

Public Value Test on BBC high definition TV

Briefing for stakeholders

22 May 2007

Today's presentation

Welcome

- Diane Coyle, BBC Trustee

Overview of the PVT process

- Christopher Woolard, BBC Trust

The proposal for a high definition TV channel

- Seetha Kumar, Head of BBC HD

The Public Value Assessment

- Christopher Woolard, BBC Trust

The Market Impact Assessment

- Charles Jenne, Ofcom

Q&A

Overview of the PVT process

Christopher Woolard
Head of Finance, Economics & Strategy
BBC Trust

Role of the BBC Trust

- **To represent the public interest**
- **Responsible for decisions on new services**
- **This is the Trust's second Public Value Test**

What is the Public Value Test?

Public Value Test (PVT)

Public Value Assessment (PVA)

Fit with Purposes

Quality & Distinctiveness

Impact

Reach

Cost and VFM

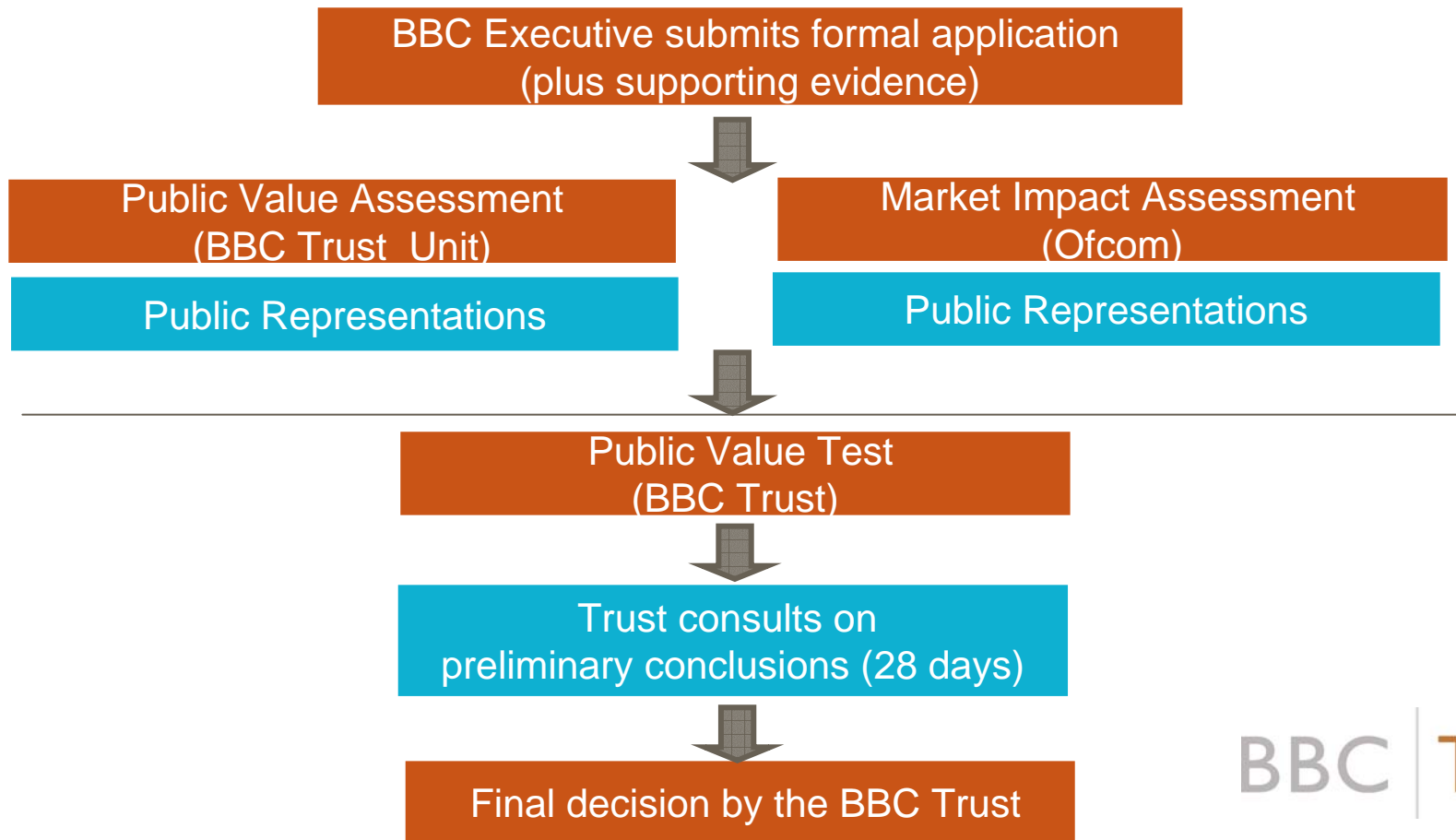
Market Impact Assessment (MIA)

