

**BBC Trust final
conclusions on BBC
participation in a
“Freesat” proposition**

Foreword

The BBC Trust considered BBC Executive proposals to establish a joint venture that will manage and support a national satellite based free-to-view digital service (referred to as “Freesat”) at its meeting on 21 February 2007. We provisionally concluded that the Trust should approve these proposals and give clearance for the BBC to proceed.

In reaching our decision we have considered the needs of licence fee payers, how the proposition fits with the BBC’s public service remit and the BBC’s Public Purposes set out in the Charter, the public value created, market impact, and the risks to the BBC in establishing the joint venture. We have also considered the Trust’s general duties under the Charter, in particular those set out in Article 23, and under the Framework Agreement. We have also had regard to such general guidance concerning the management of the affairs of public bodies as is relevant and appropriate.

We conducted an open consultation between 27 February 2007 and 27 March 2007. We were delighted with the level of response. 674 responses were received which we have analysed and taken into account as appropriate in reaching our final decision, which is to approve the proposals.

This document explains the background to the BBC’s “Freesat” proposition, explains how we have reached our decision, and sets out the conditions we have attached to our approval of the proposals.

Chitra Bharucha
Acting Chairman
27 April 2007

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I The Trust's decision

The BBC Trust has decided to approve the proposition that the BBC invests in a joint venture to offer a national satellite based free-to-view digital service. In reaching this decision we have considered the likely benefits to the licence fee payer, the public value created and the potential market impact. We have also had regard to our duties under the Charter and the Agreement (particularly the duties in Article 23 of the Charter) and such general guidance concerning the management of the affairs of public bodies which we consider relevant and appropriate. We have also taken into account, as appropriate, the views expressed by industry and by members of the public during the open consultation that took place between 27 February and 27 March 2007.

We have considered whether the Trust should attach any conditions to its approval for the proposals. In our consultation we invited views on two conditions, and also asked respondents whether there were other conditions that the Trust should impose.

We have concluded that in order to ensure that the proposition is compliant with competition law and state aid requirements, we should impose as condition of our approval:

- A requirement that the funding arrangements for the participation of other broadcasters in "Freesat" are such that it can be demonstrated that those other broadcasters are not being subsidised by the licence fee.
- A requirement that the BBC should keep its interaction with Freeview operationally separate from its involvement with "Freesat" to minimise any potential effect on competition

The Trust has also concluded that two further conditions should apply:

- The BBC, through its role in the Joint Venture, must retain sufficient control over the decisions taken by the Joint Venture to ensure that the BBC's public service objectives are not undermined.
- The BBC, through its role in the Joint Venture, should ensure that there is always an ability to access "Freesat" on a subscription-free basis

In addition to these conditions of approval, the Trust considers it important that in implementing the "Freesat" proposal the BBC Executive is mindful of the following points, which the Trust consider to be important to the success of the venture.

- Ensuring that arrangements to secure the necessary quality and technical standards of the receivers and Electronic Programme Guide required to access "Freesat" are put in place
- Taking all reasonable steps to ensure that "Freesat" is able to co-exist with other digital television platforms without impairing their technical operations

There have been some detailed responses to the consultation about how the requirement for separation between “Freesat” and Freeview will work in light of any legitimate contact between the two ventures, for instance, in the context of Digital Switchover. A body of technical matters has also been raised in the consultation responses. These have been noted and the Trust considers that, in implementing the proposition, the BBC should, where confidentiality requests allow, take these into account as appropriate.

2 The “Freesat” proposition

The proposal submitted to us for consideration was that the BBC should launch a national free-to-view satellite proposition as an additional means for licence fee payers to access digital services, including the BBC’s digital television channels and radio services. The rationale for the proposal is the need to ensure that the BBC’s digital services are available to all Licence Fee payers.

This access route would be offered on the basis of a one-off initial payment with a guarantee of no ongoing subscription charges. It would be future-proofed (for example by designing in high definition (HD) and personal video recorder compatibility). It would be marketed through retail outlets and direct retail channels such as the internet. Launch is anticipated in time to ensure that those licence fee payers who are unable to receive Freeview and do not wish to use a commercial provider have an alternative means of subscription-free access to digital services should they wish to do so in the lead up to switchover, due for completion in 2012.

The intention is to establish a joint venture company to manage the marketing and technical aspects of “Freesat”. This is a non-commercial venture for the BBC and the new company would operate on a not-for-profit basis. The new proposition would be open to other broadcasters and it is hoped that in addition to BBC services a wide range of other services and channels would be accessible. The BBC hopes that other public service broadcasters will also wish to participate in the venture. Set top boxes would be supplied by third parties working with retailers to a specification agreed with the joint venture company.

It is important to bear in mind the boundaries of what is being evaluated in considering this proposition. The proposition will have an in-built capability to carry HD output. This allows for appropriate future development (we have described this as future proofing). The BBC Executive has put proposals to the Trust to launch an HD television channel and the Trust has decided to conduct a full Public Value Test (PVT) on the application. Other broadcasters might also decide to make HD services available on “Freesat”.

Some respondents – notably Virgin Media and BSkyB – challenged the Trust’s view that in considering the “Freesat” proposition it is not appropriate or necessary for the Trust to consider the potential market impact of HD output being available through “Freesat”, given that this matter will be taken into account in the Trust’s HD PVT.

We remain of the view that it would be inappropriate for us to seek to prejudge the potential market impact of BBC HD content being made available. This will be examined during the HD PVT process commencing in May 2007. Furthermore, we note that there is considerable uncertainty over what future HD offers may emerge. We cannot predict what HD content other broadcasters might choose to make available or the form in which it might be made available. Ofcom's current Digital Dividend Review, through which it is considering the future options for spectrum released as a result of digital switchover, introduces a further variable.

Nevertheless we note that the market impact analysis on which we have based our conclusions led to a range of possible impacts in terms of take-up numbers. Our conclusions take account of this full range, therefore covering the potential maximum take-up figures based on some HD programming being available.

3 Context

Under the terms of the previous BBC Charter, the Secretary of State's approval was required for any proposition that the BBC should enter into a joint venture arrangement. The BBC originally submitted a proposition, approved by the BBC Governors, to the Department of Culture, Media and Sport ("DCMS") in June 2006.

DCMS considered the proposition and commissioned an independent report on its market implications. However, DCMS did not publish the proposition for consultation before the previous BBC Charter expired and so the BBC Executive Board resubmitted the proposition for the Trust's consideration. DCMS wrote to the Trust formally confirming handover of this matter.

The new BBC Charter places a number of specific obligations on the Trust which we have sought to fulfil in our consideration of this proposition. These include that the Trust is required to represent the interests of licence fee payers, assess their views carefully and appropriately, and must also have regard to the competitive impact of the BBC's activities on the wider market. It must also ensure that the BBC observes high standards of openness and transparency.

In reaching our provisional conclusions we took into account assessments of the competitive impact of the proposition on the wider market, and the strength of feeling amongst licence fee payers expressed directly to the BBC Governors (at public meetings and through their engagement with audiences through the Broadcasting Councils and the English National Forum) about access to the BBC's digital services. This anecdotal evidence supporting the introduction of "Freesat" has now been reinforced and validated through the overwhelmingly positive response to the proposals we have received through our consultation from individuals and from the Audience Councils.

In the light of the responses to our consultation, we are satisfied that our provisional view that the BBC should be permitted to proceed with the implementation of this proposition

should be confirmed as final. It is unfortunate that the process of approval has been so protracted in this case since the greatest benefit from the proposals for licence fee payers arises between now and the completion of digital switchover in 2012. The BBC's original intention was to make these facilities available to licence fee payers before the commencement of the first Digital Switchover trial in Whitehaven in September 2007. It will not now be possible to achieve this, but we understand that it should still be possible for the BBC to make this additional means of free access to a range of digital services, including its own, available before Digital Switchover in Borders, the first region to make the switch.¹

To ensure that our decision making process is open and transparent and to seek to take into account a full range of views we have concluded that we should, to the extent possible without compromising any commercial sensitivity surrounding the proposition, make public the reasoning behind our final conclusion. Our starting position has been that we should be as open as possible about the nature of the proposition and our reasons for endorsing the BBC's proposed participation. Some broadcasters have criticised the Trust for not publishing more details of the application from the BBC, including price information, as part of the consultation. The Trust considered very carefully what we could publish in this case and we remain satisfied that what we published was entirely appropriate and has allowed the public and stakeholders to comment intelligently and express their views on the proposition. We took account of the commercial interests of potential joint venture partners in determining how much detailed information to make publicly available. The venture represents a commercial investment for the BBC's potential partners so we took care not to make public any commercially sensitive financial or market information the publication of which might have compromised their competitive position.

4 The Trust's approval procedure

The BBC Governors originally submitted this proposition to DCMS for the Secretary of State's approval on 15 June 2006. The Trust sought and obtained the Secretary of State's consent² to the proposition being resubmitted to the Trust for approval under the procedures and structures of the new BBC Charter and Framework Agreement.

4.1 Non-service activity

The Trust considers that the "Freesat" proposition constitutes a non-service activity, as defined by Clause 22 of the Framework Agreement. The Agreement states that non-service activities are those that do not have the nature of a service. In reaching our conclusion that "Freesat" is a non-service, the Trust took into account, amongst other matters, the fact that "Freesat" is limited to one means of distribution and does not involve the selection or commissioning of content, or its scheduling. As a non-service, the "Freesat" proposition does not automatically require a PVT.

¹ The timetable for switchover can be found at the Digital UK (the organisation leading the UK's switch to digital television) website - <http://www.digitaluk.co.uk/en/when.html>

² By letter dated 25 January 2007.

BSkyB expressed concern about this decision in its consultation response and invited the Trust 'to re-examine whether the proposition is a *'non-service'* that does not require a PVT'. In particular, BskyB queried whether the Trust had taken into account all relevant considerations when reaching its decision on this point. We have considered BskyB's comments in reaching our final conclusion. There are two separate issues to consider. The first is to determine whether or not the proposition is a service or a non-service under the Agreement. The second is to decide, if the Trust takes the view that the proposition is a non-service, what, if any, approval arrangements are appropriate.

In reaching the conclusion that "Freesat" does not have the nature of a service, we took into account that the Agreement defines a service as any activity which is, or ought to be, covered by a service licence under Clause 18 of the Agreement. Clause 18 sets out the following three considerations to be taken into account when deciding whether an activity ought to be covered by a service licence:

1. A presumption that activities which involve the selection or commissioning of content and its scheduling or distribution are likely to be appropriate to be covered by a service licence
2. The importance of delivering the greatest benefit and clarity for licence fee payers and making the decisions which would make most sense to them. In particular, activities which are recognised as a service by licence fee payers are likely to be appropriate to be covered by a service licence, and the boundaries between services in the perception of licence fee payers
3. The potential benefits of such a decision in providing certainty as to the scope of that service for, and opportunities for consultation with, other operators in the market place.

It states that, in deciding whether an activity requires a service licence none of the three considerations are conclusive on their own, that different considerations may pull in different directions and the Trust must weigh them up and reach an overall conclusion on where the public interest lies.

One of those considerations directly addresses the nature of a service, suggesting that a service involves 'the selection or commissioning of content as well as its scheduling or distribution'. It was this consideration we found most compelling, given that the "Freesat" proposition involves only distribution.

In our view, the other two considerations in clause 18 are of less relevance but we also had them in mind when deciding that "Freesat" does not have the nature of a Service. In particular, there were no reasons to suggest that it was necessary to regard "Freesat" as a service in order to deliver the greatest benefit and clarity to licence fee payers or to provide certainty as to the scope of "Freesat". The outcome of the consultation has not changed our view. On this basis, our conclusion remains that the "Freesat" proposal is not a service and that we should apply the provisions of the Agreement that relate to 'non-service' activities as set out at Clause 22.

It is worth noting that any BBC service that can be accessed through the free satellite proposition is subject to a service licence, and any future new services that may be made available through “Freesat”, would be made subject to a PVT as required by the new BBC Charter and Framework Agreement.

The second issue is for the Trust is to ensure that it fulfils its responsibilities for consideration of ‘non-service’ activities. The Agreement (in Clause 22) gives the Trust considerable discretion to determine what is appropriate in each case, but it also reminds us that we should not assume that a full Public Value Test will not sometimes be appropriate even for non-service activities.

In accordance with the requirements of the Charter, the BBC Trust has adopted a series of protocols which set out a detailed framework within which the Trust will discharge its functions and which address the practical application of those functions. These protocols are publicly available and can be accessed through the Trust’s website³.

The protocol applicable to ‘non-service’ activities provides for the Trust to take into account, even where no PVT is applied, where relevant, the potential public value and market implications of proposals and apply the same broad principles – evidence-based assessment and transparency in decision-making for example – that apply where changes to services are considered. In particular the Trust will, under the protocol, take into account the following considerations in deciding whether to grant approval:

- a. the public value created by the proposal;
- b. value for money;
- c. the interests and perspective of the licence fee payer;
- d. market impact;
- e. risk (financial, operational, reputational); and
- f. compliance with the law and with BBC and Trust policies.

The Trust decided that it was appropriate to take account of each of the above matters in this case. The Trust also considered whether the approval should be subject to any ongoing terms or conditions. The purpose of any such terms or conditions would be to enhance public value and/or take account of any potential market impact.

4.2 Whether the proposal should be subject to the full Public Value Test

We have considered whether it would be appropriate to apply a PVT to this proposal. The Agreement does not require the Trust to conduct such a test or preclude the Trust from using the PVT, but requires the Trust to bear in mind that non-service activities may be significant and may raise issues of public value and have market implications. The Trust should ensure that to the extent relevant and appropriate, the same principles that underlie treatment of services are applied to consideration of non-service activities.

³www.bbc.co.uk/bbctrust/framework/protocols/index.html

We have taken into account the fact that the launch of “Freesat” will not result in any new BBC services becoming available and that any new BBC services that might be made available on “Freesat” in the future would most probably be subject to a PVT prior to launch. The “Freesat” service itself does not require a service licence or changes to existing service licences. We have also taken into account the scale of the proposition. The maximum annual cost to the BBC falls substantially below the threshold requiring referral to the Trust (the threshold being £50 million⁴).

We have also taken into account the process through which the Secretary of State had intended to reach a decision if she had not handed the matter to us to conclude. We have considered the same base of evidence as the Secretary of State had intended to, although we have reinforced this evidence base by commissioning further independent advice on the competitive impact of the proposals.

We have also consulted publicly, and have taken into account the views received from licence fee payers and organisations on both public value and market implications. In addition we have taken into account several representations made by BSkyB after the formal consultation closed.

The BBC’s proposals were put forward for approval more than six months before the new Charter arrangements took effect with the expectation that clearance to proceed could be secured prior to the commencement of the new Charter. A further consideration for the Trust has been the impact of any additional delay. Conducting a full PVT could add a further six months to the approval process and would prevent the proposition being made available before the commencement of digital switchover.

Taking these factors, and the information provided to the Trust into account, we concluded that we had sufficient evidence to allow us to evaluate and form a proper view on the public value created and the effect on the wider market, and to take an appropriate decision in the circumstances of this case and that it was unnecessary, and contrary to the best interests of the licence fee payer, for a formal PVT to be conducted.

5 Public consultation

We published details of our provisional conclusions about “Freesat” along with evidence relating to public value and market implications on the Trust’s web site, and invited comments over a 28 day period. We contacted a wide range of stakeholders to inform them of the consultation and issued a press release. The launch of the consultation attracted widespread media coverage.

We posed 11 specific questions covering public value, fit with the BBC’s public service remit, competitive impact and conditions of approval, along with an open question inviting any other comments that respondents might have about the proposals.

⁴ Set by the Trust in its protocol on Financial Plans Budgets and Delegations.

We have been delighted with the level of response. In total, over 700⁵ responses were received, of which 674 contained sufficient information to be included in our analysis. 24 respondents came from organisations, but most responses came from individuals.

Whilst we may sometimes present our analysis of responses in purely statistical terms we should make it clear that we have taken account of the views expressed by individual respondents. This is particularly true of stakeholders with access to information that may not be available to everyone.

The Trust is satisfied overall that the consultation responses it has received validate its analysis and the provisional conclusions that it reached in February.

An overwhelming majority of respondents (93%⁶) considered that the BBC should be taking action to improve access to its digital services in the lead up to digital switchover. Whilst we recognise that those responding to our consultation are likely to be those who feel particularly strongly, both the scale of response and the high proportion supporting the Trust's provisional conclusions are reassuring. Respondents were also clear about the value of the proposals, 86% saying that the proposals were valuable to all licence fee payers. 93% considered the proposals to fit with the BBC's public purposes.

Overall, respondents were also clear on competitive impact. 92% thought the proposals would benefit consumers and 90% thought it unlikely that "Freesat" would lead to the market exit of existing participants or create a barrier to future innovation.

Of course not all responses were favourable. Virgin Media and BSkyB both questioned the general proposition that it should be the role of a public sector organisation to provide competition in a free market. BSkyB also questioned the process by which the Trust reached its conclusions. Businesses in particular also identified markets they believed the Trust had not considered in its provisional conclusions. These issues are considered later in this document.

A full analysis of the consultation responses, drawn up by the Trust Unit, is attached at Appendix I. As stated in the consultation documents, we are also publishing in full the responses we have received from organisations except where they have asked us not to do so.

6 Basis for the decision

In reaching our final conclusions we focused in particular on:

1. Whether the proposition would serve the best interests of licence fee payers

⁵ Trustees had access to all the responses received by the Trust Unit.

⁶ Wherever percentages are quoted for responses to consultation questions, they are percentages of people who responded to that particular question, not percentages of the whole base of responses.

2. What public value the new proposition might create
3. How the proposition fits with the BBC's public service remit
4. The competitive impact of the proposition on the wider market

We also considered whether the proposed venture represents value for money, along with risk and compliance issues within the appropriate sections considering areas 1 to 4.

We set out below the context for the Trust's consideration of areas 1 to 4 including the BBC's stated objectives and the Public Interest duties of the BBC and the Trust.

6.1 Stated objectives of the proposition

The BBC's stated main objectives in launching the proposition are:

1. Driving digital take-up in analogue homes, predominately those outside of digital terrestrial television coverage areas; and
2. Offering a free-to-view digital upgrade path to ensure that licence fee payers can be offered all the benefits of digital including those which may not be fully available on digital terrestrial television, notably HD, guaranteed free of subscription in perpetuity.

6.2 The Public Interest duties placed on the BBC

The Public Interest duties placed on the BBC include the following:

As Article 3(1) of the Charter explicitly states, the BBC exists to serve the public interest - ensuring that its actions have public value is key to provision of BBC services. As such, the BBC must ensure that all its actions accord with the public interest and fulfil its remit as encapsulated by its Public Purposes:

- (a) sustaining citizenship and civil society;
- (b) promoting education and learning;
- (c) stimulating creativity and cultural excellence;
- (d) representing the UK, its nations, regions and communities;
- (e) bringing the UK to the world and the world to the UK;
- (f) in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television.⁷

Article 5 of the Charter provides that the BBC's main activities should be the promotion of its Public Purposes through the provision of output which consists of information, education and entertainment, supplied by means of television, radio and online services and by similar or related services which make output generally available and which may be in forms or by means of technologies which either have not previously been used by the BBC or which have yet to be developed.

⁷ Article 4 of the Charter.

