Public Value Assessment of the re-invention of BBC Three online and related proposals

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Executive Summary

This document sets out an application to make changes to the BBC's service portfolio. Under the BBC Agreement, the BBC Executive is required to seek the BBC Trust's approval when it wishes to make a significant change to the BBC's public services and any such changes are likely to be subject to a Public Value Test (PVT).

The BBC Executive would like to:

- Close BBC Three as a broadcast channel in the autumn of 2015 and reinvent it online;
- Launch a BBC One+1 channel;
- Use the capacity freed up from the closure of BBC Three to extend CBBC hours from 7pm to 9pm; and
- Enhance BBC iPlayer by (i) premiering programmes and (ii) including selected content from third parties.

Strategic Rationale

The context for the proposals is as follows:

- *Falling income*: The amount of funding we have available for the BBC's UK public services will be 26% less in real terms than it would have been by 2016/17 as a result of the licence fee freeze and obligations placed on the BBC.[1] Given these financial constraints, it has become clear that in order to sustain the quality of the BBC's main TV services, BBC One and BBC Two, the continued salami-slicing of existing TV programme budgets is not a feasible option. To find sufficient savings within the TV portfolio, it is necessary, alongside continued efficiencies, to close one of the BBC's TV services. The BBC cannot keep doing the same amount for less.
- *Changing TV landscape*: There has been a shift in the competitive landscape with the emergence of global media brands offering new types of services, using new business models and investing in globalised genres such as drama and entertainment; and
- *Changing audience consumption*: While the consumption of linear TV will remain strong for the foreseeable future, there is a transition to greater on-demand consumption. In particular, there appears to be a structural

[1] See the letter sent from the DCMS Secretary of State to the Chairman of the BBC Trust in October 2010 for details.

shift in the media consumption habits of younger audiences. 16-24s are watching 14% less TV than four years ago[2]. Non-linear TV viewing is growing – currently non-linear TV viewing represents 28% of average daily viewing for 16-24s, but we expect it to reach 40% by 2020[3].

The proposals are designed to respond to these challenges – to modernise the BBC's portfolio to ensure that it remains relevant to licence fee payers in a financially challenging climate. The proposals fit together as a package – they are strategically and financially linked. The package reflects the BBC's overall strategic priorities in this Charter period[4] - as set out in 2013 - to innovate online and to make our linear channels even better.

The c£50million saved from the closure of BBC Three as a broadcast channel will be used to strengthen BBC One and reinvested into BBC Three Online. The freed-up spectrum will enable children's programmes on CBBC to be extended by two hours per night. The launch of BBC One + 1 will also strengthen the channel portfolio and help to mitigate the short-term loss in time spent among 16-34 audiences. To drive digital innovation and enhance the BBC's reputation among younger audiences, we will reinvent BBC Three as a new online service and further develop BBC iPlayer.

BBC Three

The proposal to close BBC Three as a broadcast channel and reinventing it online is driven by financial necessity. Delivering the savings programme following the last licence fee settlement means these changes are happening earlier than they might have in a better financial environment. Strategically the BBC would have preferred to have waited for a greater shift to on-demand viewing among younger audiences. The premature closure of the channel will therefore result in a hit to the BBC's reach and share among younger audiences in the short-term.

However, the move also creates a strategic opportunity. Young audiences are the most connected – Ofcom data shows very high levels of ownership of connected devices such as smart phones and tablets amongst the 16-34s[5]. They are also most likely to watch TV programmes via BBC iPlayer. The BBC, as a creative organisation, will be able to reinvent an online space for

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[2] Source: BBC Audiences analysis of BARB data (2013 vs 2010)
[3] Source: Enders Analysis
[4] See BBC Director General Tony Hall's Where Next speech on 8 October 2013
[5] See Ofcom Figure 1.29, Communications Market Report, 2014

young people that will be bold, innovative and distinctive. Moving BBC Three online presents an opportunity to develop new forms, formats, different durations, and more individualised and interactive content. It will play to BBC Three's strengths, offer something distinctive and new, and enhance the BBC's reputation with young audiences.

The new BBC Three has the potential to shape and expand the market for the providers of digital entertainment, information and education for 16-34 year olds in the UK and build demand for new forms of content. For these reasons our proposals for BBC Three should be viewed as a test bed to help the BBC to prepare itself for the next wave of digital disruption, to learn how audiences react to new forms of content, to build a new relationship with younger audiences through the interplay of content and technology and to redefine public service broadcasting in the digital age. If successful, moving BBC Three online could help to build digital awareness in much the same way that BBC News Online encouraged take up of the internet and BBC iPlayer helped to build the market for Video On Demand (VOD) services.

The alternative of not closing BBC Three would have been the closure of another service (or other services) with a greater impact on overall audience performance given the lack of commensurate mitigation options.

Changes to BBC iPlayer

The changes to BBC Three – alongside the proposals for online premiering, the inclusion of selected third party content within BBC iPlayer and the recent inclusion of Radio 1 video on BBC iPlayer – are the main ways in which the BBC will evolve BBC iPlayer from a predominantly catch up and live streaming service to one which includes more online-first and online-only content. As we move to a world where more video is watched online, BBC iPlayer will become increasingly important to the BBC's ability to deliver its public service mission. It's the gateway for people who increasingly want to watch and listen to what they want, when they want it - on tablets and mobiles as well as other screens.

BBC One+1

BBC One+1 supports the BBC's strategic objective to better serve our audiences by strengthening our channels and by increasing the availability of our programmes for those who do not use BBC iPlayer or have access to broadband.

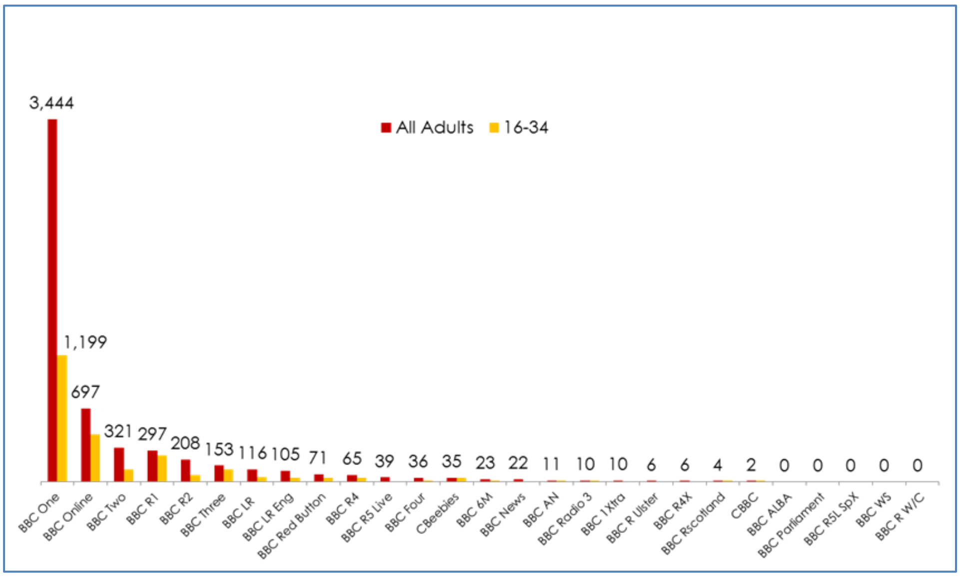
Although viewing may be shifting away from linear towards on-demand services, broadcast television is still very important. BBC One is our biggest channel and is, for many people, the only BBC television service that they use. For younger audiences, BBC One still generates the most unique reach amongst our TV services. Launching a BBC One+1 channel meets an important audience need, providing a form of catch up for those who do not use BBC iPlayer or have access to broadband. The launch will help to offset the loss of younger audiences to the BBC as a result of closing BBC Three as a broadcast channel, providing a more stable environment within which to innovate and take risks.

CBBC

The second proposal to strengthen our linear portfolio is extending CBBC's hours of broadcast by two hours a day, to ensure that the BBC's younger audiences aged 6 to 12 have an opportunity to watch the channel in the early evening rather than when they are at school.

While the four proposals as a package do not wholly address the challenge of changing audience behaviours amongst younger audiences, they are an important contribution to the BBC's wider strategy which includes initiatives such as the recently launched Radio 1 branded space in BBC iPlayer - which makes available on-demand a range of interviews, recordings of live sessions, and other content - and BBC Playlister, the BBC's new digital product which lets audiences add and save their favourite tracks heard on the BBC to a personal playlist which they can then export to one of the BBC's digital music partners' services.

Incremental average weekly unique 15 minute reach (000s) for BBC Services



Source: CMI

Overview of the proposals

BBC Three going fully digital in autumn 2015 is a fantastic creative opportunity and as such needs to be underpinned by constant risk taking and effective innovation. We need to ensure that the new BBC Three isn't just IN the digital world, but that it is OF the digital world. It needs to have digital in its DNA and in all its component parts - a truly digital BBC Three, with digital content, digital platforms and a digital brand, for a digital audience. This is not about picking up a TV channel (or its audience) and simply putting it online.

In making this move, we shouldn't forget where BBC Three's strengths lie – in original UK content, in best in class storytelling, in curation and scheduling, in reflecting the diversity of the UK and in innovation. But our linear strengths now need to interact with the qualities of the digital world. These qualities encompass immediacy, a more personalised interactive experience, authenticity of voice and a tone that resonates with our young audience. This is about acknowledging what's great about BBC Three, what's great about digital and merging the two. We will also need to have a detailed understanding of the habits and daily rhythms of this digital native audience.

BBC Three will remain first and foremost a content brand. In the first year of the new service roughly 80% of BBC Three's content budget will be used to continue to commission long form programming, an area in which BBC Three already excels.

The remaining 20% of the budget will be devoted to new form digital native content. By developing our skill base to cultivate a better understanding of digital native content and by embracing all that is great about digital will guarantee BBC Three's place as a pathfinder for the digital age and for the future of BBC Television.

Younger audiences are increasingly engaging with new forms of content on multiple digital platforms on and off the BBC and it's vital the BBC develops the skills to produce this content and ensure we can make it available on all relevant third party platforms.

It is imperative that we are adequately skilled and resourced to deliver this content in critical mass on a daily basis. This will allow BBC Three to develop an ongoing reactive relationship with its audience and will in turn develop frequency of use by having a constant stream of new content to discover and share.

BBC Three content will be available on a dedicated BBC Three website, a variety of BBC services (BBC Online, BBC iPlayer and Red Button). To ensure universality we would like to show long form programmes on BBC One and BBC Two and some BBC Three content may, subject to commercial agreement, be accessible on all relevant third party TV platforms (e.g. Sky, Virgin and YouView) via IP channels/Connected Red Button. We will also tailor content by platform services such as YouTube, Facebook and Twitter, in line with the BBC's syndication policy.

Stemming from extensive audience research and to make this a distinctive public service proposition in the market the content mix of the new BBC Three will be built around two main editorial pillars, "Make Me Think" and "Make Me Laugh". The "Make me think" pillar will include a mix of specialist factual, documentary, current affairs, daily news and drama and the "Make me laugh" pillar will be centred on scripted comedy and personality-led entertainment. Compared to the current content mix of BBC Three, this will represent a focus on the content areas which audiences tell us they value most from BBC Three.

Talent will be key in this and the service will build on BBC Three's reputation for developing emerging and new British talent and giving them an opportunity to shine. The audience themselves will also have more of a role to play in the service – engagement and participation in the editorial offer, reacting to it, helping shape it, being advocates for it – fostering a much more open relationship with licence fee payers.

The new BBC Three needs to be loved by the audience so they become ambassadors for the brand and to achieve this we will have to stimulate strong emotion and provoke big reaction.

The BBC One+1 channel will be a pan-UK version of BBC One time shifted by one hour, 24 hours a day, 7 days a week, in SD. During the regional opt-outs the channel will run the BBC News channel. The channel will be available on all platforms, though initially only about half of DTT homes will be able to receive the channel initially due to the take up of viewing equipment capable of receiving the PSB-3 multiplex. We are aiming, in 2017, to move the channel to the PSB-1 multiplex which is receivable by all UK DTT viewing equipment.

Extension of CBBC's hours from 7 pm to 9pm, every day in both SD and HD, on all platforms. The extra two hours per day will be used to show repeats of programmes which aired earlier on in the day.

Currently most programmes available on **BBC iPlayer** have been shown on the BBC's television channels. The BBC would like to premiere certain programmes commissioned by the BBC's children's channels and BBC One, BBC Two and BBC Four on BBC iPlayer before these programmes are shown on the these channels. The BBC would also like to include some content from selected organisations (such as The Space) within BBC iPlayer.

Public Value Assessment

In line with the guidance issued by the BBC Trust this assessment considers the extent to which the four proposals as a package will generate public value through the following:

- Quality and impact: Are the proposals high quality and distinctive? What are the benefits of the proposals to consumers, citizens and society as a whole?
- Reach: How far will the proposals extend BBC usage and reach?
- Value for Money: Are the proposals an effective use of public money?

Quality and impact

Quality

The package of proposals is designed to meet the BBC's strategic objectives to innovate online and to make our linear channels even better.

Although ***BBC Three***'s content budget (excluding other originations e.g. news and sport) will be roughly half of what it used to be (falling from around £60m to around £30m), the reinvented BBC Three will focus on the most distinctive and best loved aspects of the existing BBC Three – namely comedy and new talent[6], risk taking and innovation[7] and specialist factual and journalism. Cost per hour is likely to be maintained or to increase and the quality of the service enhanced as there will be greater focus on distinctive public service programming aimed at 16-34s such as *Our War*. The transition of a mainstream TV channel online is a bold move – no other PSB has done this – but a key ambition is that the move will encourage innovation in new forms of public service digital content and enable the BBC and the wider creative economy to prepare effectively for the future, developing new skills and experimenting with new ways to deliver public purposes.

BBC One+1 will drive quality by providing licence fee payers with more opportunities to watch the BBC One programmes that they love and which are core to the BBC's public service remit. It will also provide catch-up options for the c50% of households who do not use BBC iPlayer[8] or have access to broadband.

CBBC is widely recognised for its high quality – as highlighted in our deliberative research and supported by audience data.[9] Extending CBBC's hours will provide additional opportunities for the 6-12 audience to watch these distinctive programmes.

The ***changes to BBC iPlayer*** will give users a greater choice of content and more control over when and how they watch what the BBC has to offer.

Impact

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[6] These aspects were singled out in research undertaken by the BBC Trust for their recent review of TV services.

[7] See PAPA *Deliberative audience research into the proposed changes to BBC Three, BBC iPlayer, CBBC and BBC One+1* (September, 2014)

[8] 48% of homes do not have access to BBC iPlayer on their TV set according to BBC analysis

[9]Appreciation of CBBC content remains stable with an Appreciation Index of 83 according to *CBBC Content Tracker*, Spring 2014.

To assess the impact of the proposals on licence fee payers we commissioned audience research[10] which captured respondents' views on (a) whether the changes would be personally beneficial to them and (b) whether the changes would deliver wider benefits to society.

We conducted nine 'deliberative' workshops to understand the informed views of the public. These sessions involved detailed discussions to explore how each of the four proposals would be received on a standalone basis and as a package.

We also supplemented the deliberative workshops with a larger scale quantitative online survey where the views of over 5,000 people were sought. The online survey only considered each proposal on a standalone basis rather than as a package.

Audience views of the proposals as a package, based on the deliberative research, were positive compared to the proposals when viewed on a standalone basis, partly because respondents were told by way of context that one of the reasons for moving BBC Three online was to fund investment in BBC One. A majority of respondents were in favour of the four changes taken as a whole, perceiving a net gain in personal and societal value from the BBC were the changes to be introduced. The biggest single reason for positive responses to the proposals as a package was the inclusion of a +1 channel for BBC One. Respondents also recognised that reductions to services were necessary in the current financial climate.

Audience views of the proposals on a standalone basis were inevitably mixed:

- BBC One+1 was well-received by respondents from both a personal and a societal point of view, with around half of respondents favouring the idea highly.
- Both the quantitative and the qualitative research suggested that respondents were likely to rate the CBBC proposal more highly from a societal perspective than from a personal perspective. The deliberative research indicated that the proposal was more likely to be favoured by those who had children than those that had not. Nearly one in five people with children viewed extending CBBC hours highly from a personal point of view compared to one in ten of people who didn't have children.

[10] Over July 2014 PAPA ran deliberative workshops in six cities across England, Wales, Scotland and Northern Ireland. Gfk conducted five nationally representative online surveys over August 2014. Research was undertaken when BBC Three proposals were still under development and some of the findings have informed its development.

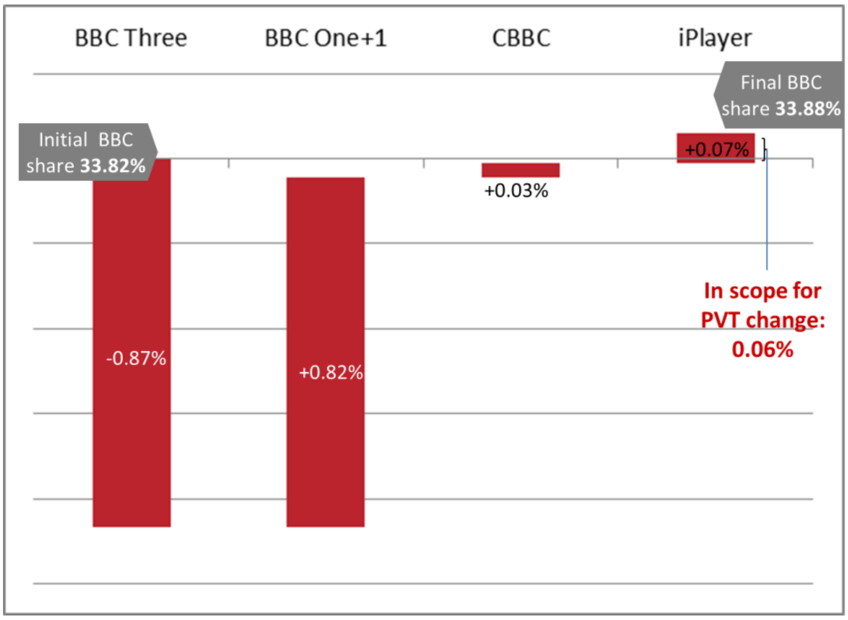
- Slightly fewer than 40% of respondents rated the changes to BBC iPlayer highly. The deliberative research suggested that lack of broadband for some was a concern which affected views on the BBC iPlayer (and the BBC Three) proposals. However that issue should become less important as penetration of broadband-enabled devices increases.
- Not surprisingly, the reinvention of BBC Three Online was not popular with audiences (particularly BBC Three viewers) suggesting that audiences are 'loss averse' i.e. they care more about losses than gains. In the deliberative research 27% of all respondents were favourably disposed to the proposal from a personal point of view and 30% from a societal perspective.

