



Proposed changes to BBC  
Three, BBC iPlayer, BBC One and  
CBBC  
MIA Stakeholder Questionnaire

Publication date: 20 January 2015

## About this document

In December 2014 the BBC proposed to make a set of changes to its UK Public Services. In particular:

- the closure of BBC Three as a broadcast channel in the autumn of 2015;
- its reinvention as an online-only offer;
- the evolution of BBC iPlayer from primarily a catch-up service to one that offers online-first BBC content and selected third-party content;
- the launch of a +1 channel for BBC One;
- extended hours for CBBC; and
- increased investment in drama on BBC One.

The BBC's Royal Charter and Agreement requires the BBC Trust to undertake a Public Value Test (PVT) before a decision is taken to make a significant change to its UK Public Services. The PVT comprises two elements – a Public Value Assessment (PVA) and a Market Impact Assessment (MIA).

For the purposes of conducting the MIA, Ofcom is seeking to answer a range of questions about the way in which the BBC's proposed service changes affect the services (or potential future services) offered by other stakeholders.

This document sets out the range of questions that Ofcom would like to receive stakeholder responses to.

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## Section 1

# Introduction

- 1.1 In December 2014, the BBC proposed a set of changes to its UK Public Services. Under the BBC Royal Charter and Agreement, a Public Value Test (PVT) must be applied before a decision can be taken to make any significant changes to the BBC's UK Public Services.
- 1.2 The decision on whether to authorise such a change is made by the BBC Trust (the Trust), following an application of a PVT. In reaching its conclusion on a PVT, the Trust must take account of two separate reviews:
  - 1.2.1 a Public Value Assessment, carried out by the Trust, which assesses the likely value of any proposed changes to the licence payer, particularly in terms of its contribution to the BBC's public purposes; and
  - 1.2.2 a Market Impact Assessment (MIA), carried out by Ofcom, which assesses the effect of the proposed service change on other services in the market. It considers both the direct impact on consumers and producers of other services, for example in terms of price and choice, and the likely impact on competition and market development, which will affect consumer and citizen interests in the longer term.
- 1.3 As part of the Market Impact Assessment of the BBC's December 2014 service proposals, Ofcom is seeking to answer a range of questions about the way in which the services of other stakeholders may be affected.
- 1.4 In December 2014, the BBC proposed the following set of changes to its UK Public Services:
  - a) The closure of BBC Three as a broadcast channel
  - b) The reinvention of BBC Three as an online-only service providing on-demand content
  - c) The launch of a BBC One + 1 service in standard definition (SD)
  - d) The extension of CBBC broadcast hours from 7am until 9pm (CBBC currently broadcasts from 7am to 7pm)
  - e) The development of BBC iPlayer from the existing catch-up service to one that also:
    - o premieres content (in advance of transmission on the BBC's linear broadcast channels and in addition to premiering as a result of re-inventing BBC Three as an online-only service); and
    - o includes selected content commissioned by third party partners.

- f) Increased investment in first run drama for BBC One.<sup>1</sup>
- 1.5 Further detail in relation to the service proposals is set out in the services description published by the BBC Trust and available at:  
<https://consultations.external.bbc.co.uk/bbc/changes-to-bbc-services>
- 1.6 This document sets out a range of questions. It first sets out the questions in short form, and then sets out a fuller set of questions in long form. Ofcom would prefer that respondents reply wherever possible to the long form questions, but recognises that this may not be possible for all stakeholders. In carrying out its analysis, Ofcom will consider responses to both the short and long form questions.
- 1.7 If you respond to the long form questions, there is no need to respond to the short form questions as well.
- 1.8 The BBC's December 2014 service proposals comprise a number of elements. Therefore, in responding to the questionnaire, respondents should make it clear which specific element (or elements) of the December 2014 service proposals they are referring to in their response.
- 1.9 Important notes:
- 1.9.1 We are proposing to share responses with the BBC Trust and Joint Steering Group unless respondents indicate otherwise. If you would prefer us not to share your MIA response, please prepare a separate MIA response document and clearly indicate on the cover that it is for Ofcom only.
- 1.9.2 Please ensure that any comments you have on the Public Value Assessment (PVA) of the new service proposals (as opposed to the MIA) are sent to the BBC Trust Unit.
- 1.9.3 Ofcom does not intend to publish MIA responses on its website. However, it may wish to refer to individual responses in its report findings, which is likely to be published in the Summer of 2015. If any parts of your response are confidential, and should not be referred to in the Ofcom report, please indicate that clearly in your response (with an indication of why the information is regarded as confidential). In the event that parts of your response are confidential it would be helpful if you could provide a confidential and non-confidential version of your response.
- 1.10 In answering this questionnaire, it is important, wherever possible, to support your response with evidence you might have readily available on these issues (e.g. consumer surveys, market research, board papers, business plans, documents and studies referring to the proposals, evidence on the responsiveness of costs to changes in output).
- 1.11 Evidence supporting answers to the long form questions marked with \*\* is particularly important for our analysis.