The Agreement elaborates on the BBC's responsibilities, stating at Clause 12(1) that the BBC must do all that is reasonably practicable to ensure that viewers, listeners and other users (as the case may be) are able to access the UK public services intended for them, or elements of their content, in a range of convenient and cost effective ways which are available or might become available in the future. This clause specifically gives satellite as an example of a way in which content might be made available.

6.3 The Public Interest duties placed on the Trust

The Public Interest duties placed on the Trust include the following:

It is the Trust's role to secure the effective promotion of the Public Purposes as well as, according to Article 22 of the Charter, acting as the guardian of the licence fee revenue and the public interest in the BBC. The Charter also requires at Article 23 that, in exercising all its functions, the Trust must act in the public interest and, in particular, it must:

- (a) represent the interests of licence fee payers;
- (b) secure that the independence of the BBC is maintained;
- (c) carefully and appropriately assess the views of licence fee payers;
- (d) exercise rigorous stewardship of public money;
- (e) have regard to the competitive impact of the BBC's activities on the wider market;
- and
- (f) ensure that the BBC observes high standards of openness and transparency.

The Trust and the BBC Executive, in performing their respective functions must also have regard to matters such as general guidance concerning the management of the affairs of public bodies as they consider relevant and appropriate.

6.4 Whether the proposition will serve the best interests of licence fee payers

In this section we consider the best interests of licence fee payers, which also form part of our consideration of the public value of the proposition. We do this by (i) identifying the issues arising from limited access to Freeview before digital switchover on a region by region basis; and (ii) assessing how the proposition is in the best interests of licence fee payers in light of the issues identified in (i).

(i) Issues arising from limited access to Freeview before digital switchover on a region by region basis

Market data published by Ofcom⁸ shows that 27% of the UK population are currently unable to receive Digital Terrestrial Television (Freeview). The proportion rises to 42% in Northern Ireland and 43% in Wales. For each region this will only be remedied when there

⁸ Ofcom report – The Communications Market 2006

is digital switchover in that area making available higher power transmission of DTT signals. We address below the implications of this situation.

Of the 7 million homes yet to move from analogue to digital reception, almost half fall outside the area where Freeview coverage is currently available. For these licence fee payers the only subscription-free means of access to the BBC's digital services is currently through "Freesat from Sky."⁹ Market research commissioned by BBC Management indicates that around 4% of households who cannot access Freeview use the "Freesat from Sky" option. This low take up figure is likely to be attributable in part to factors such as the absence of active promotion contributing to a lack of awareness in the market that Sky offers a Freesat package.

Digital switchover will be phased from 2008 to 2012 currently with four regions not due for switchover until 2012 including Northern Ireland and three regions not due for switchover before 2011¹⁰. These regions will be particularly affected because until they are switched over, the only subscription-free means of access to digital services for those licence fee payers outside current DTT coverage will be "Freesat from Sky" (unless another market entrant introduces a non-subscription service). The higher power transmission DTT digital signals will not remedy this situation for a significant number of UK regions for at least another 3 or 4 years including Northern Ireland where only 58% of households currently have access to DTT.

This means that a significant proportion of licence fee payers will be unlikely to receive the full range of BBC services that they have paid for through their licence fee. For those households not receiving digital services and not prepared to pay to be part of a subscription service, 6 of the BBC's 8 TV channels, 3 of its 11 network radio services and the BBCi service are not readily accessible unless they make the one-off payment to obtain "Freesat from Sky"¹¹.

The BBC Governors emphasised when they approved the proposals for "Freesat" last year that in their own direct contacts with licence fee payers at public meetings, and through their engagement with audiences through the Broadcasting Councils and the English National Forum, the feedback was clear: concerns about access to the BBC's digital services were often raised and came from all parts of the UK. Governors reported particular anxiety amongst licence fee payers living in areas where Freeview was not available or where the signal was weak. Appendix 2 contains a note of licence fee payer concerns over subscription-free access to BBC digital services. The comments set out in the note are anecdotal and we have therefore taken a cautious approach to our evaluation of them. However, the comments are consistent with our own experience of the concerns raised by

⁹ BSkyB currently offer a 'Freesat' package. This is not a subscription service. It is available for a one-off installation fee of £150, which is available to customers as an alternative to Freeview. A 'Freeview' package is also available terrestrially that is marketed by a joint venture formed by the BBC.

¹⁰ See footnote 1 above regarding the timetable for digital switchover.

¹¹ BSkyB pointed out in their consultation response that we had, in our provisional conclusion, referred incorrectly here to 'subscription' to "Freesat from Sky". Whilst we consider that taken as a whole, our consultation made very clear that "Freesat from Sky" was not a subscription service, and indeed the Trust has not interpreted it as being a subscription service, we have corrected this point.

licence fee payers and with our view of the public value in approving the “Freesat” proposition.

Our consultation has confirmed that these views are widely held. Only 38% of respondents considered the current access to the BBC’s digital services acceptable. 93% thought that the BBC should be taking action to improve access in the lead up to digital switchover. This figure was 100% for Wales and Northern Ireland where access through ‘Freeview’ is known to be more limited.

(ii) *Assessment of the best interests of licence fee payers and the public interest*

Currently, licence fee payers in geographical areas where access to Freeview is not possible will, until digital switchover in their area, only be able to access BBC services by taking up “Freesat from Sky” (or an offering of any other entrant to the market) or subscription services. This is in the context where no commercial provider would be subject to the same express Public Interest duties that apply to the BBC with oversight by the Trust (with our own express public interest duties). This is an important issue and the public consultation responses support our view that there is a significant level of public concern over this. As part of the Trust’s and the BBC’s public duties, it is incumbent on us to address this situation if there is an appropriate way to do so. Our conclusion is that the “Freesat” proposition is an appropriate way to take action over this matter of public interest.

In our view failure to address this position, which potentially affects a significant proportion of licence fee payers, would be inconsistent with the BBC’s and the Trust’s public interest duties, particularly to promote the Public Purposes set out in the Charter, which require facilitating access to BBC services. We also consider it is in the interests of licence fee payers and part of the public interest that “Freesat” is made available as soon as possible.

As part of considering the public value of the proposition, which is dealt with in section 6.5 below, we have concluded that it is not acceptable for a significant proportion of licence fee payers to be limited to a single subscription-free access route to BBC services provided by a commercial third party (BSkyB), over which the BBC has no influence, until as late as 2012.

BSkyB has expressed concern that, in their view, we have created the impression in our consultation that “Freesat from Sky” ‘remains available to customers only by the grace and favour of Sky and that at some point the service might cease to be free’. They make the point that any DVB-compliant services broadcast via Astra and Eutelsat can be viewed via Sky’s set top boxes. Whilst we accept that it is technically possible to receive channels broadcast unencrypted via satellite using Sky set top boxes, we do not believe that this option is, or would be, widely used, and we do not consider it to be a substitute for a properly supported proposition complete with an Electronic Programme Guide to make access to services more user friendly. The Consumer Expert Group on Digital Switchover confirms this, stating that “close attention will be paid to usability aspects of Freesat-compliant products with the opportunity to encourage manufacturers to follow best practice in remote control design, labelling and on-screen navigation. Some of these features are expected to be mandatory for a product to qualify for the Freesat trademark licence.”

BSkyB is under no regulatory obligation to provide subscription-free access and we think it reasonable to conclude that it does so as a commercial choice. So there is no guarantee that there would remain a subscription-free route to access BBC services in the future. As with any commercial proposition, BSkyB could at any point choose to withdraw or change the terms of this service subject to normal notice provisions. Whilst the BBC would have no say in such a decision, the potential impact in terms of access to its services would be significant.

As part of considering the public value of the proposition, our view is that it would not be in the public interest for licence fee payers to be reliant only on commercial provider routes over which the BBC has no influence as a subscription-free means of access to BBC services.

There may also be additional benefits to consumers through the introduction of an additional provider and hence greater competition in the market. This would lead to increased choice for consumers and potentially other benefits, such as improved product offerings to customers in the short and longer term. This effect will be particularly strong in those areas where there is currently only a single, or limited, supplier of digital retail TV services and those outside of the current Freeview footprint, where the current level of competition may be lower.

95% of respondents thought that licence fee payers should have a choice of subscription-free means of access to digital services, with several expressing specific concerns about dependency on Sky.

Overall conclusions on the interests of licence fee payers

We consider that the BBC's main stated objectives for the proposition are consistent with the best interests of licence fee payers and the Public Interest duties of the BBC and the Trust. In relation to the second stated objective, to provide a subscription-free route to HD output in perpetuity, given that there will be a PVT assessment of the BBC's HD service proposals, the Trust has only considered whether it is in the public interest (and in the interests of licence fee payers) to have an in-built capability to carry HD output. Our view is that this allows for appropriate future development which is in the public interest because it protects against "Freesat" being superseded by technology as well as providing incentives for manufacturers to produce the required set top box equipment. The response to our consultation has reinforced this view. 91% of respondents considered it important that the proposition should be future-proofed. One respondent commented "I think the set top boxes should be capable of receiving both standards [SD & HD] so that a new box is not necessary when high definition broadcast becomes standard".

In reaching the above conclusions we have taken into account generally the wider matters set out in these conclusions particularly those explored in the section on public value and those in the section on market impact and we have also had regard to the Trust's duties under the Charter and the Agreement (particularly the duties in Article 23).

6.5 What public value the new proposition might create

As noted above, we did not consider that a full PVT was necessary for our evaluation of this proposition. We did, however, consider the public value that the “Freesat” proposal might create and applied the principles underlying the treatment of services as we considered appropriate in this case. The analysis set out below considers specific matters we consider relevant to public value and our conclusion on the question of public value.

We considered the proposition against the following key measures of public value: reach; impact; quality and distinctiveness; and value for money. We considered these to be the appropriate aspects of public value to explore and evaluate.

(i) Reach

In the context of “Freesat” as a mechanism to allow subscription-free access to the BBC’s Services, we considered reach to mean the extent to which the proposals would facilitate or increase that access. The market research suggests that whilst “Freesat” would have national appeal, it would be particularly effective in increasing reach to the BBC’s full range of services in areas currently unable to receive Freeview. Of the 7 million homes yet to move from analogue to digital reception, almost half fall outside the area where Freeview coverage is available¹². As with other satellite-based services, coverage for the free satellite proposition would be much greater than is the case for Freeview, opening up new alternatives to those licence fee payers unable to receive Freeview.

This evidence is reinforced by the response to our consultation. Whilst 86% thought the proposals would be valuable to all licence fee payers, an even higher proportion – 93% - considered them valuable to licence fee payers unable to access Freeview. One respondent commented “PSB Freesat will enable licence fee payers outside Freeview coverage areas to switch to digital TV without having to wait for DTT coverage to expand. They will be able to enjoy the same benefits now as those living in Freeview areas”.

We found that these views were consistent with the direct experiences of the BBC Governors referred to earlier through their contacts with licence fee payers at public meetings and engagement with audiences through the Broadcasting Councils and the English National Forum.

(ii) Impact

In assessing impact we have had regard to clause 25(2)(a) of the Agreement which defines impact as “the extent to which the change is likely to affect relevant issues and others.” Based on our consideration of how the proposition would be in the best interests of licence fee payers and create public value, our view is that the proposition would be valued by licence fee paying users. The response to our consultation has firmly endorsed this view. We consider that an additional means of access to 6 of the BBC’s 8 TV channels, 3 of its 11 network radio services and the BBCi service, along with a substantial range of other digital services from other broadcasters will have a significant positive impact on licence fee payers

¹² Ibid note 5, section 4.2.9.

- particularly for those who are unable to receive the Freeview service and within that number those who do not wish to use “Freesat from Sky” or who do not want, or cannot afford to use, subscription based services now or in the future. “Freesat” is expected to offer up to 300 TV and Radio channels (compared with around 75 that are currently available through Freeview). BSkyB nevertheless comment in their response that the Trust’s view here is subjective. It is appropriate for the Trust to form its own view on the public value of the proposition and we remain of the view that the positive impact of the proposals is clear, and consider that the overwhelmingly positive response to our consultation across all the questions relating to public value validates this view.

(iii) Quality and distinctiveness

We also support the view that the proposition will be high quality and distinctive.

Whilst it is difficult to make a definitive assessment of quality at such an early stage, we are satisfied that in terms of content the availability of all BBC services and the intention to carry other public service channels provides sufficient assurance as to content quality. We are also satisfied that the joint venture structure and the proposed remit for the joint venture provide sufficient assurance in terms of controls over the set top box specifications, the electronic programme guide and the marketing arrangements.

Some responses questioned the distinctiveness of the “Freesat” proposition. However, the Trust recognises that the proposition will introduce competition in the market for free satellite television services and will therefore offer an alternative choice of provider for consumers. Furthermore, the “Freesat” service is guaranteed to remain subscription free.

(iv) Cost and value for money

Finally, we have taken into consideration the cost and value for money to the BBC of supporting the new proposition. The likely potential cost to the BBC of participation in the Joint Venture is modest – very substantially below the levels at which we would need to give our authority to BBC management to invest and comparable with what the BBC contributes to the Freeview joint venture and associated technical infrastructure. BBC management’s intention is that these costs should be shared amongst partners to the “Freesat” joint venture and this would reduce further the call on licence fee funding. We also consider that, taking into account the modest costs involved compared to the public value of facilitating and increasing access to subscription-free BBC services, particularly in areas where licence fee payers cannot currently access Freeview, the proposition represents value for money.

Some respondents felt unable to comment adequately on the Trust’s value for money assessment because the Trust did not publish any details of the cost to the BBC of its participation. We have revisited the decision not to publish details of the cost and we remain satisfied that this decision was correct. The figures which the Trust has seen for maximum cost to the BBC of participation cover the scenario where no joint venture partners participate and the BBC bears the entire cost. Revealing this figure would in effect reveal the budget for the joint venture, enabling others in the market to determine what individual commercial parties to the joint venture would contribute. We have had direct

representations from potential joint venture partners. This information has the potential to be market sensitive, and is also commercially sensitive to the BBC and joint venture partners since negotiations amongst potential joint venture partners are still in progress. Taking account of these considerations, the Trust is satisfied that its description of the scale of the BBC's investment as modest and substantially below the levels requiring Trust approval is as far as it can go in disclosing the cost of the potential joint venture.

Any steps taken by the BBC at this point to improve access and promote the take-up of digital services will also have a beneficial impact at the point of Digital Switchover, reducing any resources that may be required then to support those who will require assistance to continue viewing the BBC's services. Although the take-up of digital TV is expected to continue to grow, the market alone may be unable to deliver universal uptake. It is possible, therefore, that without coordinated efforts, such as this proposition, penetration will fall short of levels needed for analogue switch-off.

Overall conclusion on public value

We have reviewed the material available to us, including the responses to the consultation, which we consider provides a sound evidential basis for our conclusions on public value. We have also taken into account generally the wider matters set out in these provisional conclusions particularly in section 1 above addressing the best interests of licence fee payers. Having considered all these matters and the individual elements identified above, applying the Trust's duties under the Charter and the Agreement (particularly the duties in Article 23) we have concluded there is significant public value in the "Freesat" proposition for licence fee payers.

6.6. How the proposition fits with the BBC's public service remit

We considered the proposal in the context of the BBC's public service remit and of the specific objectives set for BBC management by the Board of Governors which remain in place. The objectives set in relation to driving digital take up in 2006/7 were to:

Ensure that BBC management prepares for digital switchover and drives the market for free-to-air digital television, digital radio and new media whilst continuing to serve the needs of the analogue-only audience by:

- a. Raising awareness of how the BBC's digital services add value to the overall portfolio;
- b. Improving their availability; and
- c. Working in partnership with the commercial sector to drive take-up.

The Charter and the Agreement set out a number of public service duties. In the Charter these include the Public Purpose for the BBC of "promoting other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and,

in addition, taking a leading role in the switchover to digital television"¹³. In the Agreement it is stated that the "BBC must do all that is reasonably practicable to ensure that viewers, listeners and other users (as the case may be) are able to access the UK Public Services that are intended for them"¹⁴.

We asked, as part of our consultation, whether the proposals were consistent with the public purposes of the BBC. 93% of respondents thought that they were.

We have concluded that the BBC's two main stated objectives are consistent both with the overall objectives set by the Governors for BBC management and with the BBC's Public Purposes, particularly those set out above. We are also satisfied that the proposition will contribute to other BBC objectives. In particular, increasing the choices open to licence fee payers for accessing the full range of BBC services will lead to an increase in the reach and accessibility of the BBC, particularly in those areas unable to receive Freeview. We have concluded that the proposition put to us is consistent with the BBC's public service remit and that it will make a positive contribution in relation to the specific objectives set by the Governors (which as noted remain in place) and to the BBC's Public Purposes.

In reaching the above conclusions we have also taken into account generally the wider matters set out in these provisional conclusions and we have also had regard to the Trust's duties under the Charter and the Agreement (particularly the duties in Article 23).

6.7 The competitive impact of the proposals on the wider market

The proposition has been assessed against the current approvals framework and requirements of the existing Fair Trading regime. The "Freesat" proposition does not specifically address whether the requirements currently expressed in the draft Competitive Impact Policy Statement are met (the draft competitive impact policy paper has not been formally adopted by the Trust pending consultation and was not in place at the time that the "Freesat" proposition was put forward). Taking these matters into account, and our view that it is integral to the public value of the proposition that, if approved, it is implemented within an urgent timescale, our view is that we should not attempt to apply the draft Competitive Impact Policy Statement in the specific circumstances in which we have considered the "Freesat" proposition. We have, however, taken into account the market impact of the proposition as set out below and we specifically invited consultation responses on this issue, which we have taken into account in our final decision. The Trust also received privileged legal advice on the "Freesat" proposition's compliance with competition law (including state aid law). We concluded on the basis of this advice that the "Freesat" proposition is compliant.

We have also concluded that in order to ensure that the proposition remains compliant with competition law and state aid requirements, we should impose as a condition of our approval a requirement that the funding arrangements for the participation of other

¹³ Article 4(f)

¹⁴ Clause 12(1)

broadcasters in “Freesat” are such that it can be demonstrated that those other broadcasters are not being subsidised by the licence fee, and that there should be an appropriate separation between the operation of the “Freesat” proposition and the existing Freeview proposition.

It is important to make clear that although our market review work does not have to include the same scope or level of detail as a full Market Impact Assessment¹⁵ we have concluded that the level of the review was appropriate when the scale of the BBC’s proposed participation was taken into account.

(i) *The Governance Unit report updated by the Trust Unit*

We were provided with a report based on work conducted during 2006 under the direction of the BBC Governors to assess the competitive impact of the proposition before it was put forward to the Secretary of State for consideration. The Governors had asked for an assessment of the impact of the new proposal on the market and the Governance Unit¹⁶ had, in the light of BBC management’s own assessment, carried out a review of the market implications of the proposition.

The Trust Unit considered that the report and its market analysis provided a proper basis for the Trust’s consideration of the proposition and should be put before the Trust with amendments only to correct typographical errors and to update the statistics used. We decided that it was appropriate to use this updated report, which we refer to as the Trust Unit report, as part of our consideration of the proposition particularly given that it was important to the public value of the proposition to consider it without further delay. The report considered those specific markets which might be directly affected by the proposition and assessed the impact on competition in those markets, as well as any ancillary markets that may be affected and wider economic effects. The full report was published alongside our consultation document. The key conclusions are set out here.

