



BBC new on-demand proposals MIA – Terms of Reference

Publication date: 18 September 2006

Terms of Reference

- 1.1 This document provides the terms of reference for Ofcom's market impact assessment of the BBC's new on-demand proposals

Introduction

- 1.2 The BBC's new Royal Charter and Agreement 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'). In the transitional period until the new Charter becomes legally effective on 1 January 2007, the BBC Governors have committed to apply the PVT to all new service licence applications.
- 1.3 For the purposes of conducting MIAs, the Ofcom and the BBC Governors have established a Joint Steering Group ('JSG') with Ofcom. The JSG has set these terms of reference for this MIA. The substantive findings of the MIA, however, will remain a matter for the judgment of Ofcom.

Proposition

- 1.4 The BBC proposes the following new offerings:
- Seven day catch-up TV over the internet;
 - Seven day catch-up TV over cable and Homechoice;
 - Simulcast TV over the internet;
 - Non-DRM audio downloads over the internet;
- 1.5 The three internet-based offerings will be combined into a direct-to-consumer offering, BBC iPlayer version 1.0, which will incorporate all the existing BBC players.¹

Objective

- 1.6 The purpose of the MIA is to assess the impact which the introduction of these services would have on the markets in which they would be provided, and on other related markets.

Approach

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

Output

- 1.8 The MIA will provide an assessment and, where possible and relevant, a quantifiable evaluation of the impact on the relevant primary and other markets identified. This

¹ Radio Player, News Player, Weather Player, Sport Player, and the Media Console Player.

includes an assessment of the impact on producers and other participants in relevant markets and ultimately consumers.

- 1.9 The assessment of some effects is likely to remain purely qualitative, for example those related to investment incentives in other markets. Ofcom should, however, seek to obtain some information as to the likely impact on existing (and perhaps future) producers' plans.
- 1.10 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

- 1.11 Ofcom and the BBC Governors 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; and
 - 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.

Identification of relevant markets

- 1.12 Ofcom should consider the potential impact of the new on-demand proposals on the markets for the following products and services:
- broadcast services on various delivery platforms, including related advertising services;
 - on-demand services, including those offered on various delivery platforms; and
 - home recording and viewing services and products.
- 1.13 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.
- 1.14 The MIA will identify the markets to which the proposed new on-demand proposals belong (the "primary" markets), as well as other related markets where the proposed services are likely to have a significant indirect impact (the "secondary" markets).

Timetable for completion

- 1.15 Ofcom is required to deliver the MIA to the BBC Governors by 15 December 2006 (three months from the date these terms of reference are finalised). It is anticipated that the results of the MIA will be published alongside the BBC Trust's preliminary conclusions in early 2007.

- 1.16 In the event of delays caused by the unavailability of data or other unforeseen circumstances, the JSG may be asked to approve an appropriate addition to the overall MIA timetable. In such cases the JSG would make clear its reasoning and revised timetable for production of the MIA report.
- 1.17 Agreed by the Joint Steering Group on 15 September 2006