



A new BBC Three channel: Public Interest Test consultation

BBC consultation document

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Contents

Contents.....	1
1. Executive summary	2
1.1 Market context.....	2
1.2 The proposed BBC Three channel	3
1.3 Broader changes to the BBC’s channel portfolio.....	3
1.4 The public value of these changes	4
1.5 Regulatory approval process	4
2. The context for our proposals.....	5
2.1 The history of BBC Three	5
2.2 The market challenge	6
2.3 The audience challenge.....	6
2.4 The financial challenge	7
2.5 The BBC’s response to these challenges	7
3. The BBC’s proposals	9
3.1 A new BBC Three broadcast TV channel	9
3.2 Changes to CBBC	15
4. Providing public value	16
4.1 Delivering against the BBC’s Mission.....	16
4.2 The BBC’s Second Public Purpose – Learning for people of all ages ..	16
4.3 The BBC’s Third Public Purpose – creative, high-quality and distinctive	16
4.4 The BBC’s Fourth Public Purpose – Diverse communities and creative economy of all the UK.....	17
5. Further details on the consultation.....	18
5.1 The Public Interest Test process.....	18
5.2 The BBC’s consultation questions	20
5.3 How to respond.....	21

1. Executive summary

This document sets out the BBC's proposals to re-launch BBC Three as a broadcast television channel, targeting a launch in January 2022. This will be a multi-genre channel aimed at 16-34 year olds telling a breadth of unique, young, British, aspirational stories from right across the UK. Its unique proposition can fulfil an important public service that no other channel in the market currently delivers.

The BBC's Charter requires us to serve all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain.¹ As Ofcom noted in its third annual report on the BBC: "Reaching younger people is an important part of the BBC's challenge to serve all audiences across the UK."² It also noted: "The BBC also needs to broaden its reach and appeal to a wider range of people, in particular audiences from minority ethnic backgrounds and those in lower socio-economic groups."³ A BBC Three broadcast TV channel will help achieve these objectives.

In this document we set out the market context, the importance of ensuring the BBC delivers public value, and the detail of our proposals. We are publicly consulting on these proposals to give stakeholders an opportunity to comment, as the BBC is launching a Public Interest Test that will assess whether the public value of our proposals justifies the market impact. We invite responses from all interested stakeholders, particularly regarding the public value and market impact of the proposals.

1.1 Market context

Recent years have seen unprecedented competition for audiences' time, not only from streaming services such as Netflix, Amazon and Disney+, but also from the rapid rise of social media and gaming. These developments have led to significant changes in how viewers spend their time on different media, with viewing of broadcast TV continuing to decline, most prominently among younger viewers.

However, the BBC does well with large parts of the younger audience. On average 80% of 16-34 year olds (12.5 million) use the BBC weekly and 93% (14.6 million) monthly – more than any other brand for media.⁴ But we need to do more for younger audiences, and more for audiences across the UK, particularly in Northern Ireland, Scotland and the North and Midlands of England. The same is true for audiences from lower socio-economic groups.

In particular, there is a significant and relatively stable group of younger viewers (often C2DE, often in the north of England, often with less access to digital on-

¹ [BBC Royal Charter](#), Article 5

² [Ofcom's third annual report on the BBC](#), November 2020, p.20

³ [Ofcom's third annual report on the BBC](#), November 2020, p.3

⁴ Compass by Ipsos MORI, 16-34, 2020.

demand services), who maintain a strong broadcast TV habit but are currently light users who are not getting enough value from BBC TV. The move of BBC Three to an online-only channel in 2016 reduced the BBC's ability to serve this demographic.

It is critical the BBC can reach and offer value to all young people. The acceleration of the changes in viewing trends coupled with rising content budgets of competitors, means we have to find a way to improve our offer for younger audiences across broadcast TV and iPlayer at pace against the backdrop of significant financial and operational challenges.

1.2 The proposed BBC Three channel

BBC Three is authentically and uniquely for all young people across the UK. As a brand it showcases a range of identity shaping stories that are young, diverse and British at their heart – speaking to a young generation who are trying to find a path in life.

A BBC Three broadcast TV channel will enable a wider range of young people to access the highly relevant content that can help them celebrate who they are and discover who they want to be. It will also create a bigger platform to launch and celebrate young British global talent that can influence UK youth audiences in a meaningful way.

The BBC Three channel will build on the strengths of BBC Three's online performance, with a focus on new talent, and compelling drama (*Normal People*, *Clique*, *Thirteen*, *Killed by my Debt*), current affairs and factual (*Is This Coercive Control?*, *Hometown: A Killing*, *Jesy Nelson: 'Odd One Out'*), entertainment (*RuPaul's Drag Race UK*, *Glow Up*) and comedy (*This Country*, *Fleabag*, *Famalam*). The new channel will broadcast over 300 hours of first-run programming each year, across a broader range of genres than any comparable channel.

The portrayal of diverse, under-represented groups across the UK is – and will continue to be – at the centre of BBC Three's original offering. The content will cover a variety of regional realities, partnering with new independent companies and BBC Nations & Regions commissioning teams to discover new, fresh talent and ideas.

We plan to launch BBC Three as a broadcast TV channel from January 2022. The new channel will broadcast from 7pm to 4am each day. As a new public service channel, we think it should sit in the top 24 slots of electronic programme guides.

1.3 Broader changes to the BBC's channel portfolio

These proposed BBC Three broadcast TV channel is part of the approach to our channel portfolio set out in the BBC's Annual Plan for 2020/21.