The Trust Unit report advised us that the proposal might encourage some consumers to switch from their existing digital providers (or in the case of analogue households, choose PSB “Freesat” over an alternative digital offering). The market most likely to be affected was that for non-subscription digital providers (there are two significant competitors in this market – Freeview and “Freesat from Sky”), although there could also be some effects on subscription services.

However, the report concluded that the introduction of this additional non-subscription offer would not be likely to have an adverse effect on competition in these markets, and that in terms of consumer welfare the effects would be beneficial. The review noted that from the consumer perspective a new entrant would introduce an element of choice in terms of subscription-free access to digital TV services in those areas outside Freeview coverage, and enhance choice and competition in other areas with consequential benefits to consumers. The report noted there would be some impact on the future revenues of the existing

¹⁵ Carried out by Ofcom when the Trust is conducting a full Public Value Test

¹⁶ The unit, separate from BBC management and accountable directly to the Governors, established to provide independent advice to the BBC Governors.

suppliers in the market but, taking account of the scale of the new proposal, concluded that these effects on competitors would be small.

The report also considered the potential impact on wider markets, including TV channels and the supply of hardware. It concluded that the characteristics of the proposal meant that there was unlikely to be a major impact on the overall distribution of advertising revenues between channels (as the majority of channels that would be available on the new platform also played-out on the other main digital TV retail services) and that the proposal might benefit some manufacturing and service industries by expanding demand in these markets. Overall, the review suggested that there may be some marginal positive impact on wider markets and that the proposition was likely to make a contribution to the growth of digital television take-up and its associated economic benefits.

(ii) *The Fathom Partners' report*

The original Governance Unit report was forwarded to DCMS in support of the BBC's application in June 2006 (and a revised Governance Unit report which we published as part of our consultation was provided on 18 November 2006¹⁷) seeking the Secretary of State's approval to enter into a joint venture arrangement. DCMS commissioned Fathom Partners to comment on the report. Whilst Fathom agreed with the Governance Unit view that the proposition would increase competition with consequent benefits for consumers, it contained a number of conclusions which differed from the Governance Unit's views. Although the Fathom Partners report was not commissioned by the Governors or the Trust Unit, we considered it was appropriate that we took the report into account in considering the proposition. The full Fathom Partners report was published as part of our consultation. The key conclusions are set out here.

- Fathom considered that the Governance Unit had not taken proper account of the effect on the proposition that future decisions on the provision of HD services could have. Fathom reviewed two separate scenarios – one without a strong HD channel line up and one with a strong HD channel line up.
- Without a strong HD channel line up they concluded that the proposition would have limited appeal (0.5m customers) and may fail because of insufficient interest from potential manufacturers of the set top boxes. Fathom Partners also considered that this same scenario could have a negative impact on BSkyB's subscription services as well as its free services because in their view the launch of PSB "Freesat" would alert BSkyB's paying customers to consider a free-satellite alternative potentially over time prompting a body of BSkyB customers to move from BSkyB subscription services to "Freesat from Sky", or to lapse their paying subscription.
- With a strong HD channel line up they concluded that the proposition could be fairly successful (2.5m customers). They asserted that the Governance Unit had not

¹⁷ We published both the 18 November 2006 Governance Unit report and also the later Trust Unit report that amended and updated it.

considered the market impact of this scenario. Their view was that this scenario would exert significant negative impact on current and prospective participants across the TV market, including potential new entrants.

Fathom also reported their findings on impact on competition and Digital Britain (these findings applied to both the above scenarios).

- They agreed with the Governance Unit that the proposition would increase competition, with consequent benefits for consumers (e.g. lower prices, increased promotion of free satellite services). However, their view was that because the proposition would be publicly supported, the usual presumption that the benefits of competition for consumers outweigh the market impact on producers would not apply.
- Finally, Fathom noted the Governance Unit's comments about the possible contribution of "Freesat" to switchover, and the benefits associated with "Digital Britain". They took the view that the proposition would not contribute significantly to digital take-up or deliver benefits associated with "Digital Britain".

(iii) *The Trust commissioned independent report*

We commissioned an independent review of both the Governance Unit and Fathom reports from Zoltan Biro, Director, Frontier Economics. A copy of his review was published as part of our consultation. The key conclusions are set out here.

- On the basis of the information contained in the Governance Unit report and the Fathom reports, Frontier Economics concluded that the market impact of the launch of "Freesat" should be expected to generate static welfare improvements (i.e. in terms of allocative and productive efficiency) as a result of an increase in competition in digital TV services.
- In Dr Biro's view, the issue requiring further consideration by the Trust when considering the overall welfare implications of the launch of "Freesat" (i.e. in terms of static and dynamic efficiency combined) is whether the anticipated scale of impact on the revenues of Sky, NTL and potential new entrants would be expected to have a detrimental impact on their incentives to invest in product and process innovations.

We therefore asked the Trust Unit to further refine the estimate of the potential impact on Sky (as the main market participant likely to suffer a loss to revenues) in terms of whether the anticipated impact on revenues could have a detrimental impact on its incentive to invest in product and process innovations. This is discussed further below.

(iv) *Consultation responses*

We included a series of questions on competitive impact in our consultation with the aim of eliciting views on whether we had identified the relevant markets likely to be affected, what

the effect on consumers and on other participants in the market might be, and whether the proposals went far enough to minimise the impact of the proposition on the market.

Overall, 93% of respondents considered that we had correctly identified the markets likely to be affected, although taking just the responses from organisations this figure fell to 69%. One respondent considered the precise distribution mechanism (i.e. which satellite “Freesat” uses) relevant. A small number of others suggested that not all future markets had been identified.

The market review notes the difficulty of accurately defining future markets and impacts in sectors where technology is fast-changing and future consumer behaviour is highly unpredictable. The review does attempt to define such markets where possible, in particular identifying the major telcos/ISPs as potential future competitors, but the analysis suggests that at present it is reasonable to assume that such other products may not form part of the relevant market at this stage.

In terms of the distribution mechanism it should be noted that “Freesat” is intended to offer consumers an improved viewer experience based largely around free to view content that is already in existence, not to create a new satellite broadcasting system. Therefore any large scale acquisition of satellite transponder capacity for the broadcast of channels and services is not within the remit of the proposal.

The outcome in terms of the competitive effect for consumers was clear-cut. 92% overall (and 93% of organisations responding) agreed that launching “Freesat” would benefit consumers by increasing choice and introducing competition in the subscription-free satellite TV market. Comments included “Yes as Sky is the only company offering such a service at present. Equipment can be costly [to] purchase through them. Some competition will help bring prices down” and “It will definitely make the market known and accessible.”

BSkyB welcomed the new competition and thought increased choice for consumers was positive, but took issue with the fact that, in its view, the Trust appeared to accept without reservation that it was appropriate “for state-owned entities to be used as instruments of industrial or competition policy.” Virgin Media made a similar point that they have a “natural bias against public intervention.”

In addressing these points we have considered the stated objectives of the proposition and how the proposition fits with the BBC’s public service remit. The public policy issue that the BBC is seeking to address through this proposal is inadequate access to the BBC’s digital services in the lead up to switchover. The Trust is satisfied that this is an issue that the BBC should address. It recognises that the proposals might also benefit competition and consumers but, whilst welcoming this, the Trust is clear that this is not the main driving force for the intervention.

BSkyB raised a concern in their response that in marketing “Freesat” the BBC, which is not subject to Ofcom’s Cross Promotion Code, might not promote digital services on a platform-neutral basis. The BBC Trust is currently consulting on a draft Competitive Impact Code on Cross and Digital TV Promotion, which will establish key principles for the cross-

promotion of all BBC services. In formulating its codes the Trust is required to have regard to competition codes issued by Ofcom. The consultation is open until 22 May 2007.

The consultation has reinforced our view that the launch of "Freesat" will not deter significant levels of investment and innovation or result in the market exit of existing market participants. Overall, 90% of respondents (and 90% of organisations responding) supported our assessment.

Finally, 89% overall (and 88% of responses from organisations) said that the proposals went far enough to minimise the impact of the proposition on the market. Comments included:

"Generally yes although some consideration will need to be given to influencing manufacture and installation in the interests of consumers."

"Yes. Many companies existing and future will benefit from the supply of the equipment necessary."

"Yes and distances the BBC somewhat which is more suitable for a public body."

Our view on the competitive impact

Having taken into account all of the material before us we reached the following views.

(a) Effect of strong HD channel line up

As set out above in the section describing the "Freesat" proposal, it is important to bear in mind the limits to what is being evaluated in considering this proposal. The proposition does not include approval for a service licence to make available BBC HD output through "Freesat." Any such approval would be subject to a PVT which would include consideration of a MIA prepared by Ofcom. We therefore consider that it is not necessary for the Trust to give significant weight to the potential market impact with a strong HD channel line up. However, the Trust has appropriately taken into account, when assessing the proposition's public value, the future proofing in the proposition by building in the capability to provide BBC HD output and the fact that this would entail enabling access to HD content if other broadcasters decide to make unencrypted HD output available.

In the risks section below we have considered Fathom's conclusion that without a strong HD channel line up the proposition would have limited appeal (0.5m customers) and may fail.

(b) Competitive restraint on competing services

We considered the Fathom Partners' conclusion that the proposition without a strong HD channel line up could have a negative impact on Sky's subscription services as well as its free services.

The Trust Unit review recognises that the proposition may exercise a competitive restraint on competing services (primarily free satellite services but also, to a lesser extent, subscription services) but concludes that it is highly unlikely to deter significant levels of investment or to result in market exit.

As noted in Section 5.7(iii) above, we asked for some further work to be done by the Trust Unit on the likely impact on Sky. None of that work suggested that the launch of "Freesat" would deter significant levels of investment and innovation or result in the market exit of existing market participants, given the likely relative scale of "Freesat" in relation to the overall market.

We included a specific question in our consultation on this point. We asked: 'Do you agree with the Trust's conclusion that whilst launching "Freesat" will affect other participants in the market, it is not likely to lead to exit from the market of existing participants or to create a barrier to future innovation? (Any figures for the likely effect on other participants' revenues would be particularly welcomed).' We emphasised in our consultation that we would welcome the views of industry participants on this issue, in particular those of Sky, NTL and potential entrants. We assured those considering responding that any figures they were willing to provide would be held in confidence.

No quantitative data as to the likely effect on other participants' revenues was received by the Trust during the consultation, either from the affected participants themselves or from other respondents. 90% of respondents to the consultation (and 90% of organisations responding) supported our assessment that "Freesat" would not have a significant effect on other participants' revenues.

In these circumstances, the Trust confirms its view that the launch of "Freesat" will not deter significant levels of investment and innovation or result in the market exit of existing market participants.

(c) Market Impact

The Trust's consideration of the market impact of the proposition should focus primarily on the effect on consumers. The Trust Unit review concluded that for consumers the introduction of the proposal would not have a negative effect on competition in the market. Indeed competition was likely to be strengthened by the introduction of PSB "Freesat", as it provided an alternative supplier of digital TV retail offering to almost all households in the UK, where a proportion of those households could currently opt for one provider only. Further, the Trust Unit noted that the impact of competition would be particularly strong in those areas outside of the current Freeview footprint. The Fathom report also considered that the proposition would increase competition, with consequent benefits for consumers (e.g. lower prices, increased promotion of free satellite services). Our view is that the proposition would introduce a new entrant to a market where there is currently a single supplier, creating beneficial effects (in terms of choice, increased promotion and potential price competition) for consumers. Our view is that these beneficial effects for consumers would not be diminished because the new entrant was publicly supported (and it is relevant to note that the proposition is to establish a joint venture which the BBC hopes other

broadcasters will wish to join. As set out above, the response to the consultation adds considerable weight to this view.

We also noted that Fathom and the Trust Unit agreed that there would be benefits for customers through the introduction of greater product choice, increased promotion of free satellite services, and lower prices.

(d) Contribution to "Digital Britain"

We considered the research conducted by BBC management and the direct experience of both Governors and Trust Members in their dealings with licence fee payers. It was clear to us that current limited access to BBC digital services was an issue of great concern to licence fee payers, particularly those unable to receive Freeview. We have good grounds for the view that many such people would take up a non-subscription offer if it was available (experience in those areas that are covered by Freeview bears this out, as does the consultation finding that 86% of respondents believe that the proposals are valuable to all licence fee payers). We considered that this would lead both to higher take-up, and earlier take-up of digital services. The matters set out in the section above dealing with the best interests of licence fee payers are also of relevance to our view.

7 Risk – both financial and reputational – arising from the proposition

BBC management made available to us a detailed risk assessment. We were satisfied that this work identified the relevant risks and that BBC management had devised appropriate means for managing and mitigating the risks identified. We were satisfied that the overall risk profile, both in financial and reputational terms for the BBC, was acceptable.

We have taken into account that there is no guarantee that the proposition will be successful and that this can be affected by matters such as those identified by Fathom Partners if availability of HD output is not approved. We consider, however, that this risk must be balanced against the considerable public value we have identified, which has been further reinforced through the consultation process, and the relatively low cost of the proposition. This is in the context of the potential detrimental effect on public value which would result from further time being taken to commence work on the initial stages of the proposition. In our view, these matters provide strong justifications for approving the proposition while taking account of this potential risk.

8 Conclusion

The Trust has considered the likely benefits to the licence fee payer, the public value created and the potential market impact. Having regard to the Trust's duties under the Charter and the Agreement (particularly the duties in Article 23) and such general guidance concerning the management of the affairs of public bodies which we consider relevant and appropriate, our conclusion is that we should approve the proposition that the BBC invests in a joint venture to offer a national satellite based free-to-view digital service. We consider this to be in the best interests of licence fee payers.

We have considered whether the Trust should attach any conditions to its approval for the proposals. In our consultation we invited views on two conditions, and also asked respondents whether there were other conditions that the Trust should impose.

We have concluded that in order to ensure that the proposition is compliant with competition law and state aid requirements, we should impose as condition of our approval:

- A requirement that the funding arrangements for the participation of other broadcasters in “Freesat” are such that it can be demonstrated that those other broadcasters are not being subsidised by the licence fee.
- A requirement that the BBC should keep its interaction with Freeview operationally separate from its involvement with “Freesat” to minimise any potential effect on competition

The Trust has also concluded that two further conditions should apply:

- The BBC, through its role in the Joint Venture, must retain sufficient control over the decisions taken by the Joint Venture to ensure that the BBC's public service objectives are not undermined.
- The BBC, through its role in the Joint Venture, should ensure that there is always an ability to access “Freesat” on a subscription-free basis

In addition to these conditions of approval, the Trust considers it important that in implementing the “Freesat” proposal the BBC Executive is mindful of the following points, which the Trust consider to be important to the success of the venture.

- Ensuring that arrangements to secure the necessary quality and technical standards of the receivers and Electronic Programme Guide required to access “Freesat” are put in place
- Taking all reasonable steps to ensure that “Freesat” is able to co-exist with other digital television platforms without impairing their technical operations

There have been some detailed responses about how the requirement for separation between “Freesat” and Freeview will work in light of any legitimate contact between the two ventures, for instance, in the context of Digital Switchover. A body of technical matters has

also been raised in the consultation responses. The Trust considers that in implementing the proposition the BBC Executive should take these into account as appropriate, where respondents have not requested that their submissions be kept confidential.

The Trust will write to the BBC Executive setting out the terms of its approval.

BBC Trust, 27 April 2007

Definitions/Glossary of terms

Agreement	See "Framework Agreement"
BBC Executive	BBC Executive Board. The BBC Executive is formally constituted under Article 7 of the Charter and is responsible for delivering the BBC's services in line with the priorities set by the BBC Trust. It is responsible for all aspects of operational management of the BBC.
BBC Governance Unit	The independent body that provided advice to the former BBC Governors. The Governance Unit has been superseded by the BBC Trust Unit.
BBC Governors	The former Board of Governors, superseded by the BBC Trust under the new Charter.
BBC Management	Part of the BBC Executive.
BBC Trust	The BBC Trust is formally constituted under Article 7 of the Charter. It is the guardian of the licence fee revenue and the public interest in the BBC. It has ultimate responsibility, subject to the terms of the Charter and the Framework Agreement, for the BBC's stewardship of licence fee revenue and other resources; for upholding the interests of licence fee payers and the public interest generally in the BBC; and for securing the effective promotion of the BBC's Public Purposes.
BBC Trust Unit	The Trust Unit provides the BBC Trust (i.e. the trustees) with independent and objective advice. The Trust Unit advises the trustees on the conduct of their duties and supports their work in the following key areas: Performance; Finance, Economics and Strategy; Audiences; Governance & Accountability; and Nations.

Charter	<p>The new Royal Charter granted to the BBC on 19 September 2006, which took effect on 1 January 2007 (subject only to some very limited transitional provisions which continue to apply after that date).</p> <p>The Charter sets out the Public Purposes of the BBC and guarantees its editorial independence. It prescribes the constitution of the BBC, the relationship between the Trust and the Executive Board, and the duties and functions of both bodies.</p>
DCMS	Department of Culture, Media and Sport
Digital Switchover	The progressive replacement of the analogue broadcasting of television services within the UK with digital broadcasting of those services. This is scheduled to take place from 2008 until the end of 2012 on a region by region basis commencing with Border in 2008.
DTT	Digital Terrestrial Television, often known as 'Freeview'. The broadcast of digital television channels received via existing rooftop aerials (rather than by satellite).
EPG	Electronic Programming Guide
Framework Agreement	<p>The Framework Agreement complements the Charter (see above). It goes into more detail on many of the subjects mentioned in the Charter and also covers such things as the BBC's regulatory obligations and funding arrangements.</p> <p>The Framework Agreement was made between the BBC and the Secretary of State for Culture Media and Sport, and approved after a debate in Parliament in July 2006.</p>
“Freesat”	Free-to-view satellite proposition, offered on the basis of a one-off payment with no ongoing subscription costs.
Freeview	The supply of Digital Terrestrial Television channels via existing rooftop aerials.
HD	High Definition television output.
ISP	Internet Service Provider

MIA	Market Impact Assessment. This is provided by Ofcom, overseen by a joint steering group on which the BBC Trust and Ofcom are equally represented, and forms part of the Public Value Test.
Non-service activity	Activities of the BBC that do not have the nature of a service
Ofcom	Office of Communications. Ofcom is the independent regulator and competition authority for the UK communications industries, with responsibilities across television, radio, telecommunications and wireless communications services.
PSB	Public Service Broadcasting
Public Purposes	The public purposes of the BBC set out at article 4 of the Charter.
PVR	Personal Video Recorder
PVT	Public Value Test, this is the means by which any significant proposal for change to the BBC's UK public services are subject to full and public scrutiny.
SD	Standard Definition television output
Service	Any activity which is, or ought to be, covered by a service licence.
Service licence	This is a licence issued by the Trust under article 24(2)(c) of the Charter. Determining what activities should be subject to a service licence is the responsibility of the Trust.
STB	Set Top Box
Switchover date	The date by which Digital Switchover will take place; currently scheduled for 31 December 2012.

**“Freesat” Consultation:
Analysis of responses from individuals and
organisations**

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Introduction

The BBC Trust considered the BBC Executive's proposals to establish a joint venture that will manage and support a national satellite based free-to-view digital service (referred to as "Freesat") at its meeting on 21 February 2007. The Trust provisionally concluded that it should approve the proposals and give clearance for the BBC to proceed with "Freesat".

