

Local Video

Public Value Test final conclusions

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Glossary of Terms

Charter	The current Royal Charter governing the BBC
DAB	Digital Audio Broadcasting
Dynamic impacts	The effect of the BBC service on other services, once they have adjusted their behaviour in response to the BBC service
Framework Agreement	Framework Agreement dated July 2006 between the BBC and the Secretary of State for Culture, Media and Sport
MIA	Market impact assessment, undertaken by Ofcom to assess the market impact of new BBC proposals. This forms part of the public value test, below
On-demand	Allows users to select, stream or download, store and view film and television programmes, usually within a certain timeframe, using a digital cable box or online service
PVA	Public value assessment, undertaken by the Trust to assess the value of BBC proposals, including value to licence fee payers, value for money and wider societal value. This forms part of the public value test, below
PVT	Public value test; significant changes to the BBC's UK Public Services must be subject to full and public scrutiny. The means by which this scrutiny takes place is the public value test. A PVT is a thorough evidence-based process which considers both the public value and market impact of proposals. During PVTs, the Trust will consult the public to ensure its decisions are properly informed by those who pay for the BBC
Reach	Measures reach of BBC's service to its audience

Service licence	The Trust aims to ensure that the BBC offers high quality and original services for all licence fee payers. To help deliver this, it sets out the remit and expectations for each BBC service – and how that service will create public value by delivering the BBC's public purposes – in a published licence
Static effects	The effects of the BBC service on other services without taking account of how other service providers respond over time

Any other defined terms used are taken from the BBC's Framework Agreement, unless otherwise stated

1. Introduction and Key Findings

- 1.1 This document sets out the final decision of the Trust not to approve the proposal from the Executive to launch an online local video news offering ('local video'). The Executive's application is available on the Trust's website and summarised in section 2.
- 1.2 The Trust has reached its final conclusions having conducted a Public Value Test (PVT) on the proposal, which included public consultation on its provisional conclusions published on 21 November 2008. Further detail on the PVT process is contained in annex I.
- 1.3 The public consultation on the provisional conclusions closed on 5 January 2009. The Trust received 34 responses, of which 24 were from members of the public, the remaining 10 were from industry stakeholders and Audience Councils. A summary of individual responses can be found in section 4. Audience Councils and non-confidential stakeholder responses are published in full. BBC management also made a submission which has been considered and is published alongside this document. The Trust has taken all of these responses into account in reaching its final conclusions.
- 1.4 In this document, we set out our views on the matters arising from the public consultation and the final conclusions reached by the Trust in respect of the local video proposal.
- 1.5 The Trust is not satisfied that any likely adverse impact on the market is justified by the likely public value of the local video proposal. The key points of our decision are set out below.
 - Whilst local video had potential to deliver some public value it did not represent the most efficient use of licence fee funds, especially given access issues for non-broadband users and limited reach to key audience groups. We note, in particular, the low appeal to broadband users of a local video news offering that did not extend to listings, reviews and general entertainment. We also recognised the negative market impact that could result from BBC expansion at a local level at a time when commercial providers face structural and cyclical pressures.
 - The BBC exists to serve all audience groups. It needs to be more responsive to local needs and properly reflect the UK, its nations, regions and communities, across a range of platforms and genres. Our decision does not, therefore, imply a lack of commitment to improving local provision and meeting deficiencies or 'gaps' in respect of the BBC's public purpose to represent the UK, its nations, regions and communities.

- In the Trust's view a series of smaller, targeted interventions, that take account of current BBC regional provision and are focused particularly on improving the quality and depth of its television offering, could increase public value and contribute to the relevant public purposes. We recognise that these targeted interventions may differ depending on the circumstances of each of the nations and English regions. There could also be scope, through meaningful partnerships, for the BBC to contribute more widely to existing regional news providers and potential new entrants.
- The Trust has therefore invited the Executive to return in 2009 with new proposals designed to close or narrow the purpose gap and improve nations and regions provision. These will be scrutinised as appropriate by the Trust. The proposed £68 million investment in local video has been 'ring-fenced'. Whilst available for nations and regions, it is not restricted to this area and may be used by the Executive for other purposes, subject to Trust approval.

1.6 In sections 2 and 3 we set out the PVT process to date, section 4 explains our consideration of consultation responses. Section 5 sets out our final decision.

2. The PVT Process to Date

2.1 Introduction

- 2.1.1 In May 2008, the Executive submitted a proposal to the Trust to provide an on-demand, local video news service, delivered via fixed and mobile broadband internet connections ('local video').
- 2.1.2 The proposed service would offer bespoke video content, focused chiefly on news and sport, but also including weather, user generated content and knowledge-building genres. It would add a new tier of local video newsgathering, available in 60 areas across the UK. Full details of the proposal are set out in the service description, available on the Trust's website.¹
- 2.1.3 The Trust considered that the proposal constituted a significant change to an existing UK Public Service (under the Charter and Framework Agreement) and was therefore subject to a PVT.
- 2.1.4 The PVT has two strands; a Public Value Assessment (PVA), undertaken by the Trust, and a Market Impact Assessment (MIA), conducted by Ofcom.