BBC One will remain the centrepiece of our live broadcast offer – a strong mainstream channel that continues to take creative risks. BBC Two will become the home of the BBC's specialist programming centring on premium and distinctive factual that can drive greater impact, thanks to better funded titles with longer

iPlayer availability and the transfer of titles from BBC Four, which will focus on bringing together collections of the most distinctive content from the BBC's rich archive, particularly arts & music.

To launch the broadcast BBC Three channel we will need to reallocate distribution capacity from existing services. As a result CBBC's broadcast hours will revert to closing at 7pm, as was the case before 2016.

1.4 The public value of these changes

These changes will create public value in a wide range of ways. The BBC Three channel will show high-quality, creative and distinctive content and will serve a younger C2DE audience that is currently under-served by BBC TV. As part of its broad multi-genre remit, alongside great drama, comedy and entertainment, it will provide targeted factual programming in prominent peak-time slots that will help this audience understand and engage with the world around them and learn about different subjects in an accessible and engaging way.

The BBC Three channel will represent and portray authentic voices and experiences across the whole of the UK. At least two-thirds of the expanded BBC Three's programme spend will be outside of London, and BBC Three will build on its ongoing partnerships with Northern Ireland Screen, Screen Scotland and Creative Wales.

1.5 Regulatory approval process

Launching BBC Three as a broadcast TV channel is for these purposes a new UK Public Service and, therefore, automatically requires a Public Interest Test.

As part of this Public Interest Test process we are publicly consulting on these proposals to give stakeholders an opportunity to comment. This consultation runs for six weeks from 5 March 2021 to 16 April 2021. We will also carry out market research and economic analysis to assess both the public value and market impact of these proposals.

On the basis of this research, analysis and stakeholder feedback, we will determine our final proposals. If the BBC Board decides that these proposals meet the Public Interest Test, we will then send the Public Interest Test submission and supporting evidence to Ofcom. At this time we will then publish the Public Interest Test submission, research and analysis. We expect this to be in the summer.

2. The context for our proposals

In this section, we set out the key context informing our proposals, including technological and market developments, changes in audience behaviour, the BBC's financial context and the BBC's strategic direction.

2.1 The history of BBC Three

BBC Three launched as a digital television channel in February 2003 with a budget of £75m (c.£120m in today's money), and established a leading reputation for new UK comedy, current affairs and documentaries made for young adult audiences. It was the top rated youth TV channel for 16-34s within its broadcast hours in 4 of its last 5 years of transmission (between 2011-2014).

It had successes across all genres – original British comedies such as *Gavin and Stacey*, *Bad Education* and *Cuckoo*; award-winning documentary series such as *Life and Death Row*; popular entertainment shows such as *The Call Centre* and *Don't Tell The Bride*; and critically acclaimed dramas like *Murdered by My Boyfriend*. BBC Three championed new and upcoming UK talent, helping bring the likes of Stacey Dooley and Reggie Yates to the screen. It also had a strong record of bringing diverse UK stories to TV with documentaries such as *Disabled in an Instant*, *Epilepsy and Me*, and *Excluded: Kicked Out of School*.

In 2015, the BBC proposed to close BBC Three as a broadcast channel and reinvent it online, reducing the budget from £81m (2013/14) to £30m (2017/18). The proposal was approved by the BBC Trust in a Public Value Test which concluded that the change:

“was motivated by financial pressures and a structural shift in consumption of television services among young adults. But the closure of a service is a difficult decision and our assessment was finely balanced.”⁵

The decision to move BBC Three online was made earlier than the BBC would ideally have planned and it acknowledged that the changes would have an impact on some audiences for whom television remained important or who do not have adequate broadband connection. However, overall, the proposal was viewed as likely to deliver positive public value and market impact.

In February 2016, BBC Three became the first television channel in the world to close its broadcasting operation and offer its content on-demand, via the internet.

Since its move online, BBC Three has brought audiences a wide range of innovative and distinctive programmes. Standout titles included original British comedies such as *Fleabag*, *This Country*, and *The Young Offenders*; contemporary British dramas like *Normal People*, *Thirteen* and *Clique*; thought-provoking documentaries like *Jesy Nelson: Odd One Out*; and hit entertainment shows like *RuPaul's Drag Race UK*. The online BBC Three service has received critical acclaim, including the Royal

⁵ BBC Trust, [Final decision on proposed changes to BBC television and online services](#), November 2015

Television Society Channel of the Year Award in 2017 and Digital Channel of the Year Award from Broadcast Magazine in 2020.

2.2 The market challenge

Today, the BBC faces unprecedented competition for young audiences' time. Recent years have seen rapid take-up in high-speed broadband and broadband connected devices (e.g. smart TVs, smartphones, tablets), which has enabled audiences to access a wider range of content from a greater number of providers. We have seen the rapid growth of (predominantly US-based) global subscription video on demand (SVOD) services entering and growing market share in the UK. As of the end of 2019 over 14 million households were subscribed to at least one SVOD service, predominantly Netflix, Amazon Prime Video or Now TV.⁶

In late 2019 and 2020, more new SVOD services entered the UK market, notably Apple TV+, BritBox, and most recently in March 2020, Disney+. By early July, Disney+ subscribers reached 16% of online adults, surpassing NOW TV (10%), to become the third most-popular subscription streaming service behind Netflix (45%) and Amazon Prime Video (39%).⁷ Looking ahead, we expect there to be no let-up in the pace of change nor the ferocity of competition facing the BBC.

