

## **The BBC's response to the consultation on Ofcom's BBC Scotland competition assessment**

The BBC welcomes the decision by Ofcom to provisionally approve the new BBC Scotland channel with no conditions<sup>1</sup>.

The BBC is pleased that Ofcom agrees that the new BBC Scotland channel has the potential to make a valuable contribution to the BBC's mission and public purposes, that the channel will broaden the options available to viewers in Scotland and will deliver more content that reflects the lives of audiences in Scotland. Ofcom's recognition that the new channel is unlikely to have a substantial crowding out effect on competition and that the wider market effects of the proposal are unlikely to be large is also positive.

We are also pleased that Ofcom is satisfied that the BBC had sought stakeholders' views sufficiently and that the BBC had undertaken appropriate qualitative and quantitative research and economic analysis to support its assessment of the proposals.

As Ofcom points out, the new BBC Scotland channel is the first change to a BBC public service which has been subject to a Public Interest Test (PIT). Overall, the BBC believes that the new regulatory process has progressed smoothly and quickly.

In Annex 1 we provide further detail on our proposals as requested by Ofcom. In Annex 2 we address a small number of procedural points raised by Ofcom in its consultation.

---

<sup>1</sup> Under the 2016 Charter and Agreement, Ofcom is required to examine major changes to the BBC's public services. In November 2017 the BBC published its [proposals](#) to launch a new BBC channel for Scotland. On 20 April 2018 Ofcom published its consultation on the BBC Scotland Competition Assessment.

## **Annex 1: Additional information**

During the consultation period Ofcom asked the BBC to provide further detail on a number of points raised by other stakeholders.

### *Plans for programming*

As Ofcom rightly points out, the level of personal value experienced by those watching the channel will partly depend upon “the BBC’s ability to deliver creative and distinctive output for the new channel”<sup>2</sup>. Since we published our proposals in November 2017, we have further developed our content plans for the channel and we are confident that BBC Scotland will deliver creative and distinctive programmes.

By way of illustration, an evening channel schedule may incorporate the following programme genres, relative to slots. This, of course, is neither definitive nor prescriptive and programme lengths will inevitably vary:

7.00 – 8.00	Quiz, lifestyle features and repeats
8.00 – 9.00	Pre-watershed documentaries, factual programming
9.00 – 10.00	Nine o’clock News
10.00-11.00	Drama, factual, comedy, acquisitions
11.00 – 12.00	Content aimed at younger audiences

We also reiterate the point we made in our November 2017 submission that all programmes shown on the channel will appeal to and reflect the diversity of audiences in Scotland.

### *The potential impact on BBC’s proposals on newspapers*

Our November 2017 submission discussed the BBC’s plans for news coverage on the channel and the creation of around 80 new posts. In its consultation paper, Ofcom discussed whether a) the strengthened news-gathering team could produce further material for use, particularly on BBC Online News Scotland (see para 5.20); and b) affect the ability of newspapers to attract/retain journalists (see para 5.22). Ofcom concluded that neither of these potential impacts posed cause for concern, partly based on an analysis of a detailed breakdown of the 80 roles provided by the BBC. This showed that roughly half of the 80 roles are production roles (e.g. Editors, Directors, Producers) and half are more focussed on newsgathering (e.g. Senior Journalists and Correspondents).

We also note that since the submission of our proposals to Ofcom there have been a number of other developments which further support the public value arguments for the channel’s proposed news coverage. In particular, more evidence of structural changes in the newspaper industry (as demonstrated by the proposed merger of Trinity Mirror and

---

<sup>2</sup> See page 19 of Ofcom’s BBC Competition Assessment: Consultation on Ofcom’s provisional determination published on 20 April 2018.

the publishing assets of Northern and Shell) potentially leading to further consolidation and the decision by STV to close down STV2 and reduce its news staff as announced on 16 May 2018.

*Co-commissioning opportunities with BBC Alba*

In our submission to Ofcom we stated that “We are keen for the channel to work in partnership with BBC Alba (and more generally with other parts of the BBC) through cross-commissioning and co-commissioning”<sup>3</sup>. BBC Alba’s news coverage will benefit from the investment in news on the BBC Scotland channel as we are planning an additional 15 minute bulletin at the weekends on BBC Alba.

