbalance between the amount of money the BBC raises in Scotland through the licence fee and what it spends in Scotland.

A1.51 The assessment also notes that most participants in the deliberative research (designed to be broadly representative of Scottish adults) approved of the channel’s focus on audiences in Scotland and over half expressed high approval. The quantitative research found that 70% of Scottish adults approved of the channel’s focus on audiences in Scotland,<sup>40</sup> and a third (32%) spontaneously mentioned the Scottish focus as the feature they most liked about the new channel.<sup>41</sup>

### Ofcom Review

A1.52 Public Purpose 4, as set out in the BBC’s Charter, includes that the BBC must ‘ensure that it provides output and services that meet the needs of the United Kingdom’s nations, regions and communities’.<sup>42</sup>

A1.53 To secure this purpose, we stated in the Operating Licence that the BBC should “serve and create content of interest and of relevance to the people” in Scotland, including Gaelic content and across a wide range of genres,<sup>43</sup> underpinning this with regulatory conditions.<sup>44</sup>

A1.54 Reflecting the nations and regions was the aspect of the BBC’s current performance which scored lowest among participants in the BBC’s deliberative research.<sup>45</sup> Participants in that research gave the BBC an average rating of 4 out of 10 on this point, suggesting that there is an appetite among Scottish people for more content reflecting Scotland and Scottish perspectives. The strong support for the focus on Scottish audiences in the qualitative research and 70% approval for the channel’s focus on audiences in the quantitative research is also evident in our own research, which found that 72% of adults in Scotland are interested in more Scottish news content.<sup>46</sup> This evidence supports the case that there is strong demand among Scottish audiences for more content which accurately represents Scotland and the diverse communities within it.

A1.55 All audiences should feel that the BBC offers something for them, and that it adequately represents their interests or lives. In doing so, it is important that the BBC also portrays people and their interests in a manner that feels authentic. By delivering more content to Scottish audiences that represents and portrays life in Scotland, the proposal is therefore likely to contribute public value through this purpose.<sup>47</sup>

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<sup>40</sup> [See slide 17 of the Kantar TNS Research report](#)

<sup>41</sup> [Public Interest Test, p.40.](#)

<sup>42</sup> [See section 6 of the BBC’s Charter](#), Public Purpose 4 also includes a requirement for the BBC to support the creative economy across the United Kingdom, but in line with the BBC’s approach we have looked at these two elements of this purpose separately.

<sup>43</sup> [Operating Licence for the BBC, section 1.39.](#)

<sup>44</sup> These conditions included a focus on ensuring that a minimum percentage of UK network programmes are made in the nations and regions, and that the nations and regions have access to programming which is of national and regional interest, a minimum percentage of which should be made in the relevant nation or region. See [Operating Licence for the BBC’s UK Public Services](#).

<sup>45</sup> Participants in the research were selected to be broadly representative of the Scottish adult population.

<sup>46</sup> Summary of research findings, BBC Competition Assessment: Scotland, Ofcom, slide 30.

<sup>47</sup> Currently BBC2 shows some content made specifically for audiences in Scotland which displace UK network programmes. These are known as ‘opts’, because the channel ‘opts out’ of the UK-wide schedule. In 2016-17 BBC2 showed