2.3 The audience challenge

Whilst live broadcast TV still delivers the most overall viewing for UK audiences, these market developments have led to significant changes in how viewers spend their time. Over the last 5 years we have seen the continued decline of broadcast TV viewing, as many audiences increasingly choose to watch on-demand – exacerbated by the huge growth in competition from well-funded global SVOD services, YouTube, gaming and other online video. The global pandemic has further accelerated the fight for viewers and the shift to on-demand viewing across all ages, but most prominently among younger viewers.

The BBC has been relatively effective in managing this transition – combining its strength in broadcast television, whilst growing on-demand viewing on iPlayer, to become the second biggest TV-on-demand service in the UK. Today, the BBC continues to reach large audiences, of all ages, including younger audiences. On average, 80% of 16-34 year olds (12.5 million) use the BBC weekly and 93% (14.6 million) monthly – more than any other brand for media.⁸

However, the BBC has not been immune to this structural shift in audience behaviour and increasing market competition. Both reach and time spent with the BBC continues to decline as BBC iPlayer is not growing fast enough to make up for declines in BBC broadcast TV. We need to do more for younger audiences, particularly those in Northern Ireland, Scotland, and the North and Midlands of England. The same is true for audiences from lower socio-economic groups.

⁶ [The Viewing Report 2020](#), BARB

⁷ [Media Nations 2020](#), Ofcom, p.5

⁸ Compass by Ipsos MORI, 16-34, 2020.

As we continue the transition to video-on-demand, there remains a significant and relatively stable cohort of young people who maintain a strong broadcast TV habit but are very light users of BBC TV. They tend to be the very same audiences we need to do more for – audiences outside of London and the south-east, from lower socio-economic groups, and those with less access to on-demand services. The move of BBC Three online in 2016 lost the BBC one of its channels for serving these demographics and we have subsequently struggled to deliver enough value to them with our current broadcast TV channels and iPlayer.

Like other broadcasters, the BBC continues to optimise its portfolio of TV services, using a combination of live TV channels and BBC iPlayer in tandem, to serve all audiences. In a world of constrained finances and increasing competition from US-owned global giants, our broadcast TV portfolio is one of our best assets. Working together with iPlayer it is a key strength against growing SVOD competition. We must use it as effectively as possible to reach all audiences.

2.4 The financial challenge

Over the past decade, as a result of a freeze on the cost of a TV licence from 2010, the withdrawal of Department for Work and Pensions ('DWP') funding of licences for over-75s, and the BBC being asked to fund new obligations, the BBC's UK services have effectively seen a c.30% reduction in income. At a time of increasing competition for audiences, as well as hyper-inflation in parts of the media market, the BBC has been required to take on more obligations with less income, leaving it with less to spend on programmes and services.

In order to continue to deliver value to all audiences, the BBC has made significant savings. Since 2016/17, the BBC has delivered £618 million of cumulative savings and in 2020/21 we are projecting our savings total to rise above £800 million.

In its 2021 report *The BBC's strategic financial management*, the National Audit Office stated: "Despite high levels of inflation in the entertainment industry, the BBC has been able to maintain its content spending, but this will be a challenge for the future."⁹ The further necessary savings will involve difficult choices that will impact programmes and services. Our focus on audience value as the BBC's overall strategic priority will help us make these choices.

2.5 The BBC's response to these challenges

The BBC's Charter requires us to serve all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain.¹⁰ As such, it is crucial that the BBC continues to transform to meet the needs and expectations of all its audiences across the UK, in particular those of younger audiences.

⁹ [The BBC's strategic financial management](#), NAO, p.9

¹⁰ [BBC Royal Charter](#), Article 5

The acceleration of the change in viewing trends coupled with rising content budgets of competitors, means we have to find a way to grow our offer for younger audiences at pace, against the backdrop of significant financial and operational challenges.

Our broadcast TV portfolio is our best asset and in combination with iPlayer it is our key unique strength against the SVOD competition. We must use our broadcast distribution capability as effectively as possible to reach all audiences.

The scale of the challenge to attract and retain younger audiences requires a bold change in content, budgets, the portfolio of broadcast TV channels and in iPlayer. As we set out in our Annual Plan in May 2020, we need to make our whole portfolio work even harder as 'One BBC'. In particular we intend to accelerate the shift of spend across our video content, to provide more value for younger audiences and to support the growth of iPlayer. In summary, this will involve building on the strengths of the existing channels, clarifying and emphasising their character and role for audiences:

- **BBC One** will remain the centrepiece of our live broadcast offer – a strong mainstream channel that continues to take creative risks. Working within our current budget by identifying opportunities to remix low performing titles into high impact content that also works on iPlayer, we can increase the efficiency of spend and increase time spent with younger audiences.
- **BBC Two** will become the home of the BBC's specialist programming centring on premium and distinctive factual programming, driving greater impact, thanks to better funded titles with longer iPlayer availability. It will remain a multi-genre channel (particularly retaining its role as the pipeline of factual entertainment for BBC One). BBC Two will be enriched by taking the best of BBC Four content, providing these programmes with exposure to a larger and broader audience. We will reduce commissioning in some high-cost genres on BBC Two (e.g. drama), where that money can have greater impact on BBC One or BBC Three.
- As we set out in May 2020, by 2022/23 we are backing the success of **BBC Three** and doubling its content budget to maximise its reach across broadcast and online, expanding the range of content that it commissions, whilst retaining its focus on new talent, and compelling drama, current affairs and factual, entertainment and comedy.
- We will increase **BBC Four**'s focus on bringing together collections of the most distinctive content from the BBC's rich archive, particularly arts and music.

