

Local Video

Public Value Test provisional conclusions

21 November 2008

1

Contents

1. Introduction and Key Findings	5
2. Summary of the BBC Executive's Application	6
3. Summary of the Public Value Assessment	9
4. Summary of the Market Impact Assessment	13
5. The BBC Trust's Decision	14
6. The Future	15
7. Next Steps	17
 Annexes	
I Background to the Public Value Test	19
II Public Consultation on Provisional Conclusions	20

Glossary of Terms

Charter	The current Royal Charter governing the BBC
Dynamic impacts	The effect of the BBC service on other G9 services, once they have adjusted their behaviour in response to the BBC service
Framework Agreement	Framework Agreement dated July 2006 between the BBC and the Secretary of State for Culture, Media and Sport
Linear content	Refers to scheduled broadcast television content
MIA	Market impact assessment, undertaken by Ofcom to assess the market impact of new BBC proposals. This forms part of the public value test, below
On-demand	Allows users to select, stream or download, store and view film and television programmes, usually within a certain timeframe, using a digital cable box or online service
PVA	Public value assessment, undertaken by the Trust to assess the value of BBC proposals, including value to licence fee payers, value for money and wider societal value. This forms part of the public value test, below
PVT	Public value test; significant changes to the BBC's UK Public Services must be subject to full and public scrutiny. The means by which this scrutiny takes place is the public value test. A PVT is a thorough evidence-based process which considers both the public value and market impact of proposals. During PVTs, the Trust will consult the public to ensure its decisions are properly informed by those who pay for the BBC
Reach	Measures reach of BBC's service to its audience

Service licence The Trust aims to ensure that the BBC offers high quality and original services for all licence fee payers. To help deliver this, it sets out the remit and expectations for each BBC service – and how that service will create public value by delivering the BBC's public purposes – in a published licence

Static effects The effects of the BBC Service on other services without taking account of how other service providers respond over time

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

1. BBC Local Video Provisional Conclusions

1. Introduction and Key Findings

- 1.1 This document sets out a provisional decision by the Trust on a proposal from the Executive to launch an online local video offering. The Executive's application is summarised in section 2.
- 1.2 The Trust applied a Public Value Test (PVT) to the Executive's proposal and has reached provisional conclusions following consideration of a Public Value Assessment (PVA), conducted by the Trust, and a Market Impact Assessment (MIA), undertaken by Ofcom. Background on the process of the PVT is contained in annex 1 of this document.
- 1.3 The PVA and MIA are published alongside these provisional conclusions. The PVA, together with the Executive's application and a joint Trust and Ofcom description of the proposal are available on the Trust's website (bbc.co.uk/bbctrust). The MIA is available on Ofcom's website (ofcom.org.uk).
- 1.4 Before concluding that the proposal should be approved, either with or without conditions, the Trust 'must be satisfied that any likely adverse impact on the market is justified by the likely public value of the change' (Clause 26(6) of the Framework Agreement). The Trust must also be satisfied that an approval would be consistent with its duties under Article 23 of the Charter and its other legal duties.
- 1.5 Having applied the test in Clause 26(6) of the Framework Agreement, we are not satisfied that the likely public value generated by the proposal outweighs the potential negative impact of the proposal on the market. The Trust's provisional conclusion is therefore not to approve the proposal.
- 1.6 Whilst local video has the potential to deliver some public value it does not represent the most efficient use of licence fee funds, especially given access issues for non-broadband users and limited reach to key audience groups. We also recognise the negative market impact that could result from expansion of BBC online news provision at a local level at a time when commercial providers face structural and cyclical pressures. Conversely, that potential strain on local news provision has led in some cases to a reduction in editorial staff in the local press and commercial radio sector and could be used by some to justify a public intervention in the market.
- 1.7 However, taking both assessments together, it is the Trust's view that a new service of the scale and nature proposed by the Executive would not be appropriate in the foreseeable future.
- 1.8 The Trust's provisional conclusion on this PVT does not imply that the Trust believes the BBC should not have a duty to ensure that audiences see a better reflection of their communities. A gap in BBC performance remains in this area. The Trust believes that

this requires a range of measures some of which have already been undertaken including moving a greater proportion of BBC production closer to the audiences it serves and looking closely at how network news represents the nations of the UK. In the Trust's view a series of smaller, targeted interventions, that take account of the BBC's current regional provision and are focused particularly on improving the quality and depth of the BBC's television offering, could increase public value and contribute to the relevant public purposes. There could also be scope, through meaningful partnerships, for the BBC to contribute more widely to existing regional news providers and potential new entrants. We expect the Executive to consider carefully what we have recommended and provide a considered response.