Reach and usage

We have modelled the impact of the four changes, as a package and individually, on audience reach and usage – in particular focusing on the changes in *total* time spent watching BBC services and BBC share of total viewing of TV content (linear/PVR plus on demand viewing); these metrics are comparable across linear and on-demand services.

We forecast changes in the volume of viewing on an annual basis over the period 2015 – 2018. We report estimates for 2017 below, by which time the effects of the changes would have largely stabilised. Forecasts of changes over time in the BBC's share of viewing hours, time spent per person and reach, where appropriate, are included in the main document.

The figure below shows the cumulative impact of the proposals.



The four proposals, when considered together, will have a minimal impact on the BBC's share in 2017 compared to what it would have been in the absence of the changes. In aggregate, the four proposals will result in a 0.06 percentage point change in share of viewing by 2017 compared to a baseline of 33.82%.

This 0.06 percentage point change in share can be decomposed[11] into:

- A reduction in the BBC's share of viewing due to the closure of BBC Three and its reinvention online of 0.87 percentage points;
- An increase in the BBC's share of viewing due to the launch of BBC One+1 of 0.82 percentage points;
- An increase in the BBC's share of viewing due to the extension of CBBC hours of 0.03 percentage points; and
- An increase in the BBC's share of viewing due to the changes in BBC iPlayer of 0.07 percentage points.

Reinvention of BBC Three online

The reinvention of BBC Three will lead to a reduction in the BBC's overall share of viewing hours of –c.0.87 percentage points. This change is made up of two components.

Firstly there is a loss in BBC viewing as a result of the closure of BBC Three as a broadcast channel. Audiences who used to watch BBC Three

[11] Note that -0.87+0.82+0.03+0.07 does not sum to 0.06 due to rounding.

programmes will switch their viewing to programmes shown on other non-BBC channels. This effect results in a reduction in share of BBC viewing of 0.9 percentage points. Secondly, BBC Three Online recaptures some of that lost viewing, resulting in an increase in viewing of BBC Three content online. We forecast a c21% increase in BBC Three online viewing via BBC iPlayer - this is equivalent to an increase in the BBC's share of viewing of 0.03 percentage points.

BBC One+1

To understand the incremental viewing capture of such a channel, we have analysed other parent/+1 pairs. Based on this analysis, we believe that a BBC One +1 channel will capture c.1.6% of viewing[12], of which 70% will be incremental as opposed to cannibalised from BBC One. This incremental viewing will in part be captured from other BBC portfolio channels, and in part from channels broadcast by third parties. In 2017 we forecast the +1 channel will result in a c.2.5% increase in viewing hours for the BBC portfolio, equivalent to an increase in the BBC's share of viewing of 0.82 percentage points.

CBBC

Our analysis of the extra two hours of CBBC is based on an assumption that the new channel will follow the same 'share trajectory' between 7 and 9pm as other children's channels aimed at the same age range. On this basis we estimate that the extra two hours will increase CBBC's share of viewing by c.0.03 percentage points in 2017.

Changes to iPlayer

We have modelled the impact of premiering for 25 titles per year. We estimate this would result in an increase in BBC iPlayer viewing of c.1.8%, or around 1 minute per person per week in 2017. This is equivalent to an increase in the BBC's share of viewing of 0.07 percentage points.

The impact of third party content is challenging to quantify – it will likely change discoverability rather than availability. However, the likely content is likely to be of niche rather than mass-market interest.

Impact on younger audiences

We have considered the impact of the four proposals on younger audiences aged 16-34. Our analysis suggests that closing BBC Three will result in a

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reduction in the amount of time 16-34 year olds spend with the BBC; this is inevitable given we are closing a service. However, our projections show that over time this loss should be largely addressed as BBC Three Online gains more traction, in addition to the mitigation from BBC One+1 and the changes to BBC iPlayer. More widely, key elements of the BBC's strategy - not subject to this PVT- including the additional investment in BBC One, the recently launched Radio 1 branded space in BBC iPlayer and BBC Playlister are designed to address the decline in BBC viewing among younger audiences.

Costs

As a result of the package, the BBC's overall cost per user hour will remain broadly unchanged given that the four proposals, when considered as a package, are largely cost neutral and the four proposals will result in an increase in viewing hours for the BBC of only 0.05 billion by 2017.

High level estimates of the annual incremental costs (reflecting content costs (where relevant) and distribution costs) for the four proposals are shown in the table for 2017/18.

Proposal	**Variable costs per year**	**Cost per hour viewed, 2017/18**
BBC Three Online+	£31.3m	£0.23/hour
BBC One+1	£4.6m	£0.01/ hour
CBBC hours' extension	Negligible	Negligible
Changes to BBC iPlayer	£0.83m	£0.01/hour

+ *Reflects content spend and distribution costs only. Content-related costs (e.g. presentation, commissioning and scheduling) and marketing are not included for BBC Three Online as these are still subject to some uncertainty. Sunk costs, shared costs and one-off implementation costs are also excluded from the CPHV calculations for all proposals.*

The proposals represent good value for money. Incremental costs per hour viewed of the four proposals compares favourably with cost per hour viewed for other similar BBC services.

Although the estimate of cost per viewer hour for the new BBC Three is relatively high, it is comparable to the estimates for BBC Three as a broadcast channel in its early years; in 2005/6 the content cost per user hour for BBC Three was £0.21/hour[13]. Beyond 2017/18 we anticipate that the costs of the new BBC Three per hour viewed will continue to fall as the service attracts more viewers.

The remaining proposals involve no incremental spending on programming and therefore the best comparator for these changes is the now defunct BBC HD service. BBC HD costs only represented the incremental costs of getting content to air as the cost of the original content was allocated to the service on which it was first transmitted. In 2009/10, three years after it had launched, BBC HD had a cost per viewer hour of £0.016p/hour.[14]

Overall assessment

The analysis and evidence presented in this PVT application suggests that the package of four proposals will generate public value for licence fee payers and are in the long-term strategic interests of the BBC.

The decision to close BBC Three has been driven by financial necessity. The BBC could have chosen to further 'salami slice' the budgets of our other services, but continuing down this path would risk depressing the performance of our TV services. So closing BBC Three is the 'least worst' option, particularly given that BBC Three audiences are the most likely to make the transition online. Furthermore, moving BBC Three online provides strategic benefits, helping the BBC to build a new relationship with audiences through the interplay of content and technology and redefining public service broadcasting in the digital age.

[13] Source: BBC Annual report and accounts 2006/7
[14] Source: BBC Annual report and accounts 2009/10

1 Introduction

In March 2014 the BBC announced that, subject to regulatory approval, it was planning to close BBC Three in the autumn of 2015 and reinvent it as an online service, launch a BBC One+1 channel, extend CBBC's hours and enhance BBC iPlayer.

Under the terms of the BBC Agreement, BBC Management is required to seek the BBC Trust's approval when it wishes to make a significant change to the UK public services. Significant changes to services are subject to a Public Value Test where the BBC Trust balances the public value of the proposed changes against their potential market impact. This document – the BBC Executive's assessment of the public value of the proposals - forms part of BBC Management's application to the BBC Trust for permission to make these changes. The evidence and analysis presented in this document is intended to assist the BBC Trust in its assessment of the public value of the proposals as part of the Public Value Test.

In line with the guidance[15] issued by the BBC Trust this assessment provides details of proposals and supporting evidence of the extent to which the proposals will generate public value through the following:

- Quality and impact: Are the proposals high quality and distinctive? What are the benefits of the proposals to consumers, citizens and society as a whole?
- Reach: How far will the proposals extend BBC usage and reach?
- Value for Money: Are the proposals an effective use of public money?

As BBC Management is seeking to make a change to a number of BBC public services which are strategically, financially and operationally linked, we have considered the public value of the proposals as a package but also, where appropriate, we have identified the public value associated with each individual proposal. The remainder of this assessment is structured as follows:

- Section 2 provides an overview of the strategic rationale for the proposals.

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[15] *BBC Trust assessment processes guidance* (2012) available on the [BBC Trust website](#).

- Section 3 provides a description of the proposals.
- Section 4 identifies how the proposals fit with BBC strategy and contribute to the public purposes.
- Sections 5, 6 and 7 considers how the proposals will generate public value in terms of their impact on quality and distinctiveness (drawing on findings from audience research which highlights the potential consumer and citizen benefits of the changes), the reach implications of the proposals and their value for money.
- Section 8 concludes with an assessment of the public value of the proposals when viewed in the round.

2 Strategic context and overview of the proposals

2.1 Strategic context

Over the summer of 2013 BBC Management undertook the Where Next strategy review to identify the BBC's priorities to the end of this Charter period. The review identified a number of important factors which could, in future, undermine the BBC's ability to fulfil its public service remit.

2.1.1 Falling income

The amount of funding available to the BBC to spend on its UK public services will be c26% less in real terms than it would have been by 2016/17 as a result of the 2010 licence fee settlement and obligations placed on the BBC by the government. This is a significant reduction, requiring savings to be made.

2.1.2 Changing TV landscape

There has been a shift in the competitive landscape with the emergence of global media brands offering new types of services, using new business models and investing higher levels in global genres such as drama and entertainment. TV and online distributors are increasingly competing with each other in a world where TV content is available online via PCs, mobile devices and connected TVs. For example, Netflix and Amazon have increased their investment in global original content year on year since 2012[16]. These new entrants are placing pressure on traditional broadcasters by competing for viewing time and top UK talent. They are forcing incumbents to consolidate across the value chain in order to compete[17].

2.1.3 Changing audience viewing habits

The way in which audiences are watching programmes is changing in part due to the widespread availability of new digital technologies. Third-party estimates indicate that the combined share of 'long form' VOD viewing

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[16] For example Netflix announced it would 'double' original content spend in 2014

[17] For example, in May 2014 Liberty Global and Discovery Communications announced an agreement to form a 50:50 joint venture to acquire All3Media

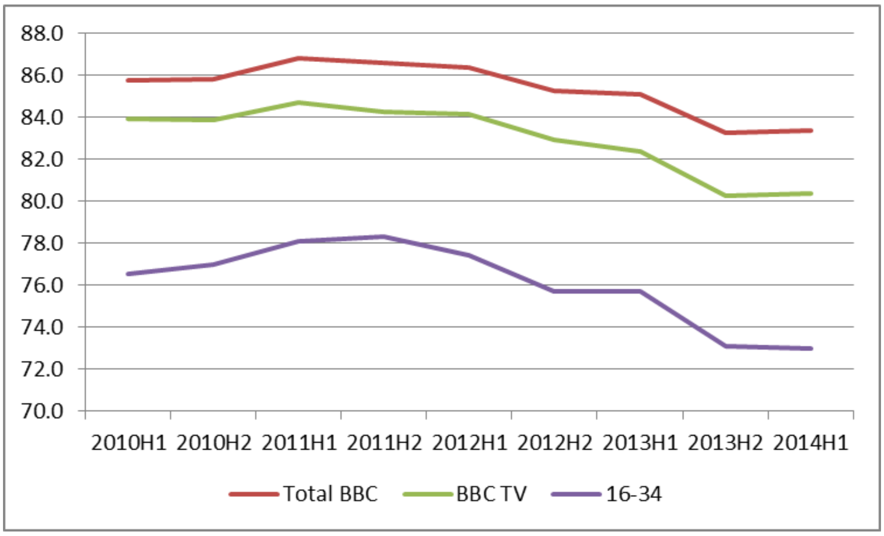
accounted for by smartphones and tablets (29%) is now greater than that of PCs / laptops (24%)[18].

The availability of content on different devices may have also accounted for an increase in the proportion of time spent viewing video on demand (VOD) – which is currently at 5% of viewing hours but is expected to increase to around 12% by 2018[19]. In particular, there has been a structural shift in the media consumption habits of younger audiences. 16-24s are watching 14% less TV than four years ago[20]. Non-linear TV viewing is growing – currently non-linear TV viewing represents 28% of average daily viewing for 16-24s, but we expect it to reach 40% by 2020[21].

2.2 Implications of these trends

These shifts are contributing to a decline in reach of the BBC's linear services.

Figure 1: BBC television weekly reach (%)



Source: BARB, individuals 4+, consolidated 15 consecutive mins reach. Note that Total BBC refers to all BBC television channels. BBC TV refers to BBC One, BBC Two, BBC Three and BBC Four.

BBC TV reach has declined (down 3.8% points between the first half of 2012 and the first half of 2014) although trends for individual BBC TV channels

[18] Ofcom, *Communications Market Report,* 2014 cites data from 3 Reasons LLP.
[19] Mediatique, *Implications of a change in the BBC's on demand permissions*, 2013
[20] BBC Audiences analysis of BARB data (2013 vs 2010)
[21] Figures provided by Enders Analysis on behalf of the BBC

vary. In particular weekly reach to BBC One, BBC Two, BBC Three and CBBC have come under pressure. Other PSB channels have seen similar reductions in reach, whereas more specialist and niche channels (such as those within UKTV's portfolio) have seen increases in reach[22].

Table 1: Weekly average reach for selected BBC TV channels

	BBC One	BBC Two	BBC Three	BBC Four	CBeebies	CBBC
2010/11	78.8	50.3	22.7	10.6	8.6	7.0
2011/12	78.8	50.9	23.3	12.5	9.0	7.4
2012/13	77.6	54.3	23.2	14.2	8.7	6.6
2013/14	74.9	55.1	20.5	14.0	8.3	5.7

Source: BARB. Reach definition: 15 minutes for all channels and services and on audiences aged 4+, in line with industry standards

While on-demand viewing is forecast to grow substantially[23], Mediatique forecast that by 2018 BBC iPlayer's share of catch-up/VOD viewed hours will be 39% compared to 42% in 2012.

As a result, time spent with the BBC (in common with other PSBs) is falling across most audience groups but in particular younger ones. Over the last four years, average time spent with the BBC per person (aged 16+) has declined by 44 minutes per person per week compared with a reduction of 85 minutes per person per week for 16-24s.[24]

2.3 Key priorities for the remainder of this Charter period

BBC Management concluded that the BBC needed to adapt its content and services to reflect these trends if it is to continue to innovate and remain relevant to licence fee payers in a financially challenging climate.

[22] BBC Audiences analysis of BARB data (individuals 4+, consolidated 15 consecutive minutes reach) shows that over the last four years, average weekly reach for the UKTV portfolio has increased from 31.9% to 37%

[23] A number of independent forecasts predict that in future an increasing proportion of TV viewing will take place on on-demand basis. For example Enders Analysis estimates 17% of viewing will not take place via broadcast in 2017. This compares to 10% forecast by Mediatique as reported in *Implications of a change in the BBC's TV on-demand permissions* (2013).

[24] BBC analysis of BARB/RAJAR/CMI data, HY1 2014 vs. HY1 2010

It therefore identified the following strategic priorities[25]. Over the remainder of the Charter period the BBC will:

- Make the most creative and distinctive output by investing in programme genres – particularly drama, music and arts - to ensure that we remain world class.
- Innovate online – BBC iPlayer, which has been a great success in encouraging audience viewing on a catch-up basis, should be developed to become a place where audiences can go to discover new content.
- Make our portfolio of channels even better.

Given the financial constraints facing the BBC, it became clear that in order to increase investment in BBC One, the continued salami slicing of existing TV programme budgets was not a feasible option if we were to continue to meet our channel remits. BBC Management therefore concluded that the best way to find sufficient savings within the TV portfolio, alongside continued efficiencies, would be to close one of the BBC's broadcast TV services.

In March 2014 the BBC announced[26] plans, subject to the approval of the BBC Trust, to close BBC Three as a broadcast TV channel in autumn 2015. The money released from the closure of BBC Three as a broadcast channel would be used to invest £30m into drama on BBC One and the rest would be used to support the reinvention of BBC Three Online and the further development of BBC iPlayer. The BBC also announced its intention to extend CBBC hours from 7pm, using some of the broadcast capacity freed up by the closure of BBC Three and that it would also like to launch a BBC One+1 channel.

2.4 Scope of the PVT

This application for a Public Value Test focuses on a package of four proposals, namely:

- The closure of BBC Three and its reinvention as a forward looking online service. This will bring high quality, distinctive and innovative

[25] Further details are included in Tony Hall's speech on 8 October 2014.
[26] See press release.

UK long form, short form and new form interactive content to 16-34 year olds, and so help to re-imagine the BBC's public service remit for this audience.

- The launch of BBC One+1 to enable audiences to watch licence-fee funded programmes at convenient times, providing a basic layer of catch up functionality that complements BBC iPlayer.
- The extension of CBBC hours by two hours a day to better meet the viewing habits of the 6-12 audience.
- The further development of BBC iPlayer to continue its evolution from a catch up service to a service that audiences turn to access online only and online first content.

The investment in BBC One is an editorial change within the terms of its Service Licence budget and so does not require BBC Trust approval. Nevertheless, BBC Management recognises that the proposal to increase investment in BBC One is a factor in the decision to close BBC Three and could have implications for the other proposals that do require Trust approval. Therefore it is necessary to consider whether the BBC One changes have any material impact on those services which are subject to regulatory scrutiny as part of the PVT process.

3 Description of the proposals

3.1 Closure of BBC Three and its reinvention online

BBC Three currently broadcasts every day from 7 p.m. until 4 a.m. and is available on all the major TV platforms (Freeview, YouView, Virgin Media, Sky, Freesat). The channel is aimed at the 16-34 audience, providing a mixed schedule encompassing: hourly news bulletins, current affairs, drama, entertainment, music, arts, animation and factual programming. In 2013 76% of BBC Three programming comprised original productions (70% in peak) and in 2013/14 the channel broadcast 47 hours of new arts and music programmes, 115 hours of new factual programmes and 15 hours of new current affairs programmes.

In common with other BBC TV services, BBC Three's total content budget (£81m in 2013/14) has been falling over the last two years and, as a result, there has been a decline in the hours of originations shown on the channel. Funding for BBC Three drama has been reduced to one original series each year and funding for factual and entertainment programmes before 9pm has also been cut.

Table 2: Levels of original productions (%)

	All hours	Peak
2010	83	74
2011	79	72
2012	78	71
2013	76	70

Source: BBC Performance Against Public Commitments, various years

It is difficult to identify whether reductions in BBC Three's content budget have had an impact on BBC Three's performance or whether this is due to changing consumption habits amongst younger audiences.