The Trust decided that it should consult on its provisional conclusion and provided the supporting documentation for this purpose. The consultation was conducted between 27 February 2007 and 27 March 2007.

This document, produced by the Trust Unit, presents the results of the consultation. The results are analysed from both a quantitative and qualitative perspective.

In addition the Trust has published the texts of responses received from organisations at www.bbc.co.uk/bbctrust/consult/closed_consultations/freesat.html

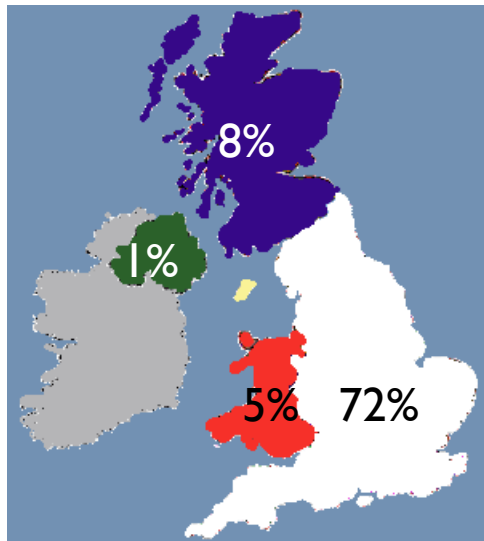
Breakdown of Respondents

Overall

The BBC Trust received over 700 responses in total. Of these, 674 responded to the consultation questions in sufficient detail to be included in the following analysis.

By Nation

Of the 674 responses 488 were from England, 6 were from Northern Ireland, 57 from Scotland, 33 from Wales, 1 non-UK and 89 of unknown location.



By Representation

Of the 674 responses 569 were from individuals, 24 were from organisations and 81 did not specify. The Trust received responses from the following organisations:

- The Audience Councils for England, Northern Ireland, Scotland and Wales
- Avanti Communications
- BSkyB
- Channel 5
- Consumer Expert Group on Digital Switchover
- Confederation of Aerial Industries Ltd
- Fortec Star
- Intellect
- Registered Digital Installer Licensing Body (RDI LB)
- Strategy and Technology Ltd
- Virgin Media
- Voice of the Listener and Viewer (VLV)

Several other major stakeholders have responded in confidence.

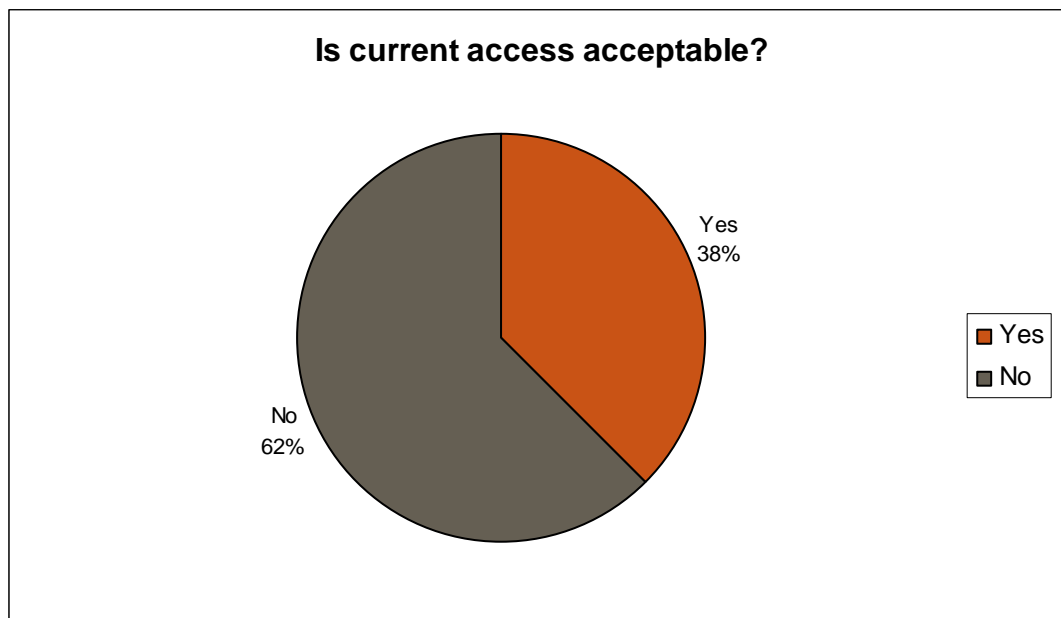
Results

This section looks in detail at the 674 consultation responses, question by question. For questions I – II there is quantitative analysis giving an overall picture of the responses, as well as drawing out any interesting variations by region and representation. This analysis is followed by a representative sample of the detailed comments. For instance, if 70% of respondents answered ‘yes’ and 30% answered ‘no’ to a given question then the number of quotes for each point of view will reflect this. Similarly, as 569 responses were from individuals and 24 were from organisations the balance of the quotes reflects this.

Questions II and I2 do not lend themselves to quantitative analysis as they encourage respondents to give suggestions, further thoughts, and information. Instead a representative sample of comments from both individuals and organisations is included.¹⁸

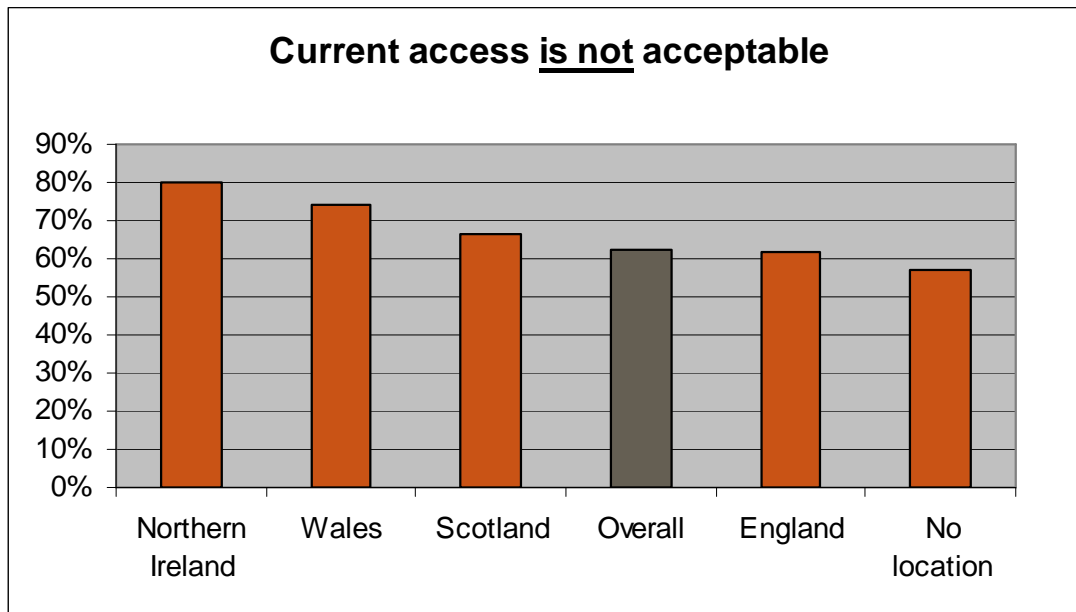
Question I(a) – Is current access to the BBC's digital services acceptable?

Of the 562 responses to question I(a), 62% consider current access to be unacceptable, while 38% consider it to be acceptable.



When breaking the results down further it becomes clear that this issue is particularly relevant in Northern Ireland, Wales and Scotland, where digital coverage is not as strong as across the UK as a whole. These three regions all polled higher than average, with 80%, 74% and 67% respectively believing current access to be unacceptable, compared to the average of 62%.

¹⁸ Trustees were given access to all the consultation responses in full.



Sample of comments from those who considered access unacceptable

“Access to digital services is often only available via a cable or satellite provider. This is the case where I live and I do not like having to pay extra to receive a public service.”

“From a licence fee payers view point - unacceptable at the moment. From a technical executive standpoint in the broadcast industry - a fairly good job has been done so far - given the technical constraints of terrestrial transmission.”

“No the current digital services aren't acceptable. Freeview coverage is still too patchy and signal strength/quality is poor in a lot of areas.”

“Current access to the BBC's digital services is not acceptable because to receive digital services in areas where Freeview is unavailable (e.g. costal areas) or where cable is unavailable or service quality is unacceptable, the user is restricted to the services offered through the Sky monopoly.”

“Access to digital services only becomes acceptable when everyone who can currently access analogue is able to access digital, which I don't think is the case currently. This is especially important in this situation, where the changeover isn't optional for the viewer.”

“The BBC's current digital service is not available to a large number of rural viewers in particular, due to the terrain blocking the line of sight signal. Even when the signal strength is increased this situation will remain.”

Sample of comments from those who considered access acceptable

“Access to current services is acceptable (speaking for my area)”

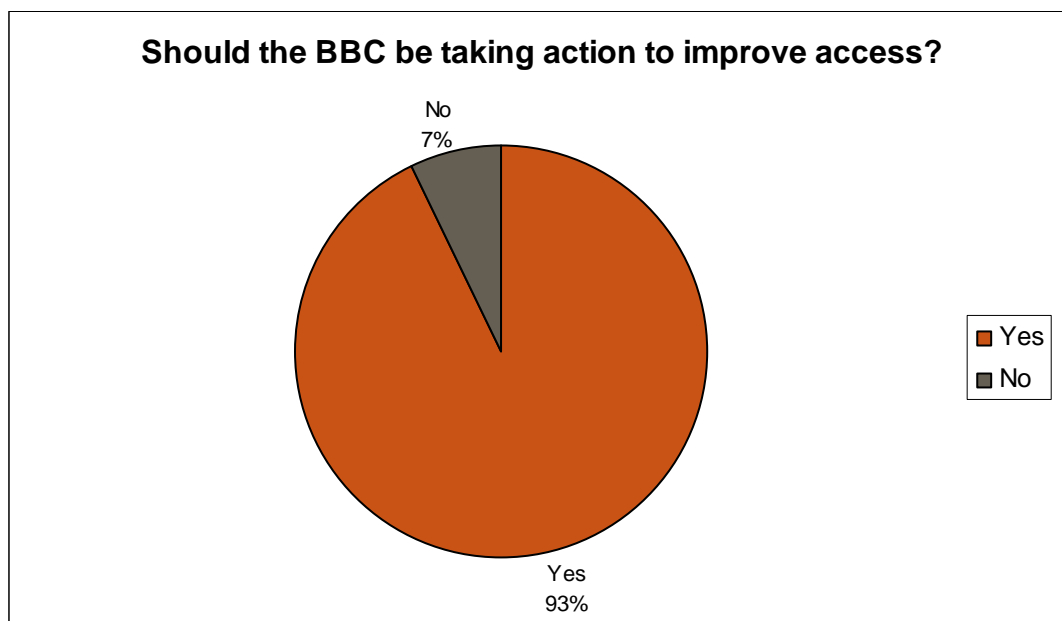
“The current freeview option seems more than adequate access to the BBC's digital services. DAB radio is also covered, thus the only potential area to be opened up is that of internet TV.”

“Currently acceptable. I would not be happy to be required to buy further equipment if it meant the set-top-box that I have now become redundant due to a satellite service.”

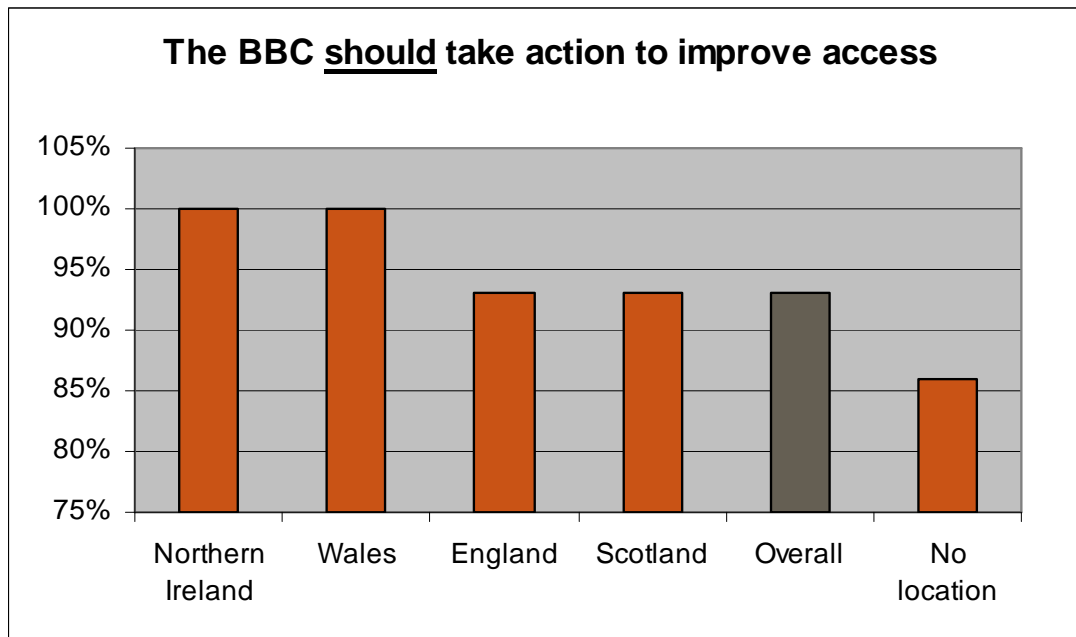
“The BBC has done a brilliant job giving access to digital channels and the range of channels available is excellent. In fact, by far the best available on Freeview”

Question 1(b) – Should the BBC be taking action to improve access to its digital services in the lead up to digital switchover?

Of the 466 responses to question 1(b), 93% consider that the BBC should be taking action to improve access to digital services, while only 7% do not.



Again, when we break the results down further we can see that this is especially important to Licence Fee payers in Northern Ireland and Wales, where all those who responded want the BBC to improve access to digital services.



Sample of comments from those who think the BBC should improve access

“I think the BBC has genuinely making their best effort to provide access to digital services, but there is more to be done. It is important that the BBC continue to ensure wider access to digital services. This is particularly important in the run up to digital switchover to ensure that there is universal access to these services when analogue switch-off happens.”

“Current access could be improved as the current freeview service is “patchy” in places a boosted signal and other methods of delivery would be useful.”

“I am concerned that the 'digital divide' shows that those of a low socio-economic background from a deprived area, and particularly rural areas are still not switching to digital - more research should be done into why this is the case. Action should definitely be taken to improve understanding and take-up”

“In a competitive market the BBC can not sit back while the technology continues to steam ahead. The BBC is doing a good job at present but need to continue to invest and be a lead in this arena.”

“Yes, more needs to be done to improve knowledge of the switch over, and aid those that can't afford to change”

“Yes, this should be its highest priority”

“I would value the ability to receive BBC HD content without a Sky subscription.”

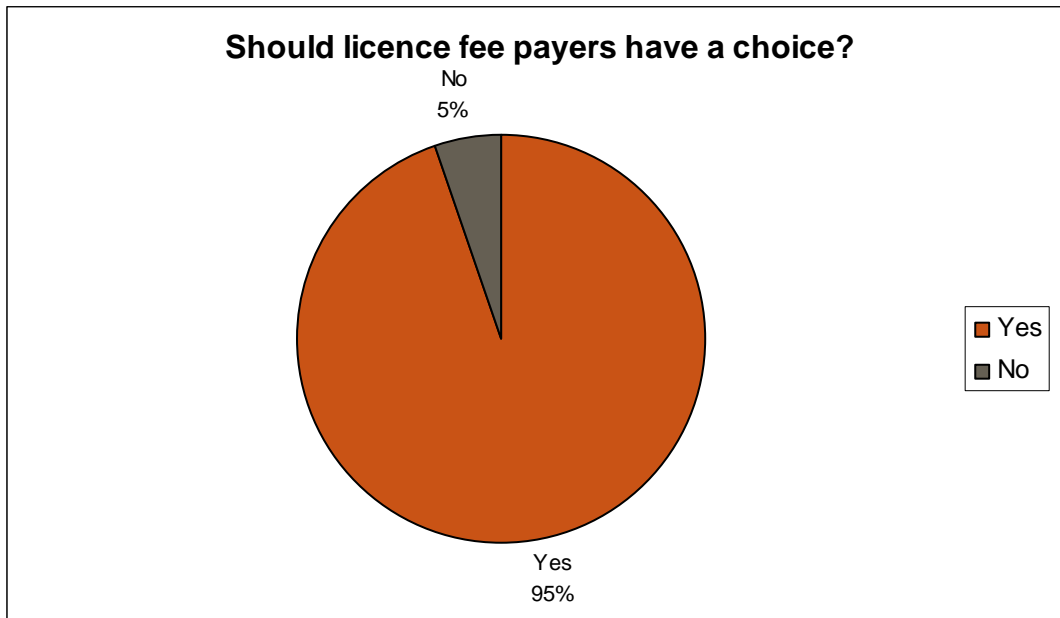
“The BBC should make availability of its digital services much more widely available through the use of free-to-air satellite, along with making Freeview more attractive by expanding the services available on it (i.e. improve BBCi to offer the same range of additions as with satellite, and the introduction of HD-TV)”

“With the introduction of the 'Freesat' proposals yes. The BBC should continue with its High Definition trial and should start a scheduled HD satellite service as soon as it is practically possible. HD is the next logical step in the technological advancement of TV broadcasting. Had the BBC not progressed broadcasting we would still have 405 lines B&W TV and the Home Service.”

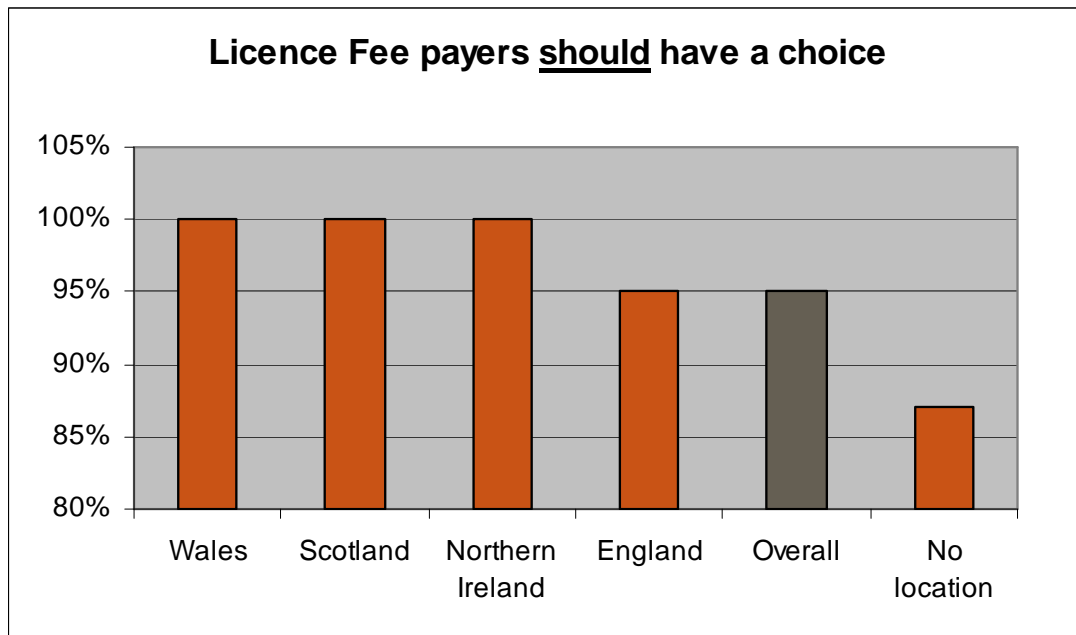
Sample of comments from those who think the BBC should not improve access
“I personally believe that the current access levels are sufficient and would question, at this stage, what value an additional means of receiving would bring?”