In addition, there will be other co-commissioning and cross-commissioning opportunities with BBC Alba. The scope of these will depend upon the range and type of programmes commissioned for the new BBC Scotland channel. At this stage, as we have not yet received final approval for the channel, our plans are still in development and we are not in a position to provide more detail. However, as stated in our November 2017 submission, we anticipate that co-commissioning opportunities could lead to up to an additional 100 hours of content on BBC Alba.

18 May 2018

---

<sup>3</sup> Page 28, Proposals for the launch of a new BBC Scotland TV channel, Submission to Ofcom, November 2017

## **Annex 2: Procedural points**

In its consultation document, Ofcom highlighted some procedural points that the BBC should evolve in future PITs.

### *Consultation with stakeholders*

Ofcom said the BBC did not consult with stakeholders when it decided to amend substantive features of the proposal. We agree with Ofcom that had the BBC substantively amended its proposals for the new BBC Scotland channel, we would have consulted further with stakeholders.

However, most of the changes to the proposal were in response to feedback that the BBC had received during its consultation and stakeholder roundtables. For example, reducing the ratio of first-run programmes to repeats and acquisitions was a direct response to feedback about potential quality of programming on the channel due to the small channel budget. Similarly, the decision to launch an HD variant of the channel was partly triggered by feedback from stakeholders that HD was important. We therefore did not feel there was any need to consult further, as we already had the relevant evidence to support our decision.

### *Publication of detailed market impact analysis*

Ofcom noted that the BBC had not published the detailed market impact analysis undertaken on our behalf by Frontier Economics and Communications Chambers.

We had decided not to publish this report for two reasons. First, the audience impact analysis drew heavily on BARB data which Frontier Economics was not permitted to publish under the terms of their BARB licence. Publication would have required such significant redactions that it would have been difficult for stakeholders to understand the evidence base for our analysis. Second, we were concerned that publishing detailed analysis about the potential impacts of the proposal on third party commercial services could have a detrimental impact on these companies.

In future PITs we will provide more detail of the approach to modelling, and the estimates of audience take up within the BBC published submission, wherever possible. We will also revisit our approach to publishing analysis relating to third party commercial services.

### *Amending the BBC Scotland channel proposal during the PIT process*

Ofcom noted that the BBC had amended its proposal for the BBC Scotland channel during the PIT process, with the decision to launch the channel in HD. Ofcom also stated that it will require the BBC Board to review a PIT where it thinks an amendment may substantively alter its analysis.

We agree that any substantive change to the proposal so as to alter the nature of the proposal should lead to it being reconsidered by the BBC Board before resubmission to Ofcom. This was clearly not the case with the decision to launch the new channel in HD, as Ofcom agreed in its consultation document (para 2.21).

*Assessing the impact of the proposed change on public value*

Ofcom stated that the BBC's assessment is limited by the fact that it did not take into account the effects the proposals may have on the public value created either by the BBC's existing services or by those provided by third parties.

We believe that our PIT considered the impact that changes to BBC Two and BBC Four would have on audiences for these two channels adequately. Our estimates of viewing hours for the channel took into account BBC Scotland's cannibalisation of viewing of other BBC channels, the removal of opts programming on BBC Two and the change in BBC Four's position on the Electronic Programme Guide (see paras 185 and 186 of our November 2017 submission). We also reported the views of those participating in our qualitative and quantitative research on changes to the BBC's other public services (see paras 203-205 of our November 2017 submission).

We did not look at the impact of the new channel on the public value created by consumption of services provided by third parties. We recognise that theoretically a small reduction in viewing could lead to a loss in public value for viewers who used to watch, for example, STV. However we assume that any substitution of viewing away from STV occurs because audiences choose to watch the programmes that they think they will enjoy the most. It therefore follows that the public value generated by viewing of the BBC Scotland channel, net of any loss in the public value associated with less viewing of STV, will be greater than the sum of the public value attributable to viewing of BBC Scotland and the public value attributable to viewing of STV in the counterfactual. Furthermore, over the longer term, the BBC is not in a position to second-guess how a competitor might react to a new BBC public service, or a change to an existing one. It would therefore be difficult to assess the longer term likelihood and scale of impacts of small losses in viewing of third party services on the public value generated by audiences watching those services with any degree of certainty.