Since its closure as a broadcast TV channel in 2016, BBC Three has predominantly operated as an online content brand within BBC iPlayer. This has reduced the BBC's impact with younger audiences – particularly those who maintain a broadcast TV habit, and are lighter users of on-demand services. We believe that restoring BBC Three as a broadcast channel can help us reach and deliver value to these audiences and maximise the reach and impact of our increasing investments into new young adult content.

3. The BBC's proposals

To respond to the challenges we set out in the previous chapter and to build on the strategy set out in last year's annual plan, the BBC is proposing to:

- Launch a new BBC Three broadcast TV channel from January 2022;
- Change the operating hours of CBBC to come off air at the earlier time of 7pm, freeing up capacity for the new BBC Three channel.

3.1 A new BBC Three broadcast TV channel

It is critical the BBC can reach and offer value to young people, regardless of who or where they are, how they prefer to view, or their access to digital online services. A new broadcast channel – working alongside our BBC Three output on iPlayer – would have clear potential benefits:

- It would aim to reach new young audiences aged 16-34 (and stretching to 13-15 in pre-watershed) with our content – particularly those that retain a strong broadcast TV viewing habit but that the BBC struggles to reach with its existing TV services.
- It would fill a gap in our broadcast TV offer and increase the effectiveness of our TV portfolio in supporting the BBC ecosystem, in particular, iPlayer.
- In our 20/21 Annual Plan we committed to double our investment in “for me” content targeted at younger audiences, commissioned by BBC Three.¹¹ A new BBC Three broadcast TV channel would make the most of this investment and help it reach more young people.
- A targeted, young, relevant content offer from BBC Three on the channel guide would offer a point of real differentiation in the UK TV market for audiences. The channel would enable us to tell a breadth of unique, young, British, aspirational stories from right across the UK – a purpose that no other channel in the market currently delivers.
- It would give us a new platform to showcase the best young BBC programming across all our genres. Audiences would get more opportunities to discover and try out our programmes, giving us a new lever to help us build awareness and change perceptions of what iPlayer (and the BBC) has to offer.

Given the pace of change in the media market, speed of execution is key and therefore we are aiming to launch the BBC Three broadcast TV channel in January 2022.

Below we set out further details on our plans for the channel.

¹¹ [BBC Annual Plan 2020/21](#), p.24

3.1.1 Target audience

A BBC Three broadcast TV channel is our opportunity is to provide more for the c.3.5m 16-34s who watch broadcast TV on a weekly basis but are very light or non-users of BBC TV.

They are young people who have maintained a strong broadcast TV habit. They are more likely to be from lower socio-economic groups, live outside London and the south-east, and to have a strong connection to locality and family.

The BBC Three broadcast TV channel's pre-watershed content offer will include programming that is also inviting and suitable for a 13-15-year-old audience.

3.1.2 Editorial vision

BBC Three is authentically and uniquely for all young people across the UK. The brand showcases a range of identity shaping stories that are young, diverse and British at their heart – speaking to a young generation who is trying to find a path in life.

For any young person growing up in the UK today, the world has increased in uncertainty as plans, aspirations and opportunities have been interrupted by a global pandemic. As the country transitions into a stage of recovery, young lives will continue to be disrupted, reshaped and redefined.

The portrayal of diverse, under-represented, groups across the UK is – and will continue to be – at the centre of BBC Three's original offering. The content will cover a variety of regional realities, partnering with new independent companies and BBC Nations & Regions commissioning teams to discover new, fresh talent and ideas.



Angels of the North; My Left Nut

A BBC Three broadcast TV channel will enable a wider range of young people to access the highly relevant content that can help them celebrate who they are and discover who they want to be.

A broadcast TV channel will increase exposure of the unprecedented number of BBC Three entry schemes currently running across the UK – including ongoing partnerships with Northern Ireland Screen, Screen Scotland and Creative Wales. It will also increase the potential to generate greater commercial opportunities for the

independent sector across the UK, particularly for smaller and regional companies that BBC Three commissions and develops (some with no previous broadcast experience).

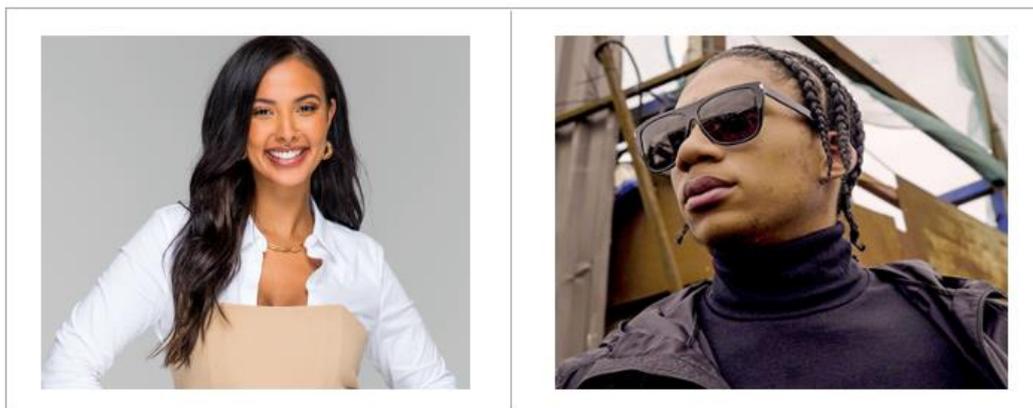
It will also create a bigger platform to launch and celebrate young British global talent that can influence UK youth audiences in a meaningful way.