In light potential further cuts to the channel's budget and shifts in the viewing behaviour of young people, BBC Management would like to close BBC Three as a broadcast channel by autumn 2015 and reinvent it as an innovative online service which builds on the brand values and reputation for quality programming that BBC Three has established.

3.1.1 Overview of BBC Three Online

The decision to transfer a TV channel online represents a future-facing move that few commercial broadcasters would consider at this point in time. It is the first time in the BBC's history that it has closed a TV channel, and although this is a decision that has been driven by financial considerations, the move online provides a strategic opportunity to develop a ground-breaking new online service which will bring high quality, distinctive UK-originated long form and new form interactive content to 16-34 year olds.

Although there are short-term risks in closing the one BBC TV service which is dedicated to younger audiences, moving BBC Three online will help to re-imagine the BBC's public service remit for the digital future, starting with younger audiences who are the most connected.

We therefore view BBC Three online as a pathfinder in the remainder of this Charter period which will provide an opportunity for BBC Management to test and understand how public service broadcasting can and should evolve in a digital world. In particular the new BBC Three will be more than an online version of its linear predecessor or a handful of long form programmes within a BBC Three branded space in BBC iPlayer. Instead we would like the new BBC Three to take risks with ideas (particularly in comedy and factual programming), talent and technology so that it will capture the imagination of the YouTube generation and will help to build awareness of, and a market for, new forms of public service content.

While the core objectives and mission of the new BBC Three will not change, it will be important that the service has the flexibility to adapt and evolve in its first few years in response to audience expectations and behaviour. We have therefore set out our plans for the service's initial years of operation but will want to 'test, learn and adapt' these with the audience.

The core objectives of the service are as follows:

- To reach a wide range of 16-34 year olds in the UK each week with content that enriches, stimulates and informs them;
- To encourage involvement by ensuring that the majority of 16-34 year olds will feel that they are part of BBC Three;
- To innovate within the market, building demand for new forms of content and services;
- To expand the market for the providers of digital entertainment, information and education for 16-34 year olds in the UK; and
- To aid the discovery and promotion of the best of British talent.

Overview of the new BBC Three

BBC Three going fully digital in autumn 2015 is a fantastic creative opportunity and as such needs to be underpinned by constant risk taking and effective innovation. We need to ensure that the new BBC Three isn't just IN the digital world, but that it is OF the digital world. It needs to have digital in its DNA and in all its component parts - a truly digital BBC Three, with digital content, digital platforms and a digital brand, for a digital audience. This is not about picking up a TV channel (or its audience) and simply putting it online.

In making this move, we shouldn't forget where BBC Three's strengths lie – in original UK content, in best in class storytelling, in curation and scheduling, in reflecting the diversity of the UK and in innovation. But our linear strengths now need to interact with the qualities of the digital world. These qualities encompass immediacy, a more personalised interactive experience, authenticity of voice and a tone that resonates with our young audience. This is about acknowledging what's great about BBC Three, what's great about digital and merging the two. We will also need to have a detailed understanding of the habits and daily rhythms of this digital native audience.

BBC Three will remain first and foremost a content brand. In the first year of the new service roughly 80% of BBC Three's content budget will be used to continue to commission long form programming, an area in which BBC Three already excels.

The remaining 20% of the budget will be devoted to new form digital native content. By developing our skill base to cultivate a better understanding of digital native content and by embracing all that is great about digital will guarantee BBC Three's place as a pathfinder for the digital age and for the future of BBC Television.

Younger audiences are increasingly engaging with new forms of content on multiple digital platforms on and off the BBC and it's vital the BBC develops the skills to produce this content and ensure we can make it available on all relevant third party platforms.

It is imperative that we are adequately skilled and resourced to deliver this content in critical mass on a daily basis. This will allow BBC Three to develop an ongoing reactive relationship with its audience and will in turn develop frequency of use by having a constant stream of new content to discover and share.

BBC Three content will be available on a dedicated BBC Three website, a variety of BBC services (BBC Online, BBC iPlayer and BBC Red Button). To ensure universality we would like to show long form programmes on BBC One and BBC Two and some BBC Three content may, subject to commercial agreement, be accessible on all relevant third party TV platforms (e.g. Sky, Virgin and YouView) via IP channels/Connected Red Button. We will also tailor content by platform services such as YouTube, Facebook and Twitter, in line with the BBC's syndication policy.

Stemming from extensive audience research and to make this a distinctive public service proposition in the market the content mix of the new BBC Three will be built around two main editorial pillars, "Make Me Think" and "Make Me Laugh". The "Make Me Think" pillar will include a mix of specialist factual, documentary, current affairs, daily news and drama and the "Make me laugh" pillar will be centred on scripted comedy and personality-led entertainment. Compared to the current content mix of BBC Three, this will represent a focus on the content areas which audiences tell us they value most from BBC Three.

Talent will be key in this and the service will build on BBC Three's reputation for developing emerging and new British talent and giving them an opportunity to shine. The audience themselves will also have more of a role to play in the service – engagement and participation in the editorial offer, reacting to it, helping shape it, being advocates for it – fostering a much more open relationship with licence fee payers.

The new BBC Three needs to be loved by the audience so they become ambassadors for the brand and to achieve this we will have to stimulate strong emotion and provoke big reaction.

To meet these objectives BBC Three will focus on telling stories that open minds, bringing a global perspective to a diverse British audience.

3.1.2 BBC Three Online editorial proposition

In developing the new BBC Three offering, BBC Management has put the editorial offer front and centre of the new proposition, recognising that high quality, British, original, challenging, engaging and innovative content will play a critical role in ensuring that the new offering meets its key objectives.

Editorial pillars

In many respects a reinvented BBC Three will retain many of the key elements that have contributed to the service's popularity. Although its content budget will be half of what it used to be (falling from c£60m (excluding news and sport) in 2013-14 to c£30m in 2016-17), the new BBC Three offering will focus on providing the best-loved, highest-quality elements of BBC Three at the expense of those programmes which are less well appreciated or less distinctive. As a consequence of this mix change, overall cost per hour for the new BBC Three may well be higher than at present.

The closure of BBC Three as a broadcast channel will require the BBC Three team to take a different approach to commissioning. Rather than commissioning to time slots, the service will move towards commissioning to 'occasions' and 'audience need states' recognising that audiences experience online content on different occasions, for different purposes and on different devices. For example BBC Three could commission different content reflecting different audience needs – for audiences who want to relax; or who want to escape; or who want to immerse themselves in something thought-provoking and challenging; or who just want to fill some spare moments, for example, waiting at a bus stop. Commissions for BBC Three Online will therefore reflect 'editorial pillars' rather than genres – two core pillars of Make Me Laugh and Make Me Think.

The Make Me Laugh editorial pillar will focus on scripted comedy (commissioned and acquired) and personality-led entertainment. The Make

Me Think editorial pillar will cover drama, flagship factual, authored documents, news and current affairs.

All commissions will be underpinned by Gives Me a Voice. The subjects covered by BBC Three will be relevant and topical and will focus on issues that the 16-34 demographic cares about and audiences will be encouraged to express their opinions and exchange views with others through the interactive features of the service. For example, BBC Three's presence on social media networks provides a forum for instant reaction to subjects covered by the new BBC Three.

Makes Me Laugh: Scripted comedy

BBC Three Online will continue to commission long-form scripted series covering young people's lives, extraordinary people in ordinary situations, ordinary people in extraordinary situations, satire and spoof, and situation comedy.

Whilst BBC Three's content budget will be halved, BBC Management intends to continue to invest in comedy at near current levels (£ ✂ at present compared to £✂ proposed[27]). The service will therefore retain its industry position as a 'go-to' commissioner for emerging talent and will continue to act as a 'nursery slope' talent for BBC One and Two. This will enable the new BBC Three to have a yearly balance of established hits (e.g. *Bad Education, Cuckoo, Siblings*) and genuine risks and we are keen to work with emerging digital suppliers. BBC Three will look to continue to commission Comedy Feeds, providing an outlet for new comedy talent and some short form scripted comedy will be available.

Acquisitions will continue to feature on the new BBC Three, although going forwards the focus will be on content that can support and drive viewing to our originated comedy. In particular BBC Three Online will aim to acquire new and innovative scripted comedy (e.g. *Summer Heights High, Jonah from Tonga, J'amie*) which is in keeping with the character of the service as a risk taker and will help to secure value for money for licence fee payers. ✂

Make Me Laugh: Personality-Led Entertainment

BBC Three will invest in personality-led pieces that are inventive, provocative, intelligent, attention-grabbing and funny. This will help to build a BBC family of talent, some of whom will be emerging stars, some of whom

[27] This is our current working assumption for the channel's initial year but may change as the channel evolves.

will have an existing following and influence. These pieces will tackle big subjects, sometimes irreverently, in line with the current service.

These pieces will not be bound by existing forms but united by great ideas and creative freedom. They will be delivered daily, weekly and monthly and examples include: *Between Two Ferns* (an Emmy award winning internet comedy series that appears on the video website *Funny or Die* where the host Zach Galifianakis conducts celebrity interviews sitting with his guests between two potted ferns), the satire show *The Revolution Will Be Televised* and *Boom Town*, the comedy sketch show.

To give an indication of the mix of content, on the basis of current plans under the Make Me Laugh pillar, BBC Three would be likely to commission scripted comedy titles, scripted specials and comedy feeds. The bulk of talent led entertainment pieces would be short form/new form (on average at least one piece a day) and these would be supplemented by long form comedy series.

Make Me Think: Drama

BBC Three Online will continue to commission original and imaginative stories that are distinctive and offer a compelling narrative to the BBC Three audience such as *Being Human*. Where possible, to maximise our offering to audiences, BBC Three will look for commercial collaboration and provide a fuller drama offering through acquisitions.

BBC Three Online will introduce future story-tellers through expanded drama shorts such as the action comedy *Tag,* showcasing the very best of new British talent. This new strand will build on the success of BBC Three's previous commissions to bring original British drama to young audiences online, allowing them to explore storytelling outside of a scheduled TV slot or duration.

We plan to continue with the BBC Three drama shorts and have one landmark drama per year. We expect to continue to acquire drama series.

Makes Me Think: Flagship Factual

BBC Three Online will continue to invest in award-winning long form documentaries that engage with subjects and issues that matter to the BBC Three audience such as the three part series *Life and Death Row* which told the story of capital punishment through the eyes of young people whose lives have been shaped by it and *Our War* which showed life on the front-line in Afghanistan from the perspective of young soldiers.

Going forward the focus will be on content which tells stories that open audience's minds and allow viewers to venture into the unexpected. BBC

Three will commission flagship pieces for agenda setting seasons such as *It's a Mad World,* a season of BBC Three films looking at a range of mental health issues affecting young people in Britain today.

Makes Me Think: Documentaries and current affairs

The new BBC Three will cover topical raw and real issues in long form authored documents and new form current affairs, investing in a family of talent who will bring real life and right now relevance stories to our audience e.g. *The World's Worst Place to be Gay* presented by Scott Mills.

BBC Three commissions will engage with subjects that matter to the BBC Three audience e.g. employment and relationships. By making available BBC Three content on multiple platforms younger audiences will be able to immerse themselves in issues which will be covered both in long form and new form. BBC Three will offer a deeper, richer experience to audiences through blogs, behind the scenes information, Q&A and other complementary material. We plan to make current affairs programmes and documentaries of varied durations available on a daily, weekly and monthly basis. (See the example release schedule in Annex 1 for further information).

The current plans suggest that under the Make Me Think pillar we will publish new form daily. In addition, over the course of a year, there will be flagship factual series, as well as series and singles for seasons and one-off events. Authored documentaries will also play a prominent role as we intend to continue to commissioning fresh singles encouraging and giving a platform to new British film makers.

Overall - across all forms – we are planning to increase spend on serious factual from current levels as we discontinue lighter Features and Formats (e.g.✂).

Makes Me Laugh and Makes Me Think: Funny Factual

BBC Three will be at its best when it makes audiences laugh and think. New commissions will emphasise big characters and big stories – telling stories that are both real and funny featuring everyday people that represent our audience and concentrating on key issues of young adult life e.g. employment, family and relationships. Examples include *The Call Centre*, *People Like Us*, ✂. Under current plans we will commission two funny factual series a year.

Makes Me Think and Makes Me Laugh: News, Sport and BBC genre collaborations

The new BBC Three will work together with other parts of the BBC's youth offering to maximise impact. This approach is consistent with the BBC's wider youth strategy and also provides an opportunity for talent development.

BBC Three will offer its audiences news, sport and content from other BBC genre collaborations (e.g. Radio 1) where editorially relevant.

The editorial focus of *Newsbeat* stories chimes well with BBC Three. As BBC Three strives to be the most relevant content provider for young people, both news and sport are an essential part of this. Original journalism will tackle key issues, provide context and empower audiences to start conversations. It will be sharp, witty, sometimes irreverent but always relevant.

Further, BBC Three will collaborate with other genres providing a BBC Three 'take' on topics (e.g. sport, entertainment, children's) with a selection of shared editorial calendar moments. BBC Three will leverage productions from BBC Sport giving an alternative analysis or background story e.g. Radio 1 Scott Mills' commentary on the World Cup. Further it will look to work closely with CBBC and CBeebies brands on issues such as parenting. BBC Three will work with Radio 1 to develop new talent, to cross commission and collaborate on the production of short form content.

Talent

Talent will play a key role in creating and curating BBC Three content, fostering a more personal and habitual relationship with audiences.

BBC Three talent will be people that audiences love, people who intrigue them, people who can explain and demonstrate things in a way that is relevant to this age group and people who can put their own unique spin on situations. This group will help to forge a closer, more regular and ongoing connection with the BBC Three audience. They will act as ambassadors for BBC Three and will comprise a mix of big names and emerging talent.

BBC Three talent will have a regular, conversational relationship with the audience through faster turnaround content and social media.

3.1.3 Indicative release schedule

In order to keep the service fresh and to encourage a high proportion of 16-34 year olds to visit the service often, it will be important to have a curated content offering that is refreshed frequently so that the new BBC Three is a dynamic and lively service rather than a static library of content. We therefore plan to release content according to the following indicative schedule:

- Daily – Originated new form which will include a mix of Make Me Think and Make Me Laugh content such as current affairs, personality-led entertainment, *Newsbeat* bulletins, BBC Radio and BBC Sport collaborations. We are planning over one hundred pieces of different new form content a month to keep the service fresh and drive frequency to the website and engage and interact with audiences.

- Weekly/monthly – Originated Make Me Think and Make Me Laugh long form such as scripted comedy and factual series/singles as well as acquired scripted comedy and drama.
- We will continue to explore the release of BBC Three archive as appropriate.

Given the experimental nature of the new BBC Three, it is difficult to pin down the exact overall mix of content that will be available. BBC Management is keen to learn from experience and adjust the mix according to what works well.

3.1.4 Availability of BBC Three content

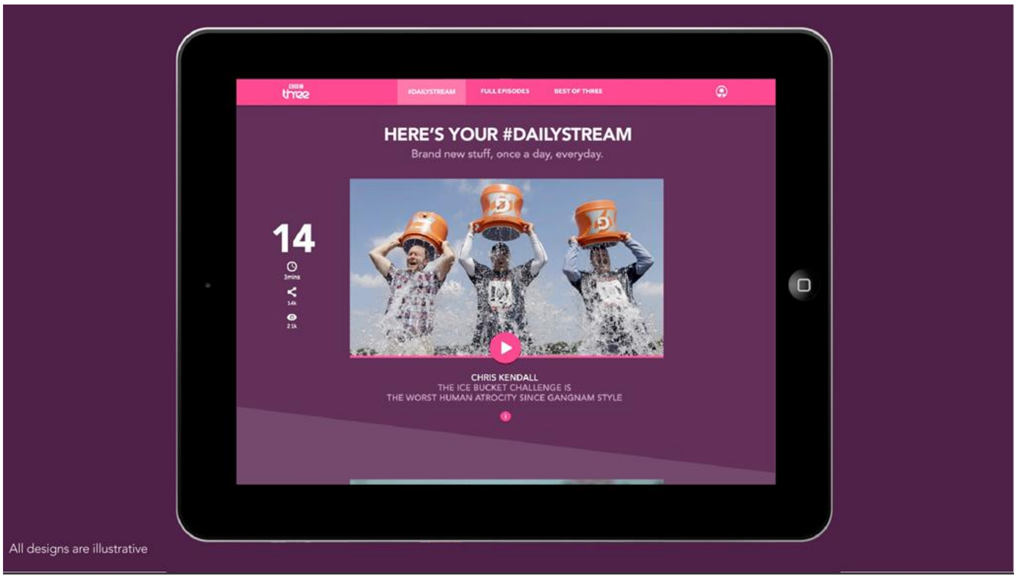
Rather than creating a single destination for BBC Three, we would like to make the new offering available across the BBC's services - on a dedicated branded space on bbc.co.uk, on programme pages on BBC Online, on BBC iPlayer, on BBC One and BBC Two and potentially on Connected Red Button. In line with the BBC's Syndication Guidelines some content will be available on third party platforms and services. How viewers would be able to navigate and access BBC Three content from the main TV platforms (e.g. potentially accessing it from the traditional EPG) is currently under consideration.

On BBC services

We are proposing to create a new dedicated website for BBC Three on BBC Online which will form a key point of entry to BBC Three online, providing a gateway to:

- The BBC Three daily stream – this will provide relevant, topical, shareable short form content aimed at making BBC Three audiences laugh and think.
- A curated stream of BBC Three content available on a continuous loop.
- Latest releases of long form programmes which will play out in BBC iPlayer.

Figure 2: Screenshot of the new BBC Three website



While the availability of long form content will be an important driver of reach for the new BBC Three, the daily stream will be critical in ensuring that the new offering feels fresh, dynamic and alive and it will provide a reason to come to BBC Three on a daily basis.

BBC iPlayer will remain a key source of traffic for BBC Three as it will provide an important point of access to AV content. We will revamp the existing BBC Three branded space within iPlayer to make it a more dynamic service and make it feel like a fresh, dedicated area for young adults. Content within this dedicated space will be carefully curated and brought to life by talent.

The programme pages on BBC Online will also bring audiences to BBC Three.

Illustrative user journey starting on BBC One

Abigail switches on the TV – it lands on BBC One. It's late on Monday night so it's BBC Three time. She watches the first episode of *Life and Death Row*. A trail at the end of the show lets her know that the second episode is premiering LIVE online on BBC Three and encourages her to switchover to BBC Three Online. She navigates to BBC Three on her laptop set and sees it on entry. She makes a cup of tea before setting down again, and uses the live restart feature to watch the second episode.