2.2 The Public Value Assessment

- 2.2.1 In summary, the PVA concluded that overall the proposal offered a low to medium level of public value.² In particular, its ability to further the public purposes and close the purpose gap was hampered by limited reach to key audience groups. Audiences expect better national and regional representation, and those in underserved areas express frustration with poor local coverage. But even those who welcome a more local presence have differing expectations as to its character.
- 2.2.2 The proposal was beset by a number of limitations, chief among them having actively to search for content that many assume will be of limited interest. Whilst usage of the internet as a source of local news is growing, albeit from a small base, consumption is still largely passive; print media, radio and television all play a central role. This is most pronounced among the over-34s and those with children, who typically have less time to actively search for content. For the under-35s, the internet is used somewhat more routinely.

¹ The Service Proposal is available on the Trust's website at <http://www.bbc.co.uk/bbctrust>.

² The PVA is available in full on the Trust's website at <http://www.bbc.co.uk/bbctrust>.

- 2.2.3 A number of stakeholders raised concerns that a broadband-only service would exclude certain groups; others noted that in remote rural areas, high speed broadband was less widely available. Socio-economic factors influence broadband take-up, and low income groups are generally less well represented online. Low approval of BBC performance is more pronounced among these groups. We were not persuaded therefore, that local video would reach these groups in sufficient numbers to close the purpose gap.
- 2.2.4 Our overall conclusion on the PVA, therefore, was one of limited impact given exclusion issues for lower income groups and the low appeal, to broadband users, of an online news offering that does not extend to listings, reviews and general entertainment. The same, or potentially greater, public value could likely be achieved by better use of existing resources.

2.3 The Market Impact Assessment

- 2.3.1 The MIA identified products and services potentially affected by the launch of local video.³ These included web offerings provided by local and regional newspapers, along with their print editions; local commercial radio stations and their web offerings; local and regional television and their web offerings (such as ITV local); third party content providers; and mobile television providers.
- 2.3.2 In summary, the MIA concluded that the launch of the proposal would have a significant negative market impact on commercial providers. The size of impact was unclear, particularly given uncertainty surrounding the ability of commercial providers to monetise usage of local news online services.
- 2.3.3 The static impact was expected to be no more than about 4% of annual revenues; however, this could be a significant sum at a time of wider economic pressures. Newspaper publishers were among those most impacted by the proposal. The regional media market is exposed to long-term structural decline and cyclical pressures. Revenues are heavily dependent on classified advertising. The presence of specialist websites for property and autos meanwhile limits the ability of newspaper groups to grow a share in the online classified advertising market.
- 2.3.4 Dynamic impacts were more significant for some of the affected services than for others, in particular commercial online local news provision. The MIA considered that it may be easier to reach confident conclusions on the market impact once commercial providers had tested their ambitions and advertising revenues had stabilised.
- 2.3.5 Stakeholder plans to develop commercial online local news provision did not reveal any obvious geographic gaps or suggest that some parts of the UK would be less

³ The MIA is available in full on Ofcom's website.

commercially viable than others. Partnership proposals appeared to be of limited value. Ofcom considered that an increased rate of 'click-throughs' may help to ameliorate negative market impacts but would not be sufficiently strong to offset them fully.

- 2.3.6 Having considered the PVA and MIA, the Trust drew provisional conclusions, a summary of which can be found in section 3.

3. Summary of the Provisional Conclusions⁴

3.1 Introduction

- 3.1.1 Having applied the test in Clause 26(6) of the Framework Agreement, the Trust provisionally concluded that it was not satisfied that the likely adverse impact on the market of the local video proposal was justified by the likely public value. Its provisional conclusion was therefore not to grant approval.
- 3.1.2 Whilst local video had potential to deliver some public value it did not represent the most efficient use of licence fee funds, especially given access issues for non-broadband users and limited reach to key audience groups. We also recognised the negative market impact that could result from an expansion of BBC online news provision at a local level, at a time when commercial providers face structural and cyclical pressures.
- 3.1.3 The Trust also considered whether any conditions might ameliorate some of the negative market impact. Ofcom did not however advance any recommendations that it considered would fully offset the negative market impact in the near term and did not agree that initiatives set out in the application, such as partnerships and syndication, would suffice.
- 3.1.4 Taking both assessments together, it was the Trust's view that a proposal of the scale and nature proposed by the Executive was not appropriate in the foreseeable future.
- 3.1.5 The BBC exists to serve all audience groups and it is legitimate for the public to expect high-quality national and regional content. It needs to be more responsive to local needs and properly reflect the UK, its nations, regions and communities, across a range of platforms and genres. The Trust's provisional conclusion did not, therefore, imply that the BBC should not have a duty to ensure that audiences see a better reflection of their communities. A gap in BBC performance remains in this area.
- 3.1.6 In the Trust's view a series of smaller, targeted interventions, that take into account the BBC's current regional provision and are focused particularly on improving the quality and depth of the BBC's television offering, could increase public value and contribute to the relevant public purposes. There could also be scope, through meaningful partnerships, for the BBC to contribute more widely to existing regional news providers and potential new entrants.