- A1.56 However, in our review we have also taken into account the effect of changes to other services designed to reflect and represent Scotland that will occur as part of the proposal.
- A1.57 First, BBC Alba, as a Gaelic language channel showcasing Gaelic sport, music and culture already plays an important role in reflecting and representing Scotland to Scottish audiences. In its response to our Invitation to Comment, MG Alba argued not only that no additional public value would be generated if viewers simply transfer from BBC Alba to BBC Scotland, but also that a loss of viewing to BBC Alba risked a reduction in the public value generated by its service.<sup>48</sup>
- A1.58 The modelling we have undertaken as part of our market impact assessment suggests viewing to the new channel will come from a range of sources, only one of which is likely to be BBC Alba.<sup>49</sup> Viewing data is not directly available for BBC Alba, but taking into account likely BBC Scotland take-up and our estimates of BBC Alba's share, our best approximation is that BBC Alba might lose between 1.6% to 3.5% of its viewing hours (see Annex 2, A2.129), suggesting any loss of public value caused by reduced viewing of BBC Alba content is likely to be moderate. In addition, an increased choice in content representing and portraying different aspects of Scotland, its communities and its people is likely to be beneficial for audiences.
- A1.59 Second, BBC Two currently shows content made specifically for Scottish audiences.<sup>50</sup> This content would no longer be shown on BBC Two, and some may be transferred to the new channel. Given the lower position on the EPG of the new channel, our modelling suggests that viewing of this content would be likely to fall.
- A1.60 However, given the increase in the overall volume of content, we think the BBC's proposal is likely to lead to an overall increase in viewing of content made for Scottish audiences, with positive effects on public value.
- A1.61 In summary, both our own research and that conducted by the BBC suggest that there is an appetite among Scottish audiences for the BBC to do more in providing content that reflects Scotland and Scottish perspectives. The BBC's assessment also suggests that there is public and stakeholder support for the new proposal's contribution to this, supporting the BBC's conclusion that it will deliver public value in this area.
- A1.62 However, the BBC's assessment of public value does not take into account substitution of viewing from other Scottish content or the likely changes in audience share associated with

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[3x] hours of Scottish opts during the day up until 7pm, and [3x] between 7pm and midnight. Under the BBC's proposal, these will be transferred to BBC Scotland, which will show a maximum of 150 hours of content made specially for Scottish audiences during the day, and 1,825 hours of content made specially for Scottish audiences and shown from 7pm to midnight, an increase of up to 1,395 hours (depending on the total of day-time hours shown).

<sup>48</sup> [MG Alba Response to 'Invitation to Comment', p2.](#)

<sup>49</sup> Para A2.106-A2.112

moving existing Scottish content from BBC Two to the new channel. This indicates the overall public value created may be lower than the BBC’s analysis suggests.

## Part 2: Supporting the creative economy across the United Kingdom

### BBC Assessment

- A1.63 The BBC’s assessment states that, in the context of Scotland, the BBC Scotland proposal will contribute to the promotion of this element of this Public Purpose.<sup>51</sup>
- A1.64 The PIT states the new channel will provide an additional investment of £18 million by the BBC, an increase of 9% in the size of the Scottish original production sector compared to 2014.<sup>52</sup> The BBC also states the new channel could generate additional work for broadcast production companies and for the creative sector in general as well as providing more opportunities to grow and develop talent on- and off-screen.<sup>53</sup>

### BBC Evidence

- A1.65 The assessment cites stakeholder support for the benefits to the creative economy of additional production.<sup>54</sup> It also notes high approval from participants in the deliberative research of the impact of the new channel on the creative economy in Scotland.<sup>55</sup>

### Ofcom Review

- A1.66 The Operating Licence requires the BBC to “distribute its production resources across the United Kingdom ensuring that it supports the creative industries in the nations and regions.”<sup>56</sup>
- A1.67 There is strong evidence from the deliberative research that participants believe the proposal and associated investment will have a positive effect on the creative economy in Scotland. Although not mentioned in the BBC’s assessment, there was also broad support for this in the BBC’s quantitative research, with 77% of respondents approving of the fact that ‘it will provide more opportunities for people making TV programmes in Scotland’ the highest approval rating for any of the elements of the proposal raised in that study.<sup>57</sup>

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<sup>51</sup> [Public Interest Test, p.42.](#)

<sup>52</sup> [Public Interest Test, p.41.](#)

<sup>53</sup> [Public Interest Test, p.41.](#)

<sup>54</sup> While, as in other areas, the BBC does not list these, examples can be seen in the responses from Dr. Marina Dekavalla, who stated that the proposal is a “very positive step, which will enhance the media landscape in Scotland and boost the creative industries” and The National Union of Journalists (NUJ), who welcome the creation of new roles for journalists.

<sup>55</sup> Most participants approved of the channel’s contribution to the Scottish industry, and over half expressed high approval (see [Public Interest Test, p.42](#)).

<sup>56</sup> Ofcom recently published a ‘[Call for Evidence](#)’ for its review of the Made outside London programme making guidance, which remains open at the point of publication.

<sup>57</sup> [See slide 17 of the Kantar TNS Research report](#)

A1.68 Our analysis suggests there will be some positive impacts on the Scottish production sector, which could expand to accommodate the additional demand for original Scottish programming<sup>58</sup>.