At the end of the show, the autoplay window surfaces an archive series but she minimises the window as wants to talk about the show and see what others think. She scrolls down to see a selection of tweets and then uses the # to post her own thoughts on Twitter.

We would like BBC Three long form programmes (approximately one to two hours a week, at least initially, to continue to have a transmission on BBC One and BBC Two. This will help to address any concerns about lack of universality and will also help to bring BBC Three content to a wider audience. ✂we would like to show all BBC Three long form commissions on either BBC One (potentially in a branded BBC Three time zone after the 10 0'clock news) or BBC Two (again late night).

On third party platforms and services

The majority of BBC digital content is now consumed via mobile, tablet or connected TV, mainly by means of the BBC iPlayer app, and as a consequence we are heavily dependent on our third party relationships with device manufacturers or platform providers to reach our online audiences watching BBC AV content.

There are three strands to our proposed approach to syndicating BBC Three content. Each strand is consistent with the existing BBC's Syndication Guidelines[28].

Distribution via social networks

A key objective of the BBC Three experience on each platform will be to lead audiences to BBC Three content on other platforms. Each platform will have a specific role for BBC Three that allows the platform to exist as a standalone content experience for the audience, but is also complementary to the rest of the BBC Three ecosystem of touch points. As a result, some content may be unique to an individual platform. However any differences in the availability of BBC Three content across different platforms will be on the basis of clear objective criteria reflecting factors such as the functionality of individual platforms, the demographics of its users, users' expectations of the experience on that platform, other content propositions that have been successful on that platform.

We set out our proposed approach to making BBC Three content available on the main social networks in more detail below and BBC Management will review this approach periodically in recognition of the speed of evolution of social networks. All plans are subject to agreement of appropriate commercial terms.

[28] We are aware that the Trust's Syndication Policy will change in light of the BBC's Trust's consultation on the new Distribution Framework.

YouTube

Over 6 billion hours of video is viewed on YouTube every month[29] and 47% of online 16-24 year olds visit the site each week[30]. YouTube is a powerful video platform for the BBC to reach younger audiences, however the most effective publishers on YouTube have a clearly defined purpose. YouTube is becoming a more immersive platform. Users often search for a specific piece of content in mind when they come to the site. But there is little evidence of its ability to drive onward journeys outside of their platform.

Subject to agreeing appropriate commercial terms with YouTube, BBC Three may use YouTube to promote its single editorial pillar such as short form comedy made for YouTube. Additionally platforms like YouTube could be an important source of new talent for the BBC.

✂

Facebook

Facebook is the most universally used of the social networking platforms (reaching 88% of online 16-24s on a monthly basis) and consequently is an important one for reaching the highest potential volume of young users. Its strengths lie in its variety of media and functionality, as well as the analytics that can be taken from the platform.

Example of a user journey starting on Facebook

It's Wednesday evening. David is in bed with his final Facebook snoop before lights out. He powers up the app and notices a lot of comments on a BBC Three parody of the election debate last night on his news feed. He watches the embedded clip to see what the fuss is about. It's hilarious! It's very telling as he watched the debate and it chimed with a lot of his own observations. He wants more! He is prompted to go to BBC Three to watch the other two minisodes in the series on the BBC Three daily stream. He watches the second one and third ones - rates them and continues to browse in the feed, snacking on a couple of clips. He creates a web-link to the BBC Three page so that it's front and centre on his phone as he has a tedious wait at the bus stop the next morning.

Content that does well tends to be highly visual, highly personal, lighter material, and this performance is then amplified by users' responses or interaction with the content. In light of this Facebook may be used (subject

[29] YouTube website
[30] Cross-Media Insight Survey for the BBC by GfK for the BBC, September 2013

to agreement of appropriate commercial terms) ✂ for engaging with audiences and for giving them a voice around our content, ✂.

Our content will only perform well if it elicits a tangible reaction from users, so our Facebook activity should focus on prompting interaction.

Twitter

Although Twitter supports a range of media, its value is in delivering short, time-critical information, and it is particularly powerful as a means of building buzz or breaking news. It is also an excellent tool to engage and converse with audiences.

In light of this BBC Three may (subject to agreement of appropriate commercial terms) use Twitter as a means of alerting audiences to upcoming events or programming, sharing key information, and managing our relationship with the audience. ✂

Instagram

Instagram has a loyal community with a creative, aspirational bent. Content that does well is either high-end lifestyle material or content that feels revealing and exclusive. Instagram content is not geo-restricted.

BBC Three may (subject to agreement of appropriate commercial terms) use Instagram as the ✂ platform. There is also an opportunity to take Instagram in a more creative direction, thinking about a different medium ✂ to create stories in unexpected ways.

Tumblr

Tumblr has been extremely successful at capturing a largely exclusively young demographic. This is the platform they use to express themselves, to create their own content or to reinvent or reposition others' content.

In light of this BBC Three may (subject to agreement of appropriate commercial terms) use this platform ✂ for content and invite audiences to create their own experiences around this content which in itself will build loyalty and encourage reach. ✂

Other

Subject to agreement of appropriate commercial terms, BBC Three may use Buzzfeed to promote 'listicles[31]' with an irreverent bent for topical agendas e.g. top ten moments from a series, comparators of people, or situations.

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[31] A listicle is a mixture of an article and a list. For example '10 reasons why your office needs a pet'.

Subject to agreement of appropriate commercial terms, Snapchat could be used to engage a loyal community on mobile with visually led push alert features and to reveal characters and story lines.

Distribution via other platforms e.g. TV platforms

The BBC currently operates a standardised model with TV partners (included in this definition are connected-TVs, pay-TV platforms, games consoles, set top boxes, media streaming devices, BluRay players) whereby we make linear and on-demand content available by means of our standard BBC iPlayer product. This means that BBC Three content within BBC iPlayer would automatically be available to the high volume of devices (over 1,000 models of device) which support BBC iPlayer.

The BBC will also work with TV platforms such as Sky, Virgin, YouView, Freesat and Freeview to provide access to BBC Three content via their interfaces, for example by the use of the Red Button as a discovery mechanism. BBC Three content may also be included in mobile platform offerings. All such syndication will be in line with BBC Trust policy.

3.1.5 Duration of availability of BBC Three content

Currently, BBC Three programmes are available for 30 days after every transmission (first run and repeats) on the linear channel. Due to fact that scheduling patterns vary from programme to programme, the length of time an individual programme is available on BBC iPlayer varies from 30 days up to a total of several months (though maybe not continuously for that period). BBC Three programmes are often repeated several times and are therefore available for more than 30 days in this way.

For all long form programmes commissioned by BBC Three we are proposing:

- Online availability as standard for up to 24 x 30 days over a period of 5 years, which we would use flexibly to allow us to maximise the reach and viewing of BBC Three programmes.

- Programmes commissioned by BBC Three would be shown on BBC One or BBC Two (at minimum of one transmission) at least in the early years of the life of the service.

In the same way that we transmit additional repeats of some programmes, we would like to provide additional online availability for some selected titles on a case by case basis if there is the opportunity to increase viewing.

When compared to the current availability of BBC Three programmes, this position represents longer availability online to compensate for less availability on linear.

Appropriate technological means will be used to limit the availability to the period of the BBC's entitlement and the UK territory.

We would like to publish most BBC Three short and new form content for a longer period than for BBC Three long form programmes (as standard) in both BBC and third-party created material.

Given the experimental nature of BBC Three online, we will suggest a review after two years and will not regard any arrangements agreed for BBC Three as being precedential.

3.1.6 Implications for public commitments

The proposal to reinvent BBC Three online in autumn 2015, rather than at the start of the calendar year, raises some questions about the statutory commitments that BBC Three has or contributes to as set out in Annex II of the BBC Three Service Licence.

Given that these quotas are calculated on the basis of the performance of the channel over a period of 12 months, BBC Three will find it challenging to meet the originations quota for 2015 for scheduling reasons (because for example traditionally in the summer months we would schedule fewer first run originations). BBC Management would therefore like to propose a lowering of the BBC Three originations quota to 60% which will apply to BBC Three as a broadcast channel for the months in 2015 until it closes and will be in touch with the BBC Trust in due course regarding transitional arrangements.

We assume that as BBC Three Online will be a new online service, BBC Three long form programmes would not be subject to the current television quota framework but would be subject to our voluntary online external spend quota. As above, given the experimental nature of BBC Three online, we would suggest a review after two years.

Long form BBC Three programming transmitted on BBC One and BBC Two would be subject to the accessibility requirements for that channel.

All video content available on an on-demand basis via BBC iPlayer would be subject to the usual PIN protection arrangements and accessibility requirements.

3.2 BBC One +1

The BBC One+1 channel will be a pan-UK version of BBC One time shifted by one hour. We are proposing to launch BBC One + 1 as a 24 hour, 7 day a week proposition in SD. During the regional opt-outs the channel will run the BBC News channel[32].

The channel will be available on all broadcast TV platforms (DTT, Virgin Media, Sky and Freesat). On DTT, the channel will launch on the PSB-3[33] multiplex ("Mux B") where spare capacity will become available following recent developments in coding technologies. Currently the service would be viewable on the main TV set in c. 40-45% of DTT homes from launch, but that percentage will increase over time as viewing equipment in the home is refreshed, with the penetration of T2 equipment in primary DTT homes forecast to reach ✂ by 2017[34].

At a later point in time (likely to be in 2017) the channel will move to DTT Mux 1 (PSB1) as additional capacity is expected to be identified there as a result of technological and encoding efficiencies[35].

✂

3.3 Extending CBBC

CBBC currently broadcasts from 7 am to 7 pm every day of the week. As defined in its service licence it broadcasts a *wide range of high quality, distinctive content for 6-12 year olds, including drama, entertainment, comedy, animation,*

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[32] BBC Management considered different options for the BBC One+1 channel including a peak time service and a service which included nations variants rather than the BBC News channel during the opt out slots. See section 8 for further discussion.

[33] PSB-3 is the BBC's high definition multiplex which is broadcast using the DVB-T2 transmission format (as opposed to the DVB-T standard that most Freeview channels are broadcast on). Currently PSB-3 has a UK-wide coverage of 98.5% of households. However, not all households which access DTT services have the required equipment in order to be able to receive PSB-3. As such, only receiver equipment with DVB-T2 tuners (commonly referred to as "Freeview HD" devices) will be able to receive the service

[34] 3Reasons LLP, November 2014

[35] Due to lack of capacity for a 24 hour service, constraints around the scheduling of transmission start times for a part-time service and BBC Management wanting to deliver the +1 benefits for daytime programming also, BBC One+1 would not be able to launch on PSB-1 following closure of BBC Three as a broadcast channel.

news and factual. It is available across DTT, Virgin Media, Sky, Freesat and via BBC iPlayer, in both SD and HD on every platform.

CBBC shares with BBC Three – and this is the case for both SD and HD variants on all platforms.

BBC Management is proposing that CBBC broadcast hours be extended by two hours per evening, every day, in both SD and HD, on all platforms. With the channel closing at 9pm every day of the week CBBC would be better placed to meet the viewing needs of their audience. TV reach for CBBC's 6 to 12 year old target audience currently peaks between 7pm and 9pm, after CBBC closes[36]. Therefore the BBC's TV service which specifically aims to reach 6 to 12 year olds is currently not broadcast when this audience is most likely to watch TV.

This proposal would mean that CBBC is able to offer programmes tailored to this audience at the time they most want to watch television.

BBC Management proposes to use the first hour (between 7pm and 8pm) for programmes which appeal most to 6 to 9 year olds and the second hour for programmes which appeal to the older 10 to 12 year old audience.

The rationale for this approach is twofold. First, our proposals will support the transition of audiences from CBeebies to CBBC (as highlighted in the BBC Trust's review of BBC's children's services published in September 2013) by offering younger viewers something aimed at them once CBeebies closes at 7pm. And second, continuing dramas are typically scheduled between 7pm and 8pm on other channels (BBC One and ITV) and hold strong appeal for the older 10 to 12 year old audience. By focusing the second hour on 10 to 12 year olds this would avoid scheduling against these very popular shows but still offer 10 to 12 year olds distinctive programming as viewing from younger audiences started to decline.

BBC Management does not envisage changing the planned funding or split between 10-12s or under 10s in relation to the proposed hours.

This proposal is designed to extend the availability of the channel to the children's audience in the UK, enhancing the public value and role that the channel plays as the only meaningful investor in UK-produced original production for the 6-12 audience.

It will also build on the brand refresh for CBBC which rolled out in summer 2014, and increase opportunities for audiences to take advantage of recent

[36] Source: BARB, Total TV Kids exc Guests Weeks 1-27, 2014

editorial investments in popular award winning programming such as *Wolfblood* and *The Dumping Ground* by scheduling them at times of the day when the 6-12 audience is most likely to be watching television.

3.4 Changes to BBC iPlayer

BBC iPlayer is currently characterised in the BBC and Red Button Service Licence as a TV simulcast and catch up service, although historically audiences have also been able to access some non-broadcast audio and video[37] via the service and, since its inception, it has been part of BBC Three's remit to "offer a substantial online service, premiering some new shows and providing informative back-up to linear programming"[38].

Examples of non-broadcast content include:

- 'BBC iPlayer exclusives', commissioned such as the *Matisse Exhibition at the Tate Modern* featuring Goldie;
- Comedy pilots – BBC Three 'Feed My Funny' new talent comedy 10-20 minute pilots, some of which have now been commissioned for TV series e.g. *People Just Do Nothing;*
- Original drama and comedy shorts such as the strand of three short films by new writers and directors including titles such as *Flea* and *My Jihad;*
- Some content within the Radio 1 branded-space in BBC iPlayer, launched in November 2014, comprising ad hoc documentaries, features and recorded music performances commissioned/produced by Radio 1 specifically for BBC iPlayer;
- Various pieces of additional short-form video content available through BBC iPlayer, often on both Red Button and BBC Online – e.g. prequels for *Doctor Who*, additional short episodes of *Casualty* and *East Enders,* companion pieces for entertainment shows like *The Voice* etc.

The standard availability of online exclusives is 30 days (consistent with the BBC iPlayer window) but there are some exceptions where we think there is value in content having a longer life (e.g. for drama shorts).

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[37] See section 2 of the BBC Online service licence
[38] See section 5.1 of the BBC Three Service Licence

Non-broadcast content has appeared in BBC iPlayer as standalone items or collections (groups of related programmes), which are surfaced on the BBC iPlayer home screen, in genre-based categories (e.g. *Matisse Exhibition at the Tate Modern* was given prominence on the BBC Arts area in BBC iPlayer) and within 'channels' (e.g. previous BBC Three online exclusives have appeared within the BBC Three area in BBC iPlayer). In future, we improve the curation and prominence of online-only content and may also expand the volume of online-only content[39] subject to budgets and consistent with the terms of the Online Service Licence.

By far the most substantial proposed change to BBC iPlayer is the inclusion of BBC Three as an online-only channel in the service, described in section 3.1. While the consumption of simulcast and catch-up content will remain the primary purpose of the service, and broadcast content will continue to make up the overwhelming majority of its inventory, this change represents a shift in the nature of the service. Looking further ahead, the BBC may build on the direction of travel established by BBC Three by further increasing the volume of online-only content available within BBC iPlayer, either through iPlayer specific commissions (although no additional budget has currently been assigned for this purpose[40]) or by incorporating video content from elsewhere in BBC Online (e.g. BBC Music, Arts or Sport). BBC Management is not requesting additional permissions for this, as (beyond BBC Three activity) we consider this to be within the service's existing remit.

In addition, we plan to broaden the appeal of BBC iPlayer in two specific ways that fall outside of the terms of the Online Service Licence and so require regulatory approval. In future we would like to:

- Premiere some programmes on BBC iPlayer in advance of transmission on our linear services; and
- Include selected content commissioned by third party partners in BBC iPlayer.

[39] As at October 2014 high level analysis suggests that approximately 2% of video content on BBC Online is non-broadcast. We estimate that proposed BBC Three content plans and the recently approved proposal to include a Radio 1 branded space within BBC iPlayer will bring the proportion of non-broadcast video content on BBC Online to approximately 3%.

[40] The editorial budget for BBC iPlayer commissioned content is set to fall by around 20% between 2014/15 and 2016/17.

3.4.1 Online premiering

Over the last year the BBC has conducted a time-limited premiering trial which enabled up to 40 hours of programmes to be shown on BBC iPlayer prior to broadcast on BBC TV. On the basis of the findings of this trial, the BBC would like to make online premiering permanent across the TV portfolio and in particular to extend premiering to programmes commissioned by the BBC's children's channels. The BBC proposes that around ten titles per year for each of CBBC and CBeebies will be premiered online. This would equate to an approximate split of hours of c.61 hours of CBBC content and c.49 hours of CBeebies content.

Following premieres of *Hank Zipzer* and *4 O' Clock Club* (under trial permissions), the BBC would like to make more titles from the CBBC and CBeebies channels available as premieres on BBC iPlayer. Depending on the commissioning slate (i.e. some series would be more suitable for online premiering than others) and the performance of subsequent premieres (we will have a clearer picture of audience value delivered by premieres with each title), we anticipate that CBBC and CBeebies combined could be premiering up to 20 titles per year by FY 2016/17.

In the case of CBBC we would consider premiering the following types of content online:

- Drama aimed at the 10-12s, could premiere on BBC iPlayer and then repeat in the 8-9pm hour, hopefully reaching an audience that the CBBC brand does not currently attract. Current examples of this kind of drama include *Wolfblood*, *Dani's Castle* and *Millie In Between*.
- Comedies such as *Class Dismissed* could premiere on BBC iPlayer first and may perform well in the same way as *Hank Zipzer* did.

We would be less likely to premiere returning series as these titles would have already built up a strong following.

In the case of CBeebies a number of different formats could be appropriate for online premiering, but particularly those which are shorter in duration tend to be more suitable for viewing online rather than on TV. We would also like to premiere those titles which we want to build a TV audience for. For example:

- Programmes with a learning angle could be featured as these perform well in the app market and would be useful for parents to entertain their child for a short period while on the move. Examples here would include titles such as *Alphablocks* and *The Lingo Show*.

- "Snackable" short (five minute) programmes like *Woolly & Tig* or *Something Special or Swashbuckle* shorts. They are suitable for online viewing and will receive more prominence as a BBC iPlayer premiere than they would in the TV schedule.
- Programmes which deal with problem-solving (*Bing, Tee and M*o) may also be suitable for online premiering, again because they are useful in keeping children entertained for short periods of time.

