



ACQUISITION OF LOCAL CONTENT

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BBC OFFER TO ACQUIRE NEWS CONTENT FROM LICENSED LOCAL TV PROVIDERS SUBJECT TO CONTRACT

Summary

In its 2010 licence fee settlement, the BBC agreed to play an active role in supporting new local television services in the UK by providing capital funding for the development of infrastructure, and on-going funding to the end of the licence fee period for the acquisition of content from companies holding the relevant licences ('L-DTPS licensees')¹. This will help support the continued existence of a plurality of news providers at all levels of the UK. We believe plurality of news is important, and are keen to support the launch of local TV by agreeing to acquire content in the first few years.

In devising a model for content acquisition, the BBC is aiming to achieve the following objectives:

- Provide a level of funding certainty through guaranteed contracts
- Incentivise the creation of content and set a quality threshold
- Focus support in licensees' launch year when need is likely to be greatest
- Ensure an equitable model which gives as much support to those licensees launching in later years as it does for the first tranche; and
- Ensure the BBC and licence fee payers receive value for money

This note sets out the arrangements we plan to put in place to acquire content from L-DTPS licensees; it elaborates on the information provided in the Government's December proposals.² It is designed to inform any potential applicant for a L-DTPS licence of the terms on which the BBC will acquire content. In delivering this scheme the BBC will need to comply with all relevant legal and regulatory requirements. The availability of licence fee funding for this purpose is contingent upon compliance with state aid law

The key points are that:

- In the final three years of the BBC's current licence fee period, from 2014/15 to 2016/17³, the BBC will acquire up to £5m of content per annum from L-DTPS licensees if it is 'suitable for inclusion in a UK public service (i.e. a BBC service) and the price that represents value for money'⁴.
- We anticipate making payment through the combination of a fixed fee for each L-DTPS licensee and a variable component that licensees have the opportunity to access.
- The BBC will select from the available material produced by licensees to meet its editorial needs. It will require third party exclusivity over acquired content within the UK if the content is used on its public services.

This BBC will not be involved in the selection of L-DTPS licensees as this will be carried out by Ofcom under the proposed licensing process.

The final, legal, framework for content acquisition will be completed after the licences have been awarded. However, the outline terms in this paper are not expected to materially change.

In order to assist potential licensees, the BBC will run two sessions in different parts of the country to outline these proposals and answer any further questions from interested parties.

¹ The current licence fee period ends on 31 March 2017. The licence fee settlement was given effect in the September 2011 amendments to the BBC Agreement, of which clause 7 covers local TV (http://www.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/agreement_amend_sep11.pdf). There is a summary of the amendments available at: http://www.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/agreement_amend_sep11_sum.pdf.

² http://www.culture.gov.uk/images/consultation_responses/local_tv_making-the-vision-happen.pdf

³ The Agreement makes provision for payment from April 2014 only. Were Local TV providers to launch earlier, the BBC would need access to funds from the digital underspend to access the cash. The total available funds of £15m will not be exceeded.

⁴ BBC Agreement, 95A.3.c http://www.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/agreement_amend_sep11.pdf

Detail

Numbers of stories expected and resulting payment from BBC

We anticipate paying for content through a combination of a fixed and variable fee, covering both diary and off-diary based stories (see below). This will provide local TV providers with a degree of revenue certainty whilst at the same time incentivising the production of high-quality output. The details of our approach are that:

- The BBC will guarantee a fixed fee for unpackaged content (i.e. the raw footage), based on local TV services providing an agreed volume of stories
- In its first year, each L-DTPS licensee will provide the BBC with around 85 stories per month and be guaranteed an income of £150,000 per annum. This will decrease to £60,000 per L-DTPS licensees in year 2 of operation (c35 stories per month), and £20,000 in year 3 (c10-15 stories). It is anticipated that the fixed fee will primarily cover diary-based stories - stories covering events known in advance
- Year 1 is therefore exceptional and is designed to provide the greatest support to local TV companies in their start-up phase while also ensuring value for money to licence fee payers
- The exact details of the variable pot will depend on the number of licensees which eventually launch but the principles are that Local TV licensees will compete to sell additional off-diary content to the BBC above these thresholds up to the maximum of £5m p.a. Assuming the projected 44 companies launch (20 in year one and 24 in year two), this will mean a total of £1.8m variable funds in the first two years, with a much higher variable pot in the final year if no further services are licenced.
- As the funding will end by March 2017, licensees who come into operation in the second and third years of the scheme will only receive funding for two or one years respectively. For example, licensees beginning in year 3 will receive one year of funding but the fixed fee they receive in that year will be the same fixed fee amount as received by other local TV services in their first year of operation (i.e. £150,000).