Agreed methodology

Competition based

Economic effects

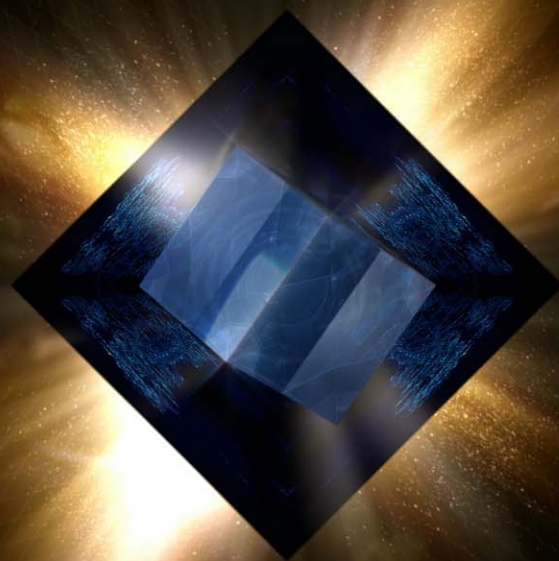
The PVT process



Indicative timetable for the PVT

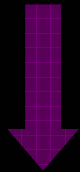
21 May	PVT commences
22 May	PVA & MIA stakeholder representations open
19 June	PVA & MIA stakeholder representations close
18 Sept	Publication of PVA & MIA
25 Sept	Publication of provisional conclusions Consultation opens
23 Oct	Consultation closes
21 Nov	Deadline for final decision

HD and the BBC



What is HDTV?

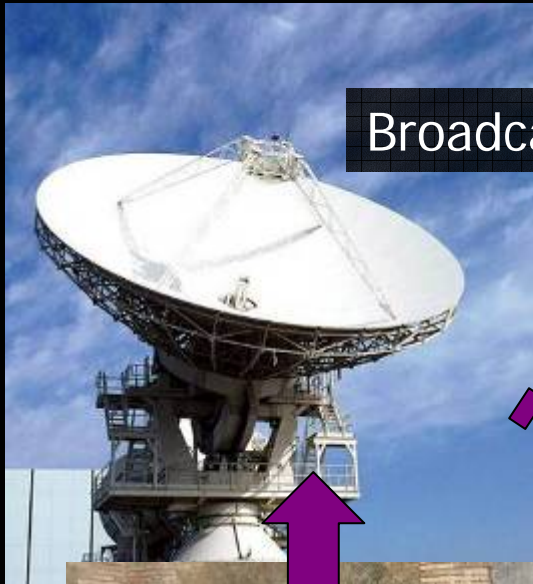
- More lines: 720 or 1080, instead of current 576
- More pixels = sharper, deeper pictures
- Benefits especially noticeable on screens of 28" +
- 5.1 surround sound enhances experience