We would be unlikely to premiere CBeebies dramas such as *Katie Morag*, *Topsy & Tim* and *Jamilla* as we would like to premier these on the channel to encourage shared family viewing moments.

In addition we would also like the flexibility to premiere a small number of BBC One, BBC Two and BBC Four programmes online per year, mostly for the purposes of introducing new talent and to enhance the schedule (e.g. to offer 10.35 pm drama at 9pm on BBC iPlayer) – probably amounting to around five titles per year across each of the three channels. Assuming ten episodes per title of durations of either 30 or 60 minutes this would result in an additional 25 to 50 hours' worth of programming available online in advance of transmission.

The exact length of the premiere window will vary according to what we would like to achieve from premiering. For example, it can sometimes be useful to premiere programmes which struggle to find a big audience at a specific time in the linear schedule (e.g. *Storyville*). In other cases premiering online will provide an opportunity to create a 'buzz' around new programmes and premiering can offer an opportunity to bring audiences to programmes which they would not otherwise watch at the times they are scheduled (e.g. late at night). We would be unlikely to premiere more than seven days in advance.

There are also some types of programmes which we would be very unlikely to or would never premiere online:-

- *Program*mes that may contain spoilers that the BBC would not wish to appear on social media sites, potentially including the majority of drama programmes;
- Any programmes which the BBC wanted to maximise the sense of a shared viewing experience – for example, entertainment programmes such as *The Apprentice* or *The Voice;* and
- Programmes for which the BBC does not hold the rights to show on BBC iPlayer – either at all or in advance of a channel transmission (e.g. some acquired programming).

3.4.2 Third party content

Currently only content commissioned or acquired by the BBC is hosted on BBC Online, although programmes from S4C have been available within BBC iPlayer from November 2014 on a trial basis as agreed with the BBC Trust.

For the strategic reasons laid out above, the BBC may wish to engage in similar partnerships with other appropriate institutions that share the BBC's values as opportunities arise. For example, we have been approached by The Space, the BBC's partnership with the Arts Council, who would be interested in including some third party commissions (as opposed to BBC co-commissions) within BBC iPlayer.

The merits of any individual partnership will need to be examined on a case by case basis, but in assessing whether to make third party content available within BBC iPlayer we will consider the following principles with regards to the content being provided:

- The content delivers audience value; and
- The content must be distinctive and aligned with the BBC's editorial strategy.

We would also need to consider the extent to which any content available within BBC iPlayer was compliant with the BBC's editorial policy and fair trading guidelines.

If the model used for S4C is rolled out more widely, then it is unlikely that content would be made available on BBC iPlayer on an exclusive basis and the BBC would be unlikely to have any BBC editorial or production input.[41]

[41] BBC has editorial input into those programmes which it commissions. This is distinct from acquisitions which generally have no BBC editorial input.

4 Fit with BBC purposes and strategy

4.1 Contribution to BBC Strategy

4.1.1 Reinvention of BBC Three Online

As discussed in section 2.3, the re-invention of BBC Three presents a strategic opportunity for the BBC to develop a pathfinder service to re-imagine its public service remit for the digital age and to improve the BBC's appeal to, and connection with, younger audiences whose consumption patterns are rapidly changing.

The plans for BBC Three are a key component of a two-pronged strategy which aims to increase the value that younger audiences derive from the BBC, by providing:

- High quality output which is both specifically targeted to younger audiences (for example the proposal to create a Radio 1 branded space in BBC iPlayer and BBC Learning initiatives such as iWonder) and;
- Content which has broader appeal (e.g. drama on BBC One and Two). Although younger audiences may be spending less time watching linear television, television is still very important and BBC One in particular drives the most unique reach of all our TV services, even amongst the 16-24s. BBC analysis of Cross Media Insight data suggests that on average 3.4 million adults watch at least 15 minutes of BBC One and no other BBC channel each week; the equivalent figure for 16-24s is 1.19m per week.

The proposal is also consistent with the future direction of BBC Online (which will increasingly focus on new forms of content and young, female audiences) and is central to BBC iPlayer's evolution.

4.1.2 Launch of BBC One+1

+1 channels now play an important role in the current broadcast landscape. They offer a specific form of time-shifted functionality which allows viewers to watch linear channels an hour later than the initial broadcast (or to record programmes on a +1 channel for delayed consumption). Despite the growth in other forms of time-shifted viewing (whether via PVRs or on-demand platforms) the vast majority of viewing (c84%) still takes place on linear channels[42]. This reflects the fact that linear channel scheduling and marketing are designed to encourage linear viewing: programmes are scheduled and marketed to appeal to specific audiences at different times of the day.

In this context, +1 channels provide consumer value by allowing a limited form of time-shifting. As supply of TV transmission capacity has increased, other PSB and commercial channels have introduced +1 channel variants across all platforms. There are now 63 '+1' channels on Sky's platform, 37 on Virgin Media, 15 on Freesat and 7 on Freeview. These channels have proved popular with audiences to the extent that +1 channels collectively contribute to roughly 10% of all linear viewing in the UK. However, the BBC is unique among its PSB cohort in not operating any +1 channels.

A BBC One+1 channel will provide audiences with additional opportunities to view the BBC's premier channel - and form part of a wider strategy to enable multiple points of engagement within a broad portfolio of services. The proposal will therefore ensure that BBC One programming (which contributes to all the Public Purposes) will be more widely available to all audiences – providing a cost-effective catch-up option for the c50% of households who do not use BBC iPlayer[43] and/or have access to broadband[44].

Critically, the proposal is part of the BBC's strategy to appeal more to younger audiences and will mitigate some of the short-term impact of having to close BBC Three for a relatively low cost. This is because other +1 channels are significantly more popular with younger audiences relative to their parent channels and BBC One is our biggest TV service by far amongst younger audiences[45].

4.1.3 Extension of CBBC hours

The market in which CBBC operates is very different now compared to when it launched in 2002. There are currently 32 television channels in the UK aimed at children, many of which broadcast for longer hours and well into the evening. The Trust recognised the scale of the challenges facing BBC Children's in its 2013 Review of the service, especially with regards to children's changing viewing habits. For BBC Children's to continue to

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[42] Mediatique, *Implications of a change to the BBC's on demand permissions*, 2013

[43] BBC analysis

[44] 18% of households do not have access to the internet and 23% do not have access to broadband, according to Ofcom, *Communications Market Report*, 2014

[45] Over Jan – Dec 2013 between 18:00 and 22:30 19% of BBC One's audience was aged between16-34. (Source: BARB)

achieve its aim of being “the leading provider of distinctive and innovative children’s media, the best choice for children and the best choice for creative talent” the channel must evolve its offering to better meet the viewing habits of its target audience of 6 to 12 year olds. This proposal directly supports that aim by offering 6 to 12 year olds something that was made specifically for them at a the time when they are most likely to be watching.

The proposal also improves the transition of audiences from CBeebies to CBBC (as highlighted in the Trust’s review of BBC’s children’s services published in September 2013) by offering those with younger viewers something aimed at them once CBeebies closes at 7pm.

4.1.4 Changes to BBC iPlayer

As we move towards a world where increasingly video and (media more generally) are consumed online, BBC iPlayer will become more important to the BBC’s ability to deliver its public service mission. In having an industry-leading online TV proposition that is well-loved and widely used by audiences, the BBC has been able to provide a compelling alternative to the disaggregation of our content online - a scenario which would leave us unable to curate, surface a broad range of content, deliver value through technical innovation or otherwise deliver public value in the connected world.

However, the competitive environment for BBC iPlayer is set to become significantly more challenging as major global VOD providers (such as Netflix, Amazon) establish a foothold in the market. In order to compete (and thus retain our ability to deliver public value) BBC iPlayer must continue to improve, taking fuller advantage of the characteristics of the internet. The proposals presented in this document represent the key changes we would like to take forward within the remainder of this Charter period.

4.2 Fit with Public Purposes

The BBC not only aims to enrich the lives of those who pay the licence fee by entertaining, informing and educating, but also to deliver value to society as a whole by contributing to the BBC’s Public Purposes which are enshrined in the BBC Charter and Agreement. The BBC’s Public Purposes are set out below:

- Sustaining citizenship and civil society;
- Stimulating creativity and cultural excellence;
- Promoting education and learning;
- Representing the UK, its nations, regions and communities;

- Bringing the UK to the world and the world to the UK; and
- Delivering to the public the benefit of emerging communications technologies and services.

4.2.1 Reinventing BBC Three Online

BBC Management believes that reinventing BBC Three online will support the following public purposes:

- Sustaining citizenship and civil society – BBC Three Online will continue to support this public purpose through its news and factual output.
- Reflecting the UK's nations, regions and communities - BBC Three Online will continue to support this purpose amongst its audience, in particular by stimulating, supporting and reflecting, in all of its output, the diversity of UK society in ways that reflect the everyday lives of its target audience.
- Bringing the UK to the world and the world to the UK – BBC Three Online will bring the world to the UK through its daily news bulletins.
- Emerging communications – BBC Three will contribute strongly to this proposal particularly by building demand amongst audiences for new types of content and by building capacity in the online content supply sector.

4.2.2 BBC One+1

The BBC One+1 proposal will strengthen BBC One as a channel broadening the availability of highly appreciated, original and diverse titles such as *Miranda*, *Panorama* and *Happy Valley*. In line with BBC One, BBC One+ 1 will make a very important contribution to the creativity and culture public purpose through, for example, its drama, music and arts programmes. BBC One+1 will make an important contribution to the education and learning public purpose (e.g. through extending the availability of its documentary and current affairs output) and to the nations, regions and communities public purpose (e.g. through drama which reflects the diversity of UK society).

4.2.3 Extending CBBC's hours

Extending CBBC's hours will help to sustain citizenship and civil society by providing further opportunities to schedule programmes such as *Blue Peter* at later times of the day when the 6-12 audience is not at school.

4.2.4 BBC iPlayer changes

BBC iPlayer has been pivotal in not only bringing exciting new services to market, but also in helping to grow these markets to the benefit of all participants. The success of BBC iPlayer has contributed to driving take-up of broadband in the UK. In one audience survey[46], almost half of respondents (43%) said that iPlayer was "one of the reasons I like having broadband at home", and 13% said it was "one of the reasons I got broadband at home in the first place". BBC iPlayer has also played a vital role in establishing and growing the market for catch-up TV services. We note Reed Hastings', CEO of Netflix, recent statement on the role that BBC iPlayer had in Netflix's UK success, as it had 'blazed the trail' and got people in the UK used to the idea of on-demand viewing[47].

Further improvement to BBC iPlayer will help to broaden its appeal thus encouraging those households without access to the internet (18%)[48] to become connected, as well as encouraging more regular use of connected services by members of already connected households. The changes to BBC iPlayer will help to future proof the BBC's contribution to the Public Purposes and in particular the sixth public purpose.

[46] Nationally-representative section of the TV Pulse Panel, October 2014
[47] The statement was made in an interview published on 5 October 2014
[48] Ofcom, *Communications Market Review*, 2014.

5 Quality and impact

This section considers the extent to which the proposals will be distinctive and high quality and provide benefits to licence fee payers as consumers and citizens, drawing on several sources of information but particularly two pieces of audience research commissioned to inform the PVT application.

We conducted nine 'deliberative' workshops to understand the informed views of 189 members of the public. These sessions involved detailed qualitative discussions to explore how each of the four proposals would be received on a standalone basis and as a package. We also supplemented the deliberative workshops with five larger scale quantitative online surveys where the views of over 5,000 people were sought. This quantitative research only considered each proposal on a standalone basis rather than as a package.

Ideally we would have assessed the quality and impact of the proposals by trialling a prototype concept for a period and gathering licence fee payers' reactions. However the complex nature of this set of proposals coupled with the timescales for the research made this impossible and therefore the quality/impact assessment was based on high level descriptions[49] of the proposition given to licence fee payers. Participants in the deliberative research were also told that one of the reasons for the closure of BBC Three was to release funding for additional investment (£30m) in drama on BBC One.

The findings of the deliberative research have been used to inform the final shape of BBC Three Online and the BBC iPlayer proposals.

Further details of the quantitative and qualitative research are provided in the supporting research reports submitted alongside as part of the PVT application.

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[49] See PAPA *Deliberative audience research into the proposed changes to BBC Three, BBC iPlayer, CBBC and BBC One+1*, September 2014 and Communications Chambers, *BBC Three PVT Summary of the research from the quantitative research*, September 2014 for exact information given to respondents

Audience research commissioned to inform the assessment of quality and impact

Qualitative research

Qualitative audience research was conducted over 7-17th July 2014 by PAPA. A deliberative approach was used for the research in order to provide considered views of a wide range of members of the public. In total PAPA spoke to 189 respondents aged 16+ in six cities across England, Wales, Scotland and Northern Ireland. PAPA ran six nationally representative sessions where views on all four proposals were sought, two sessions which focussed on the BBC Three proposition only, which were attended by 16-34s who represented a spread of BBC Three viewers, and one session which focussed on the proposed changes to BBC iPlayer which was attended by a representative spread of the population.

The qualitative deliberative research was structured to allow discussion and a nuanced assessment of each of the four proposed changes separately. It also incorporated an exercise to provide an indication of views on the proposals when viewed in the round. At all the deliberative sessions, participants were asked on a scale of 1 to 10 (where 1 was low and 10 was high) to give a general impression of each proposal, thinking personally about its value to them and their household. They were also asked the same question but thinking about value to society as a whole. The same questions were also posed for the full set of proposals.

Quantitative research

Online quantitative surveys were conducted by GfK over August 2014 to assess the audience's response to the proposed changes, including how the changes would be received at a personal and societal level and how they might affect viewing behaviours both on TV and online. Over 1,000 respondents completed five online surveys (one for each of the four proposals and one exploring online TV and video service behaviours) and the data was weighted to ensure an accurate reflection of the UK population. These were used to supplement the findings of the qualitative research to provide a more robust picture of audience views of the consumer and citizen benefits of the proposals. This research only considered each of the proposals on a standalone basis rather than as a package.

Respondents were asked the following: 'a) Thinking personally about its value to you and other members of your household, please give your general impression of this proposal (where 1 is extremely unfavourable and 10 is extremely favourable) and b) Now we'd like to understand how you feel about this proposal for the wider society i.e. not just yourself and your household, but how much you think the proposal is a good or bad thing in general, for society as a whole. Please give your general impression of this proposal'.

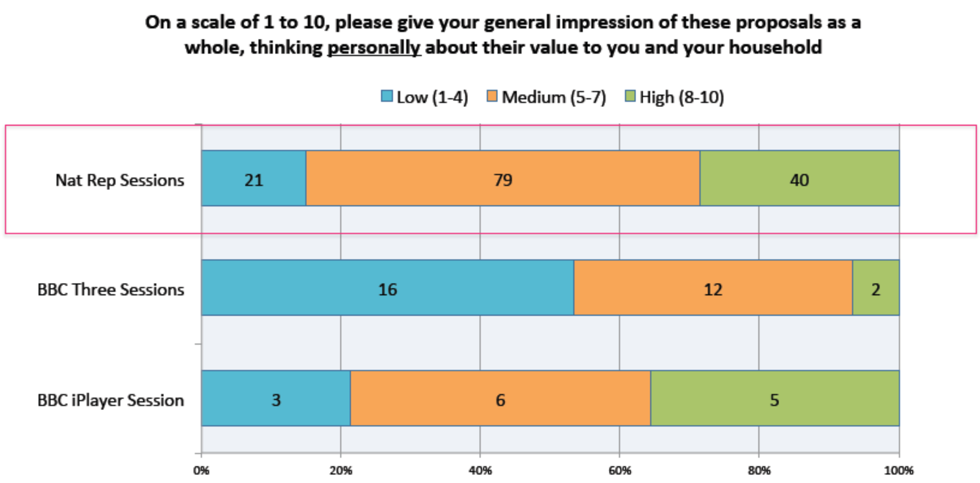
5.1 Overall assessment of the proposals

The PAPA deliberative research looked at the proposals in the round as well as the individual elements of the proposed package. For background context participants in the deliberative research were told that a key reason for closing BBC Three was to help fund investment in BBC One drama.

Whilst there was muted support for some of the individual changes, when the proposals were considered as a single package, the majority of respondents were in favour of them from a personal perspective. In the nationally representative sessions around two thirds of participants thought that the full proposals would produce more value from the BBC because overall the mainstream were better served as a result of the changes, particularly as the inclusion of BBC One+1 in the package added significant value to the most important BBC service.

When considering the impact of the full proposals on wider society, the majority view was also more positive.

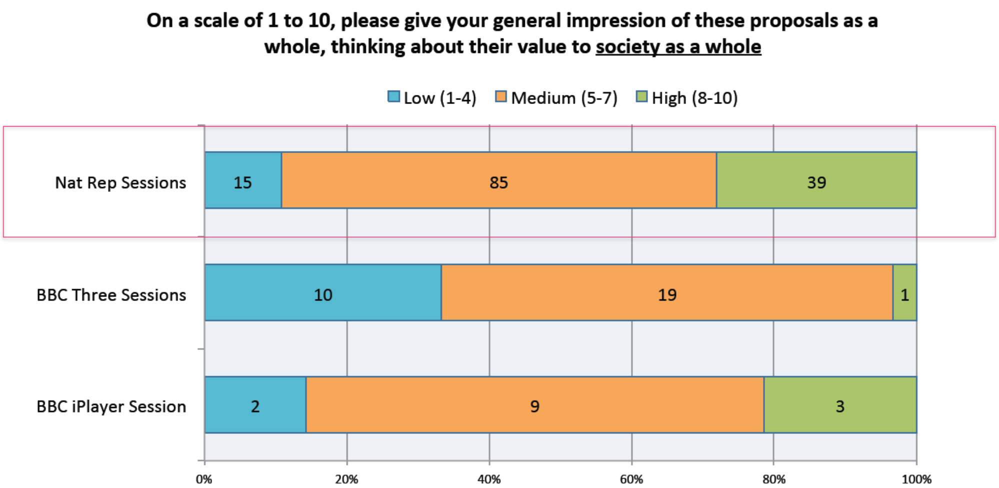
Figure 3: Views on the overall package of proposals from a personal perspective



Source: PAPA, 2014. Note Chart shows the number of respondents. N=140/30/14.

While the majority felt that the changes to BBC Three might have some negative societal impact for the young, most thought that this was amply compensated by the changes to the BBC's biggest TV channel.

Figure 4: Views on the overall package of proposals from a citizen perspective



Source: PAPA, 2014. Note Chart shows the number of respondents. N=139/30/14.

5.2 Reinvention of BBC Three online

5.2.1 Quality

Audience views of the quality of the existing BBC Three service were mixed.