⁴ This section provides a summary of the Trust's provisional conclusions to aid the reader and is not a substitute for reference to the full report which deals with these matters in full.

3.1.7 In its provisional conclusions, the Trust recommended that the following points be considered by the Executive as options for smaller targeted interventions:

- *Additional resources for existing regional and national television bulletins:* in its application the Executive noted that local video would safeguard the range of output by making video stories available to linear television and radio services. There may be public value in strengthening these linear news teams directly. For example, some English news regions outperform others and, given public appetite for news delivered via television, targeted intervention in certain regions may help to close the performance gap.
- *Regional level news opt-outs for radio or television services in the devolved nations:* whilst on-demand services are increasing in popularity, television and radio continue to play a primary role in the delivery of regional and local programming. Options to consider may include, for example, more news opt-outs for local FM radio stations or more factual non-news programmes in the devolved nations.

3.1.8 The provisional conclusions also stipulated that the £68 million set aside for local video will be subject to further consideration and approval by the Trust. Whilst available for nations and regions, it is not restricted to this area and may be used by the Executive for other purposes, subject to Trust approval.

3.1.9 The Trust consulted on its provisional conclusions for 46 days, from 21 November 2008 until 5 January 2009. Section 4 sets out an analysis of the consultation responses and the Trust's consideration of the points that were raised.

4. Consideration of Consultation Responses

4.1 Introduction

4.1.1 The Trust consulted publicly on its provisional conclusions for 46 days, from 21 November 2008 until 5 January 2009. Respondents were invited to respond to three questions:

- Do you agree with the Trust's decision to refuse permission for local video?
- How do you think the BBC should meet the public's demand for better regional and local services?
- Are there any other issues you would like the Trust to consider in relation to its decision?

4.1.2 The Trust has received 35 responses to the consultation, including a submission from BBC management.⁵ We have taken into consideration all of these responses in reaching our final conclusions. The responses from the Audience Councils and the non-confidential submissions received from industry stakeholders are published alongside this document. An analysis of individual responses is set out below.

4.1.3 Consultation responses fell into four broad categories: industry stakeholders, Audience Councils, individuals and BBC management. These are summarised below.⁶

Industry Stakeholders

Industry stakeholders were supportive of the Trust's provisional conclusions.

All agreed, albeit to differing degrees, that an expansion of BBC activity in this area would damage the market and limit their ability to generate advertising revenues and develop online propositions. A number raised further points which related to the Trust's consideration of alternative proposals and to procedural aspects of the PVT.

Many criticised the scale of BBC ambitions at a local level and looked for greater clarity of its role and remit. Others called for meaningful partnership proposals designed to complement, rather than dominate, the market. A number asked for proper scrutiny of new proposals and urged the Trust not to underestimate the potential negative impact of any change to current BBC activities.

⁵ The Trust also received several letters during the consultation period. Although not submitted as formal responses to the consultation, the Trust has had regard to these submissions.

⁶ A full copy of non-confidential submissions from industry stakeholders and Audience Councils accompanies this document.

Audience Councils

Whilst expressing disappointment Audience Councils mostly accepted the basis of the provisional conclusions and underlined the continued importance of improved local coverage, drawing attention to BBC obligations in this area.

Audience Councils' overriding concern was a diminution of local services more generally and a sustained failure to properly reflect the UK, its nations, regions and communities. This point was reinforced by the Audience Council for England (ACE) in its submission:

Council had hoped that the abandonment of the plans to extend local services including the four new radio stations and the 13th English region under the BBC's re-prioritisation plans, and the cuts to the BBC buses and open centres, might be mitigated for local communities by the Local Video service.⁷

Audience Council for Northern Ireland drew attention to the limitations of broadband-only delivery, particularly for under-served groups which might otherwise 'place a high value on such a service'.⁸ By contrast, ACE suggested that broadband adoption might have been driven by the launch of local video. It drew comparisons with the launch of the iPlayer which was 'proving highly popular with audiences and had been emulated by other broadcasters'.⁹

Individuals

The Trust received 24 submissions from individual members of the public.¹⁰ Despite a relatively small sample, views were varied and the following points can be drawn. Just over one third supported the decision. A few were satisfied with existing local provision and saw no value in further expansion. One noted:

I'm not overly bothered in detailed local information [it's] usually on Google anyway and very little community content tends to hold my attention, [it's] usually amateurish and doesn't have the standards and quality I associate with BBC.¹¹

⁷ Audience Council for England, submission to local video provisional conclusions consultation, January 2009

⁸ Audience Council for Northern Ireland, submission to local video provisional conclusions consultation, January 2009

⁹ Audience Council for England, submission to local video provisional conclusions consultation, January 2009

¹⁰ The Trust also received several letters during the consultation period. Although not submitted as formal responses to the consultation, the Trust has had regard to these.