Quality as a key differentiator



Changes to delivery chain



Broadcast in HD



HD-ready TV



Captured and produced in HD



HD set-top box



Consumer demand driving UK HD migration

- 3.8 million HD-ready TV set sales to end March 2007; expected to hit 10 million in 2008
- Prices fell by 30-40% over the last year; purchasing increasingly representative of social groups
- Consumers also experiencing HD quality through other technologies (e.g. DVD players XBox360, PS3, home video cameras)
- SKY HD: 10 months old; 244,000 reported customers by end March, BSkyB say SKY HD shows the fastest new product take-up



Global HD market is expanding

- International HD programme and channel market is expanding; US and Japan are dominant
- US: end 2006 - 27.7m HD TVs and 42 channels; 63m HD TVs and over 109 channels expected by 2011
- Japan: end 2006 - 9.6m HD TVs and 19 HD channels; 28.9m HD TVs and 69 channels expected by 2011
- Europe: services in 11 countries (various platforms); 2007 launches include Russia, Belgium, Estonia, Switzerland, Spain, Netherlands, Poland, Czech Republic
- Global HD channel numbers expected to increase from 106 at end of 2006 to 250 in 2010, 120 of which will be in Europe



BBC is investing in HD

- HD will become the default production and broadcast standard

Production is migrating to HD in line with:

- co-production demands
 - international sales
 - innovation and creativity
 - preserving the archive
 - equipment refresh cycle
- New 'best of BBC' HD channel is first stage in broadcast strategy
- Aim is to future-proof the BBC for licence fee payers, and lead technological development



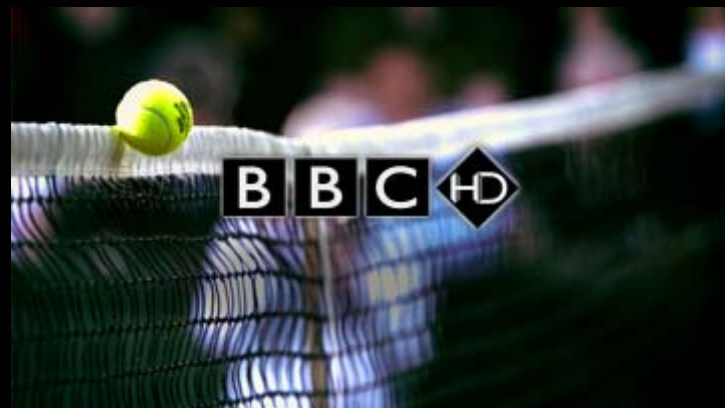
BBC HD trial

First UK Free-to-Air (FTA) HD broadcast:

- trial launched in June 2006
- Dsat -145 on SKY EPG
- Dcab - Virgin
- joint PSB, limited, closed DTT trial (450 homes in London area)

Objectives:

- test end-to-end delivery
- build industry partnerships
- gather information to inform BBC HD proposition
- research viewer experience across all platforms



BBC HD trial

- High broadcast and production delivery standards
- 'Native' HD programmes
- Landmark Factual, big events, Drama and Performance
- Scheduling: 2-4 hours a day; mix of live, simulcast and catch-up
- Distinctive, unique, mixed-genre
- Extremely positive audience reactions





Strategic rationale: future-proofing the BBC

- Licence fee payers' expectations of the BBC as quality benchmark
- Audiences have always expected the BBC to lead in technological advancements:
 - 30s 405-line television
 - 40s HD experiments with 1001 line camera
 - 50s Stereo sound tests, standards conversion
 - 60s 625-line colour television in UHF
 - 70s CEEFAX
 - 80s Digital video; NICAM digital stereo
 - 90s First trials of DTT and DAB
- Maintain relevance and appeal of BBC output
- Uphold social value of PSB genres



Strategic rationale: future-proofing FTA

- Make a major contribution to future-proofing FTA TV on all platforms
- The BBC's intervention will support the development of HD take-up, production and industry partnerships (as with DTT and DAB)
- HD presence on DTT is necessary to maintain platform competition, audience choice and future spectrum efficiency
- Delivery of a critical mass of FTA HD on DTT requires additional capacity



BBC HD: a portfolio channel

- Best of the BBC's HD output from across all BBC channels
- Simulcast + 'best of' 9 hour core programme schedule
- Rest of 24 hour schedule = promotional loop
- Flexibility around live music, sport, major events
- Evolutionary approach: BBC HD grows in line with HD content production



Genre mix

Key source of distinctiveness...