The PAPA deliberative research suggested that BBC Three viewers recognised that the existing channel is distinctive and innovative:

- It covered a wider variety of genres and styles than other entertainment channels;
- Regular viewers acknowledged BBC Three's historical role in showcasing new talent, particular in comedy;
- BBC Three was perceived to be a space for risk-taking and innovation.

But there was recognition that the service was becoming less varied and more repetitive and some questioned its public service value, perceiving it to provide too many entertainment programmes with little educational or factual basis.

This overall picture of falling quality is consistent with findings of recent qualitative research undertaken by the Trust which stated that "BBC Three is generally not perceived as offering high quality programming across a broad range of programmes". This view is also supported by changes in the Fresh and New[50] scores for the channel which been on a downward trend over the last couple of years, bearing in mind the 2012/13 scores were unusually high because of the Olympics.

Table 3: Fresh and New scores for BBC Three, 2010/11 – 2013/14

	16-34	All
2010/11	81.2	78.1
2011/12	82.8	79.5
2012/13	80.6	77.2
2013/14	79.4	74.6

Source: Pulse/Gfk . Data is shown for first runs reflecting the 'all agree' responses.

BBC Management believe that the key features which will make the new BBC Three offering distinctive are the focussing of the budget on high quality public service long form programming – particularly within comedy and factual. Placing greater emphasis on short and new form (see Annex 1 for further details) will also help to re-define how the BBC delivers its public service mission to this audience.

When discussed in the context of other online content providers, the participants in the BBC Three sessions of the deliberative research said the new service might struggle to gain their attention and offer a compelling alternative to their social media feeds and favourite online content providers. However others acknowledged that there was nothing currently providing this content mix online.

5.2.2 Impact

Overall views of the consumer value of the new BBC Three based on those who took part in the deliberative research are shown in Figure 5, and Table 4 compares the findings of the qualitative and quantitative research. In both sets of research participants were asked about their views of the proposals to them and other members of their household on a scale of 1 to 10, where 1 was extremely unfavourable and 10 was extremely favourable.

As expected, from a personal point of view there was very little appetite for the proposals, particularly amongst existing BBC Three viewers.

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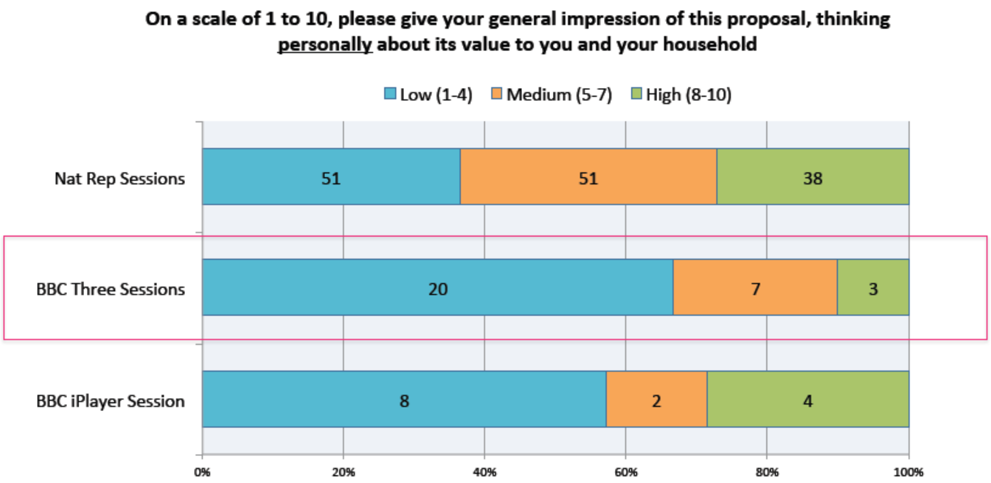
[50] Fresh and New reflects audience views on whether individual programmes are innovative and is measured via Pulse panel, a daily online survey undertaken by GfK

The qualitative research suggested that only around one in four participants in the nationally representative session and 3 out of 30 participants in the BBC Three sessions were strongly in favour of the idea, scoring the proposals 8, 9 or 10. Key concerns included loss of a TV viewing experience. However some respondents acknowledged that the new offering was distinctive.

The quantitative analysis largely supported the findings of the qualitative analysis. From a consumer point of view, across a nationally representative sample, 13% of respondents were favourable towards the proposals (giving the proposals a score of 8, 9 or 10 out of 10) for BBC Three.

Figure 5: Views on the consumer value of the reinvention of BBC Three online



Source: PAPA 2014, N=140/30/14

Table 4: Reactions to the BBC Three proposal from a personal point of view

Level of favourability - % of respondents	Qualitative		Quantitative	
	Nationally Representative	BBC Three	All	16-34
Low (1-4)	36	67	42	40
Medium (5-7)	36	23	45	42
High (8-10)	27	10	13	18
Sample size	**140**	**30**	**1133**	**234**

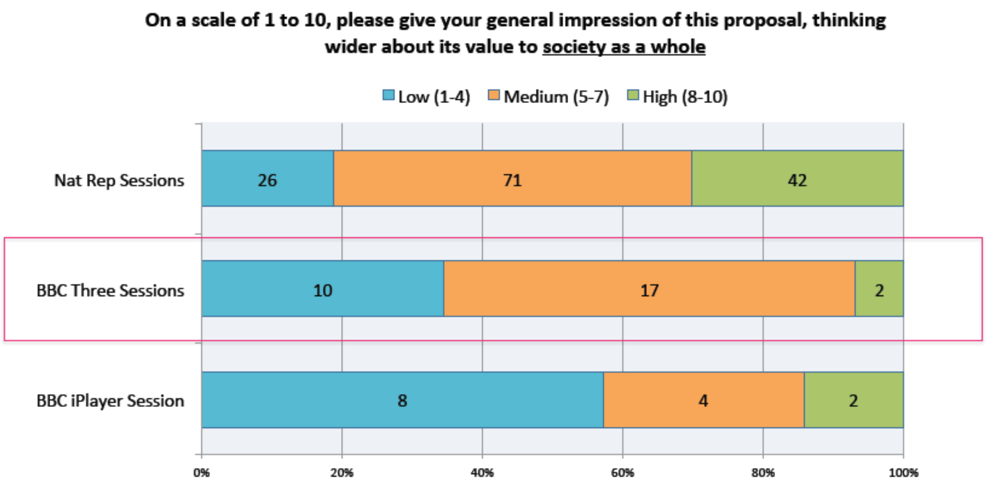
Source: PAPA (2014) and GfK (2014)

However the proposals were more appealing to the population as a whole from a societal point of view as respondents recognised that it made sense for the BBC to move a channel that is targeted at 16-34 year olds online.

Lack of availability (due to lack of broadband) was also highlighted as a concern as was the lack of convenience of watching BBC Three programmes through a connected device such as a tablet or a smart phone.

BBC Three viewers took a less favourable view.

Figure 6 Views on the societal value of the reinvention of BBC Three online



Source: PAPA 2014, N=139/29/14

Table 5 Reactions to the BBC Three proposal from a societal point of view

Level of favourability - % of respondents	Qualitative		Quantitative	
	Nationally Representative	BBC Three	All	16-34
Low (1-4)	19%	34%	31%	35%
Medium (5-7)	51%	59%	53%	47%
High (8-10)	30%	7%	14%	18%
Sample size	**139**	**29**	**1133**	**234**

Source: PAPA (2014) and GfK (2014)

It is perhaps not surprising that the findings from the research indicate a muted response to the BBC Three proposals. At the time that the research took place plans for BBC Three were not well developed and hence our deliberative research identified, particularly amongst BBC Three viewers, that participants generally perceived the proposal as a loss of something they liked and were unable to visualise what would replace it. The negative response is also consistent with the concept of loss aversion which suggests that audiences tend to care more about losses than gains.

In response to feedback from the deliberative research, in developing the BBC proposal, we have placed a high priority on high quality distinctive programming (such as *Our War* and *Murdered by My Boyfriend*). This will ensure that the new BBC Three will provide content which is distinctive and will appeal to and will be valued by audiences.

We have also recognised that access to the new BBC Three will be an important factor and have sought to emphasise the multi-platform aspect of the proposal and that in the early years the transmission of BBC Three long form programmes on BBC One and Two will mitigate the lack of access for households without broadband. Furthermore, over time, as connected TVs become more widespread, then BBC Three AV content will become viewable on a TV set in a greater number of homes, enabling BBC Three audiences to benefit from technological improvements which enhance the viewing experience. Furthermore the multiplatform presence of BBC Three will also increase viewing opportunities of content that is tailored to different platforms.

5.3 BBC One+1

5.3.1 Quality

BBC One has performed strongly on various metrics of quality[51]. The PAPA deliberative research notes that respondents thought the channel would display originality, distinctiveness and high quality across a range of genres. The BBC One+1 proposal will therefore help to drive quality by increasing the opportunities to watch BBC One programmes.

5.3.2 Impact

The BBC One+1 proposal was by far the most popular proposal of the four, for both its perceived personal and societal value. This finding was consistent across both the qualitative and quantitative research.

[51] See the BBC Trust's *Service review of BBC Television*, July 2014.

Our qualitative research indicated that just under 50% of respondents rated the BBC One+1 proposal favourably, giving it either 8, 9 or 10 out of 10 (where 10 was extremely favourable). Slightly fewer – 46% - rated the proposal 8, 9 or 10 from a societal point of view. The proposal was even more strongly welcomed in the quantitative research – with 57% of respondents scoring the proposal 8-10 from a personal and societal point of view.

Reasons for being positive about the proposal were built around convenience and control. In the deliberative research participants mentioned the convenience of being able to watch BBC programmes on a catch up basis on TV rather than having to rely on connected devices. It was also noted that the proposal would make BBC programming more accessible to those who cannot use BBC iPlayer and it was perceived by the majority to "balance" the overall proposals by appealing to older and non-technical members of the audience who did not have access to fast broadband – the major objection to the changes to BBC iPlayer. There was some concern from younger audiences who thought that the BBC One+1 proposal replicated BBC iPlayer, but this was a minority view.

The quantitative research revealed a similarly positive audience reaction to the BBC One+1 proposal.

Table 6: Views on the BBC One+1 proposal

Level of favourability - % of respondents	Personal		Societal	
	Qualitative	Quantitative	Qualitative	Quantitative
Low (1-4)	22%	10%	14%	7%
Medium (5-7)	30%	32%	40%	36%
High (8-10)	48%	57%	46%	57%
Sample size	**139**	**1326**	**138**	**1326**

Source: PAPA (2014) and GfK (2014)

5.4 Extension of CBBC hours

5.4.1 Quality

The remit of CBBC is to provide a wide range of high quality, distinctive content for 6-12 year olds, including drama, entertainment, comedy, animation, news and factual content.

Feedback gathered from licence fee payers by the BBC Trust to inform its 2013 review of children's services from audiences and stakeholders suggests that the programmes shown on CBBC were largely regarded by children as well as parents and carers as being high-quality, distinctive and comprising a broad range of genres. More generally, appreciation of CBBC content remains stable with an Appreciation Index of 83[52].

It therefore follows that extending CBBC's schedule by two hours each evening will provide more opportunity for 6-12 year olds to watch high quality programmes at times that are convenient for them.

5.4.2 Impact

Our audience research suggests that reactions to this proposal partly depended upon whether those questioned had children or not. Almost all those who took part in the deliberative research – which was based on a nationally representative sample of adults aged 16+ and included 47 respondents with children aged 12 and under - appreciated the value of children's TV and BBC children's programmes. However there was a strong feeling that there was already enough content available both outside and inside the BBC.

In terms of personal value, responses to the proposal were naturally most positive among parents of children or amongst people who had had children. For some it would make life easier. Some parents felt the extra hours would give them more options to manage the last few hours before bedtime and a few working parents suggested an extended schedule was a better fit for many modern families who might have children in childcare until 6pm or later. Some felt that having CBBC available in the early evening would give parents an age appropriate safe option for their children to watch TV. For

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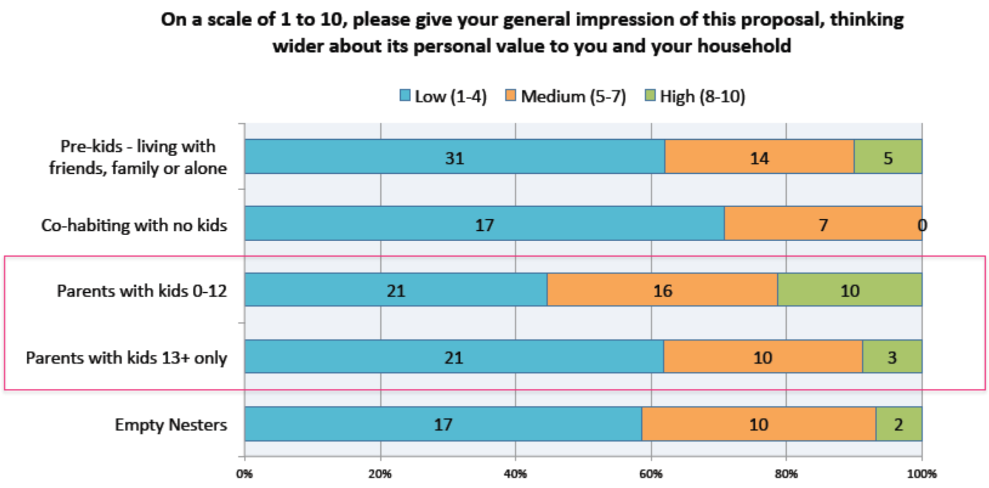
[52] CBBC *Spring Content Tracker*, Spring 2014. Appreciation index (AI) figures are based on an online panel of adults, who are asked to score programmes they have watched or listened to out of 10

others the proposal might make life harder, placing additional strain at bedtime and breaking up key family time.

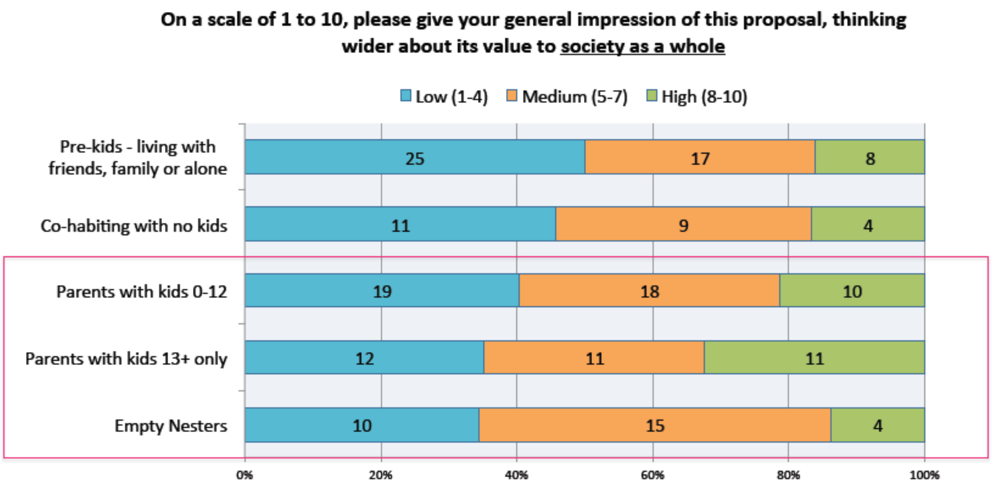
Figure 7: Views on the consumer value of the CBBC proposal



Source: PAPA

Similarly in terms of perceived societal value, the proposal was most positively received by those who had children or have had children.

Figure 8: Views on the societal value of the CBBC proposal



Source: PAPA, 2014. Note sample sizes shown on the chart

The findings from the deliberative research were corroborated by those from the quantitative research. 33% of survey participants viewed the proposals unfavourably (giving it a score of 1-4 out of 10, where 10 is extremely favourable) compared to 20% that viewed the proposals with a high degree of favourability. Respondents were more positive when asked to score the proposal from a societal perspective, with 29% rating it favourably (8-10) and 22% rating it unfavourably (1-4).

5.5 Changes to BBC iPlayer

5.5.1 Quality

The PAPA deliberative research suggested that existing perceptions of BBC iPlayer are built around its status as an effective catch up service. Most of those who used BBC iPlayer treated it as a catch-up service for programmes missed on TV, though a significant minority are starting to use BBC iPlayer (and other services) as a platform to browse for programming or watch live. BBC iPlayer was widely regarded as the best catch up service of any of the UK broadcasters. However there were some concerns that the quality of online-only content would not be as high as broadcast content or that the experience would not be as good as watching TV.

5.5.2 Impact

As might be expected, respondents who currently use BBC iPlayer frequently perceived greater personal value in the proposals[53] on the grounds that the proposals would offer more variety, flexibility and choice in content. There was some criticism that those without broadband would not be able to benefit from the proposals.

Generally the benefits of the BBC iPlayer proposals were found to be higher when looked at from a societal perspective rather than a personal perspective, with the proposals to include selected third party content and online premiering attracting the highest scores.

[53] The PAPA deliberative research was based on a description of BBC iPlayer which included two elements – additional online only content (over and above the BBC Three proposals and selected third party content on BBC iPlayer) and online only channels – which are not part of this PVT application. This may mean that the evidence in this section is not directly reflective of the proposals in this PVT application, although we note that online only content and online only channels were less highly valued than premiering and third party content. See pages 40 and 41 of the accompanying report by PAPA for further details.

Table 7: Personal and societal value of the BBC iPlayer proposals - favourability ratings (% of respondents)

	Personal		Societal	
	Qualitative	**Quantitative**	**Qualitative**	**Quantitative**
Low	29	16	16	11
Medium	44	47	49	51
High	28	37	34	39

Source: PAPA (2014) and GfK (2014)

6 Reach and usage

In the following section we explain how the package of changes to BBC Three, BBC One, CBBC and BBC iPlayer will affect usage of these services and overall time spent with the BBC. We examine the net or cumulative impact of the changes when considered in the round on an annual basis from 2015 through to 2018[54] and the impact of the changes on each of the services in turn.

For each of the four proposals we forecast the changes in viewing hours and viewing share as these metrics are comparable across linear and on demand services. Where possible, we consider impact on reach for the closure of BBC Three, BBC One+1 and CBBC.

A more detailed discussion is provided in the accompanying report on the market impact of the proposals[55].

6.1 Overview of the methodology

Assessing the audience implications of changes to the UK services which are strategically and financially linked has a number of implications for the approach to modelling usage.