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<sup>1</sup> While this investment is not subject to the Trust's approval, the BBC Executive has confirmed that there is a dependency between BBC One investment and the closure of BBC Three as a broadcast channel. Therefore, we will factor this investment into our assessment.

- 1.12 The deadline for responses is 5pm 17 February 2015. Responses should be emailed to [paul.jacobus@ofcom.org.uk](mailto:paul.jacobus@ofcom.org.uk) or mailed to:

Paul Jacobus  
Ofcom  
Riverside House  
2a Southwark Bridge Road  
London SE1 9HA

- 1.13 If you have any queries regarding the MIA, please contact Paul Jacobus at the above email address in the first instance.

## Section 2

# Short form questions

### Introduction

- 2.1 In relation to each of the BBC's December 2014 service proposals:
- a) The closure of BBC Three as a broadcast channel;
  - b) The reinvention of BBC Three as an online-only service providing on-demand content;
  - c) The launch of a BBC One + 1 service in SD;
  - d) The extension of CBBC broadcast hours from 7am until 9pm (CBBC currently broadcasts from 7am to 7pm); and
  - e) The development of BBC iPlayer from the existing catch-up service to one that also:
    - o premieres content (in advance of transmission on the BBC's linear broadcast channels and in addition to premiering as a result of re-inventing BBC Three as an online-only service); and
    - o includes selected content commissioned by third party partners.
  - f) Increased investment in first run drama for BBC One.

### Questions

- 2.2 In relation to services that you currently supply:
- a) Which services do you believe will be affected by the BBC's December 2014 service proposals?
  - b) Which feature of each of the specific elements (as outlined in 2.1 (a) to (f) and described further in the service description) of the BBC's December 2014 proposals will have the greatest impact on the services that you currently provide?
- 2.3 In relation to services that you currently supply:
- a) How do you believe your current services will be affected by each of the service proposals (as outlined in 2.1 (a) – (f))?
  - b) Specifically, what do you expect will be the impact on costs, revenues and profits? How important are the affected costs, revenues and profits to your overall business?
  - c) If the BBC's December 2014 service proposals were introduced, how would you respond commercially?

- 2.4 In relation to your future plans:
- a) Do you have plans to implement new services that you consider would be affected by the service proposals (as outlined in 2.1 (a) – (f))?
  - b) Please describe these plans and how the service proposals would affect them. How advanced are those plans (e.g. have you made investments specific to those plans)?
  - c) If each of the BBC's December 2014 service proposals were implemented, how would these plans change?
- 2.5 Are there elements of the BBC's December 2014 service proposals (as outlined in 2.1 (a) – (f)) that when combined increase the impact on your business? Please specify.
- 2.6 Would any of the BBC's December 2014 service proposals have a positive impact on the services you currently provide? Please provide details.
- 2.7 Would you plan to launch new services as a result of the BBC's December 2014 service proposals? If so, please give details.

## Section 3

# Long form questions

## Information on potentially impacted services

- 3.1 Which of the services you currently supply do you think could be affected by the BBC's December 2014 service proposals (as outlined in 2.1 (a) – (f))? Please specify and provide brief reasons for why your services would be impacted in your response.
- 3.2 For each service identified in your response to 3.1 please provide:
- 3.2.1 A description of the service including:
- a) Date of launch;
  - b) Description of the service/product at launch – i.e. the main features – and any subsequent change since launch;
  - c) Platform(s) over which the product/service is provided (if applicable).
- 3.2.2 A description of the main features of the business model/plan for the service, including:
- a) Price (including price changes since launch);
  - b) If advertising supported, details of the type of advertising offered and prices;
  - c) Take-up or any other relevant measure of usage (e.g. viewing hours) since launch;
  - d) Expected future market growth;
  - e) Information on revenues since launch. If possible, please split by advertising revenue and other revenue (e.g. subscriptions, usage fees).