Public service emphasis on quality through:

- Factual and Natural History
- Drama
- Arts, Music and Performance
- Children's programmes
- Factual Entertainment and Lifestyle
- Sport

Significant amount of original UK content:

- only 20% Sport and acquired films
- less than 5% acquired specifically for BBC HD



History TV & Radio Programmes

timewatch



Phased, evolutionary service

- Launch schedule – Winter 2007/08: mixed genre 3-4 hr core schedule on Dsat and Dcab; DTT from mid-2008
- By end 2008: core schedule between 1500 and 2400 hours daily on Dsat and Dcab
- Fewer repeats as production increases
- Move towards BBC ONE simulcast between 1930 and 2200 hours
- Weekend schedule – BBC ONE core plus live sport



Distribution

- FTA on as many platforms as feasible
- Core schedule plus barker available from winter 2007/8
- DTT capacity issues – so non-live HD zone to be broadcast between 0200 and 0600, in line with availability of HD DTT hard-disk STBs
- Programmes available on day of transmission
- Watch at time of transmission or from hard disk recording



DTT platform

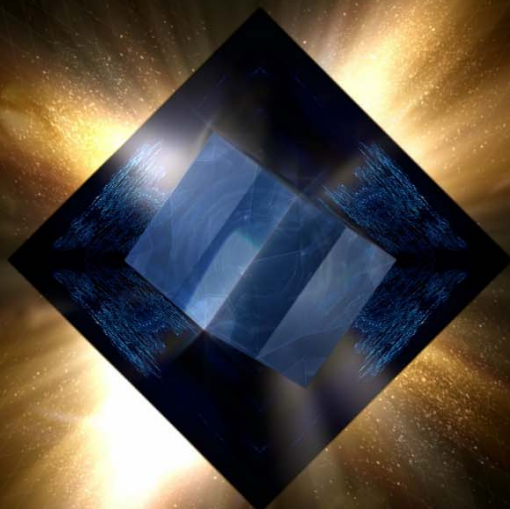
- Overnight HD zone on DTT is 'second-best' solution
- Balances DTT capacity constraints with commitment to universal provision and supporting evolution of platform
- Transmission time will minimise the impact on existing BBC SD services
- Overnight DTT zone to be replaced by full service if sufficient DTT spectrum capacity becomes available after switchover



BBC HD: key points

- HD is happening – in the UK and globally
- Audiences want HD and expect it from the BBC
- HD reinforces the BBC's reputation for quality
- The BBC needs to maintain relevance and appeal
- The BBC can play a vital role in supporting the transition to HD
- A best of BBC HD channel would reflect the PSB ethos
- The distribution proposition balances opportunities and constraints





B B C HD

The Public Value Assessment

Christopher Woolard
Head of Finance, Economics & Strategy
BBC Trust

The PVA methodology

- Fit with BBC's public purposes
- Assessment against drivers of public value
- Not a numeric equation nor looking for 'good' vs MIA 'bad'

Fit with BBC's public purposes

1.
Sustaining
citizenship
and civil
society

2.
Promoting
education
and
learning

3.
Stimulating
creativity
and cultural
excellence

4.
Representing
the UK's
nations,
regions and
communities

5.
Bringing
the world to
the UK and
the UK to
the world

6.
Helping to deliver digital Britain

Assessment against drivers of public value

Reach

**Quality &
distinctiveness**

Impact

**Cost & value
for money**

Some key issues for the PVA

- Is HD the new standard for television or a high end enhancement?
- Does it need to be provided at no incremental cost to the licence fee?
- What is the appropriate market building role for the BBC?
- How relevant is a new linear channel to the on-demand world?
- Is a dedicated channel needed or just simulcast capacity?
- How relevant to the UK is the global trend towards HD?
- Does the public really value HD?