All previous PVTs have considered an expansion of the BBC and the public value of the change has been assessed against a 'business as usual' scenario absent the proposed change. However this PVT involves a closure of a service. In this instance, identifying the appropriate counterfactual or baseline for the assessment is far from straightforward as it would not be appropriate to consider the impact of, say, extending CBBC hours against a baseline that reflected the status quo. This is because the option of extending CBBC by two hours per day is contingent on the closure of BBC Three for DTT capacity reasons.

In addition the analysis is further complicated by the fact that the key reason for closing BBC Three is to release funding which will be used for editorial changes to BBC One. BBC Management does not consider the additional investment in BBC One content to be 'significant' as defined by Clause 25 of the BBC Agreement, and therefore does not require BBC Trust approval to

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[54] As BBC TV audience metrics are usually reported on a calendar year, our reach and usage forecasts are reported by calendar year rather than by financial year.

[55] Communications Chambers, *Forecast consumption and preliminary market impact assessment of revised BBC services*, October 2014

make this change. Nevertheless, BBC Management recognises that the investment in BBC One is likely to have an impact on the changes that are subject to regulatory approval by the BBC Trust. Most notably increasing investment in BBC One could affect BBC One+1, but it could also have a small negative impact on time spent watching BBC Three (if the additional investment leads to a small uplift in audiences for BBC One at the expense of time spent watching BBC Three content) and a positive impact on time spent watching BBC iPlayer (as performance of BBC iPlayer tends to be correlated with performance of the BBC's TV services).

We have therefore taken a sequential approach to modelling the audience impact of the changes to reflect the fact that every individual change will lead to a redistribution of audiences across BBC and third party services, given our starting assumption that the changes are unlikely to lead to any overall increase in the aggregate time that audiences spend watching TV programmes whether that be on a linear, time shifted and catch up basis[56]. Or, put another way, we are implicitly assuming that the proposals will not result in audiences devoting more time to watching TV content; if audiences watch more hours of 'new' BBC AV content, this must be because they are watching less of either existing BBC content or content on third party services.

As a result our modelling involves several sequential steps.

- Assessment of the impact of the additional investment in BBC One.
- Modelling the impact of reinventing BBC Three online.
- Modelling the impact of launching a BBC One+1 service.
- Modelling extending CBBC by two hours each night.
- Modelling the audience impact of the changes to BBC iPlayer.

In practice this means, from a modelling perspective, that every time a new proposal is introduced we consider its incremental impact on viewing of BBC and third party services.

While the results as presented show the audience impacts of each proposal on a sequential basis, in practice, it makes little difference to the estimated

[56] Over the last four years, on average, audiences have watched slightly under four hours of TV long form programmes per day via linear services, PVR or catch-up services (although the proportion of time spent watching linear services is falling). This figure has remained remarkably stable despite changes such as, e.g., the introduction of HD and catch up services. Ofcom's *Communications Market*, 2014 report notes there has been a decline in this average between 2012 and 2013. It is difficult to determine whether this is a structural decline or a temporary one.

impact of each proposal as to which order the changes take place after the launch of BBC Three Online.

6.2 The counterfactual

In order to understand how the changes will affect audiences we need to forecast usage for the relevant services absent the changes. These 'counterfactual' forecasts will provide an appropriate baseline against which the audience impact of the four proposals can be assessed.

6.2.1 BBC Three

For the purposes of this analysis we assume that BBC Three's share continues to be stable at its current level of 1.5%. As the BBC Trust's review of BBC TV services noted, share for BBC TV has remained relatively constant over the past few years; this is because although time spent with the BBC has gone down, so has time spent watching TV content on a linear/PVR basis supplied by most other broadcasters. Therefore this seems to be a reasonable assumption. Although it is possible that further reductions in the BBC Three budget might have had an impact on overall time spent with the channel, it is difficult to second guess its impact on share for BBC Three, as this would partly depend upon competitors' investments in substitute offerings.

6.2.2 BBC One

Similarly our starting point for projecting the counterfactual for BBC One is that BBC One's share also remains constant. However, as mentioned in section 1, the BBC has announced that it intends to invest £30m in BBC One as part of its strategy. Although BBC Management does not require BBC Trust approval to make this change, it nonetheless affects the baseline for analysis of the changes which are in scope. We have assumed that the £30m additional spend results in a pro-rata increase in viewing on a linear/PVR and catch up basis. Consequently our base case share for BBC One is 21.7% compared to the current 21.0%, but the overall share gain for the BBC is 0.5%, since some of BBC One's share gain is from other BBC channels.

6.2.3 CBBC

CBBC has seen a significant share contraction since the start of the decade and so in our base case we assume that this contraction continues, partly based on an extrapolation of current trends, but stabilising at 0.4% by 2014.

6.2.4 BBC iPlayer

Projections for BBC iPlayer in the counterfactual are based on Mediatique forecasts of viewing of BBC iPlayer[57], adjusted to reflect the impact of investment in BBC One, although the effect of this is minimal.

Mediatique's estimates do not reflect recent Trust decisions on BBC Store[58] or Radio One in BBC iPlayer[59]. However the relatively modest impact of these changes on usage of BBC iPlayer suggests that excluding these two initiatives from the counterfactual forecasts is unlikely to have a material effect.

6.2.5 Counterfactual forecasts over time

A summary of our baseline forecasts of total viewing of BBC long form AV content. These forecasts, which are based on the aforementioned Mediatique forecasts of linear, PVR and catch up/VOD viewing, are set out in **Table 8**. A full description of how the counterfactual forecasts were developed is available in the accompanying report by Communications Chambers.

Table 8: Summary of counterfactual forecasts for BBC viewing

	2014	2015	2016	2017	2018
Total hours of BBC viewing (linear, PVR, catchup) – billion hours					
Baseline forecasts	26.85	27.28	27.69	28.11	28.55
• Linear/PVR	25.19	25.11	24.98	24.82	24.62
• Catch up	1.66	2.16	2.71	3.29	3.93
Impact of investment in BBC One	-	0.11	0.44	0.44	0.45
Baseline reflecting BBC One investment	26.85	27.38	28.13	28.55	29.00

57 See Mediatique, *Implications of a change to the BBC's on demand permissions*, (2013)
58 See the press release issued by the BBC Trust on 27 February 2014
59 See the press release issued by the BBC Trust on 3 November 2014

- Linear/PVR	25.19	25.21	25.38	25.21	25.02
- Catch up	1.66	2.17	2.75	3.33	3.98
BBC share of total viewing of long form AV via linear, PVR, catchup, VOD (% of time spent)					
Baseline forecasts	33.04%	33.14%	33.23%	33.30%	33.36%
Impact of investment in BBC One	0.00%	0.13%	0.52%	0.52%	0.52%
Baseline reflecting BBC One investment	33.04%	33.27%	33.75%	33.82%	33.88%
Time spent viewing BBC long form AV (mins per person (aged 4+) per week)					
Baseline forecasts	505.58	510.05	514.06	518.27	522.89
Impact of investment in BBC One	-	2.02	8.10	8.14	8.19
Baseline reflecting BBC One investment	505.58	512.07	522.16	526.41	531.08

Note: BBC Store not factored into these forecasts of viewing of BBC content as the focus of this assessment is the BBC's public services. However Mediatique's forecasts at an aggregate level capture BBC Store and other third party VOD services

6.3 Estimating the impact of the proposals

6.3.1 Cumulative impact of the four proposals

The combined impact of the four service changes in aggregate on BBC total viewing hours and BBC share of viewing is summarised in the tables below. The impact on BBC reach is also calculated for the changes to the relevant BBC TV channels – BBC One, BBC Three and CBBC. For the purposes of modelling the impact of the proposals over time we have assumed that the changes will be phased in over time from autumn 2015.

Table 9 shows the changes in total viewing hours of BBC television content resulting from the changes. The table shows that as a result of the proposals overall time spent watching BBC services is likely to be largely unaffected by the four proposals compared to a baseline which reflects the additional investment in BBC One.

This is because the projections suggest that any reductions in linear viewing due to the closure of BBC Three as a broadcast channel will largely be offset by the other changes we are seeking approval for.

Table 9: Overall change in total time spent watching BBC TV content

Billions of hours	**2014**	**2015**	**2016**	**2017**	**2018**
Baseline forecasts of viewing of BBC content (linear/PVR/catchup)	26.85	27.28	27.69	28.11	28.55
Base viewing (including impact of BBC One investment)	**26.85**	**27.38**	**28.13**	**28.55**	**29.00**
Linear BBC Three Linear Closure Impact	-	-0.19	-0.76	-0.76	-0.75
BBC Three Online Impact	-	-0.00	0.01	0.03	0.05
BBC One+1 Impact	-	0.12	0.54	0.70	0.69
CBBC Impact	-	0.01	0.03	0.03	0.03
BBC iPlayer Impact	-	0.01	0.05	0.06	0.07
Combined impact	**-**	**-0.06**	**-0.13**	**0.05**	**0.08**
Total viewing post PVT changes and BBC One investment	**26.85**	**27.33**	**27.99**	**28.60**	**29.08**

Similarly, our forecasts suggest that BBC share will also remain unaffected by the four proposals and that by 2017 BBC share of total viewing will be 0.06 percentage points higher than projected BBC share in the counterfactual, adjusted to take into account the impact of the additional investment in BBC One.

Table 10: Impact of the four proposals on Total BBC television share

BBC share of total hours viewed	**2014**	**2015**	**2016**	**2017**	**2018**
Baseline forecasts	33.04%	33.14%	33.23%	33.30%	33.36%
BBC share (including impact of BBC One investment)	**33.04%**	**33.27%**	**33.75%**	**33.82%**	**33.88%**
Linear BBC Three Linear Closure Impact – percentage point change	0.00%	-0.24%	-0.92%	-0.90%	-0.88%
BBC Three Online Impact – percentage point change	0.00%	-0.00%	0.01%	0.03%	0.06%

BBC One+1 Impact – percentage point change	0.00%	0.15%	0.65%	0.82%	0.80%
CBBC Impact – percentage point change	0.00%	0.01%	0.03%	0.03%	0.03%
BBC iPlayer Impact – percentage point change	0.00%	0.01%	0.06%	0.07%	0.08%
Combined impact - percentage point change	**0.00%**	**-0.07%**	**-0.16%**	**0.06%**	**0.09%**
BBC share post PVT changes and BBC One investment	**33.04%**	**33.20%**	**33.59%**	**33.88%**	**33.98%**

This 0.06 percentage point change in share can be decomposed[60] into:

- A reduction in the BBC's share of viewing due to the closure of BBC Three and its reinvention online of 0.87 percentage points;
- An increase in the BBC's share of viewing due to the launch of BBC One+1 of 0.82 percentage points;
- An increase in the BBC's share of viewing due to the extension of CBBC hours of 0.03 percentage points; and
- An increase in the BBC's share of viewing due to the changes in BBC iPlayer of 0.07 percentage points.

Reinvention of BBC Three online

The reinvention of BBC Three will lead to a reduction in the BBC's overall share of viewing hours of –c.0.87 percentage points. This change is made up of two components.

Firstly there is a loss in BBC viewing as a result of the closure of BBC Three as a broadcast channel. Audiences who used to watch BBC Three programmes will switch their viewing to programmes shown on other non-BBC channels. This effect results in a reduction in share of BBC viewing of 0.9 percentage points. Secondly, BBC Three Online recaptures some of that lost viewing, resulting in an increase in viewing of BBC Three content online. We forecast a c21% increase in BBC Three online viewing via BBC iPlayer - this is equivalent to an increase in the BBC's share of viewing of 0.03 percentage points.

[60] Note that -0.87+0.82+0.03+0.07 does not sum to 0.06 due to rounding.

BBC One+1

To understand the incremental viewing capture of such a channel, we have analysed other parent/+1 pairs. Based on this analysis, we believe that a BBC One +1 channel will capture c.1.6% of viewing[61], of which 70% will be incremental as opposed to cannibalised from BBC One. This incremental viewing will in part be captured from other BBC portfolio channels, and in part from channels broadcast by third parties. In 2017 we forecast the +1 channel will result in a c.2.5% increase in viewing hours for the BBC portfolio, equivalent to an increase in the BBC's share of viewing of 0.82 percentage points.

CBBC

Our analysis of the extra two hours of CBBC is based on an assumption that the new channel will follow the same 'share trajectory' between 7 and 9pm as other children's channels aimed at the same age range. On this basis we estimate that the extra two hours will increase CBBC's share of viewing by c.0.03 percentage points in 2017.

Changes to iPlayer

We have modelled the impact of premiering for 25 titles per year. We estimate this would result in an increase in BBC iPlayer viewing of c.1.8%, or around 1 minute per person per week in 2017. This is equivalent to an increase in the BBC's share of viewing of 0.07 percentage points.

The impact of third party content is challenging to quantify – it will likely change discoverability rather than availability. However, the likely content is likely to be of niche rather than mass-market interest.

6.3.2 Total BBC television reach

Table 11 shows the impact of the proposals on BBC reach in aggregate and for the changes to the relevant BBC TV services. The table shows that in aggregate the four proposals will result in a small reduction in reach for the BBC's television services by 2017.

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Table 11: Impact of the proposals on Total BBC TV reach

	2014	2015	2016	2017	2018
Baseline forecasts of Total BBC TV reach	84.09%	83.98%	83.87%	83.76%	83.65%
Total BBC TV reach (including impact of BBC One investment)	**84.09%**	**84.02%**	**84.04%**	**83.93%**	**83.82%**
Linear BBC Three Linear Closure Impact	0.00%	-0.32%	-1.28%	-1.28%	-1.28%
BBC Three Online Impact	n/a	n/a	n/a	n/a	n/a
BBC One+1 Impact	0.00%	0.06%	0.26%	0.33%	0.33%
CBBC Impact	0.00%	0.00%	0.01%	0.01%	0.01%
BBC iPlayer Impact	n/a	n/a	n/a	n/a	n/a
Combined impact	**0.00%**	**-0.26%**	**-1.01%**	**-0.93%**	**-0.94%**
BBC share post PVT changes and BBC One investment	**84.09%**	**83.76%**	**83.03%**	**82.99%**	**82.88%**

Note: Estimates are not available for the BBC Three Online and BBC iPlayer proposals because it is not possible to calculate reach for online services using BARB data

6.3.3 Impact on 16-34 year olds

In addition we have considered impact of the four proposals on younger audiences aged 16-34. Note that because of the difficulty in measuring usage of on-demand services by demographic the analysis is inevitably based on some high level assumptions. The results should therefore be viewed as being indicative rather than precise estimates.

Table 12: Impact of the proposals on viewing time amongst 16-34s

	2015	2016	2017	2018
Minutes lost from closure of BBC Three as a broadcast channel (bn)	**-0.29**	**-1.13**	**-1.12**	**-1.12**
- *Of which 16-34*	*-0.12*	*-0.47*	*-0.47*	*-0.46*

Minutes gained from BBC Three online (bn)	**-0.00**	**0.02**	**0.04**	**0.08**
- *Of which 16-34*	*-0.00*	*0.01*	*0.02*	*0.04*
Minutes gained from BBC One+1(bn)	**0.12**	**0.54**	**0.70**	**0.69**
- *Of which 16-34*	*0.02*	*0.08*	*0.11*	*0.10*
Minutes gained from changes to BBC iPlayer (bn)	**0.01**	**0.05**	**0.06**	**0.07**
- *Of which 16-34*	*0.00*	*0.02*	*0.02*	*0.02*
Net impact on 16-34	**-0.10**	**-0.36**	**-0.32**	**-0.30**

As the table shows, the BBC's plans to reinvent BBC Three online will inevitably in the short term result in a reduction in time spent with the BBC. However over time we expect take up of BBC Three online to increase as broadband penetration increases, penetration of connected devices increases and younger audiences' viewing continues to shift from linear to on-demand services continues.

7 Costs

The four proposals are largely cost neutral as the resources saved from closing BBC Three as a broadcast channel (c£50m) will be used to fund the new BBC Three Online and will enable investment to sustain the quality of BBC One+1.

BBC Management has assessed the cost of each of these proposals over a three year time horizon from 2015/16 (half year from launch), 2016/17 and 2017/18. We have assumed a launch date of autumn 2015 for BBC Three and that BBC One+1, CBBC hours extension and BBC iPlayer changes would be introduced at the same time.

As the purpose of this section is to examine the value for money of the proposed changes to BBC Three, the introduction of BBC One+1, CBBC hours' extension and BBC iPlayer enhancements, we have focussed on the incremental budget costs of each proposal and have considered two types of costs – incremental content-related costs (spend on programmes and other content related costs such as presentation, scheduling and ✂) and non-content related costs (primarily distribution and transmission costs).

We have not factored in sunk costs or shared costs into this analysis. As we are considering the costs of each service in isolation we have not reflected the incremental IP distribution costs which occur as a result of closing BBC Three as a broadcast channel (which arise because some viewers who used to watch BBC Three have transferred their viewing to BBC iPlayer). Nor have we considered the incremental IP distribution costs which arise because BBC One+1 and CBBC hours' extension may cannibalise viewing on BBC iPlayer.

7.1 Reinvention of BBC Three online

7.1.1 Content and content-related costs

Table 13 shows estimated the programme costs for the new BBC Three Online.

Table 13: Content costs for BBC Three online (£m)

	2015/16 (HY)+	2016/17	2017/18
News	✂	✂	✂

Sport	✂	✂	✂
Other content++	21.9	30.0	30.0
Total long, short and new form spend	**22.4**	**30.9**	**30.9**

+ *In the initial 6 months of operation, some spend for BBC Three will be held back (partly due to seasonal factors) so BBC Three Online's content spend for the second half of the financial year will be more than 50% of annual costs.*

++*Estimated content spend has a degree of sensitivity (+/- 5% as contributor fees, ongoing maintenance and support costs) are validated during spring 2015.*

The estimates shown are based on a comparison of costs for the period from October 2015 to March 2016 (assuming BBC Three Online launches in autumn 2015), 2016/17 and 2017/18. For the purposes of budget planning, we have assumed that all current news and sport output would transition from linear to online. In addition there will be content-related costs (e.g. ✂, on-going maintenance and support costs of e.g. for the BBC Three website, commissioning and scheduling). These will be confirmed during spring 2015 as underlying business processes and contracts are reviewed. Given that these are subject to some uncertainty we have not included these in our estimates content costs for the new BBC Three Online, although our current working assumption is that these content related-costs would be no more than those incurred at present and probably substantially less than that – possibly in the region of £✂ rather than £✂ as at present.

7.1.2 Non-content related costs

As well as the programme and content-related spend listed above the new BBC Three will give rise to some non-content related costs which primarily comprises costs associated with distribution and transmission.