- 1.9 Our provisional conclusions are open to consultation until 5 January 2009.
- 1.10 The PVT has been undertaken in accordance with the terms of the Framework Agreement and Charter. The Trust has applied the *Public Value Test: Guidance for the conduct of the PVT* published by the Trust in August 2007 and available on the Trust's website, varied as appropriate to take account of matters such as the simultaneous publication of the PVA and MIA with these provisional conclusions.

2 Summary of the Executive's Application

- 2.1 The BBC already operates local and regional television, radio and online services. Under the terms of existing service licences, it is able to repackage linear content for on-demand viewing. Users of bbc.co.uk can customise their home page and locate relevant local content (in video, audio or text) using a postcode level search, and access weather forecasts and travel updates.
- 2.2 In May 2008, the Executive submitted a proposal to the Trust to provide an on-demand, local video service, delivered via fixed and mobile broadband internet connections ('local video'). The Trust considered that the proposal constitutes a significant change to an existing UK Public Service (under the Charter and Framework Agreement) and should be subject to a PVT.
- 2.3 The Trust and Ofcom jointly published a service description. This clarified our understanding of the proposal under assessment. The service description was published at the start of the PVT process and it is referred to in these provisional conclusions.
- 2.4 In 2007, the BBC published 'Delivering Creative Future', a strategic framework in which it set out proposals for an online news offering, later known as local video. Local video is positioned as an antidote to the twin challenge of reach and relevance. It has two strands: an expanded local newsgathering operation and on-demand broadband delivery.

- 2.5 Local video has its root in earlier BBC pilots for regional services and supersedes plans for a local television news service.¹ These include BBCiHull, a cable television trial, which ran from 2001 to 2002, and subsequent small scale trials in Worcester, Wrexham and Liverpool. These were followed by the West Midlands pilot, a forerunner to local video, which ran from December 2005 to August 2006. The nine-month trial offered local television news services, available via broadband and satellite.
- 2.6 Following licence fee prioritisation, the Executive's plan for local news was scaled back to broadband-only delivery, renamed local video and submitted to the Trust in May 2008.
- 2.7 The Executive hopes that local video will reinvent the BBC's regional and local news offering: compensating for the decline in the reach of regional television audiences, attracting a younger demographic and deepening users' appreciation of BBC local websites.
- 2.8 With an annual operating budget of £23 million by 2012/13 and approximately 400 staff, the proposed service would add a new tier of local video newsgathering. It would be available in 60 areas across the UK, most of which cover an area of more than 250,000 people (and on average, one million); equivalent to the coverage of the BBC's existing network of local websites and radio services. In Wales, local sites would be available in both English and Welsh, bringing the total number of local services to 65.
- 2.9 In line with existing provision on bbc.co.uk, the proposal specifically does not include:
- Local business finders, dating, cars, holidays, recruitment and property listings and search services
 - Cinema and commercial listings
 - Advertisements and promotions
 - Classified advertisements and listings
 - Reviews of products, local shops and businesses
 - Video entertainment features on such areas as horoscopes or beauty
 - Public notices, including planning applications
 - Wallpaper and e-cards
 - Message boards unrelated to BBC content and BBC story themes
- 2.10 In addition, the Executive proposed certain initiatives to ameliorate any negative market impact. These were:
- Syndication of BBC local video content
 - Creation of an annual fund of around £800,000 to purchase local video news
 - Provision of links to external sites
 - Development of appropriate editorial initiatives with local news providers

¹ These were refined after 'Delivering Creative Future', BBC Executive, 2007, concluded that broadband-only service represented better value for money.