The brand has a strong heritage in breaking and supporting new British talent including Stacey Dooley, 'RTS Award Winning' journalist Mobeen Azhar, 'Edinburgh Debut Presenter Award for Current Affairs' journalist Tiffany Sweeney, the British drag queens from *Ru Paul's Drag Race UK*, Daisy May and Charlie Cooper from *This Country*, Paul Mescal and 'Golden Globe nominee' Daisy-Edgar Jones from *Normal People* and 'BAFTA Breakthrough' show *Famalam*.



Yung Filly in Hot Property; The Vivienne, winner of RuPaul's Drag Race UK; Guz Kahn in Man Like Mobeen

Regarding treatment and tonality, the BBC Three channel will embrace a contemporary visual language that is social and participatory in its nature. Its coverage will align to the most relevant topics across the country ranging from identity, entrepreneurialism and health, to music, sports and pop culture.



Maya Jama in Glow Up; Defending Digga D

3.1.3 Content highlights

The content offering will reflect topic areas of value to 16-34-year-olds, with a pre-watershed content offer that is also inviting and suitable for a 13-15-year-old audience.

Our aspiration is that all BBC Three programmes (those already commissioned, in the pipeline, and future commissions) could be featured on the new broadcast channel.¹² We hope content highlights will include but will not be limited to:

- **Competition and wind down formats** – *RuPaul’s Drag Race UK, Glow Up, The Rap Game UK.*
- **Identity shaping British Drama** – *Conversations with Friends* (by Sally Rooney),¹³ *Superhoe* (by Nicole Lecky).¹⁴
- **Fresh, young take on News & Current Affairs** – *Is this coercive control?, Music’s Dirty Secrets: Women Fight Back.*
- **Regional, unapologetic and aspirational shows** – *Angels of the North, Nail Bar Boys* (w/t), *Bricking it* (w/t).¹⁵
- **Unfiltered first-person portrayals** – *Leigh-Anne Pinnock on colourism* (w/t).¹⁶
- **New exciting Comedy talent** – *Live Comedy in partnership with the Comedy Association, Starstruck.*¹⁷
- **Bespoke partnerships with BBC Sports, BBC Sounds and BBC News**
- **Young and iconic repeats from across the BBC** – *Jesy Nelson: Odd One Out, Normal People, This Country, My Left Nut.*
- **Coming of age acquisitions and films** – *Good Trouble, Awkwafina is Nora From Queens, Fort Salem.*

BBC Three will continue an iPlayer-first commissioning approach, leveraging linear and digital audience touchpoints.

3.1.4 Broadcast hours and indicative schedule

The BBC Three channel will be on air from 7pm to 4am each day. We consider that peak hours for the channel will be 7pm to midnight each day. This is the same as the hours of the channel when it closed in 2016.

A BBC Three broadcast TV channel offering will not be a classic linear daily schedule offering. It will be a collection of that month’s most relevant shows and talent.

- **Weekdays (7pm – 4am)**
 - 7-8pm: Showcase of broad favourites, suitable for both BBC Three’s core audience and younger viewers.
 - 8-11pm: Launch of originations alongside narrative repeats.
 - 11pm-midnight: Comedy zone, including BBC Three’s back catalogue.

¹² We are aware that these ambitions may require agreement with producers, Pact and other rights holders, and will be starting those discussions imminently.

¹³ [BBC announces adaptation of Sally Rooney’s *Conversations With Friends*](#), February 2020

¹⁴ [BBC drama is the primary incubator for storytelling talent in the UK](#), February 2020

¹⁵ [BBC Three and BBC England announce new collaborative commissions](#), October 2020

¹⁶ [Little Mix star, Leigh-Anne Pinnock, set to explore racism and colourism for BBC Three](#), August 2020

¹⁷ [New sitcom *Starstruck* confirmed for BBC Three](#), August 2019

- Midnight-4am: Repeating the earlier schedule alongside other key content from BBC iPlayer.
- **Weekends (7pm – 4am)**
 - A space for programming blocks such as film nights, sporting and music events and innovative talent tie-ins to create participatory experiences.