## Impact on services currently provided

- 3.3 \*\*For each of the services that you currently supply that will be affected by the BBC's December 2014 service proposals (as from your answer to 3.1) and with reference to each element of the BBC's December 2014 service proposals (as outlined in 2.1 (a) – (f)):
- 3.3.1 What characteristic of the service proposal (as set out in the service description) will have the largest effect on your customers' behaviour (e.g. changes to spending, changes to viewing patterns or habits)?
- 3.3.2 What is the anticipated impact on customer behaviour (e.g. in relation to change in viewing hours, change in usage volumes and change in number of customer subscriptions)?

- 3.3.3 What is the anticipated impact on your revenues? Where possible please split the revenue impact into its underlying components (e.g. impact on advertising revenues, impact on subscription revenues).
- 3.3.4 If you were told that the service proposal will be implemented, how and when would you react? For example, would you:
- a) Attempt to save costs;
  - b) Expand your service;
  - c) Reduce prices;
  - d) Scale down service;
  - e) Stop providing service; or
  - f) Any other.
- 3.3.5 If you have identified negative effects:
- a) Are there changes or safeguards to each service proposal that could be made to address these issues?
  - b) If so, what would those changes or safeguards be and how would they address the issue?
- 3.3.6 In relation to the services that will be affected by the BBC's service proposals:
- a) How important are the services that will be affected by the BBC's service proposals to your overall business?
  - b) Will the importance of these services change over time?
  - c) If possible, could you provide information on the approximate share of your company revenues and profits accounted for by each of these services.
- 3.3.7 How do the main components of your business costs change when:
- a) The number of subscribers or usage change?
  - b) The range of services changes?
- 3.4 Are there elements of the BBC's December 2014 service proposals (as outlined in 2.1 (a) – (f)) that when combined increase the impact on your business? Please explain what these combinations are and, if possible, specify what you consider to be the additional impact.
- 3.5 Would any of the BBC's December 2014 service proposals have a positive impact on the services you currently provide? Please provide details.

## Impact on future plans

- 3.6 \*\*In relation to the services you currently supply (and that you have identified as being affected by the BBC's service proposals), how critical are these to your future plans (e.g. in relation to future growth, future profits, strategy)? Please explain your answers.
- 3.7 \*\*Do you have plans to **expand the supply of existing services** that would be affected by the BBC's December 2014 service proposals?
- 3.7.1 Please describe these services (e.g. service features, target consumers, etc.) and make reference to each of the BBC's December 2014 service proposals that would affect these services.
- 3.7.2 At what stage of development are you? Have you already committed resources (including R&D), made investments, or gone public about these plans? Can you provide any documentation in support of your response?
- 3.8 Do you have plans to **launch new services** that you think will be affected by the BBC's December 2014 service proposals?
- 3.8.1 Please describe those services and make reference to each of the BBC's December 2014 service proposals that is considered to be the cause of the effect.
- 3.8.2 At what stage of development are you? Have you already committed resources (included R&D), made investments, or gone public about these plans? Can you provide any documentation in support of your response?
- 3.9 Would you plan to expand the supply of existing services or launch new services as a result of the BBC's December 2014 service proposals? Please provide details.
- 3.10 \*\*How do the planned new services integrate with the services you currently supply? What are the incremental costs of launching the new services? Why does this appear to be a good/profitable business opportunity?
- 3.11 \*\*If any of the elements (or a combination of the elements) of the BBC's December 2014 service proposals (as outlined in 2.1 (a) – (f)) were implemented would you revise your plans to expand supply of your service or launch new services and, if so, how? Please specify with reference to the individual element (or the combination of the elements) of the BBC's December 2014 service proposal.
- 3.11.1 If you have a business plan, have you run some sensitivity analysis on the key parameters (e.g. entry of other products or competitors), and, if so, which of those key parameters (and what degree of change) would make your supply of current or future services unviable? Please provide details of your analysis and the associated business plan.
- 3.12 \*\*If you were to scale down or abandon these plans, are there costs which you have already incurred that you could not recover (e.g. recovery of costs by selling assets to another user in this or related markets)?
- 3.13 \*\*Please provide an estimate of the likely impact on forecast revenues from the planned services, if the BBC implemented its December 2014 service proposals. If

possible, please provide the impact on forecast revenues with reference to individual elements of the BBC's service proposals (or combinations of service proposals).

### **Impact that may already have occurred**

- 3.14 When did you first hear about the BBC's December 2014 service proposals?
- 3.15 \*\*Have you already revised any plans since first hearing about the possibility that the BBC would be making changes to its service proposals? Please specify:
  - 3.15.1 Which BBC service proposal(s) led to the revision in your plans;
  - 3.15.2 Whether the plan was halted altogether;
  - 3.15.3 Whether the plan was postponed until more information was known about the BBC's service proposals;
  - 3.15.4 Whether the plan was modified and in which way.