2.11 On average, the Executive maintains that up to 10 new local video stories would be created a day in each local area, adding up to no more than an average of 20 minutes per day, with up to three additional short daily bulletins for news, weather and sport. A summary of the proposed local video content can be found in table 2.1, below.

Table 2.1: summary of local video content²

Content type	Definition	Frequency	Limit
Video Stories	<p><u>News and related items</u>: politics, social issues, education, health, crime etc</p> <p><u>Sports news</u>: coverage of minority sports and local treatment of major events (football, rugby etc)[*]</p> <p><u>Community and local life</u>: a limited amount of content linked to or deriving from linear BBC content on science, nature, outdoors, heritage, history, arts, culture, faith etc, and a limited amount of video user generated content, produced in collaboration with the BBC</p>	Up to 10 new stories each day, available for on-demand viewing throughout the day	Up to 20 minutes per day in total, across all stories
Video Bulletins	<p>News summary</p> <p>Sports summary</p> <p>Weather summary</p>	Up to 3 daily bulletins of each genre for each area	Normally 45-90 seconds per bulletin
Live Streams	Occasional live streams of key local events to each of the 60 areas	Maximum of 10 per year per area	Not applicable

^{*} The provision by BBC Sport of live and on-demand sports coverage on bbc.co.uk in line with the service licence (e.g. Wimbledon, Six Nations Rugby or Football League) is outside the scope of this assessment.

2.12 Local video would expand upon and sit within existing local provision on bbc.co.uk. The site is one of the UK's leading online destinations, with an average of 16.6 million users a month, out of a total UK internet population of 33 million. It has an annual operating budget of £114.4 million and offers news coverage at an international, national, regional and local level.

2.13 Further incremental enhancements to local provision on bbc.co.uk are planned in 2009 outside the scope of this PVT. The ongoing modernisation of BBC local provision is permitted within the existing service licence. It includes:

- Further opportunities for user participation on BBC local sites, developing the range and quality of existing options
- Bringing basic BBC local sites in Scotland and Northern Ireland into line with current provision in England and Wales³
- Improved search, navigation and site architecture, including a greater use of map-based technology

² In London, which has a population of over 10.5 million, the Executive proposes a higher volume of stories (up to 20 stories daily, or 40 minutes in total).

³ As planned prior to this PVT

2.14 The Trust expects any costs to be met within the existing limits of the service licence and will not allow for new funding for these specific items within its review of bbc.co.uk.

3. Summary of the Public Value Assessment

3.1 This section provides a summary of the PVA to aid the reader. It is not a substitute for the PVA report. The Trust has considered the PVA findings in full in reaching its provisional conclusions.

3.2 As a starting point, the PVA considered the wider environment within which the BBC operates. A heightened interest in local news and a growing appetite for on-demand content provide the strategic rationale for local video. The Executive's approach is to maintain and strengthen the reach of local services to offset the predicted decline in regional viewing through:

- the conversion of existing BBC local website users to broadband video
- attracting a new and younger audience to local news.

3.3 The PVA then analysed the current 'purpose gap' in local provision and assessed the importance to consumers and citizens in closing it.

3.4 It is a prerequisite of any approval that a proposed service should further the public purposes. There are six public purposes which we set out below. Those highlighted have particular relevance for local video.

Figure 3.1: BBC public purposes



3.5 Representing the UK, its nations, regions and communities is one of the six purposes laid down in the Charter. In meeting its obligations, the BBC should provide a range of output⁴ to meet the needs of different audience groups.

3.6 Audiences attach a high value to national and regional news and see it as an important part of the BBC's remit.⁵ But in a fast-changing media environment, the effective fulfilment of the public purposes is under strain. Research commissioned by the Trust in

⁴ Spanning news, entertainment and factual content

⁵ Ofcom's Second Public Service Broadcasting Review – Phase 1: The Digital Opportunity, pp. 36 (the top public priority for programme types on the main TV channels was news)

2007 revealed gaps between the importance audiences attach to this purpose and their view of current performance.⁶