As per Ofcom's licensing document, the model is based on at least 44 local TV companies launching on a phased basis. The model will need to be adjusted if fewer services are licenced in practice.

Definition of a 'story' and required editorial standards

The basic unit of acquisition is the story. By a 'story' we mean:

Mostly original unpackaged material relating to a single topic, with an average of over three minutes of footage

A story may be a report, an interview or footage of a single incident, but in all cases must have original journalism at its core (i.e.: it must not be aggregated from other sources). The BBC does not wish to be prescriptive over exactly what constitutes a story, but on average rushes must be over three minutes long. In some cases, it may be that two items are broadcast as a single feature by local TV licensees, perhaps an interview linked to related footage. If these both qualify then they would constitute two 'stories.' Stories can cover a variety of issues as long as they are suitable for inclusion in the BBC's regional and national news programming and services – that would include current affairs, sports news, human interest news and local events. It would not be restricted to 'hard news.'

The content in each story must comply with Ofcom's Broadcasting Code including requirements for due accuracy and impartiality. The BBC would expect L-DTPS licensees to comply their stories themselves, certifying that they have done so. However, we would also perform our own compliance checks on material we use in our public services to ensure compliance with the BBC's Editorial Guidelines.

Selection of content and exclusivity

The BBC will wish to select from the stories produced by licensees based on its editorial and business needs. It is at the discretion of the L-DTPS licensee if it wants to share material not covered by the guarantee, but as the BBC is providing guaranteed funding, it should in principle receive first refusal on the off-diary material available before it is offered to third parties. We would expect there to be a standard ratecard for pricing this material. It is likely that the selection process will take place at a local level, led by the relevant BBC staff in each area. The BBC has set aside up to £200k p.a. of the £5m p.a. to cover its administration and compliance costs, to be reviewed after the first year.

The BBC will require exclusive third party access to the video content it uses in its UK public services. As a result, where the BBC uses the material, only the original newsroom (i.e. the L-DTPS licensee) and the BBC would have access to the material, although where the original newsroom is shared with a number of partners, the partners would have access too.⁵

If the BBC chose not to use the material it has acquired, all rights would revert to the L-DTPS licensee within 24 hours and the BBC would not store this material. If the BBC uses the material then the BBC would have the perpetual right to use this material in the UK and for the first week this content would be co-exclusive with the L-DTPS licensee. Internationally, the BBC would have no direct rights, but would be able to include the content in packages it makes available abroad, for example feeds to its European Broadcast Union partners or commercial packages in which the third party local content was a small part. L-DTPS licensees would be able to sell this content to third parties internationally from the very beginning.

BBC usage of the content will also be governed by the BBC's Charter and Agreement and the service licences framework. For example, usage of footage online will be governed by the restrictions put in place on BBC Online by the BBC Trust.

Delivery of content to the BBC

We anticipate agreeing arrangements for the delivery of content to the BBC with local TV providers once their licences are in place. L-DTPS licensees will be responsible for ensuring that BBC journalists are able to have access to the stories sold in a timely fashion, i.e. for stories originating during the day, in time for the BBC to broadcast on its 18:30 regional news bulletins, though some stories would need to be received in time for the lunchtime bulletins. The BBC anticipates the delivery of content will be by electronic file delivery, based on a standard format and labelling determined by the BBC - in order to minimise costs on all sides. The BBC would be willing to consider a model where we meet the costs of delivery, but this would correspondingly reduce the budget for the variable pot.

Mindful of L-DTPS licensees' likely funding constraints, the BBC will pay the L-DTPS licensees for diary stories monthly on a fixed rate - assuming the L-DTPS licensee is on course to meet the volume requirements. Where the L-DTPS licensee is below the requirements in a particular month, a three month average will be used to determine if it is on course to meet the annual requirement.

⁵ For example, were a local paper to be part of a local media consortium, then the L-DTPS licensee, the local paper and the BBC would have access to the material.

Putting these arrangements in place

This note sets out terms based on a full complement of L-DTPS licensees launching. Once licensing arrangements have been agreed by Ofcom, the BBC anticipates putting a standard contract in place with each licensed local TV providers who wishes to sell content to the BBC. We do not anticipate being able to negotiate a bespoke contact for each L-DTPS licensee as this could be costly to do in practice and could detract from the £5m p.a. resource available for content production. However, we are conscious that inevitably some minor variations in the model will develop on the ground and some events will need a different, ad hoc, approach. In order to facilitate this eventuality the BBC will ensure that the contract includes a standard mechanism for both (i) considering; and (ii) agreeing variations of this kind with each L-DTPS licensee.

In delivering this scheme the BBC will need to comply with all relevant legal and regulatory requirements. The availability of licence fee funding for this purpose is contingent upon compliance with state aid law.