## Summary of evidence about the BBC’s Mission and Public Purposes

A1.69 Our review of the evidence in the BBC’s Public Interest Test about the contribution that it considers its proposal will make to the Mission and Public Purposes is set out in Table 1 below.

**Table 1: Summary of evidence of contribution to the Mission and Public Purposes**

Public purpose	BBC’s assessment of contribution to public value <sup>59</sup>	Evidence gaps	Evidence in support
Public Purpose 1: To provide impartial news and information to help people understand and engage with the world around them	Contribute strongly <sup>60</sup>	No evidence for public value of news-related elements of the proposal other than 9pm news programme.	Strong evidence that there is public demand for more Scottish focused news.  Some evidence that there is demand for this to be delivered via a 9pm news programme.
Public Purpose 3: To show the most creative, highest quality and distinctive output and services	Strongly support <sup>61</sup>	Limited detail on the extent to which the amended proposal is sufficient to address budget concerns.  No analysis of the impact on viewing to BBC Four SD.	Strong evidence that there is public support for Scottish focused content.  Strong evidence that there is public support for the proposed channel to provide a mix of genres.
Public Purpose 4 (part 1): To reflect, represent and serve the diverse communities of all of the	Contribute very strongly <sup>62</sup>	No analysis of substitution from other Scottish content.	Strong evidence that there is demand for content that represents and portrays life in Scotland.

<sup>58</sup> See Annex 3

<sup>59</sup> Overall the BBC say that the proposal contributes very strongly to the Mission and Public Purposes. The BBC’s analysis also looked at the contribution of the proposal to each of these purposes separately, concluding that the proposal would contribute in varying ways to the different purposes, as set out in this table.

<sup>60</sup> [Public Interest Test, p.38.](#)

<sup>61</sup> [Public Interest Test, p.39.](#)

<sup>62</sup> [Public Interest Test, p.41.](#)

Public purpose	BBC’s assessment of contribution to public value <sup>59</sup>	Evidence gaps	Evidence in support
United Kingdom’s nations and regions			Strong evidence that the BBC is perceived as not currently fulfilling its potential in this area.
Public Purpose 4 (part 2): and, in so doing, to support the creative economy across the United Kingdom	Contribute <sup>63</sup>		Some evidence that the proposal will have a positive impact on the creative economy in Scotland.

## Personal value: reach and viewer benefits

### BBC Assessment

- A1.70 The BBC identified ‘personal value’ as an important element of public value and defined it as “the aggregate value that the proposal will generate for viewers as individuals.”<sup>64</sup>
- A1.71 The BBC’s assessment of the personal value of the proposed changes was medium to high, depending on how quickly the channel resonated with audiences.
- A1.72 The BBC reached this conclusion on the basis of audience research into likely usage and its economic modelling of reach. The BBC states this indicates that the new channel will have an audience reach comparable to BBC channels of a similar budget.<sup>65</sup>
- A1.73 The assessment also notes a difference between the value which participants in the research consider the proposal will deliver to society and the value to them as individuals: 64% of respondents to the quantitative research approving of the value of the new channel to society and 57% approving of the value of the new channel to them on a personal level.<sup>66</sup>
- A1.74 Using the structure set out by the BBC, we examine the impact of reach, take-up and audience views in reviewing the BBC’s assessment of the personal value of the proposed changes.

<sup>63</sup> [Public Interest Test, p.42.](#)

<sup>64</sup> [Public Interest Test, p.43.](#)

<sup>65</sup> [Public Interest Test, p.53.](#)

<sup>66</sup> [Public Interest Test, p.51.](#)