The new BBC Three will give rise to ✂ IP distribution costs – estimated to be £✂ per annum by 2017/18.

There will also be one off implementation costs – primarily the cost of building the new BBC Three website, delivering the daily stream, one-off development costs to cover new form content and project resource to deliver the proposition of circa £✂.

The costs of delivering and maintaining BBC Three Online within BBC iPlayer are included within the current BBC iPlayer roadmap and involve repurposing of existing resources and as a result there are no specific one-off costs to cover these elements attributed to BBC Three Online.

As yet no decisions have been made about the BBC Three Online's allocation of the pan BBC marketing budget. In 2013/14 BBC Three's marketing budget was circa £✂.

7.2 BBC One+1

BBC Management has estimated the approximate incremental costs of delivering the BBC One +1 proposal on an annual basis from 2015/2016 (half year consistent with a launch of BBC Three in autumn 2015), 2016/17 and 2017/18.

Table 14: Annual operating costs for BBC One+1

	2015/16 (HY)	2016/17	2017/18
Content related costs ✂	✂	✂	✂
Transmission/Distribution			
Distribution (all platforms combined)	✂	✂	✂
Playout	✂	✂	✂
Total	**£2.2m**	**£4.6m**	**£4.6m**

Annual operating costs for the BBC One+1 channel can be divided into two main elements:

- Content related costs ✂
- Non-content related costs – i.e. transmission/distribution related costs

7.2.1 Content-related costs

✂

7.2.2 Non-content-related costs

Incremental distribution costs will total around £✂ per annum. In addition there will be some one-off implementation costs. These are likely to be in the region of £✂ for capital expenditure necessary for distribution on all platforms and £✂ for playout.

7.3 CBBC hours extension

The incremental costs for extending CBBC hours are minimal and BBC Children's will manage any costs from within existing resources.

7.3.1 Content-related costs

Cost-neutral narrative repeats[62] will be used to construct the extra two hours in the schedule. New commissioning for this slot (or extra repeats incurring additional fees) is not being planned. Over time, if the new slots are successful with audiences, Children's may revisit where the emphasis lies in scheduling/ commissioning, but still managing within existing resources. Any additional costs to, for example, cover extra marketing and continuity/presentation will be very small.

7.3.2 Non content-related costs

There will be minimal one-off implementation costs (£✂) to effect a change in the transmission hours of CBBC/CBBC HD on all platforms ✂.

7.4 BBC iPlayer

We assume that any incremental costs of including third party content would be borne by the third party – consistent with the principle adopted for the inclusion of S4C programming in BBC iPlayer. This section therefore only considers the incremental costs of the inclusion of more premiering.

7.4.1 Content-related costs

The incremental content-related costs of premiering are primarily the additional rights costs. These are minimal given the relatively low volume of premiering which we are proposing and that existing rights agreements already allow for some premiering. ✂.

7.4.2 Non content-related costs

There are no incremental technical developments required to BBC iPlayer to deliver premiering.

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[62] Existing rights agreements permit a certain number of repeats within a five year period and we will not be exceeding the limits already specified within current agreements.

Assuming a projected level of incremental hours of AV content consumed on BBC iPlayer of circa 62m hours in 2017/18 as a result of the premiering proposal, incremental distribution costs are likely to be in the region of £✂ per annum.

7.5 Value for money calculations

In this section we bring together information on the estimated incremental annual costs of each proposal (as set out in the previous sections) and projected change in total BBC viewing hours in 2017/18 (described in more detail in section 6). For the purposes of this analysis we have not amortised any one off implementation costs as these are all relatively small compared to annual variable costs. Sunk costs and shared costs are also excluded, as the analysis focuses on the incremental costs of the proposed changes.

As a result of the package, the BBC's overall cost per user hour will remain broadly unchanged given that the four proposals, when considered as a package, are largely cost neutral and the four proposals will result in a small increase in viewing hours for the BBC of 0.05 billion by 2017.

Table 14 shows estimates of the approximate cost per hour viewed for each of the proposals. For the purposes of the value for money analysis, the table includes an estimate[63] for the BBC Three proposals which reflects the viewing of new BBC Three new commissions which we would like to broadcast on BBC One and BBC Two in the service's early years.

We have assumed that 60 hours of BBC Three programmes will be shown per annum on BBC One/BBC Two in the 10.30pm slot. Assuming that these programmes perform in line with the current BBC One/BBC Two slot average and attract c1.77 million[64] viewers per hour, then we forecast that showing BBC Three programmes at that time will generate an additional 106 million hours of viewing per year.

All the proposals represent good value for money compared to the cost per viewer hour for other relevant BBC services[65].

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[63] This usage is not incremental as BBC Three programmes will displace BBC One programmes. However, we have included an estimate of the viewing of BBC Three programmes on BBC One in the value for money analysis to reflect the hours of viewing that the BBC Three originated long form programmes might attract.

[64] Based on analysis of BARB data over the period 31st December 2012 to 20th November 2014

[65] See the BBC annual report for examples though note that the cost per user estimates are not directly comparable with those shown here as the annual report estimates reflect Service Licence budgets (which comprise annual costs based on only content and content related spend rather than actual annual costs).

Table 15: Cost per hour comparisons in 2017/18

	Reinvented BBC Three online	BBC One+1	CBBC hours' extension	Premiering
Total running costs per annum	£31.3m	£4.6m	Negligible	£0.83m
- Content & content related costs+	£✂	£✂	£✂	£✂
-Non content (distribution/transmission) costs	£✂	£✂	£✂	£✂
Increase in total hours of BBC viewing (catch up)	31.5m			
Uplift in linear/PVR viewing to reflect BBC One/BBC Two Linear TX	106.2m			
TOTAL	137.7m	693.5m	27.3m	62.3m
Cost per hour of viewing (£/hr)	£0.23	£0.01	£0.00	£0.01

+ Note estimate for BBC Three online only reflects programme spend as we are still developing our estimates for content related costs as part of the annual budgeting and planning process. However our working assumption is that these will be no more than £6m per annum. Including these in the analysis would result in a cost per user hour of £0.27/hour viewed.

Although the estimate of cost per viewer hour for the new BBC Three is relatively high, it is comparable to the estimates for BBC Three as a broadcast channel in its early years. In 2005/6 the content cost per user hour for BBC Three was £0.21/hour[66]. Beyond 2017/18 we anticipate that the costs of the new BBC Three per hour viewed will continue to fall as the service attracts more viewers.

The remaining proposals involve no incremental spending on programming and therefore the best comparator for these changes is the now defunct BBC HD service whose costs only represented the incremental costs of getting content to air as the cost of the original content was allocated to the service on which it was first transmitted. In 2009/10, three years after it had launched, BBC HD had a cost per viewer hour of £0.016p/hour[67].

[66] Source BBC, *Annual report and accounts 2006/7*
[67] Source BBC, *Annual report and accounts 2009/10*

8 Overall assessment

The final section of this report provides an assessment of the public value of the proposals.

8.1 Public value assessment

The analysis and evidence presented in this PVT application suggests that each of the proposals when viewed as a package will generate public value for licence fee payers and are in the long-term strategic interests of the BBC.

The decision to close BBC Three has been driven by financial necessity. The BBC could have chosen to further 'salami slice' the budgets of our other services, but continuing down this path would risk depressing the performance of our TV services. So closing BBC Three is the 'least worst' option, particularly given that BBC Three audiences are the most likely to make the transition online. Furthermore, moving BBC Three online provides strategic benefits, helping the BBC to build a new relationship with audiences through the interplay of content and technology and redefining public service broadcasting in the digital age.

8.2 Alternative options

The PVT guidance issued by the BBC Trust states "that the assessment may also take account of alternative methods of delivering the stated aims of the proposal. However, this would be unlikely to involve an assessment of any alternative options in detail".

In considering how best to deliver the BBC's key priorities for the remainder of this Charter period BBC Management considered several variants of the BBC One+1 proposal, but particularly regional or national variants of BBC One+1 and a peak time BBC One+1 channel (to minimise the number of regional opt out slots). However these options were regarded as second-best.

Analysis[68] indicated that whilst consumers would prefer access to the correct regional or national version of BBC One +1, this would deliver a fraction more viewing to BBC One+1 than were the BBC to operate a single pan-UK BBC One +1 service (avoiding very substantial additional distribution costs).

[68] BBC analysis

Audience research[69] also shows that the majority of consumers would be content for the BBC News channel to be shown in the regional news slots.

The difference between the public value and market impact of a full time BBC One+1 service was found to be higher than the difference between the public value and market impact of a part time BBC One+1 service.

Other options considered as part of the Where Next strategy review also included scaling down BBC Three rather than closing it and selling the BBC Three capacity and not using it for CBBC. While the former option might have been less risky from a short term perspective, it would not have delivered sufficient financial savings (whilst still delivering the channel's remit) or presented the strategic opportunity to reinvent BBC Three as an online service. Furthermore, BBC Management is considering a range of options around any unutilised capacity following the closure of BBC Three and a potential extension of CBBC hours – these include thinking about potential future channel portfolio strategies (e.g. launching a new service such as another BBC time shift channel) and potentially commercialising any spare unused capacity.

Selling the capacity used for BBC Three was also discounted on the grounds that the commercial returns from selling were considered to be quite low given the current market price of DTT capacity.

8.3 Overall assessment

The analysis and evidence presented in this PVT application suggests that each of the proposals when taken individually and as a whole will generate public value for licence fee payers and are in the long-term strategic interests of the BBC. The four proposals presented in the PVT application should be seen as a balanced package of measures which aim to respond to changes in audience consumption within a constrained funding environment.

[69] Populus for the BBC (online survey), 4,056 UK adults 18+, January/February 2014

Annex 1: Type, availability and branding of BBC Three content

Content type

Freed from the constraints of a TV schedule, a reinvented BBC Three will have no need to stick to the standard AV formats that have traditionally characterised TV services. Moving BBC Three online will allow the service to experiment with new forms of content which encourage a more personal relationship with younger audiences – not only 30 or 60 minute long form programmes, but also short form and 'new' form content (text, images and games) which meet different audience needs (e.g. relaxing, escaping, procrastinating and immersing) on different occasions. In short, the closure of BBC Three as a broadcast channel offers an opportunity for the BBC to develop an audience proposition which gives younger audiences a totally new way to engage with public service content.

Long form

Long form programming (forming roughly 80% of the content budget) will continue to make up the core of the new offering, focussing on the types of programming which are most distinctive and valued by audiences – for example drama (*Murdered by My Boyfriend*), comedy (*Cuckoo*) and factual (*Our War*) – rather than existing BBC Three styles, formats and features (e.g. ✂ or ✂).

Short and new form

Around 20% of the content budget will be allocated to short form and new form content and, by way of example[70], will include:

- Text based content: articles, blogs, tweets or "listicles" (articles which are structured thematically as a list)
- Images: stock images, image based "memes" (usually humorous, themed images), or GIFs (a short stop motion video)
- Video and audio: interactive videos, stop motion animations or videos, micro videos (videos of 7-15 seconds), Snapchat stories (short personalised videos which last a day) and music.
- Interactive content: quiz engine (a web based quiz), games engine (web based games), votes, competitions and comments.

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[70] The forms listed above are those we are aware of at the time of writing but will be likely to evolve in line with digital media trends.

Archive

The new BBC Three will explore different ways to use and curate the BBC Three archive, possibly in new forms, e.g. ✂ and seasons e.g. ‘throwback’, ‘binge Sundays’ etc. However, we are not aiming for BBC Three to be an archive library. The aim is for it to be relevant, fresh and new.

Indicative monthly release schedule

An indication of the type of content which will be available on a monthly basis is shown in the table below. This is for illustrative purposes only. The eventual mix of content may be different to that shown below.

Indicative monthly schedule

<table>
<tr><th colspan="5">ORIGINATED</th></tr>
<tr><th>Pillar</th><th colspan="2">Content Description</th><th>Long-form volume</th><th>New-form volume</th></tr>
<tr><td>Laugh</td><td>Scripted Comedy</td><td>✂ episodes</td><td rowspan="4">✂</td><td rowspan="4">✂</td></tr>
<tr><td rowspan="3"></td><td>Supporting comedy content</td><td>✂</td></tr>
<tr><td>Comedy Entertainment</td><td>✂episodes</td></tr>
<tr><td>Daily personality led – new form</td><td>✂</td></tr>
<tr><td rowspan="4">Think</td><td>Flagship Factual and Authored Docs</td><td>✂episodes</td><td rowspan="4">✂</td><td rowspan="4">✂</td></tr>
<tr><td>Funny Factual</td><td>✂episode</td></tr>
<tr><td>Supporting content</td><td>✂</td></tr>
<tr><td>Daily current affairs/think – new form</td><td>✂pieces</td></tr>
<tr><th colspan="5">ORIGINATED AND SHARED</th></tr>
<tr><th>Pillar</th><th colspan="2">Content Description</th><th>Long-form volume</th><th>New-form volume</th></tr>
<tr><td rowspan="3">Laugh & Think</td><td>Sports</td><td>✂</td><td rowspan="3"></td><td rowspan="3">✂</td></tr>
<tr><td>Newsbeat bulletins</td><td>30 (1 per day)</td></tr>
<tr><td>Radio 1 shared footage</td><td>✂</td></tr>
<tr><th colspan="5">CATCH UP AND ARCHIVE</th></tr>
</table>

Pillar	Content Description		Long-form volume	New-form volume
Laugh	Catch up series previouly released	✂episodes	✂	
	BBC3 Complete archive series	✂		
Think	Catch up series previously released	✂episodes	✂	
	BBC3 Complete archive series	✂		
		ACQUIRED		
Pillar	**Content Description**		**Long-form volume**	**New-form volume**
Laugh & Think	New or Repeated Drama or Comedy	✂episodes	✂	

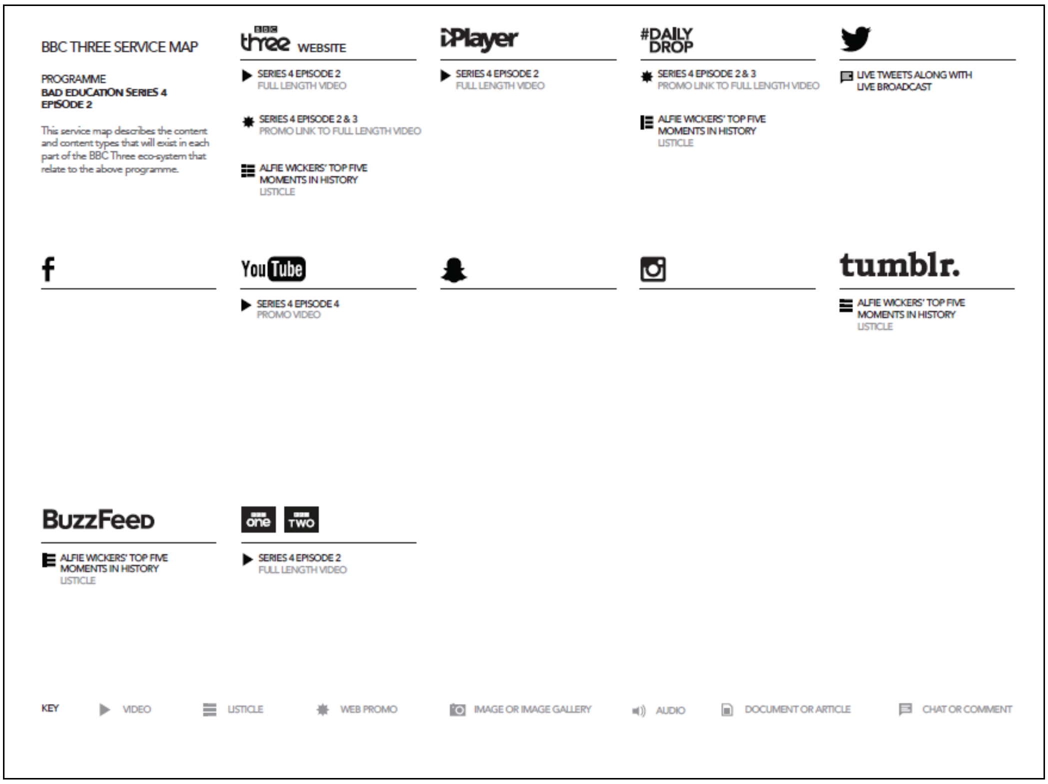
Notes: Based on a pro-rata-ed budget some months may vary. Volumes are indicative numbers only because (i) hours are based on average durations which may vary in reality and (ii) hours only reflects AV content and not quizzes, GIFs images etc.

Availability of BBC Three content

A key aim of the new proposition is that audiences will be able to find BBC Three content on a variety of BBC services and third party platforms and devices that are popular with 16-34s.

BBC Three content will be available via BBC services (BBC Online, BBC iPlayer, connected Red Button and, initially, we would like it to be available on BBC One and BBC Two) and some BBC Three content will be accessible on third party platforms and services such as YouTube, Facebook and Twitter. An example of how one programme – *Bad Education* – might have a presence 'on' and 'off' the BBC is shown below.

Example for Bad Education



Branding

The closure of BBC Three and its reinvention as a service with a presence across a range of digital touch points (some of which may not yet even exist) presents challenges. In the absence of a linear channel there is a risk that audiences fail to realise where and when they can get BBC Three content.

To mitigate this risk, the new proposition will need to be defined by a single overarching brand which works across all touch points. It will need to signal BBC Three content when on air, but also to drive viewers to connect with BBC Three content on other touch points. BBC Three's brand footprint will also need to work coherently alongside the BBC's wider genre and youth service brands (e.g. BBC Comedy and Radio1/1Xtra).

All programmes with a BBC Three masterbrand will appear in the BBC Three channel area in BBC iPlayer. In line with current brand strategy, all programmes will have BBC Three attribution wherever they appear in iPlayer. So, for example, if Bad Education appears within the BBC Comedy category in iPlayer the programme will still have the BBC Three branding as at present.

Off-schedule content will be discoverable in all the same places as broadcast content (with the exception of the schedule) – i.e. the BBC Online home page, flagged under the most popular tab on the BBC iPlayer home page, within editorial collections on BBC iPlayer, the BBC Three channel page, category pages (e.g. Comedy, Drama, Documentaries etc), search, A-Z, programme pages, recommendations, favourites etc.

BBC Three programmes premiered online and then broadcast on BBC One or BBC Two can be given a BBC Three masterbrand (which results in channel attribution throughout BBC iPlayer, a channel logo on the playout page and a channel ident before the programme starts. All on-demand assets in BBC iPlayer have a generic BBC Blocks DOG.