- 3.7 Whilst licence fee payers may put less weight on this purpose, it remains an important part of the BBC remit with a considerable performance gap.⁷ The perception of under-performance is common to all age and socio-economic groups but this masks regional and demographic differences. Groups in Northern Ireland and Scotland are among those with the lowest approval rating. Age and social grade are also factors; lower income groups aged 35-54 tend to rate the BBC poorly.
- 3.8 The Executive believes the proposal will help the BBC meet its public purposes and close the gap between the importance that audiences attach to the BBC's local role and their view of current performance. Whilst the proposal focuses on local news provision, the purpose gap has wider significance, and can therefore be addressed in a number of ways and across a number of genres, of which news is but one.
- 3.9 The PVA took account of wider strategic objectives underpinning the proposal. The Executive plans to build on its portfolio of international, national and local journalism, extending reach across a range of platforms and media. Local video aims to enrich linear provision of local issues, develop a new tier of local newsgathering and engage a younger audience.
- 3.10 It then considered whether the proposal was the most effective way of improving performance, taking into account quality, reach, impact and value for money (table 3.1). It considered alternative means by which to close the purpose gap, for example, bolstering BBC news provision at a regional or network level or by non-news opt-out programming.

Table 3.1: the key drivers of public value for the Local Video PVA

Key Drivers	Proposal's fit with Key Drivers & Public Purpose
Reach	How far will the proposal extend BBC reach and usage, particularly among underserved audiences?
Quality & Distinctiveness	Is the proposal of high quality and distinctive?
Impact	Will the proposal create consumer and citizen benefits, for individuals and for society as a whole?
Cost and Value for Money	How much will the proposal cost? Does it represent value for money and is it an appropriate use of licence fee funds?

⁶ BBC Trust purpose remit research, 2007

⁷ It is among the largest for any of the BBC's public purposes. Audience perception of the BBC varies around the UK; in general, approval declines with distance from London. In 2008, the Trust published its impartiality report which revealed shortcomings in the BBC's coverage of the UK's nations and regions. It called for the BBC to improve the range, clarity and precision of its network news coverage and to make it more relevant and interesting to audiences. Separately, in April 2008, the Trust approved a supply strategy for network television in order to ensure better cultural representation and appropriate investment in the nations and regions.

- 3.11 In assessing public value, the PVA also took account of the wider media market and the level and quality of local provision. Regional media markets have different competitive frameworks and characteristics which may well lead to a patchwork in provision and provide some justification for BBC expansion at a local level.

Reach and Impact

- 3.12 In theory, there is considerable demand for local news. The concept of a local video, on-demand service has attracted support from a wide range of people. Local news drawn together in an innovative, interactive portal is potentially a powerful proposition. Relevant local news has valuable social currency and may, according to some, allow the BBC to reconnect with underserved groups who currently regard it as too remote.
- 3.13 The PVA found, however, that local is a flexible concept for listeners and viewers and opinions differ widely. Convenience of access to the service is also a critical factor, so too is editorial agenda. Audiences are interested in a wide range of information of which news is only a part; local events, entertainment and listings are all considered part of a well-rounded service with appeal to a broad spectrum of users.⁸
- 3.14 Whilst the concept of more local investment appeals, and is broadly supported by Audience Councils, it leads quickly to a debate on whether broadband is an appropriate delivery platform and the level at which local provision should be set. Broadband represents a barrier to use, both in terms of access (for low income groups) and the way in which people consume local news.
- 3.15 Audiences expect better national and regional representation, and those in underserved areas express frustration with poor local coverage. But even those who welcome a more local presence have differing expectations as to its character.
- 3.16 The Trust's research showed that the proposal is beset by a number of issues, chief among them having actively to search for content that many assume will be of limited interest. Whilst usage of the internet as a source of local news is growing, albeit from a small base, consumption is still largely passive; print media, radio and television all play a central role. This is most pronounced among the over-34s and those with children, who typically have less time to actively search for content. For the under-35s, the internet is used somewhat more routinely.⁹
- 3.17 We note that commercial news providers are embracing video news, but also that they have more latitude with their editorial agenda and a remit that encompasses listings and directories – of more practical value and wider appeal in an online environment.
- 3.18 A number of stakeholders raised concerns that a broadband-only service would exclude certain groups; others noted that in remote rural areas, high speed broadband was less widely available. Socio-economic factors influence broadband take-up, and low income

⁸ Rosenblatt research for the BBC Trust, 2008

⁹ Research for the BBC Trust, 2008 and Ofcom Communications Report 2008

groups are generally less well represented online. Low approval of BBC performance is more pronounced among these groups. We are not persuaded therefore, that local video will reach these groups in sufficient numbers to close the purpose gap.