## BBC Evidence

- A1.75 The BBC modelled two scenarios for the proposed new channel's performance – one assuming it would take the channel 24 months from launch to reach a stable performance and another which assumed the channel would stabilise its performance by 2019. Based on these two scenarios, the BBC estimated that by 2019 the channel will achieve an average weekly reach in Scotland which varies between 5.1% and 12.2%.<sup>67</sup>
- A1.76 Quantitative research commissioned by the BBC found that 52% of people surveyed said they would watch the new channel regularly, with 26% stating they would be unlikely or very unlikely to watch.<sup>68</sup>
- A1.77 The BBC cited evidence from its qualitative research which found that, on a personal level, participants were most positive about the potential for new talents and formats, the contribution of the proposal to Scottish industry and the channel showing a mix of different shows. There was also approval from more than half of the participants for a number of other elements, including the 60% of original programming (reduced to 50% in the final proposal), the focus on audiences in Scotland and news from a Scottish perspective (although personal approval for the 9pm news programme was lower)<sup>69</sup>.
- A1.78 The quantitative research findings were similar, with the highest personal approval scores for the opportunities the channel would provide for people making TV programmes in Scotland (77%), the mix of different programmes (76%) and the focus on audiences in Scotland (70%)<sup>70</sup>.
- A1.79 The BBC also noted that, when asked about the value of the channel to them personally, many of the participants in the qualitative research were unsure about the quality of the proposed content. The BBC referenced concerns as to whether the budget would be sufficient to deliver quality programming, particularly given the large proportion of the available budget dedicated to news.<sup>71</sup>
- A1.80 In the context of personal value, the BBC noted that the changes in the proposal to BBC Two Scotland and BBC Four were the second and third most unpopular features of the channel in the quantitative research. However, it also noted that despite this 49% of respondents approved of the change to BBC Two, with 33% expressing no strong feeling. Further, 35% approved of the proposal for BBC Scotland to take the BBC Four slot on the electronic programme guide, while 10% disapproved and 50% had no strong feeling.<sup>72</sup>

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<sup>67</sup> [Public Interest Test, p.45.](#)

<sup>68</sup> [Public Interest Test, p.46.](#)

<sup>69</sup> [Public Interest Test, p.49.](#)

<sup>70</sup> [Public Interest Test, p.50.](#)

<sup>71</sup> [Public Interest Test, p.48.](#)

<sup>72</sup> [Public Interest Test, p.50-51.](#)

## Ofcom Review

- A1.81 By offering consumers additional choice, the BBC is likely to deliver some personal value to potential viewers. The extent of this benefit will correlate with the size of the audience the BBC Scotland channel attracts.
- A1.82 We estimate a range of 1.65% to 3.65% (including the BBC Two simulcast) for the audience share of the BBC Scotland channel (our base case is 2.14%). This is higher than the BBC's estimated audience share of 0.95% (or 1.09% including the BBC Two simulcast). Our range of estimates for the weekly reach of the channel is also higher, namely from 9.70% to 21.40%.<sup>73</sup> Both our estimates and those of the BBC indicate that the likely audience for the new channel may be relatively small.
- A1.83 The impact on personal value will depend on how attractive audiences in Scotland find the content on the new channel. There is thus an overlap with the discussion earlier in this review, particularly in relation to Public Purpose 3, as the extent to which individuals will watch and value content on the new channel will depend on the BBC's ability to deliver creative, distinctive output and services.
- A1.84 We welcome the BBC's attempt to look at the additional personal value created by the proposal through its assessment of the levels of concern about the changes in the proposal to BBC Two and BBC Four.

## Summary

- A1.85 Overall the BBC's assessment that the proposal will generate some personal value to viewers is reasonable. However, as the BBC suggests, the level of this value will be dependent on levels of take-up, which in turn will depend on the ability of the new channel to deliver a mix of high-quality content. We welcome the increased choice that the new channel will offer Scottish audiences, particularly if it delivers on its commitment to provide audiences *"the choice of something entirely Scottish – that reflects all aspects of life in Scotland."*<sup>74</sup>

## Cost

- A1.86 The BBC's assessment also includes a high-level description of the costs associated with the proposal. It is for the BBC, not Ofcom, to make budget decisions for its services. However, as explained in the Guidance, the cost of the proposal may be relevant to a BCA.<sup>75</sup> In this case, the BBC's analysis in this section provides useful context for the scale and scope of the proposal.

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<sup>73</sup> Annex 2, A2.89. Our average weekly reach figures are based on the relationship between viewing share and average weekly reach estimated by the BBC. Hence, our higher weekly reach estimates reflect the higher viewing shares we have estimated for the channel.

<sup>74</sup> [Public Interest Test, p.1](#).

<sup>75</sup> [Guidance](#), paragraph 5.25.

A1.87 Some concerns were raised about the budget by stakeholders and research participants and, in as far as these are relevant to the social and personal value of the channel, are discussed in detail in those sections.