3.1.5 Content mix: original productions, acquisitions / first run and genre mix

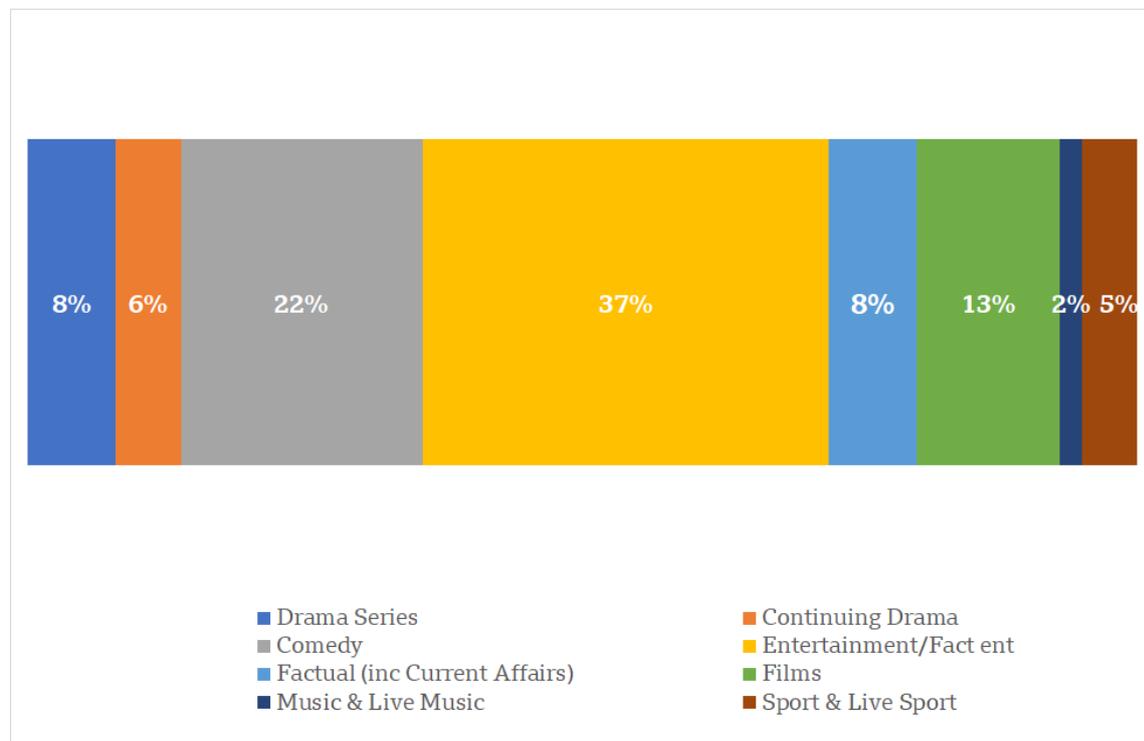
The precise details of the content mix of the BBC Three broadcast TV channel will be dependent on a number of issues including budget, content availability and rights. However, in the interests of transparency, below we set out to the best of our current knowledge what we estimate to be the content mix on the new BBC Three channel will look like.

In peak viewing time (7pm to midnight) we are proposing that 24% of hours will be first-run, with repeats accounting for 76%. This is very similar to the previous BBC Three channel that, for example, in 2014/15 had 26% first run and 73% repeats.

Original BBC productions (i.e. programmes commissioned by the BBC but including first run and repeats) will make up 70% of broadcast hours.

The chart below sets out an estimate of the content mix for the BBC Three broadcast TV channel during peak hours (7pm to midnight), though this could vary considerably by year, particularly depending on the status of music and sporting events.

Chart 1: Indicative content mix on BBC Three in peak hours (7pm-midnight)



3.1.6 Anticipated reach and viewing share

The objective of the BBC Three broadcast TV channel will be to drive reach and help deliver universality, not drive ratings and average time spent. Its success will be judged on its ability to grow unique reach and iPlayer usage with infrequent, at-risk audiences.

We will carry out further research and analysis to model estimates of reach, viewing hours and viewing share. This analysis will be published as part of our Public Interest Test submission to Ofcom later this year.

3.1.7 Distribution plans

The BBC Three broadcast TV channel will be accommodated within the BBCs existing broadcast distribution capacity. It will be broadcast in Standard Definition (SD) on terrestrial television (via Freeview/YouView) across the UK. It will also be broadcast in High Definition (HD) on terrestrial television (except in Scotland where the HD capacity is used by the BBC Scotland channel and in Wales where allocation of the HD capacity is subject to discussion with S4C), digital satellite (Sky, Freesat) and cable (Virgin Media).

As a nationally available entertainment PSB channel of general interest, we consider that Ofcom should amend the EPG Code to require appropriate prominence for the BBC Three broadcast TV channel. Based on the precedent set by Ofcom's recent decisions on EPG prominence, we consider that the appropriate prominence for BBC Three is within the first 24 slots of the general entertainment section of EPGs. However, to minimise impact on other channels we propose that this should be at 24 or at the lowest vacant EPG slot within the top 24 slots.

If we are unable to secure a prominent EPG slot for launch, the public value of the BBC Three broadcast channel will be significantly impaired.

3.1.8 Budget

Below we set out our estimated budget for the new BBC Three channel. The most significant component of the new channel's costs will be the BBC Three content budget. However, at £72.5m this – in line with our 2020/21 Annual Plan commitment to double BBC Three's content budget by 2022/23 – is the same as it would be without launching the new channel. The additional costs of the channel are only the additional ongoing operating costs of running the channel (marketing, technology, distribution, operations) estimated at £2.0m, with a further one-off launch cost estimated to be £3.5m.

Table 1: Estimated budget for new BBC Three channel

	Launch Costs	Annual Costs
Launch Costs		
Technology, operations & marketing one-off costs for launch	£3.5m	-
Ongoing BBC Three content costs		
BBC Three content budget	-	£72.5m
Total ongoing BBC Three content costs	-	£72.5m
Ongoing channel operating costs		
Marketing <i>(£1.2m increase on existing BBC Three marketing budget)</i>	-	£5.7m
Distribution / technology / operations	-	£0.8m
Total channel operating costs	-	£6.5m
Total Costs	£3.5m	£79.0m

We will be entering into negotiations with Pact and other rights-holder bodies ahead of the channel's launch to agree a mutually satisfactory rights framework.

3.2 Changes to CBBC

The BBC needs to accommodate the new BBC Three channel within existing distribution capacity. Launching a BBC Three broadcast channel from 7pm will mean bringing forward the end-time of CBBC from 9pm to 7pm. This means that CBBC will end at the same time it did until the closure of the BBC Three channel in 2016.