Question 2 – Should licence fee payers have a choice of subscription-free means of access to digital services?

Of the 628 responses to question 2, 95% consider that licence fee payers should have a choice of subscription-free means of access to digital services, while 5% do not.



Again the response is especially strong from Wales, Scotland and Northern Ireland; areas with lower than average Freeview coverage. The evidence suggests that a choice in these nations would be welcome, with 100% of respondents in favour of a choice of means of access, compared to the overall average of 95%.



Sample of comments from those who believe Licence Fee payers should have a choice

“Of course. Subscription-free should also mean no need to buy smart-cards or any other means by which start-up revenues are generated.”

“Yes - of course they should. Terrestrial, satellite and broadband (IPTV) should all be made available.”

“Yes, if possible. It is fairly annoying that the licence fee is funding services which I cannot receive, although I appreciate it is a small proportion of the fee.”

“Yes this is very important ... particularly to keep the existing trust in broadcasters such as yourselves”

“Yes. Sky's monopoly represents very poor value for money.”

“yes, and the free licence age could be lowered from 75 to 65 in graduated steps if necessary, to show that the BBC, is doing it's bit ,to help pensioners have a better quality of life, and be able to enjoy ,what after all, has the potential to be ,one of the finest services in the world.”

“Yes. The existing freesat is dependent on the goodwill of Mr Murdoch - and that may not last. It is not commercially prudent to be beholding to Sky, who have their own agenda which may be at odds with the interests of the BBC and licence payers.”

“Yes; more use should be made of other media, e.g. broadband internet (I accept that there should be some mechanism limiting access to licence fee payers). The BBC should also consider the possibility of licence fee payers to access and watch TV listings they have missed on-line (similar to the "listen again" feature employed for radio broadcasts)”

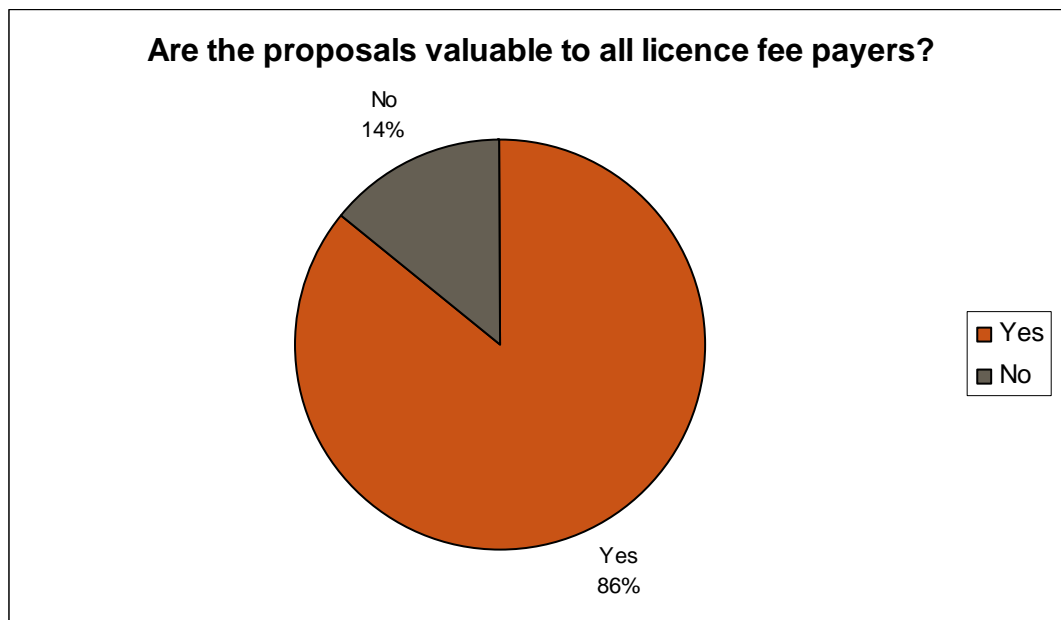
“Yes, they should have a full choice: Free sat, Free Terrestrial (Freeview), free cable, Internet”

Sample of comments from those who believe Licence Fee payers should not have a choice

“No, it is unnecessary, terrestrial is sufficient as it provides the fullest coverage of the British Isles. The cost to the BBC of additional access methods detracts directly from program production.”

Question 3(a) – Are the BBC's “Freesat” proposals likely to be valuable and attractive to all licence fee payers?

Of the 539 responses to question 3(a), 86% consider that the proposals are likely to benefit all licence fee payers, while 14% do not.



Sample of comments from those who believe the proposals will be valuable to all Licence Fee payers

“The value to those unable to receive Freeview, is the ability to receive the digital channels. The value to those able to receive Freeview, is the ability to receive HDTV channels”

“Yes - especially if it offers an alternate route to HD services, outside of the terrestrial London trials.”

“Yes, this will give more access to a wider range of programming.”

“The Freesat proposal has the possibility to become an extremely valuable service to all license payers if, as seems likely, there is no provision for an HD service to offered on Freeview.”

“The proposals are attractive to all really...but just hurry up so that we can all benefit fully from having access to Freeview”

“Yes - any free service is attractive to anyone on a fixed or low income...”

“Yes, with one important caveat mentioned in your document. I think it is essential that at least one high-definition channel from the BBC be included at launch. This will provide a clear alternative to any available subscription-free service, and is in the best tradition of public service broadcasting.”

“This will probably be the best way to receive HD services.”

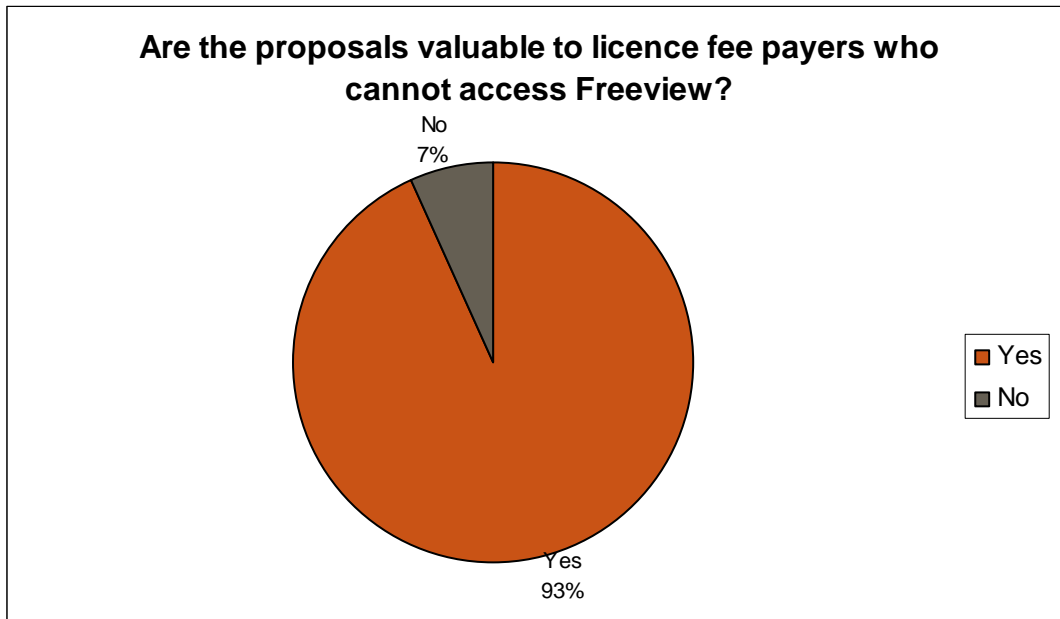
Sample of comments from those who believe the proposals will not be valuable to all Licence Fee payers

“I would think that for current licence fee payers there will be little interest in Freesat, I can only see it as an option to receiving digital through your normal aerial and so why would it be an attractive service. The only issue would be how many licence fee payers are unable to receive freeview, does this justify a new freesat service is it more cost effective than enabling those currently not able to receive freeview than to provide a free sat service”

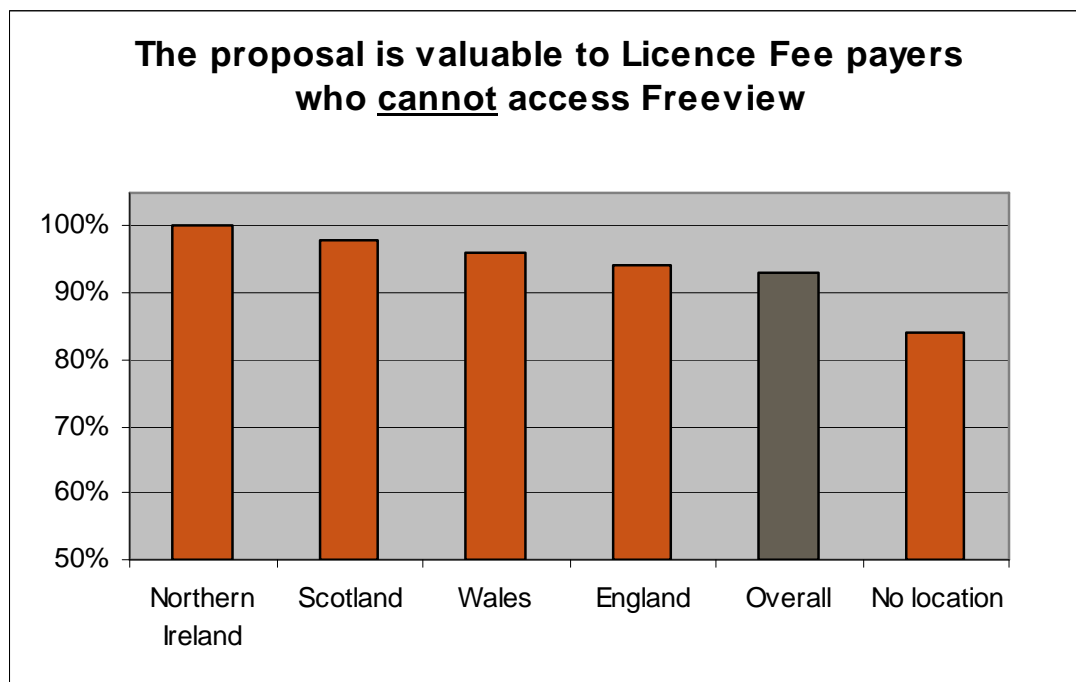
“The reach of the BBC Freesat service would have an identical footprint (in relation to the UK) to Sky’s satellite platform (including in relation to Freesat from Sky)...subscription-free access to BBC services is already available via Freesat from Sky”

Question 3(b) – Are the BBC's “Freesat” proposals likely to be valuable and attractive to licence fee payers who cannot currently receive Freeview?

Of the 538 responses to question 3(b), 93% consider that the proposals are likely to be valuable and attractive to licence fee payers who cannot currently access Freeview, while only 7% do not.



Again we can see that this is of particular significance in Northern Ireland, Scotland and Wales, with higher than average responses in favour of 100%, 98% and 96% respectively.



Sample of comments from those who believe the proposals will be valuable to those Licence Fee payers who cannot currently access Freeview

“It would be valuable to those with poor reception and no reception.”

“PSB Freesat will enable licence fee payers outside Freeview coverage areas to switch to digital TV without having to wait for DTT coverage to expand. They will be able to enjoy the same benefits now as those living in Freeview areas. Without it, they pay the same licence

fee, but without digital channels. The BSkyB offering is confusing because of the proliferation of unavailable subscription channels which cannot be removed from their EPG and does not allow non-subscription PVR use.”

“Those unable to receive Freeview will find this an attractive solution to the Sky option.”

“I think it will be only those who cannot receive Freeview. But it does depend upon the free package on offer.”

“We recognise that because Freeview is currently unavailable to over one quarter of households, for many people the only digital option they have is Sky. A Freesat offering would provide a valuable alternative route to digital for people who are unwilling for whatever reason to take up Sky’s subscription or “Freesat from Sky” offerings.”

“It is worthwhile to offer the same freeview channels to those who cannot receive freeview by whatever means necessary, however I would not like to see a massive increase in satellite dishes that would result if more material was made available through freesat than through freeview.”

“I receive Freeview and value the additional programmes available. Licence fee payers who can not receive Freeview would find the alternative Freesat valuable.”

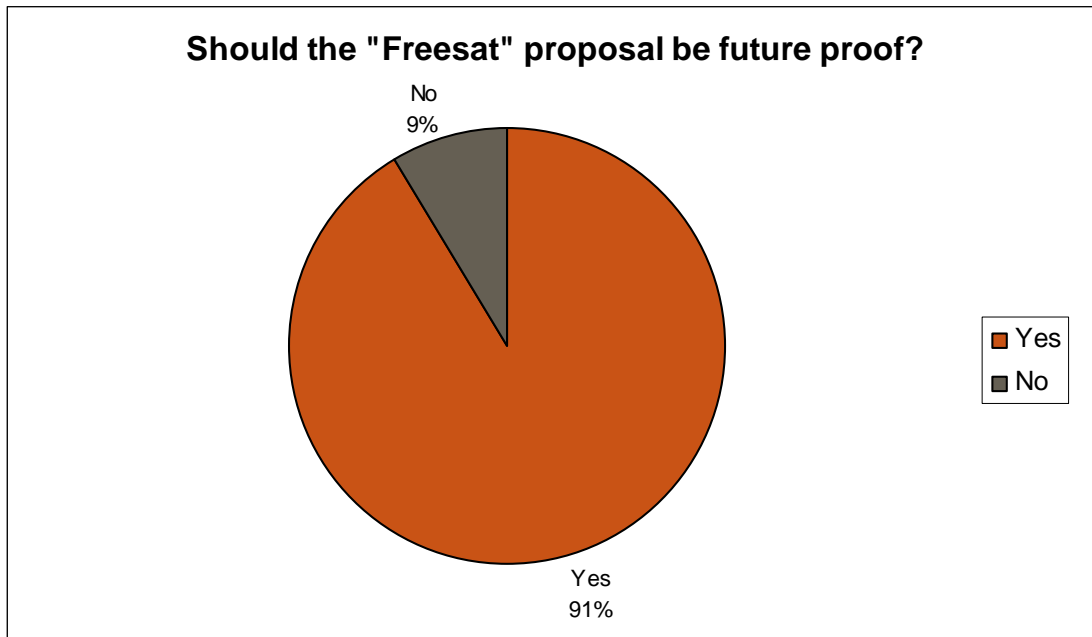
“Yes - as it would give me coverage when freeview is lost during high pressure in summer.”

“PSB Freesat will enable licence fee payers outside Freeview coverage areas to switch to digital TV without having to wait for DTT coverage to expand. They will be able to enjoy the same benefits now as those living in Freeview areas. Without it, they pay the same licence fee, but without digital channels. The BSkyB offering is confusing because of the proliferation of unavailable subscription channels which cannot be removed from their EPG and does not allow non-subscription PVR use.”

Sample of comments from those who believe the proposals will not be valuable to those Licence Fee payers who cannot currently access Freeview

“The BBC "Freesat" proposals do not offer anything substantially different to services available elsewhere, e.g. "Freesat from Sky" and "Freeview".”

Question 4 – Should the BBC seek to future-proof the "Freesat" proposition by offering a range of set-top boxes so that users can choose either standard definition (the standard that BBC channels are currently broadcast in) or a box that would be capable of receiving high definition broadcasts in the future?
Of the 587 responses to question 4, 91% consider that the BBC should seek to future-proof the ‘Freesat’ proposition, while only 9% do not.



Sample of comments from those people who believe the proposition should be future-proof

“Yes most definitely, High Definition should be a top priority.”

“High def is preferable since most TVs are now being built to accommodate this. Mine already does although I do not use it due to the extra Sky HD costs”

“...it is in the best interests of the consumer that all free to air programming is provided with the latest available technological enhancements (HDTV is the new “colour” TV and all consumers should have equal access to it.”

“I think the set-top boxes should be capable of receiving both standards so that a new box is not necessary when high definition broadcast become the standard.”

“The future is now, high definition is already available and the sales of HD TV sets show how much people want it.”

“Yes - make software downloadable”

“Yes, it should offer a choice as it is wrong to assume that everybody will have the means or the need to buy a HD TV to go with the set top box if it is only available in HD”

“Without a doubt, otherwise in 10 years time they will be obsolete and we will have to go through the same process again”

“It would be best to make all Freesat boxes HD. This reduces consumer confusion, advances the prospects for HD, avoids premature redundancy of newly purchased equipment, and does not excessively increase the cost. Importantly it also allows SD channels to use MPEG4, allowing more room for future expansion of services.”

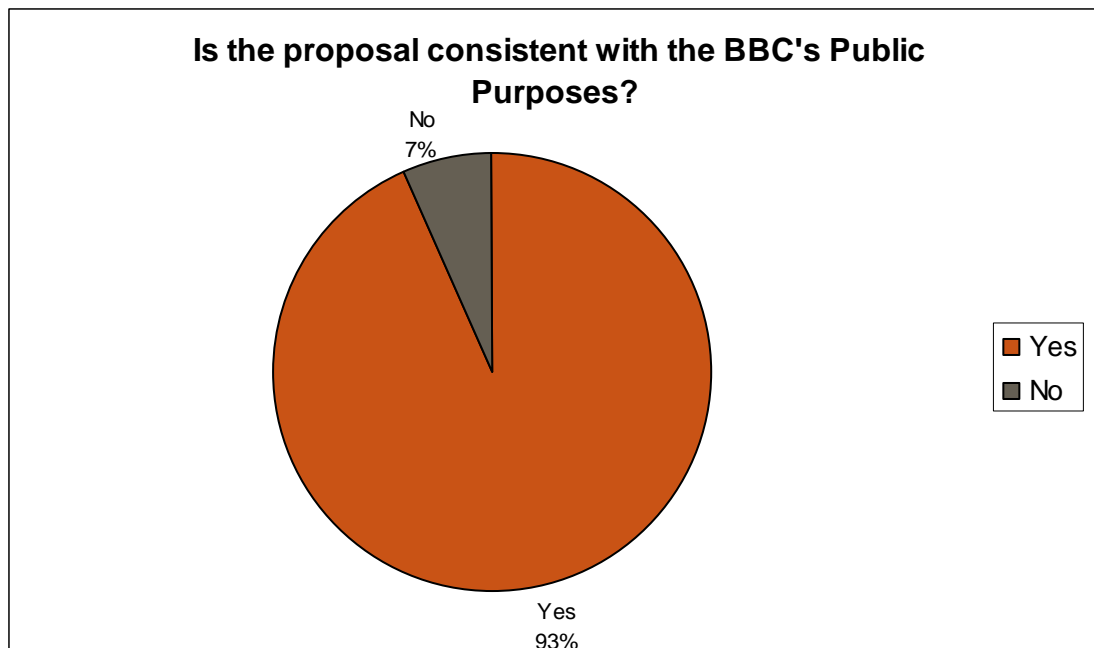
“Yes, furthermore the technology is now available to the BBC to deliver Freesat in IPTV format with a satellite return path, facilitating a far wider range of interactive services than are currently available in other European satellite TV offerings.”