- 3.19 The PVA findings consistently support audience demand for local news delivered via television, but spectrum scarcity and cost on the DTT platform limit the BBC to broadband. Broadband television services will only gain widespread acceptance when content is delivered directly to viewers' living rooms, through their set top boxes, in ways that resemble linear television. But that would represent a different proposition both in terms of public value and market impact.
- 3.20 The Executive assumes that reach for local sites will remain steady at 16% of broadband households and we accept this view. Therefore, even without the introduction of local video, the number of households accessing BBC local online content will grow from around 2.1 million in 2007 to 3 million by 2014, an increase of around 1 million homes.¹⁰
- 3.21 Our own projections suggest local video will deliver incremental reach for BBC local sites of between 3.6% and 9.6%. Taking the mid-point of 6.6% (which in our view is most likely), local video will deliver an additional 1.2 million households to BBC local online content. As set out in the PVA, however, consumption of local video will mostly be among core audience groups, without any significant extension in reach to the underserved audiences identified by the Trust.
- 3.22 Our overall conclusion is one of limited impact given exclusion issues for lower income groups and the low appeal, to broadband users, of an online news offering that does not extend to listings, reviews and general entertainment.

Quality and distinctiveness

- 3.23 The overall conclusion of the PVA is that the distinctiveness of the proposals is relatively low, although the Trust acknowledges that some elements are distinctive. Given our reservations on impact and reach, quality has been treated as somewhat less relevant (although indications are that it would be a high-quality service with the BBC's journalism brand).
- 3.24 An important part of the local video proposals is a focus on partnerships. This has been met with some scepticism from stakeholders, but we welcome efforts to improve collaboration. The Trust recognises this as a potential source of distinctiveness that underpins a wider BBC agenda but notes that the proposed partnerships appear currently to be of limited value.

¹⁰ Based on 28.3 million UK households by the end of 2013

Cost and value for money

- 3.25 Against this background the PVA analysed in detail value for money, including the wider affordability of the proposal at a time when pan-BBC costs are under pressure. In the event of non-approval, for staff who would have been transferred to the service from parts of the BBC already being cut under efficiency plans, the Executive sets out redundancy and related costs of up to £[REDACTED]. This equates to [REDACTED] staff in England and [REDACTED] in the nations. However, these figures represent a 'worst case' scenario and could be significantly reduced by management actions. The Trust expects the Executive to ameliorate these effects as far as possible.
- 3.26 The PVA concluded that local video does not provide value for money, especially given the limited uplift in reach among key audience groups, and access issues for non-broadband users. The Trust also considered funding reprioritisation across the BBC.
- 3.27 The overall view of the PVA, taking into account the key drivers, is that local video delivers a low to medium level of public value. The Trust believes the same, or potentially greater value, could likely be achieved by better use of existing resources.

4. Summary of the Market Impact Assessment

- 4.1 This section provides a summary of the MIA to aid the reader. It is not a substitute for the MIA report. The Trust has considered the full MIA report and its findings in reaching provisional PVT conclusions.
- 4.2 The MIA identified products and services potentially affected by the launch of local video, these included web offerings provided by local and regional newspapers, along with their print editions; local commercial radio stations and their web offerings; local and regional television and their web offerings (such as ITV local); third party content providers; and mobile television providers.
- 4.3 Ofcom's assessment of static impact was modelled, taking as inputs: the potential take-up of the BBC service, the counterfactual and the impact on demand for affected services. Given that each of these elements is subject to a large amount of uncertainty, Ofcom consequently modelled the impacts under two central scenarios: a high case and a low case based on the upper and lower confidence interval of its market research results. Ofcom also ran a further scenario based on industry stakeholders' assumptions with respect to impact.
- 4.4 It found that the overall market impact likely to arise from the proposal is expected to be negative. The size of impact is unclear, particularly given uncertainty surrounding the ability of commercial providers to monetise usage of local news online services. The static negative impact is expected to be, at most, 4% of revenues, however, this could be a significant sum at the time of wider economic pressures.