Whilst this will have an impact on CBBC audiences, viewing after 7pm on CBBC makes up a very small proportion (less than 2% on average) of their overall BBC viewing. We believe this is a relatively small and manageable impact to enable the launch of the new BBC Three channel.

Furthermore, to mitigate this impact, the BBC will provide a stronger offer than ever for children – across iPlayer, CBBC and our other channels. BBC Children's is refreshing its content strategy on CBeebies and CBBC to generate a higher impact with audiences (including new educational programmes). We will also strengthen our 6-12 content on iPlayer, family content on BBC One and will provide content on the new BBC Three channel between 7pm and 9pm that can also appeal to younger teens and help transition them across.

4. Providing public value

4.1 Delivering against the BBC's Mission

The BBC's mission is to “act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain”.¹⁸ In doing so, the BBC must deliver great value for money in return for the licence fee.

These proposals seek to do so by launching a new BBC Three broadcast TV channel, reprioritising investment into innovative, high quality ‘for me’ programmes aimed at younger audiences on BBC Three and iPlayer.

4.2 The BBC's Second Public Purpose – Learning for people of all ages

The BBC's second Public Purpose is:

“To support learning for people of all ages: the BBC should help everyone learn about different subjects in ways they will find accessible, engaging, inspiring and challenging. The BBC should provide specialist educational content to help support learning for children and teenagers across the United Kingdom. It should encourage people to explore new subjects and participate in new activities through partnerships with educational, sporting and cultural institutions.”¹⁹

While it will primarily be an entertainment channel with strong foundations of factual entertainment, drama and comedy, a BBC Three broadcast TV channel will also broadcast factual, current affairs, music and sports programmes aimed at younger audiences. This will be an important contribution to the BBC's informal learning output.

The expansion of our education offer in CBBC and iPlayer will compensate for the reduction in viewing hours for CBBC.

4.3 The BBC's Third Public Purpose – creative, high-quality and distinctive

The BBC's third Public Purpose is:

“To show the most creative, highest quality and distinctive output and services: the BBC should provide high-quality output in many different genres and across a range of services and platforms which sets the standard in the United Kingdom and internationally. Its services should be distinctive

¹⁸ [BBC Royal Charter](#), Article 5

¹⁹ [BBC Royal Charter](#), Article 6(2)

from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content.”²⁰

The BBC Three broadcast TV channel will be a creative, high-quality and multi-genre channel that will offer a broader choice for audiences.

It will be distinctive from the other channels and services in the market – enabling us to tell a breadth of unique, young, British, aspirational stories from right across the UK.

4.4 The BBC’s Fourth Public Purpose – Diverse communities and creative economy of all the UK

The BBC’s fourth Public Purpose is:

“To reflect, represent and serve the diverse communities of all of the United Kingdom’s nations and regions and, in doing so, support the creative economy across the United Kingdom: the BBC should reflect the diversity of the United Kingdom both in its output and services. In doing so, the BBC should accurately and authentically represent and portray the lives of the people of the United Kingdom today, and raise awareness of the different cultures and alternative viewpoints that make up its society. It should ensure that it provides output and services that meet the needs of the United Kingdom’s nations, regions and communities. The BBC should bring people together for shared experiences and help contribute to the social cohesion and wellbeing of the United Kingdom. In commissioning and delivering output the BBC should invest in the creative economies of each of the nations and contribute to their development.”²¹

The BBC’s proposals will better serve diverse, under-served audiences. BBC Three already reflects and portrays authentic voices and experiences across the whole of the UK. However, the increased investment in BBC Three and the launch of a broadcast TV channel will help rebalance existing resources so that we reflect, represent and serve everyone, by doing more for currently under-served audiences such as younger C2DE audiences across the UK.

The new BBC Three broadcast TV channel will support the BBC’s substantial investment in the creative economy across the UK. At least two-thirds of the expanded BBC Three’s programme spend will be outside of London and BBC Three will build on its ongoing partnerships with Northern Ireland Screen, Screen Scotland and Creative Wales. We also plan to launch a new kick-starter fund across the Midlands and North of England, working with regional screen agencies.

²⁰ [BBC Royal Charter](#), Article 6(3)

²¹ [BBC Royal Charter](#), Article 6(4)

5. Further details on the consultation

5.1 The Public Interest Test process

The Public Interest Test is a key component of the BBC's system of governance, which took effect in the current Charter and Agreement from April 2017.²²

The Agreement gives the BBC's Board the responsibility, in the first instance, for considering the impact of certain planned changes to the BBC's UK public services.²³ The BBC must consider whether any proposed changes to these activities are material.

The BBC may only materially change its UK public services²⁴ where:

- 1) it has carried out a Public Interest Test;
- 2) the test is satisfied; and
- 3) Ofcom has determined that the proposal can proceed.²⁵

For the UK Public Services, the Agreement defines a material change as the launch of a new UK public service, or any change to a UK Public Service which may have a significant adverse impact on fair and effective competition.²⁶

Below we set out the process.

5.1.1 The BBC part of the process

The launch of BBC Three as a broadcast TV channel involves the launch of a new UK Public Service and, therefore, automatically require a Public Interest Test. Some of the other proposals are major changes to existing services (for example, reducing the operating hours of CBBC). Given these are part of the same strategy to launch the BBC Three broadcast TV channel and provide maximum value for the licence fee, we consider that we should carry out a Public Interest Test encompassing all the changes discussed in detail in Section 3 of this document.