¹¹ Male, 25-34, submission to local video provisional conclusions consultation, January 2009

A quarter of respondents, whilst supportive of improved coverage, called for investment to be directed elsewhere, to regional television news or radio opt-outs.

A larger number were critical of the Trust's provisional conclusion, which they viewed as short-sighted; a 'missed opportunity' to close the purpose gap. Among this group, a few argued that the BBC was uniquely placed to lead developments in the delivery of local video news. They pointed to dwindling commercial provision and in particular a scaling back of ITV's regional commitments. Some were critical of local media, and three suggested that the Trust had bowed to commercial pressures in rejecting proposals. One noted:

Local media provide an extremely poor service with lacklustre coverage of local events. [They] deserve some decent competition which would either make them improve their offerings or exit the marketplace.¹²

A number of respondents drew attention to the growing use of the internet by a younger audience and the changing nature of media consumption. They maintained that local video would have allowed the BBC to reconnect with this group. One observed:

Young people don't listen to local radio; young people listen to radio 1 or commercial radio if at all. They download music from the internet, or podcasts from the internet. They watch video on YouTube. In conclusion, they are interested only in very local news, and they watch video on the internet. Put two and two together and you have - local video online!¹³

BBC Management

BBC management accepted the Trust's provisional conclusion that a broadband only local video news offering 'would not be appropriate in the foreseeable future'. It recognised the Trust's provisional conclusion that local video would not deliver sufficient public value and that investment in existing linear services could be a more cost-effective way of addressing the relevant purpose gaps.

BBC management welcomed the Trust's view that the continued evolution – within existing permissions – of the BBC local websites has the potential to deliver public value. It reaffirmed a strong commitment to serving the UK, its nations, regions and communities, and in particular to meeting the gaps in

¹² Male, 55-64, submission to local video provisional conclusions consultation, January 2009

¹³ Male, 16-24, submission to local video provisional conclusions consultation, January 2009

BBC performance and reiterated a commitment to working in partnership with local and regional news providers.

As part of its submission, BBC management set out emerging thinking on possible options to improve existing services. These included:

- Improvements to regional television news
- Boosting coverage of local politics
- High-quality local sport across the UK
- Radio news opts
- Provision for under-served areas
- Landmark factual programming

4.2 Trust consideration of matters raised in the consultation

4.2.1 Just over half of all consultation responses supported, or accepted, the Trust's provisional conclusions. Those opposed to the decision raised concerns that the local purpose gap¹⁴ would remain unfilled. Among this group, some were critical of commercial provision at a local level.

4.2.2 The main points raised by respondents regarded the outcome and consequences of provisionally rejecting the proposal. We set out below our consideration of these key issues:

- News provision in the nations and regions and the purpose gap
- Consideration of new proposals
- Use of the £68 million
- BBC reach to younger audiences
- Activities permitted under bbc.co.uk service licence
- PVT timetable and procedural issues

We have also separately considered BBC management's response to our provisional conclusions.

4.3 News provision in the nations and regions and the purpose gap

4.3.1 A number of respondents were concerned by a failure to reflect properly the UK, its nations, regions and communities. In provisionally rejecting the proposal, many considered that an opportunity for the BBC to improve local provision¹⁵ had been lost.

¹⁴ In respect of representing the UK, its nations, regions and communities.

¹⁵ And thereby improve the gap in respect of the public purpose of reflecting the UK, its nations, regions and communities.

- 4.3.2 The Audience Council for England underlined its members' 'long-standing concerns about the future of local services for English licence fee payers and the need for the BBC to connect with the diverse communities to which England is home'. It expressed disappointment that 'the very real gap in the "local communities" public purpose would not now be addressed'.¹⁶
- 4.3.3 The Audience Council for Wales (ACW) questioned whether adequate consideration had been given to the media context in Wales. Poor provision was an underlying concern. Transmission difficulties prevent nationwide DAB coverage of Radio Wales and Radio Cymru and lead to irregular FM provision. Difficulties also surround the reception of BBC Wales in some parts of the country. ACW was also critical of an over-concentration of news resources in Cardiff which 'might have been remedied' by local video. In particular, ACW suggested that, in reaching its provisional conclusions, the Trust did not give adequate consideration to the needs of audiences in Wales.¹⁷
- 4.3.4 The Trust considers that the PVA took account of these issues, drawing on the purpose gap research to better understand areas of need. As part of the PVA, we considered how far the proposal would address key audience groups identified by the Trust in its 2007 purpose remit research. We focused on the under-served as being, in particular, those in the devolved nations, in some English regions and those aged under 45 in lower income groups
- 4.3.5 Ultimately, the provisional conclusion not to approve was driven by the relatively low level of public value that was likely to result from the local video proposal. We also recognised the negative market impact that could arise at a time when commercial providers faced structural and cyclical pressures. Whilst local video had potential to deliver some public value, it did not represent the most efficient use of licence fee funds, especially given exclusion issues for lower income groups and the low appeal, to broadband users, of a local video news offer that did not extend to listings, reviews and general entertainment. These considerations were especially relevant where broadband penetration was lower than the UK average of 57%; in Wales, for example, it stands at 45%.
- 4.3.6 Having taken into account the points raised during the consultation, we remain of the view that local video would not reach key audience groups in sufficient numbers to close the purpose gap. Our decision does not imply that the BBC should not have a duty to ensure that audiences see a better reflection of their communities.