Questions for stakeholders

- What role should the BBC play in the development of HD?
- Is the proposal a desirable use of the licence-fee?
- How will the proposals drive or maintain usage of BBC services?
- Does the service represent a high quality offering?
- How distinctive are the proposals?
- What are the benefits to consumers and society as a whole?
- How do the proposals fit with the BBC's public service role?

Submission of evidence

- Website: bbc.co.uk/bbctrust/
- Email: HDconsultation@bbc.co.uk
- Stakeholder interviews with BBC Trust officials
- Contact: David.Bradford@bbc.co.uk

Closing date 19 June 2007

BBC | Trust

Information Seminar – Market Impact Assessment of the BBC’s proposed High Definition Television Service

Charles Jenne

Project Director, Market Impact Assessment, Ofcom

22 May 2007

Terms of Reference

- Terms of Reference for Ofcom's market impact assessment published today at www.ofcom.org.uk. These set out the:

MIA Objectives

- Assess the potential impact of the proposed BBC HDTV service on
 - products and services for which it is likely to be a direct substitute or complement and
 - products and services on which it is likely to have a significant indirect impact

MIA Scope

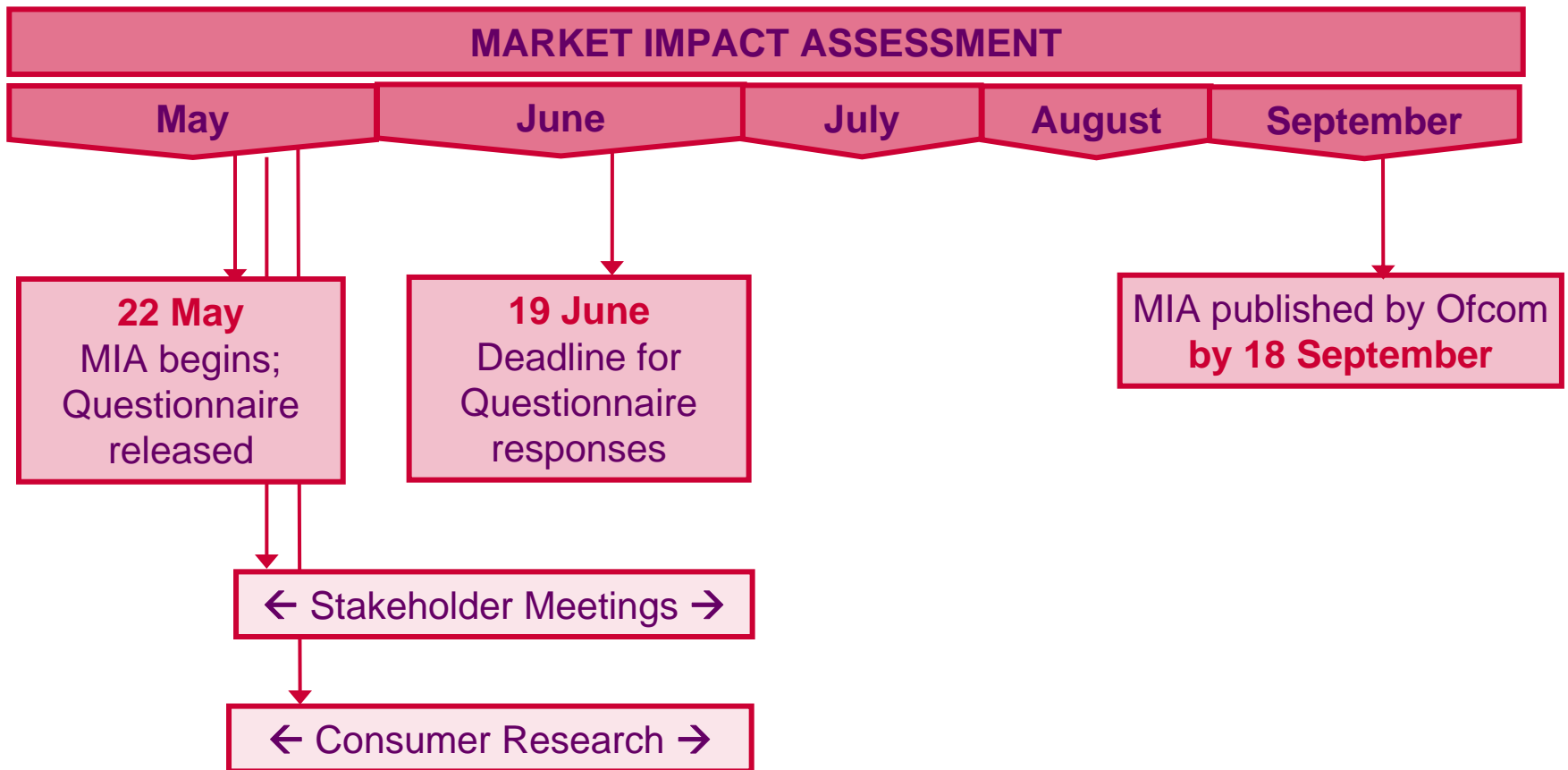
- Broadcast services on various delivery platforms;
- TV platform services and network services;
- Provision of content – including programme-making and rights exploitation;
- Hardware and software, including television reception equipment, recording and playback equipment and physical media; and
- On-demand services