Sample of comments from those people who believe the proposition should not be future-proof

“If I can pick up your freesat on my existing sat box, I personally would not be bothered about HD. The existing digital picture is more than ample for me. If people want HD they should have to pay the extra for it.”

Question 5 – Do you agree with the Trust's conclusion that the BBC's “Freesat” proposals are consistent with the BBC's Public Purposes because they will improve access to its digital services?

Of the 617 responses to question 5, 93% consider that the proposal is consistent with the BBC’s Public Purposes, while only 7% do not.



Sample of comments from respondents who believe that the proposal is consistent with the BBC’s Public Purposes

“Freesat is in line with the licence remit, the system helps to provide Digital and HD services”

“I agree, digital services will be required by all when analogue transmissions are turned off and I believe that a mixture of digital service options should be available at a range of price points. From a basic low cost service that freeview currently offers, to a low cost enhanced services option (freesat) to the medium cost and premium services offered by sky and Virgin Media.”

“I agree that these proposals are consistent with the BBC's Public Purposes. They will increase the coverage of Digital services and will provide a service to licence fee payers that do not have access to them currently.”

“Yes. The BBC's proposal is essential if it is to provide a service to all of the population following the analogue switch off. It would be inconsistent if one had to pay a licence fee to the BBC and then deal with a commercial organisation before receiving any service.”

“The RDI LB endorses any actions promoting access to the BBC's digital services, insofar as extending the platforms on which these services can be viewed would appear to be entirely consistent with its [the BBC's] remit.”

“Absolutely yes.

Again, beyond improving access to HD, etc. services for the UK mainland, in the CI region it appears to be our ONLY hope of access to ANY license fee paid digital PSB services at all!”

“Yes. Freesat is an essential development as long as digital signals cannot be strengthened in other ways. It will also help begin making HD content more widespread.”

“I think the BBC Trust is completely correct in their conclusion that Freesat is part of the BBC's mandate to provide public digital services. Freesat represents another channel for people to use, that is free (outside of the TV Licence) and offers choice. The BBC could also harness the power of Freesat (and Freeview) to use peoples existing Broadband connections so that feedback from set top boxes or Integrated Digital TV's can be sent direct to the programme makers, especially good for panel shows requiring public voting, or precise viewing numbers (for advertisers).”

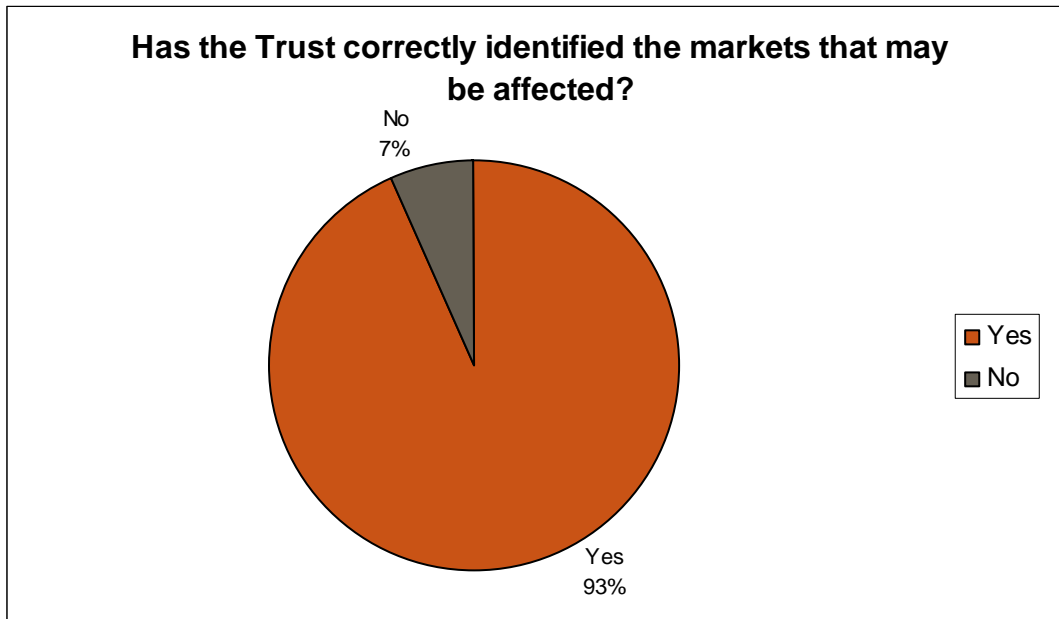
“I agree 100%. Public Service Broadcasting is one of the gems in British society. We should guard it against unfair competition and seek to maintain it and its very high standards.”

Sample of comments from respondents who believe that the proposal is not consistent with the BBC's Public Purposes

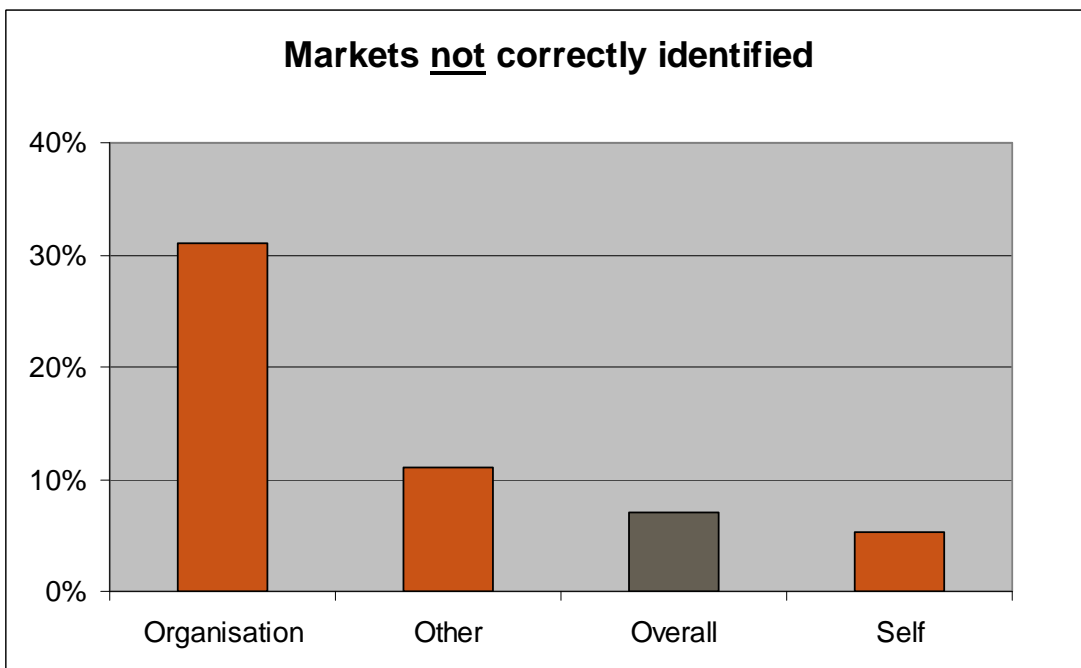
“No, at best Freesat will only duplicate some of the terrestrial coverage. The extra cost is a waste for the minimal benefit to fringe areas. The licence fee should be used for program production.”

Question 6 – Has the Trust correctly identified those markets that may be affected by the launch of “Freesat”?

Of the 463 responses to question 6, 93% consider that the Trust has correctly identified those markets that may be affected by the launch of ‘Freesat’, while 7% do not.



Organisations were the exception, with 31% believing that the correct markets had not been identified, compared to the average of 7%. Among the markets suggested as missing from the Trust’s analysis were distribution methods and the likely future shape of the HD market (specifically a Freeview HD offering)



Sample of comments from respondents who believe that the correct markets have been identified

“Yes indeed. In fact it is about time that DSAT services become competitively recognised as a true public resource, as they are through most European countries, and not an exclusive resource incorrectly perceived to be "owned and controlled" by a single privately owned, subscription TV, service provider as they have become in the UK.

PSB Freesat can only correct this misconception and improve the currently lacking competition on DSAT services.”

“The basics are if you can’t get freeview already then you may receive this option. So I would say the nail was hit on the head.”

“There is currently a monopoly - BSkyB - the Trust could target low income consumers.”

“I believe you have, and I feel that the BBC has a remit to broadcast its services to a wide a range of people as possible and if Freesat meets that need then it should be done. Commercial channels have no problem with launching new services that affect its rivals.”

“Given that there is very little (perceivable) competition in the television broadcast market, I welcome anything that will have a positive impact on that market. The dominance of BSkyB and to a lesser extent NTL/Virgin Media is something that the BBC would do well to influence”

“As far as I can tell, but I was brought up to regard competition as a health option.”

“Except for the European coverage I think it has.”

“I think it helps these markets as it gets a better understanding to those reluctant to go digital, and may convince them to improve their services.”

“Yes, it should be remembered that originally the UK had two satellite providers Sky & British satellite broadcasting, Freesat would be bringing balance back to the market.”

Sample of comments from respondents who believe that the correct markets have not been identified

“Mainly, but they are forgetting the growing number of viewers with cheap equipment to watch FTA satellite. They also pay Licence Fee but are confronted with a new rise in costs.”

“The markets not mentioned are the distribution mechanisms. The choice of which satellite operator’s capacity Freesat may use will have a dramatic impact on the future proofing of the Freesat service.”

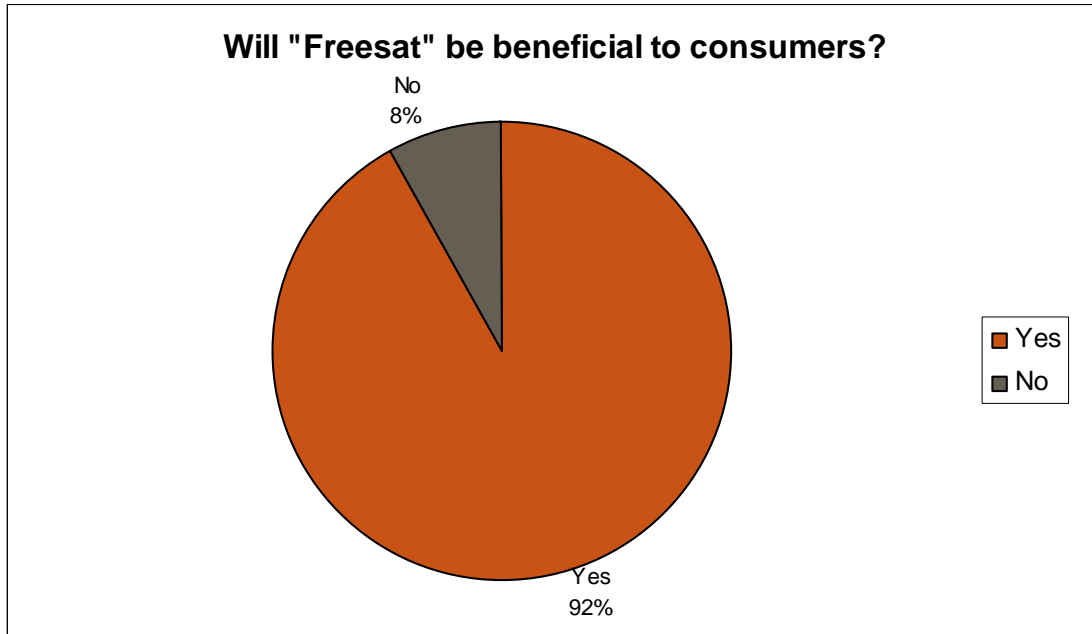
“The analysis is reasonable. I think that it ignores the potential effect of additional services (not regular PSB) joining Freesat after launch. An HD offering in Freesat might displace the provision of an HD offering on Freeview. This would be a negative outcome, but not so negative as a scenario where BSkyB controlled all distribution of digital TV.”

“The total market size for set top boxes will increase with the take up of digital however the mix between different manufactures could change.”

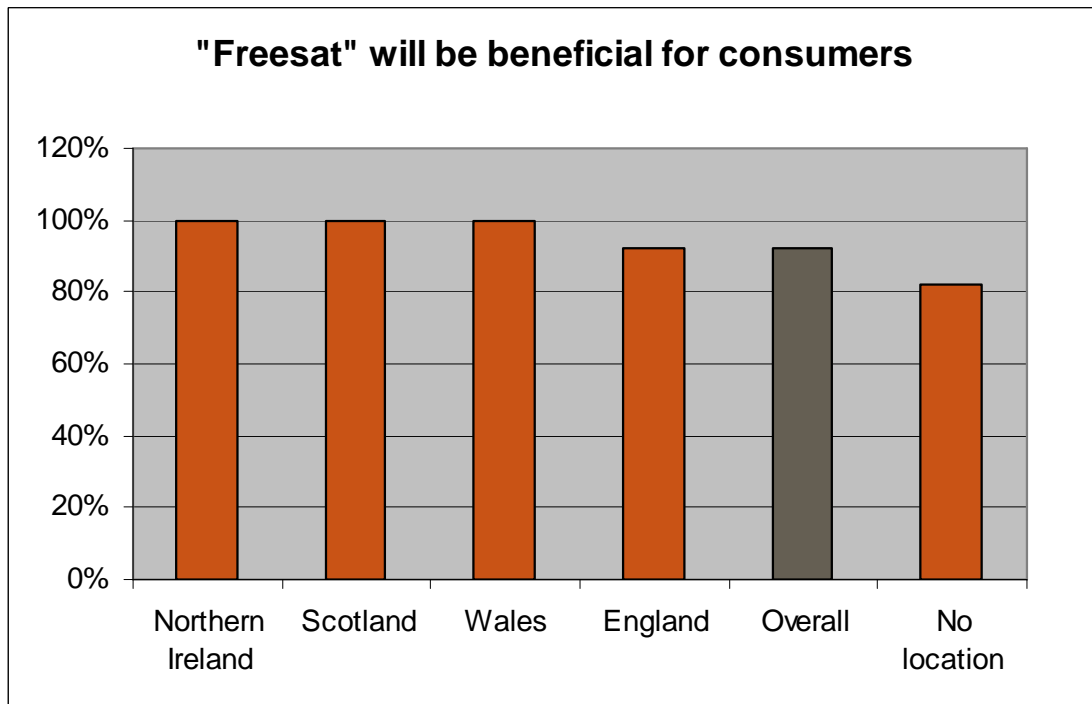
Question 7 – Do you agree with the Trust's conclusion that launching the "Freesat" proposition will have a beneficial effect for consumers by increasing

choice and introducing competition in the subscription-free satellite TV market?

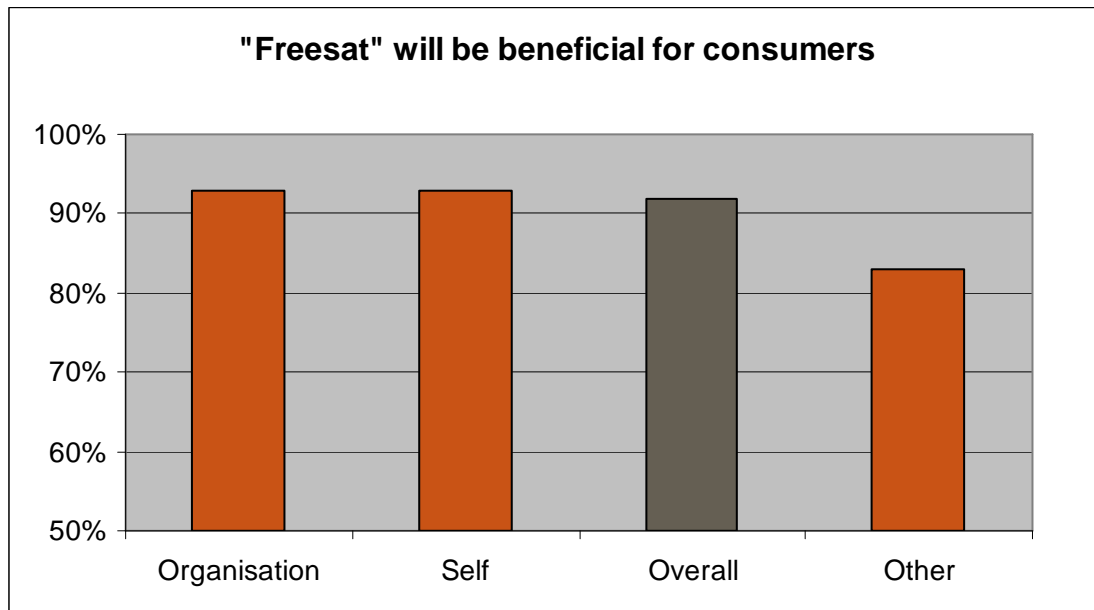
Of the 588 responses to question 7, 92% consider that the proposal will have a beneficial effect for consumers by increasing choice and introducing competition, while 8% disagree.



The regional differences can again be observed in the responses to this question. In Northern Ireland, Scotland, and Wales all respondents believe that 'Freesat' will be beneficial to consumers.



Organisations responding to the consultation also recognise the benefits of the proposal, with 93% of those who responded answering 'yes' to question 7.



Sample of comments from respondents who believe the proposals will be beneficial to consumers

“Yes. It will help also to drive down the cost of equipment”

“Yes as Sky is the only company offering such a service at present. Equipment can be costly purchased through them. Some competition will help bring prices down.”

“It will definitely make the market known and accessible.”

“Indeed. If the market were left simply to consumer forces there would be far less choice than we now have, and the "minority" programming we have would be non-existent.”

“Yes. Therefore the Consumer Expert Group has supported BBC involvement in a Freesat proposition since our 2004 report "persuasion or compulsion? Consumers and analogue switch-off”

“Yes. I think that providing competition - and an alternative - to the present satellite TV suppliers is a very important point. Otherwise we are all, to varying extents, at their mercy.”

“Yes. The only other options are commercial and the service is at the whim of the companies. Sky freesat is good but could be withdrawn or the number of stations restricted further for commercial reasons. Cable has only a subscription service.”

“Most certainly. The UK is in an almost unique situation compared with other European countries being almost totally dependent upon Sky. In Germany and UK although there is a

sky service PVRs without subscription are readily available at a price around half those of UK equivalents due in part to lack of competition.”

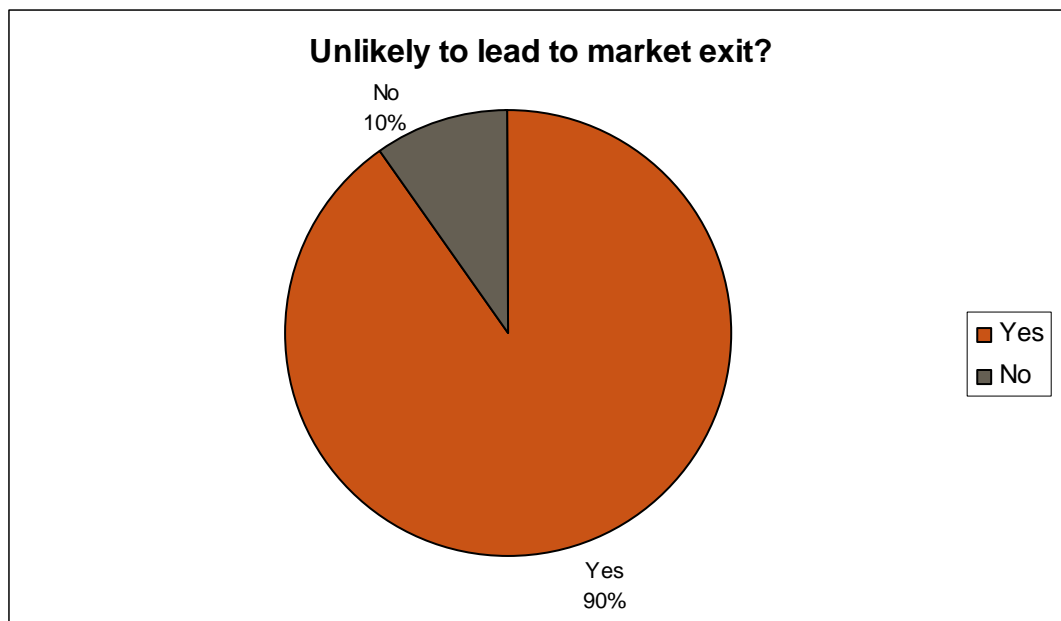
“Yes, increasing choice is something that really does need addressing.”

