



Independent Television Commission

01/09811

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Dear Vanessa

BBC NEW SERVICES

The letter by Andrew Ramsay of 7 June invited further comments on the BBC's proposed new services. The ITC welcomes the opportunity to offer its views in light of additional information supplied by the BBC.

The ITC's response makes four key points

Distinctiveness

We are encouraged by the extra information about BBC Four, with the commitment to 70% original content, "experimental performances", "serious intellectual debate and interviews on subjects such as philosophy, science and history" and so on. The description of BBC Three, however, is less convincing and, indeed, the BBC itself compares it with "existing entertainment providers." The information in relation to the children's channel suggests magazine programmes will make up a significant part of the schedule and that original content may be low – less than 50%. We believe both remits here need to be more challenging. Please see also Funding and Monitoring below.

Timing

The ITC's previous submission emphasised the importance of maximising the impact made by the new BBC services on the UK digital television market, while minimising any potential distortion of the existing market. In particular we pointed to the need for new cable and satellite channels, such as Artsworld, with which new BBC channels would compete, to become established. We noted that so long as digital take-up remains healthy across all three platforms, one of the reasons for the launch of the BBC's proposed services is less pressing.

Advertising revenue is an important source of income for the basic commercial digital channels and the BBC's new channels are expected to compete with these channels for viewing. ITC figures show a 50/50 split between subscription income and advertising revenue for basic channels. In recent months commercial advertising on television has shown signs of a slowdown and the ITC would be concerned if, on the back of a sustained slump in revenues from this source, shareholder confidence was further undermined by a concerted launch of BBC services.

We recommend that consideration is given to the time at which the launch of distinctive, well-funded, free-to-air BBC channels would be most beneficial to overall take-up of digital television and in particular, in relation to free-to-air digital television. This clearly depends on developments in the market.

Funding

The ITC believes it is important that new BBC services are well funded to provide the type of original and UK originated programming that distinguishes the BBC from many other channel providers. Given the higher cost of such content relative to programming available on pay television, comparisons between the budget for the BBC's new services with many of the pay TV channels provide only partial comfort. Relative to channels with similar remits, the BBC's budgets for new services appear low (See Graphic A attached).

Monitoring

Finally, the ITC would encourage a monitoring framework to assess the commitments by the BBC to its new services and ensure its response to changing circumstances does not overly weaken its stated intentions or increasingly distort the market at the expense of the viewer as well as commercial players. We suggest that, in line with the proposals for Tier III regulation, the BBC is required to be reasonably specific in its annual plan, for example, about investment levels and types of programming, and to report on performance at the year end.

Thank you for the opportunity to convey the ITC's views. Please contact my office if I can be of any further assistance.

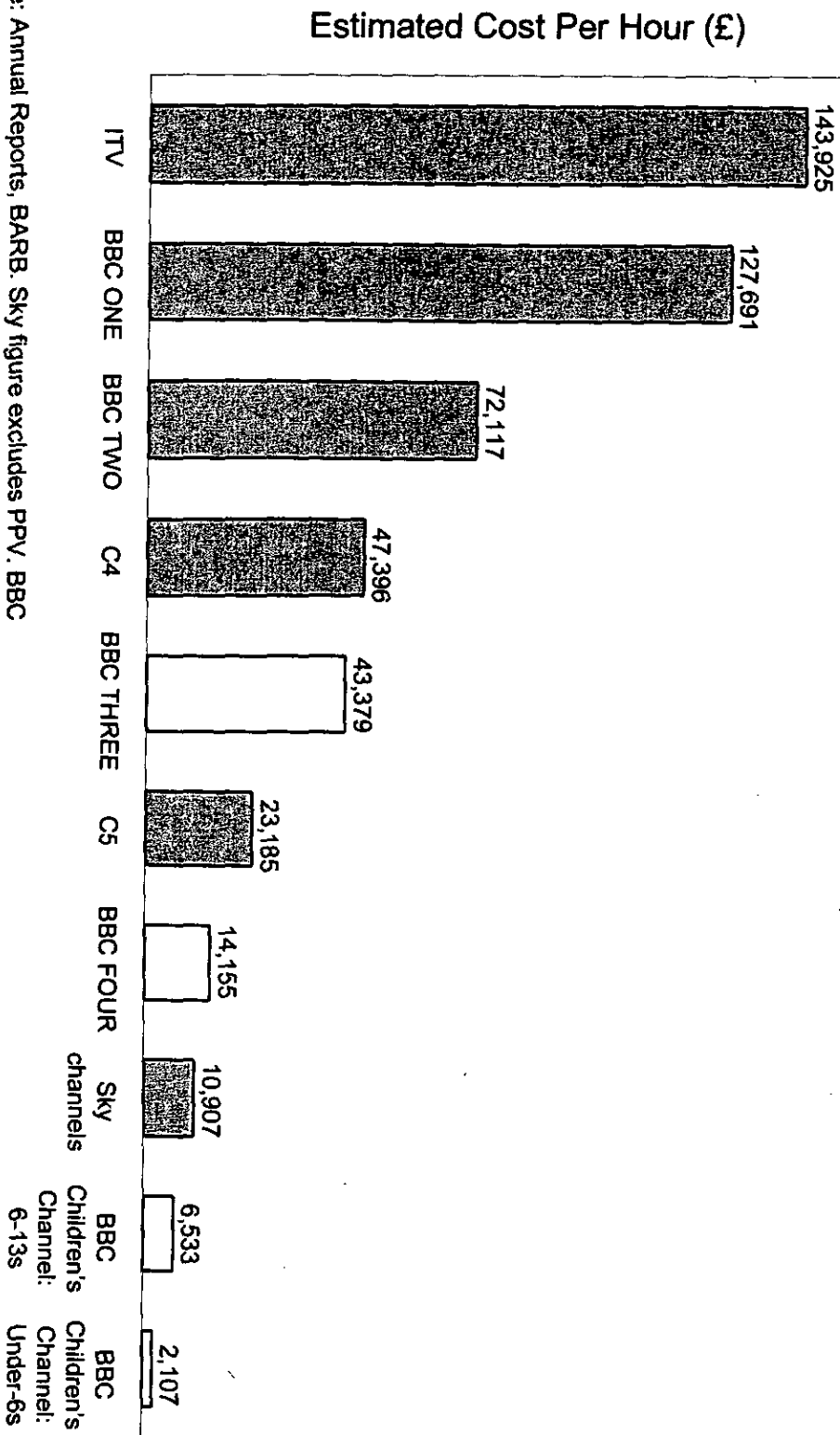
Yours sincerely



Robin Foster
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Chart A: Comparison with other channels

Cost Per Hour Estimates For Selected Channels (2002-3)



Source: Annual Reports, BARB. Sky figure excludes PPV. BBC digital channel CPHs refer to 2002-3; other channels' CPHs have been inflated to ensure equivalence