- 4.5 Newspaper publishers are among those most impacted by the proposal. The regional media market is exposed to long-term structural decline and cyclical pressures. Revenues are heavily dependent on classified advertising. The presence of specialist websites for property and autos meanwhile limits the ability of newspaper groups to grow a share in the online classified advertising market.
- 4.6 Dynamic impacts are more significant for some of the affected services than for others, in particular commercial online local news provision. The MIA considers that it may be easier to reach confident conclusions on the market impact once commercial providers have tested their ambitions and advertising revenues have stabilised.
- 4.7 Stakeholder plans to develop commercial online local news provision do not reveal any obvious geographic gaps or suggest that some parts of the UK would be less commercially viable than others.
- 4.8 Partnership proposals appear to be of limited value. Ofcom considers that an increased rate of 'click-throughs' may help to ameliorate negative market impacts but will not be sufficiently strong to offset them fully. A number of local newspaper groups and the Newspaper Society expressed significant concerns about the potential negative market impact of this proposal.
- 4.9 As regards syndication, the BBC's syndication policy would preclude many operators from being able to use BBC content because it prevents the use of BBC content on the same screen as commercial advertising and could have the potential to increase negative market impacts.

5. The Trust's Decision

- 5.1 Having applied the test in clause 26(6) of the Framework Agreement, the Trust's view is that the likely public value generated by the proposal will not outweigh the potential negative impact on the market. Accordingly, the Trust's overall provisional conclusion is that the proposal should not be approved.
- 5.2 Central to this PVT is the likely net benefit generated for audiences by the proposal. Whilst local video has potential to deliver some public value it does not represent the most efficient use of licence fee funds, especially given access issues for non-broadband users and the limited uplift in reach to key groups. We also recognise the negative market impact that could be caused by the proposal at a time when commercial providers face structural and cyclical pressures. The scale of local video signals a clear challenge to commercial providers, whilst partnership and linking arrangements, as set out in the PVT application appear to be of more limited value.
- 5.3 The Trust endorses the overall view of the PVA on public value and in particular on the limited reach to underserved audience groups, which prevents the proposal from significantly closing the purpose gap identified by the Trust.

- 5.4 The Trust has considered whether there are any conditions which might improve public value and ameliorate some of the negative market impacts. Whilst the Trust has some views on increasing public value that are set out in the following section, it does not have specific proposals for conditions for the PVT application before it. Ofcom has not advanced any recommendations that it considers would fully offset the negative market impact in the near term and does not agree that the Executive's initiatives, such as partnerships and syndicating some content, would suffice.
- 5.5 There are therefore, no recommendations for this proposal which would increase its public value. Accordingly, there are no conditions that the Trust would propose to satisfy the clause 26(6) test. Therefore the Trust's provisional conclusion is not to approve the proposal.
- 5.6 We reached these provisional conclusions having considered the PVA and MIA in full, and the conclusions and underlying matters addressed in both. We have considered in particular the matters in the PVA and MIA as summarised in sections 3 and 4 of these conclusions.
- 5.7 In reaching our provisional conclusions, we have considered our general legal duties, including those under the Charter and Framework Agreement and our other legal duties under any other relevant and appropriate guidance applicable to public bodies. In reaching these provisional conclusions we have¹¹:
- Represented the interests of licence fee payers in considering the value that would accrue to them from the proposal, if approved
 - Secured the independence of the BBC through proper application of the PVT process
 - Assessed, and will continue to assess, carefully and appropriately the views of licence fee payers through formal consultation
 - Exercised rigorous stewardship of public money through the value for money analysis we conducted in the PVA
 - Had regard to the competitive impact of the BBC's activities on the wider market through our consideration of the MIA
 - Ensured that the BBC observes high standards of openness and transparency through the publication of this and other documents arising from the PVT process.

6. The Future

- 6.1 The Trust's provisional conclusion on this PVT does not imply that the Trust believes the BBC should not have a duty to ensure that audiences see a better reflection of their communities. A gap in BBC performance remains in this area. The Trust believes that this requires a range of measures, some of which have already been undertaken,

¹¹ These considerations are set out in Article 23 of the Charter

including moving a greater proportion of BBC production closer to the audiences it serves and looking closely at how network news represents the nations of the UK.