Terms of Reference

MIA Analysis

- Quantitative and qualitative assessment of the impact of the proposed BBC HDTV service on the products and services identified, including the impact on manufacturers, retailers, service providers and, ultimately, consumers
- Consideration of static impacts and, in particular, dynamic impacts
- Sensitivity analysis to identify aspects likely to have the greatest effect and how negative effects, if any, could be removed or mitigated
- **The impact may be positive or negative**

Information Gathering for MIA



Stakeholder Questionnaire

- Available to download on the Ofcom website
- We're keen to receive submissions from any stakeholders
- The questionnaire is designed to provide structure to responses; we welcome all relevant information
- **Please provide available supporting evidence for all comments**
- Responses should be submitted by 5pm Tuesday 19 June to Helen.Keefe@ofcom.org.uk, or to Helen Keefe at Ofcom's postal address

- The Questionnaire is divided into three sections to cover any **actual or potential** effects on **existing or planned** products and services.
- **Effects might be positive or negative.**
- Broadly, the questions ask:
 - Describe the competing products and services directly affected (business plans etc)
 - Describe those direct effects and any indirect effects on that business
 - What aspects of the proposed BBC HD channel might have the greatest effect? How might the effects evolve in the future?
 - What effect could the proposed timing of the launch of the BBC HD channel have on the products and services and overall business?
 - For any negative effects: what safeguards could be introduced to mitigate or remove those?

Stakeholder Meetings

- We also invite stakeholders to meet us, individually or in small groups, at Riverside House as soon as possible before the end of June
- Please let us know ASAP if you would like to meet the Ofcom team (contact Helen Keefe)
- **Note that meetings will complement, not substitute, written responses to the Stakeholder Questionnaire**

Confidentiality

- All responses received by Ofcom will be treated as non-confidential unless you specify that part or all of the response is confidential and should not be disclosed
- Non-confidential responses will be shared with the BBC Trust unless a separate MIA response is prepared, which is clearly marked for Ofcom only

Useful Resources

MIA Webpage

- <http://www.ofcom.org.uk/research/tv/bbcmias/hdtv/>

MIA Contacts

- Stakeholder Programme – Helen.Keefe@ofcom.org.uk
- All other MIA questions – Khalid.Hayat@ofcom.org.uk

Public Value Test on BBC high definition TV

Contacts:

www.bbc.co.uk/bbctrust/

www.ofcom.org.uk/research/tv/bbcmias/hdtv/