

## BBC Commercial Activities: Statement

### Deadlines for the publication and provision of information under the Monitoring, Reporting and Transparency requirements

- 1.1 Under the Charter and Agreement the BBC may carry out commercial activities but only through subsidiary companies.<sup>1</sup> There is a risk that without appropriate safeguards the BBC's public funding could be used to subsidise or benefit these subsidiaries by offering services on favourable terms. This could distort competition by giving its commercial subsidiaries an unfair competitive advantage.
- 1.2 One of Ofcom's principal functions in regulating the BBC is to set requirements in relation to the interaction between the BBC and its commercial activities to ensure that commercial activities do not, as a result of their relationship with the UK Public Services, trading activities or non-service activities, distort the market or create an unfair competitive advantage.<sup>2</sup>
- 1.3 In March 2017, we published our requirements and guidance in respect of the BBC's commercial activities which we had decided to put in place to avoid this happening.<sup>3</sup> These requirements and guidance form part of our Operating Framework for the BBC<sup>4</sup> and include obligations concerning publication and provision of specified information to Ofcom.<sup>5</sup>
- 1.4 We explained in our guidance accompanying the requirements, that reporting of this information is important for transparency. Monitoring the trading and separation between the BBC Public Service and the BBC's commercial activities will enable us to fulfil our role as set out in the Charter and Agreement, and will give confidence to the wider market that the BBC is complying with its regulatory obligations.
- 1.5 When imposing the requirements in March 2017, we set out, for certain requirements, the frequencies with which the information must be published or provided to Ofcom (as applicable). Having considered this issue further and after engagement with the BBC, in particular in relation to the BBC's internal reporting cycle, we have decided to specify in respect of each requirement the date by which the BBC must publish or provide information to Ofcom (as applicable) for the first time and in subsequent periods.
- 1.6 These requirements are set out in a table below and form part of our Operating Framework for the BBC.

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<sup>1</sup> The Agreement, clause 23(4).

<sup>2</sup> The Charter, article 46(6) and the Agreement, clause 28.

<sup>3</sup> "*The BBC's commercial activities: requirements and guidance*", published on 29 March 2017. These requirements have now been combined with the requirements in respect of trading activities in the document entitled "*The BBC's commercial and trading activities: requirements and guidance*" which was published on 26 July 2017 and is available at: [https://www.ofcom.org.uk/data/assets/pdf\\_file/0025/99412/bbc-commercial.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0025/99412/bbc-commercial.pdf).

<sup>4</sup> The BBC's Operating Framework, <https://www.ofcom.org.uk/consultations-and-statements/ofcom-and-the-bbc/the-operating-framework>.

<sup>5</sup> *The BBC's commercial and trading activities: requirements and guidance*, page 25.

## Deadlines in respect of the monitoring, reporting and transparency requirements

Specified information	Relevant requirement <sup>6</sup>	Frequency	Scope of disclosure	First deadline	Subsequent deadlines
Transfer pricing and brand valuation methodologies. <sup>7</sup>	<p>The BBC must:</p> <ul style="list-style-type: none"> <li>publish the methodologies it uses to establish transfer prices for each type of good or service that the BBC Public Service supplies to commercial activities.</li> <li>publish the methodologies it uses for valuing the BBC brands.</li> </ul>	Annual	Publication	<p>For BBC Studios, the information must be published in a prominent place on the BBC's website by 31 October 2017.</p> <p>For each other commercial subsidiary, the information must be published in a prominent place on the BBC's website by 31 December 2017.</p>	For each commercial subsidiary, the information must be published in a prominent place on the BBC's website at the same time when the BBC Annual Report is published.
Material changes to the transfer pricing methodologies, including impact assessment.	The BBC must notify Ofcom and publish any material changes to any of its methodologies for calculating an appropriate transfer price, including a	Annual	Publication	The information must be published in a prominent place on the BBC's website at the same time as the BBC Annual Report for the year ending 31 March 2018.	The information must be published in a prominent place on the BBC's website at the same time as the BBC Annual Report for each financial year.

<sup>6</sup> *The BBC's commercial and trading activities: requirements and guidance*, page 25.

<sup>7</sup> Our requirements and guidance on pricing of goods and services are set out in: *The BBC's commercial and trading activities: requirements and guidance*, pages 18 – 21.

Specified information	Relevant requirement <sup>6</sup>	Frequency	Scope of disclosure	First deadline	Subsequent deadlines
	statement of the impact of the relevant methodological changes.	Quarterly	Provision to Ofcom	The information must be provided to Ofcom by no later than 31 October 2017 for the quarter ended 30 June 2017.	The information must be provided to Ofcom as soon as possible following approval from the BBC's Board, but no later than three months after each quarter-end.
Description and financial performance of each commercial subsidiary and the lines of business comprised within the BBC's commercial subsidiaries.	<p>The BBC must ensure that reports and accounts covering each of the commercial subsidiaries are published each year (including on their websites) and that these:</p> <ul style="list-style-type: none"> <li>○ contain a clear description of the lines of business comprised within the BBC's commercial subsidiaries;</li> <li>○ provide financial and performance information; and</li> <li>○ include information broken down for different types of business.</li> </ul>	Annual	Publication	The information must be published in a prominent place on the BBC's website at the same time as the BBC Annual Report for the year ending 31 March 2018.	The information must be published in a prominent place on the BBC's website at the same time as the BBC Annual Report for each financial year.

Specified information	Relevant requirement <sup>6</sup>	Frequency	Scope of disclosure	First deadline	Subsequent deadlines
Forward looking commercial rates of return of each line of business comprised within the BBC's commercial subsidiaries. <sup>8</sup>	The BBC must inform Ofcom annually of the forward looking commercial rate of return it considers appropriate for each line of business.	Annual	Provision to Ofcom	The information must be provided to Ofcom by no later than 31 October 2017 for the year ending 31 March 2018.	The information must be provided to Ofcom no later than the first day of each financial year, i.e. no later than 1 April.
Financial performance and rate of return of each line of business comprised within the BBC's commercial subsidiaries.	The BBC must keep the performance of its commercial activities under review to ensure that they generate an appropriate commercial rate of return and, on a quarterly basis, provide a report on the financial performance of each line of business to Ofcom, including relevant revenues, costs and profits, and the performance against the target commercial rate of return.	Quarterly	Provision to Ofcom	The information must be provided to Ofcom by no later than 31 October 2017 for the quarter ended 30 June 2017.	The information must be provided to Ofcom as soon as possible following approval from the BBC's Board, but no later than three months after each quarter-end.

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<sup>8</sup> Our requirements and guidance on commercial rates of return are set out in: *The BBC's commercial and trading activities: requirements and guidance*, pages 22 – 24.