¹⁶ Audience Council for England, submission to local video provisional conclusions consultation, January 2009

¹⁷ Audience Council for Wales, submission to local video provisional conclusions consultation, December 2008

- 4.3.7 The main object of the BBC is the promotion of its public purposes, one of which is to represent the UK, its nations, regions and communities. The provisional conclusions noted the high value attached by audiences to local and regional programming. It remains an important part of the BBC's remit and the Trust is committed to ensuring improved performance in this area for all audiences. As part of our provisional conclusions, we therefore asked the Executive to return within a reasonable timeframe with proposals to fill the purpose gap and improve nations and regions provision.
- 4.3.8 Our decision does not preclude further improvements to bbc.co.uk. Whilst a broadband only service excludes certain groups, we accept there is a level of public value in the development of the BBC local websites,¹⁸ although this should occur within existing budgets and permissions.¹⁹ The Trust's consideration of navigational improvements to bbc.co.uk is set out in more detail at section 4.7 below.

4.4 Consideration of new proposals

- 4.4.1 The Trust's request for proposals from the Executive to close the purpose gap²⁰ drew a mixed response. Audience Councils welcomed efforts to improve local provision. Television bulletins, non-news programme making and a greater use of opt-outs were among the favoured options. On this last point, the Audience Council for Wales cautioned that there were no local FM stations in Wales.
- 4.4.2 The Audience Council for Scotland called for content which 'reflects local interests and concerns'. It welcomed additional resources for existing outlets and suggested that a long-term response:

...must involve a layer of regional news content in Scotland [which should] exist alongside strengthened national Scottish news and non-news content, creating a comprehensive news service and enhanced cultural representation appropriate to the needs of a devolved nation.²¹

- 4.4.3 Industry stakeholders, however, were concerned about the potential impact on commercial providers of any new proposal. RadioCentre called for greater clarity of the BBC's role at a local and regional level.

¹⁸ Which includes bringing BBC Local sites in Scotland and Northern Ireland into line with current provision in England and Wales; refer to the Local Video PVT, description of service, June 2008, available on the Trust website: www.bbc.co.uk/bbctrust.

¹⁹ We refer to section 7 of the PVA, which assessed the counterfactual of local video proposals, available on the Trust website: www.bbc.co.uk/bbctrust.

²⁰ In respect of representing the UK, its nations, regions and communities.

²¹ Audience Council for Scotland, submission to local video provisional conclusions consultation, January 2009

4.4.4 Northcliffe queried whether there was any 'significant unfulfilled demand for more BBC local provision' and asked whether 'clear limits' would be applied to local development. It submitted that there was no justification for any further investment in local provision. Similar concerns were raised by the Newspaper Society in its submission:

Thus not all of the BBC's regional and local ambitions will necessarily be subject to any new approvals process in respect of either a specific new service licence, or significant changes to an existing licence. Nor will they necessarily be subject to any new and tougher management controls, policing and enforcement procedures in respect of application of existing service licences.²²

4.4.5 RadioCentre cautioned against the use of regional level news radio opt-outs in the devolved nations which it suggested would 'put services into direct competition with local commercial stations' and damage plurality. It noted that the BBC could better meet the public's demand for improved regional and local services by assisting the build out of the UK's DAB infrastructure or improving the editorial value of existing television and radio news networks which, it believed, 'could be achieved with the use of additional resources'.²³

4.4.6 The BBC's main object under the Charter is the promotion of its public purposes, one of which is to represent the UK, its nations, regions and communities. In meeting these objectives, the BBC must provide a range of output to meet the needs of different audience groups. Whilst not considered the highest priority by licence fee payers, it remains an important part of the BBC remit with a considerable performance gap.²⁴ The Trust is also mindful of the public purpose of sustaining citizenship and civil society.

4.4.7 The Executive has been asked to return to the Trust in 2009 with new proposals designed to close or narrow the gap and improve nations and regions provision. Such proposals and any additional funding requirements will be considered by the Trust and subject to the appropriate approval mechanisms.

4.4.8 Several stakeholders referred to the BBC's broader partnership approach. BBC management also referred to the potential for regional news partnerships in its response. The BBC's broader partnerships are subject to further consideration and therefore do not form part of these final conclusions.

4.5 Use of the £68 million budget

²² The Newspaper Society, submission to local video provisional conclusions consultation, 19 December 2008

²³ RadioCentre, submission to local video provisional conclusions consultation, January 2009

²⁴ It is among the largest for any of the BBC's public purposes and was identified as an area for improvement by Trust purpose remit research, 2007.

