[GB] First Market Assessment of New BBC On-Demand Proposals

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The new BBC Royal Charter and Agreement (see IRIS 2006-5: 13), which came into effect on 1 January 2007, requires that new and modified BBC services should be subject to a Public Value Test to establish whether they will be in the public interest. As part of this process the communications regulator, the Office of Communications (Ofcom) undertakes a Market Impact Assessment to assess the likely impact of the services on the markets in which the new services will be provided and in related markets, examining the extent to which they might deter innovation and investment by alternative providers in the commercial sector. The first such Assessment has been completed, and the BBC has announced its provisional decision as a result.

The BBC proposed four new on-demand services. The first was a seven-day catch-up TV service over cable, including “series stacking” by which an entire series could be stored and viewed within seven days of the final episode. The second was a similar service over the Internet, including series stacking and the opportunity to store downloaded programmes for up to 13 weeks before viewing. The third was for simulcast TV broadcasting over the Internet. The fourth proposal was for non-DRM (digital rights management) audio downloads of BBC radio programmes (excluding commercial music).

Ofcom noted that the markets for on-demand services are at an early stage of their development, but growing rapidly, and estimated that over the next five years linear TV-viewing may fall by 20-30% to be largely replaced by on-demand services. It supported the presence of the BBC in these new markets, and considered that this would have a considerable effect in expanding them. However, Ofcom was concerned about the presence of series stacking, which would make the service a more direct substitute for commercial services, and recommended that its scope should be substantially reduced through a narrower definition of what constitutes a “series” or through other restrictions; if these proved not to be feasible, series stacking should be excluded altogether. Ofcom was also concerned by the market impact of catch-up TV over the Internet where programmes could be stored for up to 13 weeks; the 13-week storage window should be removed or substantially reduced. The new services would involve increased broadband capacity, and this should be taken into account by the BBC. Non-DRM audio downloads could have a negative effect on investment in

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competing services, especially in relation to live classical music and book readings; these should be excluded, or at least a much tighter definition provided of the classical content to be made available.

In its provisional decision, the BBC Trust approved the new on-demand services, but with significant modifications. The storage window for seven-day catch up over the Internet will be reduced from 13 weeks to 30 days, and audio-books and classical music will be excluded from non-DRM downloads. A tighter definition will be offered concerning which series will be available for series stacking. In addition, a platform-agnostic approach will be required, and provision made to protect children from unsuitable content. The proposals are now subject to consultation for eight weeks.

Ofcom: BBC New On-Demand Services - Market Impact Assessment, 23 January 2007

http://www.ofcom.org.uk/research/tv/bbcmias/ondemand/bbc_ondemand/

BBC Trust Reaches Provisional Conclusions on BBC On-Demand Proposals, 31 January 2007

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