Consultation & Engagement with stakeholders

As part of the process the BBC has committed in its published Policy on Material Changes to seek feedback from interested parties when it is undertaking a Public

²² [BBC Royal Charter](#) (Articles 12, 20, 37, 46 and 63) and [Framework Agreement](#) (Clauses 7-11 in relation to UK Public Services and 16-20 in relation to non-service activities)

²³ [BBC Royal Charter](#), Article 20(4)

²⁴ The BBC maintains and publishes [a list of the UK Public Services](#) in line with Schedule 1, Part 1 of the [Framework Agreement](#).

²⁵ [BBC Framework Agreement](#), Clause 7(6)

²⁶ [BBC Framework Agreement](#), Clause 7(7)

Interest Test.²⁷ As Ofcom notes in its Operating Framework, it is in third parties' interests to ensure that they raise concerns with the BBC when we are conducting our Public Interest Test and to draw attention to potential issues arising from the proposals at this stage.²⁸ This will allow potential issues to be taken into account by the BBC when it develops its final proposals.

The BBC welcomes the opportunity to discuss our proposals further with interested stakeholders. Specifically, the BBC will be engaging with a range of stakeholders including other PSB broadcasters, commercial broadcasters, the production sector, distribution platforms, and audience groups, as well as the wider creative economy.

Research and analysis

The BBC will conduct research and analysis to inform its Public Interest Test, including detailed audience reach modelling to identify likely usage of the service over time. In particular, the modelling will assess the extent to which the BBC's proposals will result in negative impact to horizontal competition.

To assess the scale and likelihood of any adverse impact on fair and effective competition, we will consider responses to the consultation, industry data (where available), audience research and economic analysis. The Public Interest Test will also set out how the BBC has designed the proposed brand extensions to minimise any unnecessary adverse impact on fair and effective competition.

Decision by the BBC Board

To meet the criteria set out in the Public Interest Test, the BBC Board must be satisfied that the new initiative supports the BBC's mission; that it promotes its public purposes; that the BBC has taken reasonable steps to ensure that the change has no unnecessary adverse impact on fair and effective competition; and that the public value of the initiative justifies any impact on the competition. Where the BBC Board determines that the above elements of the Public Interest Test are satisfied, the BBC will publish a non-confidential version of the proposed change and refer it to Ofcom. The BBC aims to do so in Summer 2021.

5.1.2 The Ofcom part of the process

As the BBC's regulator, Ofcom will make the final determination on whether a material change can proceed or not. In reaching its decision, Ofcom will assess whether the proposed change is material and conduct a Competition Assessment, or a shorter assessment, involving the following steps:

²⁷ [Policy on material changes to the BBC's public service activities and commercial activities](#)

²⁸ [Assessing the impact of proposed changes to the BBC's public service activities: Ofcom's procedures and guidance](#), paragraph 4.17

- Conduct research and survey the opinions of stakeholders;
- Review the procedures the BBC has followed in carrying out its Public Interest Test, including whether the BBC has consulted with external stakeholders appropriately;
- Review the BBC's own assessment of the public value of the change;
- Assess the adverse impact of the proposed change on competition; and
- Assess whether the public value of the change justifies any adverse impact on competition.

Ofcom can reach four types of determination:

- to send the proposal or elements of the proposal back to the BBC for reconsideration;
- to allow the change to proceed;
- to require modifications or conditions to be made before the change proceeds;
- or
- to find that the BBC may not proceed with the proposed change.

Ofcom typically consults twice during the process: firstly at the stage of assessing the proposal for materiality and then on its provisional determination.

5.2 The BBC's consultation questions

This consultation runs from 5 March 2021 to 16 April 2021.

This consultation sets out information about our future plans for the launch of a BBC Three broadcast TV channel. Our intention is to provide stakeholders with information sufficient to enable them to meaningfully engage with us as we finalise our proposals, which we will ultimately include within a Public Interest Test. While there remain areas of uncertainty at this stage of our process, we consider we have provided as much information as we can on our plans without publishing any information that may be commercially sensitive.

We are seeking views from all stakeholders, and in particular from industry, on our proposed launch of a BBC Three broadcast TV channel particularly on the following questions.

Question 1: What do you think about the potential public value of our proposals for a BBC Three broadcast TV channel, including the extent to which our proposals contribute to the BBC's mission to serve all audiences through the provision of high quality and distinctive output and services which informs, educates and entertains?

Question 2: What do you think about the benefit to audiences who will watch the channel, as well as wider potential social and cultural impacts?

Question 3: What impact (positive or negative) do you think our proposals for a BBC Three broadcast TV channel might have on fair and effective competition?

Question 4: Are there any steps you think we could take to minimise any potential negative effects on fair and effective competition or to promote potential positive impacts?

5.3 How to respond

We would be grateful if respondents could, wherever practical, respond to each question directly.

If you would like to respond to this consultation, please email your response to publicinterest.test@bbc.co.uk or write to BBC Three Public Interest Test, BBC Broadcasting House, Portland Place, London, W1A 1AA.

Please contact publicinterest.test@bbc.co.uk if you have any questions about this process, our consultation, or want to discuss these proposals further.

Please indicate in your response whether any or all of your response should be treated confidentially. We will use responses to inform our future work on the Public Interest Test. We may refer to responses, either in general terms or specific references, as part the Public Interest Test, which we will publish. For confidential responses we may ask about how to include these in a Public Interest Test where relevant, as well as whether or not we can provide these to Ofcom on a confidential basis to help Ofcom with its assessment on materiality.

We are unable to consider comments relating to broader licence fee issues or comments relating to BBC programmes and content.