- 4.5.1 A number of stakeholders queried how the proposed £68 million investment in local video would now be spent. Audience Councils asked for assurances that it would be used to fund nations and regions content. Loss of local investment was raised as a particular issue by the Audience Council for Wales, which queried how the BBC could be more responsive to local needs with 'less and less money available to do so'.²⁵
- 4.5.2 Sky suggested it would be 'wholly inappropriate' to direct funds to 'smaller, targeted interventions' recommended by the Trust particularly if they 'were not subject to further PVTs'.²⁶ A number of industry stakeholders voiced similar concerns.
- 4.5.3 As set out above, the Executive has agreed to return to the Trust in 2009 with new proposals designed to close or narrow the purpose gap and improve nations and regions provision. The proposed £68 million investment in local video has been 'ring-fenced'. Whilst available for nations and regions, it is not restricted to this area and may be used by the Executive for other purposes, subject to consideration and approval by the Trust.

4.6 BBC reach to younger audiences

- 4.6.1 A few respondents suggested that local video would have allowed the BBC to connect with a younger audience. The Audience Council for England considered that broadband adoption might have been driven by the launch of local video. The PVA however found that appetite for a broadband-only service was mixed. When it comes to accessing local news, people use a range of media, with an emphasis on immediacy and ease of use.
- 4.6.2 Audiences are interested in a wide range of information of which news is only a part; local events, entertainment and listings are all considered part of a well-rounded service with appeal to a broad spectrum of users. These were specifically excluded under the proposal.²⁷ It is important then not to overstate the potential for broadband delivery to reach a younger audience.
- 4.6.3 This general point was underlined in the earlier 2007 On-Demand PVT, which found that young people tend to cite the content proposition rather than the platform as influencing their likelihood to view.²⁸ A comparison with the iPlayer is not directly relevant.

²⁵ Audience Council for Wales, submission to local video provisional conclusions consultation, December 2008

²⁶ British Sky Broadcasting Group Plc, submission to local video provisional conclusions consultation, January 2009

²⁷ Refer to the Local Video PVT description of service, available at the Trust's website, <http://www.bbc.co.uk/bbctrust>.

²⁸ Refer to the Local Video PVA, available at the Trust's website, <http://www.bbc.co.uk/bbctrust>.

On-demand proposals were essentially a delivery mechanism for audiences to consume existing content in a different way and maintain overall BBC reach. An additional benefit was their appeal to a younger audience, who consume internet-based proposals disproportionately and are relatively hard for the BBC to reach.

- 4.6.4 By contrast, local video constituted new BBC content and would only have been available via broadband. Findings consistently support demand for local news delivered via television. Spectrum scarcity and cost limit BBC delivery to broadband, but this represents a misfit between delivery mechanism and content proposition.
- 4.6.5 Similarly, we found no evidence to suggest that local video would encourage those without broadband to subscribe. And whilst broadband penetration rates among different socio-economic groups may converge over time, the PVA did not find evidence to suggest that the disparity would recede in the near-term, especially in the current economic climate. Whilst the Government has signalled its desire to increase broadband penetration by 2012,²⁹ significant barriers in terms of price and IT training are likely to persist for some time.
- 4.6.6 The Trust therefore considers that consumption of local video would mostly be among core audience groups, with limited extension in reach to younger audiences identified by the Trust. It therefore does not consider the local video proposal would provide public value by extending reach to younger audiences.

4.7 Activities permitted under bbc.co.uk service licence

- 4.7.1 Development permitted under the terms of the existing bbc.co.uk service licence that did not form part of the PVT was a particular concern of several respondents. Specifically, a number of stakeholders expressed the view that this may result in a substantial change to bbc.co.uk over time. Respondents drew attention to planned improvements to navigation and site architecture and suggested this would disadvantage commercial providers. Northcliffe meanwhile challenged the exclusion from the PVT of user generated video content produced without BBC assistance.³⁰
- 4.7.2 The main object of the BBC under the Charter is the promotion of its public purposes, one of which is to represent the UK, its nations, regions and communities. The Trust considers that this public purpose should be delivered across a range of genres and platforms, including bbc.co.uk. This is reflected in the bbc.co.uk service licence which sets out the contribution of bbc.co.uk to the public purposes.