Sample of comments from respondents who believe the proposals will not be beneficial to consumers

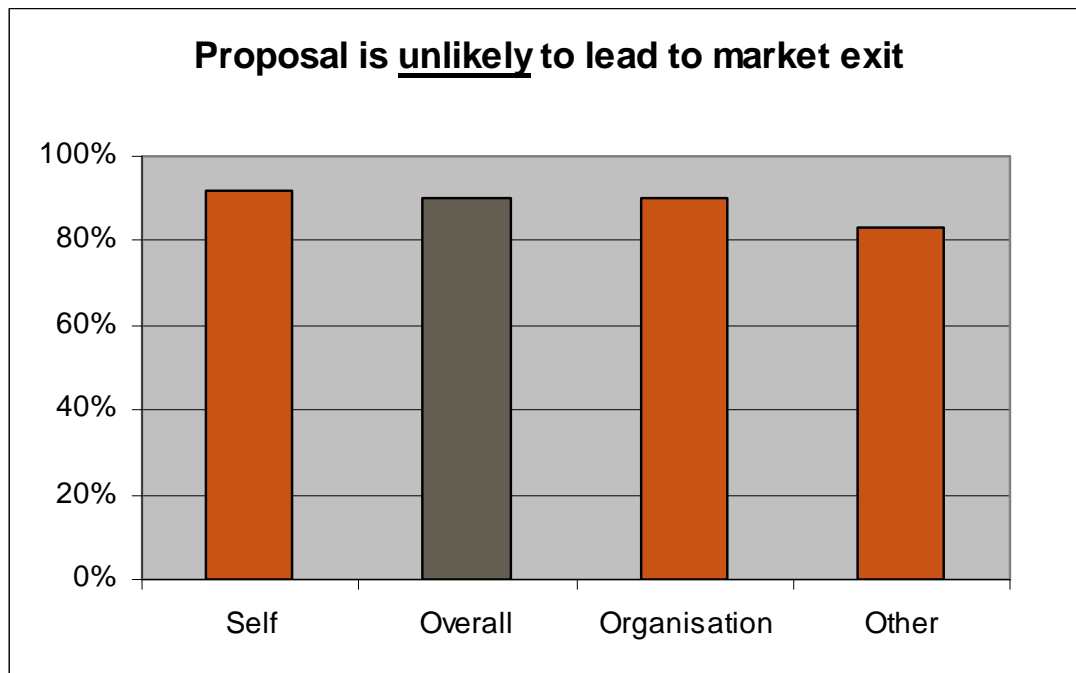
“Increasing choice is not part of the BBC’s remit as I see it. Wherever 'increased choice' has been used, one eventually wins out, & not necessarily the best product (e.g. Betamax/VHS video).”

Question 8 – Do you agree with the Trust's conclusion that whilst launching “Freesat” will affect other participants in the market, it is not likely to lead to exit from the market of existing participants or to create a barrier to future innovation? (Any figures for the likely effect on other participants' revenues would be particularly welcomed).

Of the 526 responses to question 8, 90% consider that the proposal is unlikely to lead to market exit, while just 10% believe that it could.



This is also true for responses from organisations, with 90% considering market exit unlikely.



Sample of comments from respondents who believe the proposal is unlikely to lead to market exit

“Absolutely true. I think it may well work the other way given the BBC's commitment to public access and its own innovative leads in the past. I think it is more likely to encourage innovation. The BBC Micro computer model is pertinent here.”

“I agree entirely that the launch will affect the market marginally but I do think it will not be hugely disruptive, any player in the market that doesn't foresee the involvement of the BBC as a part of or wholly as a competitor doesn't deserve to survive in the market.”

“I hope it would have an effect on others services, otherwise it would not be the success that we all want it to be”

“If other broadcasters do welcome competition, they should have no problems with this.”

“Yes because the service will not have the same sports and movie content that create revenue for Sky and cable.”

“Yes. Introduction of this service (given suitable HD content) will act to further develop the HD receiver market for STBs, PVRs and iDTVs. Assuming an open platform approach for Freesat this can only act in the interest of future innovation. It is very unlikely that B SkyB will exit from the market for FreeSat from Sky. There will always be a market for consumers to have an easy potential upgrade to pay TV services using an initial free-only offer.”

“Yes. I don't imagine it would impact on any other participant's subscription services, and it wouldn't directly compete with Freeview (having different features) so wouldn't force it out the market.”

“Yes this is unlikely to affect cable/ satellite by a degree to closure, but would stimulate innovation.”

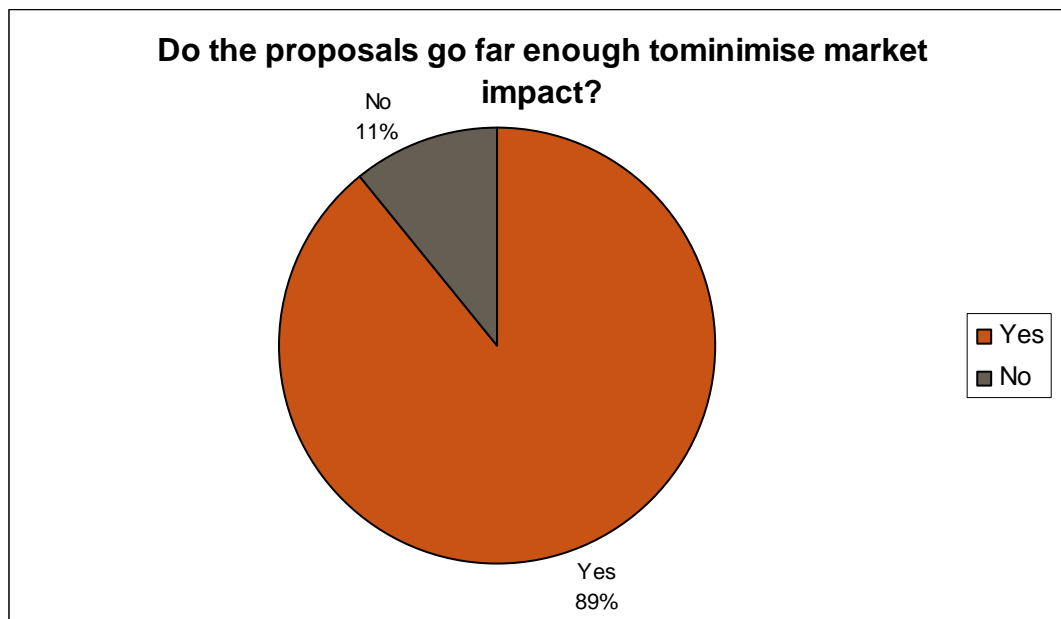
“There is room in the TV market for both Free and Pay-tv alike.”

Sample of comments from respondents who believe the proposal is likely to lead to market exit

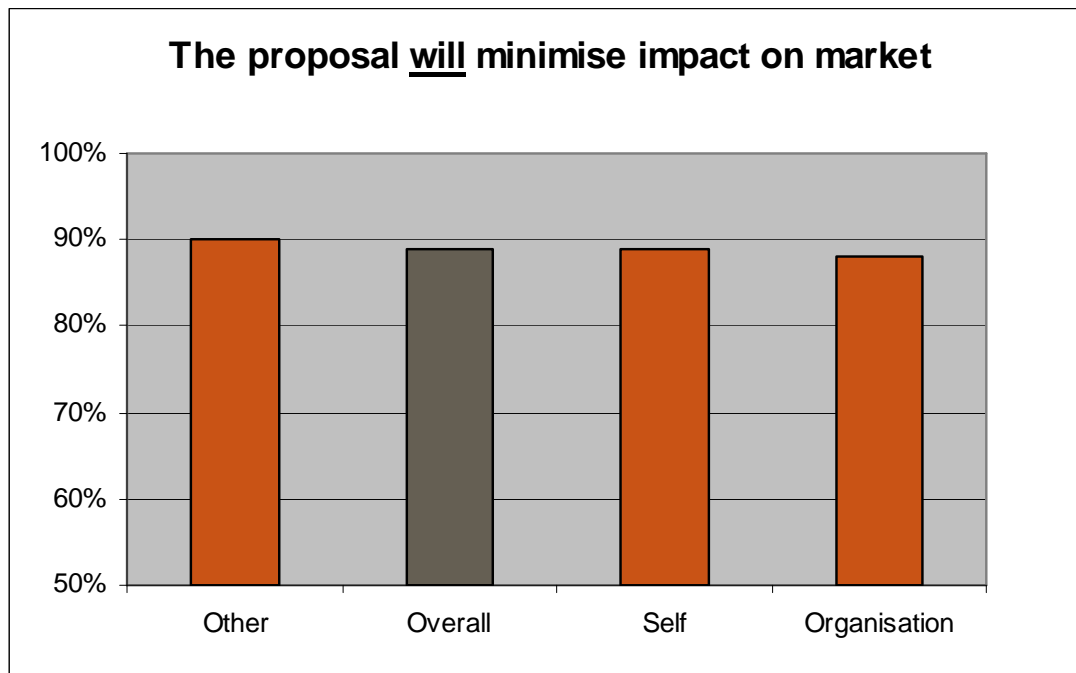
“As the BBC will be effectively duplicating the "Freesat from Sky" service it will lead to less innovation. The money spent on BBC "Freesat" would be better spent developing innovations!”

Question 9 – Does the proposal to establish a joint venture and to limit its activity to marketing and technical co-ordination, leaving set top box manufacture, retailing and installation to the market go far enough to minimise the impact of the proposition on the market?

Of the 449 responses to question 9, 89% consider that the proposals go far enough to minimise the impact of the proposition on the market, while 11% do not.



This conclusion also holds true when looking at responses from organisations, coming in just 1% lower at 88%.



Sample of comments from respondents who believe the proposal will minimise impact on the market

“Absolutely. You only have to look at Freeview's amazing success to back that statement up.”

“Yes. But it must encourage other broadcasters, be it national or niche to get involved.”

“Yes and distances the BBC somewhat which is more suitable for a public service body.”

“Generally yes although some consideration will need to be given to influencing manufacture and installation in the interests of consumers”

“Yes, plus in time it could be incorporated direct into new methods of viewing, like PC media centres etc.”

“It's the most obvious way - it's the same model as Freeview and the only sensible way forward.”

“Yes. Many companies existing and future will benefit from the supply of the equipment necessary.”

“Absolutely - the trust should not underestimate the market need for this development”

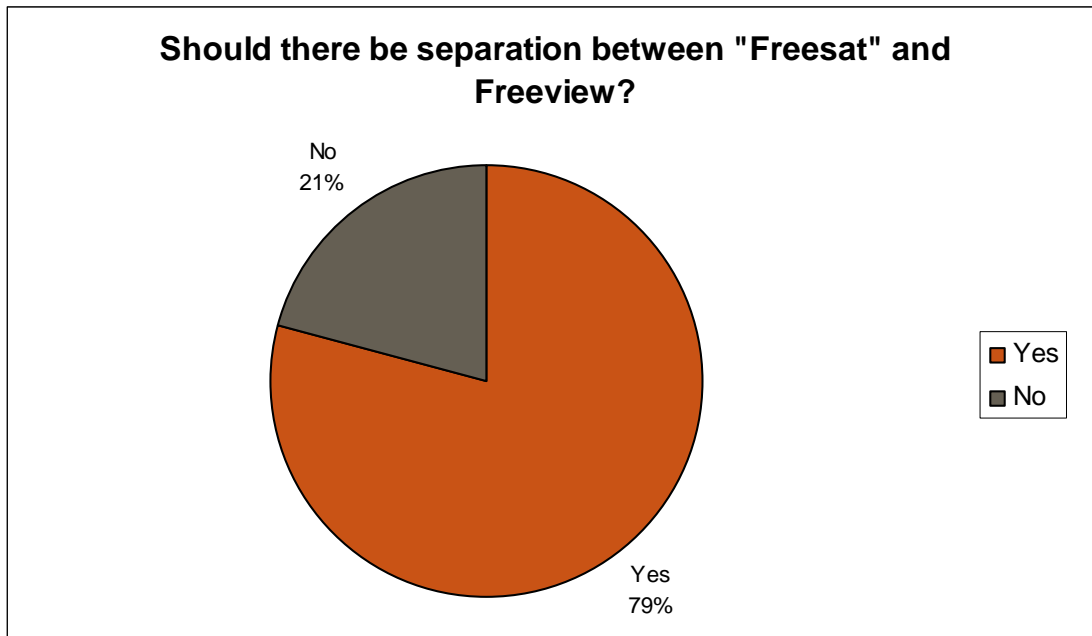
“Yes - it will also mean boxes will be cheaper as companies will be in competition with each other.”

Sample of comments from respondents who believe the proposal will not minimise impact on the market

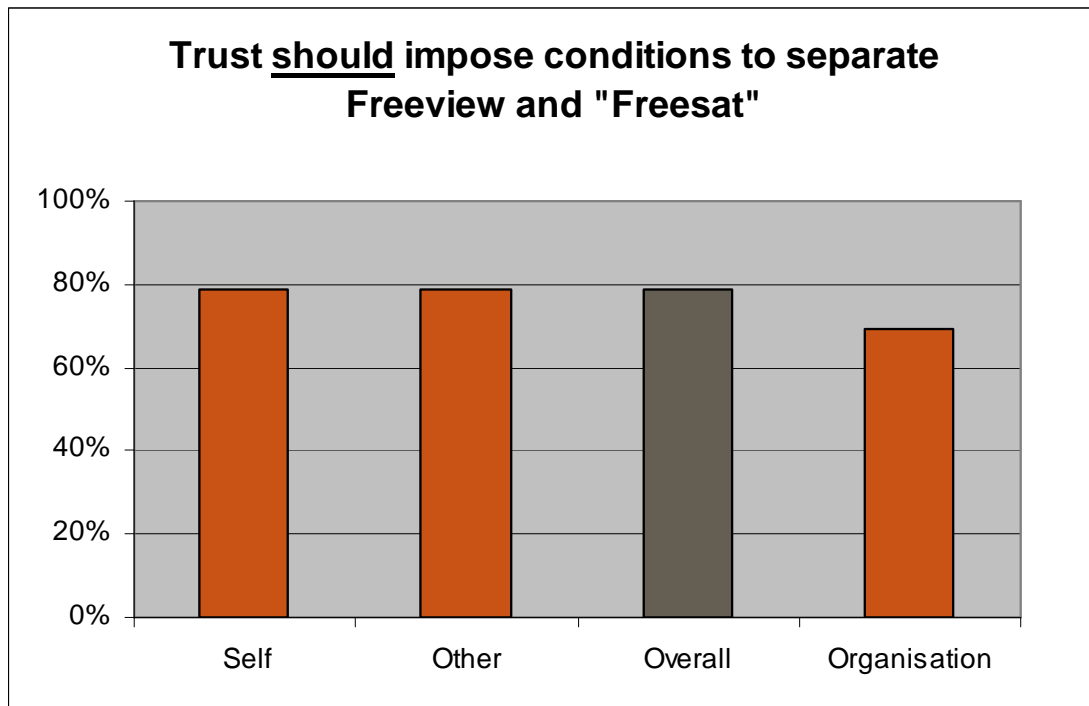
“No it does not; the whole marketing and installation etc should be undertaken and controlled by the BBC”

Question 10 – Is it appropriate for the Trust to impose conditions to prevent licence fee money benefiting other participants in the proposed joint venture and to ensure appropriate separation between Freeview and "Freesat"?

Of the 516 responses to question 10, 79% consider it appropriate for the Trust to impose conditions to prevent licence fee money benefiting other participants in the proposed joint venture and to ensure appropriate separation between Freeview and 'Freesat', while 21% do not.



This view is less prevalent among responses from organisations, where only 69% of respondents believe that the Trust should impose such conditions.



Sample of comments from respondents who believe the Trust should impose these conditions

“Yes, other participants should pay their fair share of any costs in the joint venture.”

“Yes. Licence fee money should go to providing programming and digital services. It should be accountable for. It should not be used to help other partners develop technology and services which will not be available to the freesat viewer. Also some services may be available on freesat but not on freeview and vice versa. Therefore these should be kept separate too.”

“Yes, the licence fee should not be used as a profit vehicle for allied companies involved in the JV.”

“License fee money should only be used for the betterment of this service. Other participants will see the obvious benefits without needing license fee money.”

“Yes - whilst the government and the BBC insisted on taxing television the licence fee money should not profit other organisations. The licence fee money should be used purely for distribution and channel content”

“It is, taxpayers/licence fees should not be used or available to private companies.”

“This is appropriate; there would be ample opportunity for the third-parties to make the venture into a profitable one themselves.”

“Yes absolutely. The license fee money should only benefit the BBC not any joint venture partners.”

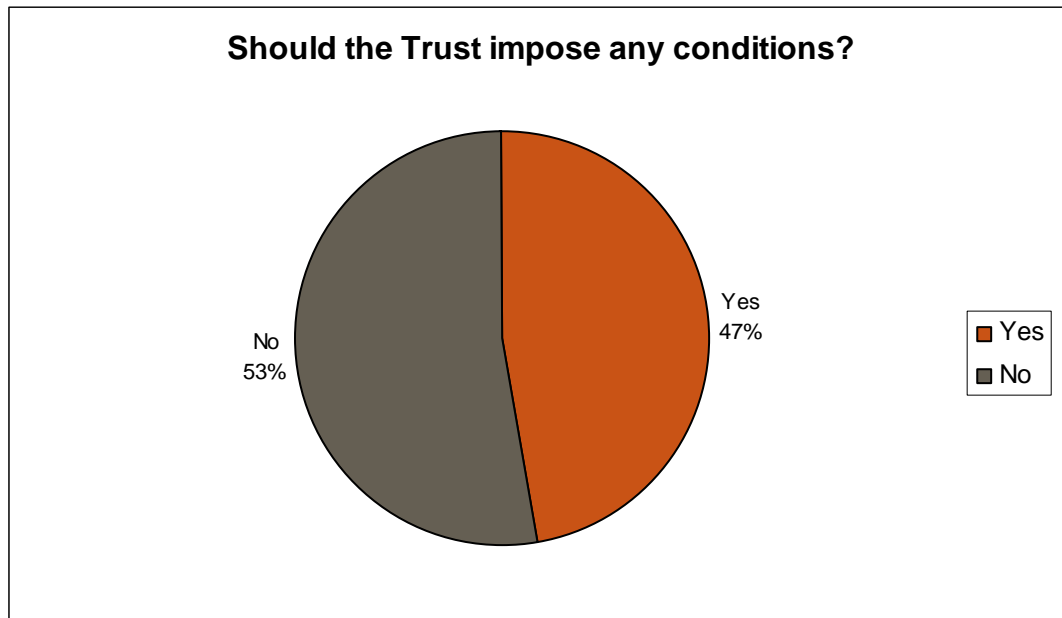
Sample of comments from respondents who believe the Trust should not impose these conditions

“No, as all users of TV equipment have to pay the licence and any benefit to other participants will ultimately benefit the users.”