6.2 In the Trust's view a series of smaller, targeted interventions based on existing services could increase public value and contribute to the relevant public purposes. The Trust recommends the following are considered among the options:

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

6.3 There could also be scope, through meaningful partnerships for the BBC to contribute more widely to existing regional news providers and potential new entrants. We would wish the Executive to consider carefully its response to these points.

6.4 The BBC exists to serve all audience groups and it is legitimate for the public to expect high-quality Nations and Regions content. The BBC needs to be more responsive to local needs and properly reflect the UK, its nations, regions and communities, across a range of platforms and genres.

6.5 In the Trust's view, a broadband-only proposal will not close the purpose gap and should not be contemplated by the Executive in the foreseeable future. We believe the gaps in the news portfolio should be addressed in other, more cost-effective, ways that better contribute to the public purposes.

6.6 Whilst a broadband-only service excludes certain groups, we accept there is a level of public value in the development of the BBC's local websites, although this should occur within existing budgets. Meanwhile, non-news programmes are valued: there is a strong appetite for better regional representation in both factual and entertainment genres.

6.7 Before reaching its final conclusions, the Trust will ensure that funds totalling £68 million that were to be used to implement local video will be removed by the Executive from the Nations and Regions' budget and returned to central funds. Expenditure of this money will be subject to approval by the Trust.

6.8 The Trust requires the Executive to review the BBC's existing regional news services and consider how these may be improved in order to fill the purpose gap. The Trust

further expects the Executive to return, within a reasonable timeframe, with proposals to fill the purpose gap and improve nations and regions provision. However, the Trust has been clear that it will not consider proposals which in any way reflect local video in terms of its scale (the size of local newsgathering capabilities) and nature. The Trust has set out some specific recommendations below which the Executive should consider.

- 6.9 The Trust acknowledges that local commercial providers of newspapers, radio and online content face challenges in their market and that expansion by the BBC in this area risked certain negative market impacts. By not approving the local video proposal, the Trust considers that it will give providers both scope and space to develop their offerings. That is not to say that commercial providers are likely to provide the only public value solutions. The Trust expects the BBC to remain open to new ways of enhancing local news provision through its relationship with other providers, for instance through partnerships which operate properly and effectively.
- 6.10 The Trust notes that certain stakeholders queried whether certain features of the bbc.co.uk service, such as interactive map-based navigation, should be considered in this PVT. In our view, given that these are evolutionary features of an existing service, the decision not to assess them as part of this PVT is appropriate.

7 Next Steps

- 7.1 The administrative timetable set out for the local video PVT anticipated a 40-day consultation period on the provisional conclusions. Having completed the PVA and MIA, the Trust considered whether this remained an appropriate consultation window. The Trust took account of:
- The service description: produced by the Trust and Ofcom, this has been publicly available since 24 June 2008. At the start of the PVT we also published as much of the Executive's application and supporting documents as possible, taking into account commercial sensitivity. This allowed for proper consultation and enabled respondents to familiarise themselves with matters relevant to the PVT.
 - The level of detail in the PVA and MIA, which both set out relevant issues, and the provisional conclusions which outline our views.
 - Stakeholders' concerns that the PVA and MIA were to be published with these provisional conclusions. While taking account of those concerns, we consider it is appropriate that the public and stakeholders can read the underlying analysis with our provisional conclusions. For this PVT, there did not appear to be any benefit to the public and stakeholders in publishing the underlying analysis in the PVA and MIA without our provisional conclusions, particularly because it is important the Trust explains why it is not approving the proposal.
- 7.2 It is important that the PVT process proceed expeditiously as required by the Framework Agreement. The Framework Agreement sets a six month timescale for PVTs unless extended by the Trust. Given the complexity of the issues raised by the

local video proposal we have already extended the PVT time-scale. After careful consideration, and to ensure the public has the fullest opportunity to consider the analysis and our views, the Trust has extended the consultation period which will now run from 21 November 2008 until 5 January 2009.