²⁹ Signalled most recently in the interim Digital Britain report, 29 January 2009

³⁰ Northcliffe Media Ltd, submission to local video provisional conclusions consultation, January 2009

- 4.7.3 The Service Licence Operating Framework³¹ recognises that most BBC services evolve continually in order to serve licence fee payers better and respond to changes in technology and market conditions, without recourse to a PVT. The service licence for bbc.co.uk allows the BBC to 'publish content which it creates as a natural consequence of television or radio production'; 'tailor and enhance existing search and navigation products and services' and ensure content is 'as easy to navigate as possible, enabling [users] to find quickly what they are looking for'.³²
- 4.7.4 User generated content forms part of a cross-media proposition on bbc.co.uk and contributes to the promotion of the public purposes. The Trust noted in its PVA a stakeholder view that any expansion of BBC activity in this area posed a threat to commercial providers. Similar comments were made by the Newspaper Society in its submission on the Trust's provisional conclusions. However, under the terms of its service licence,³³ bbc.co.uk should:
- ...encourage users to generate their own content, particularly material which creates democratic, educational, social and community value.*
- 4.7.5 In the Trust's view, user generated content plays an important role in enabling dialogue within communities and between groups. The bbc.co.uk service licence makes provision for interactive engagement, BBC activities in this area are subject to the relevant policies and guidelines, and the Trust recognises the important role UGC plays in building local communities.
- 4.7.6 One industry stakeholder proposed in its submission that the planned introduction of map-based navigation represented a 'fundamental change in the granularity of the BBC offering' which would compete at street level with commercial providers.³⁴ The Trust considers that local video represented a new tier of newsgathering, which would have enabled the BBC to significantly expand its coverage of local issues. In not approving the proposal the Trust is preventing such an expansion.
- 4.7.7 Further, it was noted in the PVA that local video would not offer local events, entertainment and listings, all highly valued by users. Whilst an archive of stories may build up over time, local news has a limited shelf life.
- 4.7.8 Taking account of these factors, the Trust does not consider that any such improvement to navigation would, of itself, bring about a greater level of granularity of the BBC offering.

³¹ The Service Licence Operating Framework is available on the Trust's website at http://www.bbc.co.uk/bbctrust/framework/bbc_service_licences/index.html#part-2

³² bbc.co.uk service licence, p2

³³ As issued in April 2007

³⁴ Confidential submission to local video provisional conclusions consultation, 5 January 2009

4.7.9 The Trust is satisfied therefore that planned incremental changes to navigation, as referred to in the PVT documentation, are consistent with bbc.co.uk service licence permissions.

4.7.10 In its provisional conclusions, the Trust confirmed that these incremental changes would need to take place within existing funding.³⁵ Our views on this point are unchanged.

4.8 PVT timetable and procedural issues

4.8.1 A number of respondents raised timetable and procedural points on the local video PVT in their submissions.

4.8.2 The Audience Council for Wales queried the time and expense that went into the preparation of proposals and questioned whether the Trust should not have refused the project at an earlier stage.

4.8.3 Northcliffe was critical of the levels of disclosure, co-operation and transparency during the PVT process which, it suggested, raised 'serious questions about the independence and impartiality of the Trust and its relationship with BBC Management'.³⁶ By contrast, another industry stakeholder suggested that the PVT 'demonstrated the Trust's commitment to making a full and proper independent assessment of the BBC's local video proposals'.³⁷

4.8.4 Sky was critical of the decision to set a single date for publication of the PVA, MIA and provisional conclusions which it maintained risked 'undermining [the Trust's] integrity and independence from the Executive'.³⁸

4.8.5 A PVT must be applied by the Trust before a decision is taken to make any significant change to a BBC UK Public Service. It is a matter for the Executive to submit any such proposals to the Trust. In this instance, and following analysis of the local video proposal, the Trust considered it necessary to apply a PVT. In reaching that decision, it took account of its functions under the Charter including its duties to represent the interests of licence fee payers, to assess carefully and appropriately the views of licence fee payers and to exercise rigorous stewardship of public money. The Trust is satisfied that, in relation to the local video proposal, it has taken proper account of all

³⁵ Local Video Provisional Conclusions, p8, 21 November 2008

³⁶ Northcliffe Media Ltd, submission to local video provisional conclusions consultation, January 2009

³⁷ Confidential submission to local video provisional conclusions consultation, 5 January 2009

³⁸ British Sky Broadcasting Group Plc, submission to local video provisional conclusions consultation, January 2009

its duties. We also note that the nature of the PVT process includes the possibility of a proposal not being approved. This is reflected in the Trust's *Guidance for the Conduct of the PVT*.³⁹

4.8.6 On the conduct of the PVT, the Trust considers that this proceeded in an open and rigorous fashion and in accordance with the required procedure. To enable a meaningful consultation on the first stage of the PVT, the Trust published a description of the proposals, which was agreed with Ofcom, along with the application documents from the Executive. The publication of this information at the start of the PVT process was designed to provide the necessary information to enable representations to the Trust and Ofcom. Where requests are made for further information during the consultation process, the Trust will respond to the extent that it is possible.

4.8.7 Aspects of the PVT procedures set out in the Trust's *Guidance for the conduct of the PVT* were modified only where not specifically required by the Charter and Agreement. The decision to publish the PVA, MIA and provisional conclusions on the same date was taken after careful consideration. To ensure the public had the fullest opportunity to consider the provisional conclusions, the Trust extended the provisional conclusions consultation period to take account of the joint publication of the PVA, MIA and provisional conclusions. Given the market sensitive nature of the announcement for listed companies in the newspaper sector, Ofcom and the Trust confirmed publishing in a co-ordinated manner. The Trust does not consider that the joint publication of the documents caused any prejudice to interested parties.