“No it is a partnership and therefore funds should be shared to ensure the very best in programming and service.”

Question 11 – Should the Trust impose any other conditions if it approves the proposals in its final decision?

Of the 390 responses to question 11, 47% consider that the Trust should impose further conditions if it approves the proposals, while 53% do not.



Sample of comments from people who believe the Trust should impose other conditions

“It should set limits on the price paid to other commercial channels (such as Sky one) to air on Freesat”

“Keep costs to a minimum for subscribers”

“Perhaps limiting cost of this”

“Quality of the boxes!”

“To protect "Freesat" from Pay Per View and subscription-based companies (such as BSkyB) that may wish to buy-into and erode the service by turning into a subscription-based service (as seems to be happening now to Freeview).”

“Freesat should not at any stage be 'watered down' to include subscription services just to increase the appeal of the overall service”

“That HD would be free to all, and not additional cost for either subscription or purchase of equipment.”

“That the service should be subject to review after 5 years, with the intention of adjustment for any licenses”

“Broadcast technology is advancing so fast currently. It is important to ensure that 'Freesat' will be allowed to accommodate any technological advances which come along even after the service has been launched. To this end, the technical specification of the service should be sufficiently sophisticated and pliable to be able to accept major changes in the future in a way which won't present problems of incompatibility between consumer equipment and new transmission formats”

“It should limit the amount of licence money that can be spent on this project, with a maximum spend if the project is unsuccessful”

“Set top boxes should only be sold to people with UK addresses - the satellite footprint covers most of Europe therefore the freesat box must be restricted to the UK population”

“Do not limit the BBC's ability to sell the Freesat service overseas. The BBC could easily sell the service (by subscription or for free) to users across Europe (assuming you'd use Astra) or further afield providing an extra revenue stream that could be used to provide subsidies for hardware/installation back home (e.g. for pensioners, schools, hospitals).”

“A restriction on 'game' channels that are invading late night television”

“Every effort should be made to ensure that, in addition to the PSBs, only quality channels are easily available through Freesat. Effort should be made to reduce shopping and quiz channel content and to ban any pornographic content”

“Many people already have independent (non-Sky) satellite equipment. There must be no bar (viewing cards, etc) that would prevent them from receiving Freesat on their existing equipment”

Question 12 – What other comments would you like to make about these proposals?

Due to the diverse and individual nature of responses generated by question 12 it is not appropriate to give a quantitative breakdown.

A sample of responses to question 12

“There is no justifiable reason why people who don't use a service should be forced to help pay for it”

“Sounds great”

“Much needed especially for those of us who do not currently have a choice”

“I think they are very positive, and are a good solution to the problem of limited freeview coverage”

“I believe I am one of a very small minority - the ariel cable in my house is broken between the aerial and the socket - however to repair it involves channelling out the cable which has been plastered inside the wall by the previous owner! So it's either satellite or fuzz! We have been considering changing to the freesat service offered by sky. However we would prefer to use a service offered by the BBC, were one available”

“Anything which stops HD broadcasts being only available via pay-per-view is a good thing”

“The trust should be seeking only to ensure a free (and as soon as possible, HD) service is available to all licence fee payers.”

“It is not clear what the real benefit from this proposition would be. If it meant TV / Radio masts could be removed from the landscape as a result then that would be a real benefit”

“Free Sat from Sky was hidden away by Sky as they wanted monthly payments. BBC's Freesat should be advertised properly and openly”

“Far too late it would have been a much better use of licence fee payers' money to get this important service correct in the first instance”

“I am concerned about the effect bad weather will have on the signal as the UK is not known for its good weather. I also stress that I would prefer one system that works rather than several that may work depending on the circumstances. I'd also prefer my license money to be spent on upkeeping one working system rather than several”

“Whilst I am broadly in favour of the *way* the Trust is planning the venture, I am not in favour of the venture itself. I consider it (and this consultation) to be a waste of licence-payers' money.”

Conclusions

Public Value

Questions 1 – 4 broadly covered the public value aspect of the proposal, examining issues such as access, choice and future-proofing.

Question 1 asked whether or not respondents believe current access to the BBC's digital services is adequate and whether the BBC should be seeking to improve this. The majority of respondents considered current access to be unacceptable, and also considered that the BBC should be taking action to improve this in the lead up to digital switchover.

Question 2 looked at the principle of choice, asking whether Licence Fee payers should have a choice of subscription-free means of access to digital services, with the majority of respondents firmly in favour of a choice.

Question 3 tested whether the current "Freesat" proposals offer value to all Licence Fee payers, or just those currently without access to Freeview. The majority of respondents considered that the "Freesat" proposal will be valuable and attractive to all Licence Fee payers, not just those currently without access to Freeview, though they did consider it particularly valuable to this subset of Licence Fee payers.

Finally, Question 4 looked at the issue of whether the "Freesat" proposition should be future-proof, for instance by including HD capability. Respondents demonstrated strong support for incorporating future-proof capabilities.

The results of Questions 1 – 3 strongly support the idea that the "Freesat" proposal will deliver significant public value by giving viewers a choice of means of access to the BBC's digital services. A further benefit identified by respondents was the stability offered by "Freesat" as a free-to-air offering, in perpetuity, from a public service broadcaster.

Although the proposal will deliver public value without future-proof capacity, it is clear that the level of public value delivered would be enhanced by offering features such as HD, which have strong support among respondents.

The BBC's Public service remit

Question 5 looks at the public service remit of the BBC, specifically focusing on the BBC's Public Purpose to help deliver emerging technologies and take a lead in digital switchover.

An overwhelming majority of respondents consider "Freesat" to be consistent with this public purpose, citing improved access and technological advancement in their reasons.

Competitive impact

The Trust has a duty to have regard to the competitive impact of the BBC's activities on the wider market, so Questions 6 – 9 look at this in some detail.

Responses to Question 6 demonstrate that most people consider that the proposal has identified those markets that may be affected by "Freesat".

They also strongly believe that increased competition will be beneficial to consumers, offering a choice of service and introducing competition in the subscription-free satellite TV market, as shown by answers to Question 7.

Question 8 asked whether the launch of “Freesat” would lead to the market exit of alternatives from commercial suppliers, and while recognising that the proposal does increase competition, respondents did not consider it likely to do so.

Finally, Question 9 asked if the proposition went far enough in limiting the impact of the proposition on the market. Again, responses here were resoundingly in agreement that the proposal did go far enough.

Respondents clearly believe that the proposal will not have a detrimental effect on the market, that it is fair to current and any future competitors, and that the introduction of competition in the market is desirable.

Conditions

Questions 10 and 11 look at the conditions the Trust could impose if it approves the proposal.

The response to Question 10 is still strongly in favour of imposing conditions to prevent other participants in the JV benefiting from Licence Fee money, and to ensure appropriate separation between Freeview and “Freesat”.

Question 11 presented an opportunity to suggest any other conditions the Trust should consider imposing if it approves the proposals. Key themes here were limiting the cost to viewers, not allowing pay-per-view TV to be included, and that a future-proof capabilities should remain free for all.

Other responses

Finally, Question 12 invited any other comments respondents might have on the proposals. The majority of these were a summary of the respondents overall view, either supportive or critical. Many of these responses reiterated a certain element of the consultation, such as improving access, incorporating HD and introducing competition. This question was also used to give a more personal element with, for instance, respondents citing personal experience of poor reception and other issues.

Appendix A – Consultation Methodology

The Questions

The BBC Trust invited responses on the following questions:

1. Is current access to the BBC's digital services acceptable, and should the BBC be taking action to improve access to its digital services in the lead up to digital switchover?
2. Should licence fee payers have a choice of subscription-free means of access to digital services?
3. Are the BBC's "Freesat" proposals likely to be valuable and attractive to licence fee payers? (You may wish to comment on whether there is a value for all licence fee payers or just those currently unable to receive Freeview).
4. Should the BBC seek to future-proof the "Freesat" proposition by offering a range of set-top boxes so that users can choose either standard definition (the standard that BBC channels are currently broadcast in) or a box that would be capable of receiving high definition broadcasts in the future?
5. Do you agree with the Trust's conclusion that the BBC's "Freesat" proposals are consistent with the BBC's Public Purposes because they will improve access to its digital services?
6. Has the Trust correctly identified those markets that may be affected by the launch of "Freesat"?
7. Do you agree with the Trust's conclusion that launching the "Freesat" proposition will have a beneficial effect for consumers by increasing choice and introducing competition in the subscription-free satellite TV market?
8. Do you agree with the Trust's conclusion that whilst launching "Freesat" will affect other participants in the market, it is not likely to lead to exit from the market of existing participants or to create a barrier to future innovation? (Any figures for the likely effect on other participants' revenues would be particularly welcomed).
9. Does the proposal to establish a joint venture and to limit its activity to marketing and technical co-ordination, leaving set top box manufacture, retailing and installation to the market go far enough to minimise the impact of the proposition on the market?
10. Is it appropriate for the Trust to impose conditions to prevent licence fee money benefiting other participants in the proposed joint venture and to ensure appropriate separation between Freeview and "Freesat"?
11. Should the Trust impose any other conditions if it approves the proposals in its final decision?
12. What other comments would you like to make about these proposals?

Timing

The consultation on "Freesat" ran from 27 February 2007 to 5pm on 27 March 2007.

Methods of Response

The Trust offered a variety of methods in which people could respond. These were:

- An online form via the Trust website
- Post
- Email

Data Collection and Analysis

Responses from the Trust website and via email were received into a central email folder. Postal responses were directed to the Trust Unit team conducting the analysis. This data was then manually extracted and analysed.

Questions 1 and 3 were split as follows to enable accurate conclusions to be drawn without distorting the consultation.

1(a) – Is current access to the BBC's digital services acceptable?

1(b) – should the BBC be taking action to improve access to its digital services in the lead up to digital switchover?

3(a) – Are the BBC's "Freesat" proposals likely to be valuable and attractive to all licence fee payers?

3(b) – Are the BBC's "Freesat" proposals likely to be valuable and attractive to licence fee payers who are unable to receive Freeview?

The data was analysed in two ways. Firstly, responses were distilled to give basic yes/no answers to each question. This data was used to generate the numbers for the quantitative analyse. Secondly, a representative sample of the detailed comments from each question was included to form the basis of the qualitative analysis.

Responses from key stakeholders were analysed carefully as part of this process. Trustees were given access in full to these responses.

In some instances the responses received were not relevant to the consultation. Some of these were general enquiries which were referred to BBC Information. Others were requests for printed copies. Finally, some responses did not answer any of the consultation questions. These responses were not included in the final analysis.

Confidentiality

The consultation made clear the Trust's intention to publish responses. Respondents were given the option to submit a confidential response, in whole or in part. Where respondents request confidentiality in whole no element of their response will be published. Where respondents request confidentiality in part the relevant information will be withheld.

Publication

It is expected that the Trust will publish all responses made on behalf of organisations, except as discussed above. The responses from individuals have been analysed as part of this report.

Appendix B - Raw data

Overall

The following table gives the **overall** number responses to each question.

Question	Yes	No	No response
1(a)	211	351	112
1(b)	432	34	208
2	594	34	46
3(a)	463	76	135
3(b)	502	36	136
4	537	50	87
5	576	41	57
6	432	31	211
7	540	48	86
8	475	51	148
9	400	49	225
10	408	108	158
11	184	206	284

Results by Nation

The following table gives a breakdown of responses to each question for respondents from **England** only.

Question	Yes	No	No response
1(a)	157	253	78
1(b)	316	23	149
2	431	24	33
3(a)	345	52	91
3(b)	368	23	97
4	389	34	65
5	420	26	42
6	327	23	138
7	393	34	61
8	355	37	96
9	298	39	151
10	289	84	115
11	140	154	194

The following table gives a breakdown of responses to each question for respondents from **Northern Ireland** only.

Question	Yes	No	No response
1(a)	1	4	1
1(b)	3	0	3
2	6	0	0
3(a)	4	1	1

3(b)	6	0	0
4	6	0	0
5	6	0	0
6	4	0	2
7	5	0	1
8	4	0	2
9	3	1	2
10	3	0	3
11	1	1	4

The following table gives a breakdown of responses to each question for respondents from **Scotland** only.

Question	Yes	No	No response
1(a)	17	34	6
1(b)	38	3	16
2	56	0	1
3(a)	41	6	10
3(b)	48	1	8
4	49	2	5
5	53	1	3
6	34	1	22
7	52	0	0
8	42	3	12
9	38	2	17
10	39	6	12
11	28	16	23

The following table gives a breakdown of responses to each question for respondents from **Wales** only.

Question	Yes	No	No response
1(a)	8	23	2
1(b)	25	0	8
2	32	0	1
3(a)	20	2	11
3(b)	26	1	6
4	27	1	5
5	31	1	1
6	19	1	13
7	28	0	5
8	22	2	9
9	20	3	10
10	23	5	5
11	8	10	15

Results by Representation

The following table gives a breakdown of responses to each question for respondents **representing themselves** only.

Question	Yes	No	No response
1(a)	186	298	85
1(b)	369	25	175
2	512	23	34
3(a)	398	62	109
3(b)	434	26	109
4	459	38	72
5	498	29	42
6	376	21	172
7	468	35	66
8	417	40	112
9	355	44	170
10	351	91	127
11	160	180	229

The following table gives a breakdown of responses to each question for respondents **representing someone other than themselves** (e.g. a company or industry organisation) only.

Question	Yes	No	No response
1(a)	3	18	3
1(b)	18	2	4
2	19	1	4
3(a)	16	1	7
3(b)	19	1	4
4	16	1	7
5	17	0	7
6	9	4	11
7	14	1	9
8	9	1	14
9	7	1	16
10	9	4	11
11	8	1	15

Appendix 2

Note of licence fee payer concerns over subscription-free access to BBC digital services

This note was prepared by the BBC Trust Unit.

Lack of access to digital services is an important issue for many licence fee payers. When they are given the opportunity to pose questions to the BBC, for instance at public meetings or through unsolicited correspondence, it is a subject that frequently features in the top three or four most-asked categories. The main issues raised are:

1. Viewers' inability to receive BBC digital services
2. Their aversion to paying Sky for access to BBC services
3. The common misconception that access to BBC digital services is only available through a Sky subscription service¹⁹

The analysis presented below illustrates the issues raised by licence fee payers through both quantitative analysis of BBC data and qualitative research. We have also included what we have selected as a representative sample of comments and questions from licence fee payers.

Data analysis

Digital Terrestrial Television through a TV aerial (Freeview) is currently available to only 74% of the UK population. From the beginning of 2005 to the end of 2006 the BBC was contacted by nearly 1000 people about the lack of digital coverage in their local area. These contacts were as follows:

Complaints	412
Comments	520
Enquiries	27
Total	959

Unsolicited contacts from the public via BBC website, phone, email and letter 05/01/2005 – 29/12/2006

The BBC held five public meetings between July 2005 and July 2006, in Belfast, Cardiff, Glasgow, Norwich and London. In the run up to each public meeting, licence fee payers who were unable to, or didn't want to, attend the meetings were invited to send in questions via the website (Suggest a Question). This facility was only open in the 3 to 4 weeks immediately before the public meeting and not continuously over the year. The BBC received 2,001 responses via this internet facility, with 200 of these (10%) concerning the lack of digital services. The breakdown of these figures is as follows:

Public Meeting Location	Number	of	Number relating to	Percentage
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¹⁹ Freesat from Sky, a non-subscription service, is available for a one-off fee of £150, with 98% UK coverage

	complaints	digital reception	
London (ran from 2/7 to 19/7 2005)	1425	145	10%
Glasgow (ran from 1/11 to 23/11 2005)	122	20	16%
Cardiff (ran from 25/1 to 22/2 2006)	195	21	11%
Belfast (ran from 1/3 to 29/3 2006)	135	6	4%
Norwich (ran from 13/6/ to 13/7 2006)	124	8	6%

Unsolicited contacts²⁰ to the BBC – a sample of comments

“I am annoyed that digital terrestrial television is not available to the entire population of the UK”

“I am paying a full licence fee but I’m not provided with a full service. This is totally unacceptable and scandalous”

“I am very annoyed that the BBC expects me to pay a full licence fee when I cannot receive Freeview in my area yet. This is disgraceful.”

“I am very unhappy that I cannot get the same services when I pay the same licence fee”

“I cannot get BBC services on DTT. I believe the analogue signal is being switched off this year in the Borders area and I believe I will be left without any television signal”

“I find it ridiculous that we have to pay for SKY to get the extra BBC channels that we also pay for”

“The only way I can watch digital television in my area is through NTL which I’m charged for and I don’t think this is fair.”

“I live in an area where the only way to obtain digital tv is by subscription to Sky or Cable, which I am not prepared to do.”

Public Meetings²¹ – a sample of comments

London public meeting July 2005 (submitted to meeting via email)

“What are the BBC doing to ensure that everyone is able to receive their new digital channels? I live in a dead spot with no suggestion that the relay transmitter will be upgraded until the analogue signal is switched off. It seems there is now a digital divide developing through certain parts of the country, and I feel I am not getting my money's worth. I would love to watch some of the programming on BBC3 and BBC4 but don't see why I should subscribe to SKY just because I am geographically challenged”

Cardiff public meeting February 2006

²⁰ Unsolicited contacts are when a member of the public uses either email, the website, phone or post to contact the BBC unprompted. Sample from Marketing, Communications and Audiences internal report

²¹ Sample from BBC Trust Audience Team’s analysis of BBC data

“Can it be justified that the Rhondda licence payers pay a full rate when we only have a reduced service which has no Channel 4, no Channel 5 or no digital services whatsoever? People who have gone over to digital television in Wales via transmitters cannot get BBC Two. They get 2W only and for most of the evening it is different to BBC Two.”

“With the proliferation of digital Freeview channels, why can't viewers in Wales have a choice of the full range of BBC One and BBC Two programmes available in England as well as regional productions? Do the board members think it's fair that you pay the full cost of the TV licence with no end reward for that outlay, without having to subscribe to BSkyB? We have no reception whatsoever in our village, no analogue, no Freeview, no nothing. And we have to pay twice to get one picture. Do you consider that fair?”

Belfast public meeting March 2006

“I live in an area of Northern Ireland which does not have a digital signal. All I get is analogue signal. I'd like to know what the BBC are going to do to provide for areas like mine to get a signal.”

“In 2012, the Northern Ireland region and London region are the last two proposed regions of the UK to go digital. What lessons or improvements particularly to high definition broadcasting could Northern Ireland expect to receive from BBC?”

Norwich public meeting July 2006

"As a TV licence payer I am fed up with seeing a TV service advertised on the TV, namely Freeview which I can't receive."

“The reception that we do get in King's Lynn which is very poor. For years we have had poor reception. We have had to buy mast-head amplifiers, and we have had to put up with the poor signal. But the problem is that as each new service comes out, we're also last in the queue. We don't get Freeview. We don't get digital radio, and yet we pay exactly the same licence fee as all those people who might be called the chattering classes in London who get the lot. This seems dramatically unfair”

BBC Trust Unit
29 January 2007