



Market Impact Assessment of the BBC's High Definition Television Proposals – Terms of Reference

Publication date:

22 May 2007

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 High Definition Television ('HDTV') channel.

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 HDTV 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 a single, linear, digital TV channel in high definition ('HD') format.
- 1.5 It would be a mixed-genre channel, drawing from content across the BBC's channels, and would aim to meet the BBC's public purposes. The channel would be available free-to-view, and would carry no advertising.
- 1.6 The BBC is seeking approval to provide a service of nine hours per day, with some flexibility to extend beyond this to allow for the coverage of significant live sport or other events. At launch, the channel would offer a schedule of three to four hours per day, building to nine hours in late 2008. 95 per cent or more of the content will be HD versions of programmes broadcast in SD on other BBC channels.
- 1.7 The intention is to make the HD channel available on digital satellite, digital cable and digital terrestrial television. The BBC may also make the channel, or content from it, available on the internet, subject to value for money considerations and as technology allows. This could be through both bbc.co.uk and internet protocol TV providers.
- 1.8 The BBC Executive has identified two mutually exclusive options for digital terrestrial television (DTT): the full nine-hour schedule or a four-hour schedule overnight between 0200 and 0600.
- 1.9 The full nine-hour schedule would be offered on DTT if sufficient spectrum capacity were available after digital switchover.
- 1.10 The four-hour overnight schedule would be offered ahead of digital switchover and possibly after switchover if insufficient spectrum capacity were available during the transmission hours of the nine-hour schedule. However, it is also possible that the BBC Executive may review its options for providing HD on DTT if sufficient spectrum were not available after switchover.

- 1.11 The four-hour overnight schedule would offer selected highlights from the following day's nine-hour schedule on cable and satellite. In order to provide capacity for this at launch, the BBC Executive proposes to take down the following services from Freeview between the hours of 0200 and 0600: BBC Four until close-down; BBC Parliament, when broadcast; two BBCi interactive video streams (accessed through the red button on remote controls); the BBCi interactive news loop (also accessed through the red button – for the avoidance of doubt, BBC News 24 would not be affected).
- 1.12 These changes would be subject not only to PVT approval by the BBC Trust but also to a separate Ofcom process. The DTT multiplex on which the BBC transmits the channels is licensed by Ofcom, so an application to Ofcom for a variation of the multiplex licence would be required.
- 1.13 Under the option where sufficient spectrum capacity becomes available following digital switchover, the four-hour overnight schedule on DTT would be replaced by the same nine-hour service as provided over the cable and satellite platforms. This would happen as digital switchover proceeds region by region. Full national coverage would be achieved on completion of digital switchover in 2012.
- 1.14 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>

Objective

- 1.15 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 HDTV 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

- 1.16 The MIA will be carried out in accordance with the methodology which has been agreed between the BBC Trust and Ofcom.

Output

- 1.17 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 producers and other participants and ultimately consumers.
- 1.18 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) producers' plans.
- 1.19 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

- 1.20 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

- 1.21 Ofcom should consider the potential impact of the HDTV proposition on the following products and services:
- 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.
- 1.22 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.
- 1.23 The MIA will identify the services for which the proposed HDTV service is likely to be a direct substitute or complement (the “primary” services), as well as other related services upon which the proposed HDTV service is likely to have a significant indirect impact (the “secondary” services).
- 1.24 The spectrum requirements of HDTV service provision, notably over the DTT platform, are also relevant to the market for spectrum. The opportunity cost of spectrum will therefore be taken into account.

Timetable for completion

- 1.25 Ofcom is required to deliver the MIA to the BBC Trust by 17 September 2007. It is anticipated that the results of the MIA will be published alongside the BBC Trust’s Public Value Assessment in Autumn 2007.
- 1.26 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.
- 1.27 Agreed by the Joint Steering Group on 17 May 2007.