4.10 Trust's consideration of BBC management's response

4.10.1 We welcome the response from BBC management and endorse its efforts to improve existing services to ensure audiences see a better reflection of their communities. Further, we note its emerging thinking on possible options to close or narrow the purpose gap and its renewed efforts to contribute more widely to existing regional news providers.

4.10.2 BBC management has affirmed its commitment to serving the UK, its nations, regions and communities and has outlined a targeted response to closing or narrowing the purpose gap. It has set out initial ideas to enhance linear services to meet the particular demands of under-served audiences whilst maintaining and evolving bbc.co.uk. We have invited the Executive to return to the Trust with proposals for consideration and approval. These are expected in 2009.

³⁹ Available on the Trust's website at http://www.bbc.co.uk/bbctrust/framework/public_value_test/index.html#part-3

4.10.3 In its consultation response, BBC management also set out suggestions to develop specific partnership arrangements irrespective of our decision on local video. We welcome its plans to improve links to other providers;⁴⁰ further develop syndication plans; share BBC journalism expertise with local media and collaborate on editorial and broadcasting initiatives.

⁴⁰ In this respect, we also note a confidential submission suggesting increasing links to third-party sites.

5. The Trust's Final Conclusions

- 5.1 The final conclusions reached by the Trust are not to approve the Executive's local video proposal. In arriving at this decision, the Trust has considered the PVA, the MIA and the responses to its public consultations. Applying the Clause 26(6) test in the Framework Agreement, the Trust is not satisfied that any likely adverse market impact is justified by the likely public value of the proposal.
- 5.2 In arriving at its final conclusions on the Executive's local video proposal, the Trust has been mindful of the demand for better representation of the UK, its nations, regions and communities. We have considered the commercial context and the likely public value of the proposal, in particular the limited appeal of a broadband-only local video news service.
- 5.3 We have considered our requirements under Clause 26(6) of the Framework Agreement, our general duties under Article 23 of the Charter and our other legal duties. In our view, rejection of the proposal is consistent with these duties. Particularly, but without limitation, we note that we have:
- represented the interests of licence fee payers in considering the value that would accrue to them (and any that might be forgone) from the proposals
 - secured the independence of the BBC through the proper application of the PVT process
 - assessed carefully and appropriately the views of licence fee payers
 - exercised rigorous stewardship of public money through the value for money analysis we conducted in the PVA
 - had regard to the competitive impact of the BBC's activities on the wider market through our consideration of Ofcom's MIA
 - ensured that the BBC observes high standards of openness and transparency through the publication of these final conclusions and other documents arising from the PVT process.
- 5.4 Acting in the public interest, considering these and all other relevant matters, we conclude that the proposal should not be approved
- 5.5 We are also providing the Executive with guidance on other matters relevant to our decision, in particular our request for the Executive to bring forward new proposals to narrow or close the local purpose gap.⁴¹ The Trust has invited the Executive to return with new proposals for consideration and approval. The Trust expects these proposals in 2009.

⁴¹ In representing the UK, its nations, regions and communities and improve nations and regions provision.

Annex I. Background to the Public Value Test

The BBC's new Royal Charter and Framework Agreement came into effect on 1 January 2007. The Charter makes clear that the BBC should be able to alter its UK public services – for example to respond to changes in technology, culture, market conditions and public expectations. However, any significant service-related proposals for change from the BBC Executive, including proposed new services, must be subject to full and proper scrutiny. The means by which this scrutiny takes place prior to approval is the Public Value Test (PVT).

If the BBC Executive proposes to launch a new UK public service or make significant changes to an existing UK public service, the Trust will consider the proposal and decide whether to launch a PVT. The BBC's UK public services include all the BBC television and radio channels broadcast in the UK and the BBC's online services. They do not include the BBC's overseas services nor its commercial services, such as the publication of magazines or sale of videos by the BBC subsidiary BBC Worldwide.

Where a PVT is undertaken the new service or change must not happen until that process is complete. The PVT has several elements. A Public Value Assessment (PVA) is prepared by the Trust to ascertain the likely public value of the proposed change. In making this assessment, the Trust acts in accordance with the requirements of the Framework Agreement. It also must comply with all its other legal duties including the general duties in Article 23 of the Charter, set out above.

At the same time, the communications regulator Ofcom prepares a Market Impact Assessment (MIA) examining the extent of any likely adverse impact on markets relevant to the proposed change.

The Trust then considers these two assessments and reaches provisional conclusions on the proposed change. In order to conclude that the proposed change should be made, granting approval either with or without conditions, the Trust must be satisfied that any likely adverse impact on the market is justified by the likely public value of the proposed change. It also must be satisfied that approval would be consistent with the Trust's duties under Article 23 of the Charter and its other legal duties. The Trust's provisional conclusions will be the subject of public consultation. The Trust will review and take account as appropriate of all representations received before making its final decision on whether or not to approve the proposed change. This document represents the Trust's final decision.