- 7.3 Our provisional conclusions are therefore open for consultation until 5.00pm on 5 January 2009. A list of consultation questions can be found in annex II. During this period the BBC Executive will have the opportunity to comment. We intend to publish our final conclusions no later than 25 February 2009.

Annex I. Background to the Public Value Test

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

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

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

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

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

Annex II. Public Consultation on Provisional Conclusions

The Trust's provisional conclusions on the BBC local video proposals are now open to public consultation. The Trust has provisionally concluded that the likely public value does not justify the potential negative market impact. In particular, the proposal will deliver a low to medium level of public value because the proposed service will not reach underserved groups and low approvers in sufficient numbers to either close the existing purpose gap or justify the level of investment and we accept that the proposal will have negative market impacts which are not justified by the public value identified.

The Trust welcomes views from the public, the Executive and stakeholders, on whether it has reached the right provisional decision. We have set out below a number of questions to which we are specifically seeking your thoughts but also welcome more general comments on our provisional conclusions.

You may submit your response in the following ways:

At the BBC Trust's website, www.bbc.co.uk/bbctrust

By email to localvideoconsultation@bbc.co.uk

By post to:
Local Video Consultation
BBC Trust
35 Marylebone High Street
London W1U 4AA

Please complete the confidentiality statement, below, when making your response.

Audio and Braille versions of this document are available upon request by calling the BBC Trust Consultation line on 0800 068 0116 or text phone 0870 010 0212

The consultation will close on 5 January 2009.

Consultation Questions

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

How the BBC Trust will use your Response

A summary of responses to this consultation will be published on the BBC Trust website (bbc.co.uk/bbctrust) after the consultation has closed. Comments will be used by the Trust, where appropriate, in reaching its final decision on the Local Video service.

Names and/or addresses of individual respondents will not be published on the BBC Trust website. The Trust will publish details of organisational responses. Please copy or sign the declaration below to signal that you are prepared for some or all of your response to be made public. Otherwise the assumption is that some or all of your response may be made public. If you would prefer that all or part of your response be treated as confidential, please make this clear in your submission.

Confidentiality Statement

PLEASE PRINT AND SIGN THIS DECLARATION IF YOU ARE SENDING A HARD COPY OF YOUR RESPONSE. IF YOU ARE SENDING AN ELECTRONIC RESPONSE, PLEASE COPY THIS STATEMENT INTO THE RESPONSE AND COMPLETE IT.

If you would prefer that all or part of your response be treated as confidential, please complete the confidentiality section below.

What do you want the BBC Trust to keep confidential?

Nothing	
Whole response	
Part of it	
Which part? (Please indicate)	

Name
Position/job title (if applicable)
Organisation (if applicable)
Address
Telephone
Email address

The BBC Trust will retain and use your name, address, email address and the organisation you work for (if applicable) for the purposes of administering the online public consultations held on this website. You will have the option of deciding whether you want your response and, if responding on behalf of an organisation, its name displayed on this website (all other personal information will be withheld from display). Your personal details will not be passed to any third parties for marketing purposes.

The BBC complies with the Data Protection Act 1998. For more information on BBC's Privacy Policy please refer to <http://www.bbc.co.uk/privacy/>.

The BBC is listed as a public body in Part VI of Schedule 1 to the Freedom of Information Act 2000; this means that, subject to certain restrictions, the BBC may be required to disclose information it holds to individuals and organisations making a valid request to be supplied with that information under the Act.

If you have requested that all or part of your response should be kept confidential, the BBC will take reasonable steps to maintain confidentiality of that information if a request for its disclosure

is received under the Act. Please note, however, that in the event the BBC is able to withhold information under the Act, this decision may be overturned by the Information Commissioner, the Information Tribunal or the courts.

Please note that we may still refer to the contents of responses in general terms, without disclosing specific information that is confidential. We will exercise due regard to the confidentiality of information supplied.

DECLARATION

I confirm that the information I have submitted is a formal consultation response. It can be published in full on the BBC Trust's website, unless otherwise specified, and I authorise the BBC Trust to make use of the information in this response to meet its legal requirements. If I have sent my response by email, the BBC can disregard any standard email text about not disclosing email contents and attachments.

Name

Signed (if hard copy)