

Local Video

Public Value Assessment

Contents

1. Executive Summary	5
2. Approach to Assessment	12
3. Executive Proposal and Strategy for Local News	17
4. External Context	20
5. Perceptions of 'Local'	22
6. The BBC Trust's Assessment	24
7. Counterfactual	56
8. Conclusions	59
Annexes	
I Description of Proposals	63
II Trust Assessment on Reach	74
III Trust Assessment on Quality	85

Glossary of Terms

ABC1	Social grades classification relating to occupation, ABC1 encompasses managerial, professional, administrative and supervisory roles
Charter	The current Royal Charter governing the BBC
Click-through	A measure of the number of times a particular link on a web page has been clicked
C2DE	Social grades classification relating to occupation, C2DE encompasses skilled, semi-skilled and unskilled manual workers, pensioners and those dependent on the state for their income
DTT	Digital terrestrial television (also known as Freeview)
Embedded content	Content, usually media, from another website or source that is included seamlessly within the body of a website, in many cases users can take embedded content and add it to the body of their pages/social sites instead of linking back to the original source
Framework Agreement	Framework Agreement dated July 2006 between the BBC and the Secretary of State for Culture, Media and Sport. also referred to in the PVA as the 'Agreement'
GPS	Global Positioning System, a satellite-based navigation system, commonly used in mobile phones, which can be used to pinpoint location
IP	Internet protocol, a method by which data (e.g. email, video) are sent from one computer to another on the internet
IP-enabled	A device capable of connecting to the internet, whether through a fixed connection (e.g. broadband or cable TV), or wirelessly (e.g. over mobile networks or WiFi)

iPlayer	Online, on-demand catch-up BBC service, which allows users to watch BBC programmes from the previous seven days
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 BBC 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 BBC Trust will consult the public to ensure its decisions are properly informed by those who pay for the BBC
Q&A	Question and answer
Reach	Measures reach of BBC's service to its audience
Service licence	The BBC 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
UGC	User generated content (text, video etc) produced by end-users as opposed to traditional media producers, broadcasters, publishers etc

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

1. Executive Summary

1.1 Introduction

1.1.1 In May 2008, the BBC Executive ('Executive') submitted proposals to the BBC Trust ('Trust') to provide an on-demand, local video service, delivered via fixed and mobile broadband internet connections ('local video'). The Trust considered that the proposals constitute a significant change to an existing service (under the Charter and Agreement) and should be subject to a Public Value Test ('PVT').

1.1.2 This document sets out the Trust's position on the public value of the local video proposals. Ofcom's Market Impact Assessment ('MIA') is published separately.

1.2 Description of Proposals

1.2.1 The Executive has submitted a proposal to provide an on-demand, local video service, delivered via fixed and mobile broadband internet connections. At launch, the service would not be available on any other platform.¹

1.2.2 Local video would expand upon the BBC's existing network of local websites.² 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);³ 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.

1.2.3 The service would offer bespoke video, focused chiefly on news and sport, but also including weather, user generated content⁴ and knowledge-building genres (for example, science, nature, heritage, history, arts, culture and faith).

1.2.4 The service would add a new tier of local video newsgathering to local news provision on bbc.co.uk. Content would be produced locally in, and for, each of the 60 areas. It would be free at the point of use, without advertising, and available across the whole of the UK for broadband users.

1.2.5 Local video would have an annual operating budget of £23 million by 2012/13⁵ and around [REDACTED] staff. It would expand upon and sit within existing local provision on bbc.co.uk.⁶

¹ A service description can be found in annex I

² BBC Local, formerly known as 'Where I Live'

³ In 11 of the proposed local video areas, the population is below 250,000, these are: Highlands and Islands, South West Wales – Welsh, North West Wales – Welsh, Mid Wales – English, Cardiff and South East Wales – Welsh, North East Wales – Welsh, North West Wales – English, Jersey, Isle of Man, Mid-Wales – Welsh, and Guernsey.

⁴ Produced in collaboration with the BBC

⁵ Since completing the PVA, the Executive has suggested re-phasing investment in local video, which means it would not reach maturity until 2013-14, although total cost remains the same. Our assessment is based on information set out in the application, as of May 2008, and we do not believe this change makes a material difference to our assessment.

1.2.6 Further incremental enhancements to local provision on bbc.co.uk are planned in 2008/09 and in subsequent years. The ongoing modernisation of local provision is taking place within the existing service, subject to cost, and does not form part of this PVT assessment. It includes:

- Further opportunities for user participation on BBC local sites, developing the range and quality of existing options.
- Development of the BBC local sites in Northern Ireland
- Improved search, navigation and site architecture, including a greater use of map-based technology.

1.2.7 Table 1.1 summarises proposed changes and indicates which are covered by the local video PVT and which fall under planned incremental investment.

Table 1.1: items covered by local video PVT

PLANNED CHANGES	COVERED IN PVT?
Local video news bespoke for broadband	P
User generated video content produced with BBC assistance	P
User generated video content produced without BBC assistance	O
Interactive map-based navigation	O
Improved linking	O
General improvements to existing BBC local websites, including those in Scotland	O
Two new BBC local websites in Northern Ireland which does not currently have BBC local websites ⁷	O
New BBC local websites in Cheshire, Buckinghamshire and Surrey	P

1.3 Summary of Findings

1.3.1 There are six public purposes, illustrated below, and every BBC service should further them in some way. Those highlighted here have particular relevance for local video.

Figure 1.1: BBC public purposes, as laid down in the Charter⁸



⁶ bbc.co.uk 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 million and offers news coverage at an international, national, regional and local level.

⁷ While there are no BBC Local websites, a localised news index does exist in Northern Ireland.

⁸ Each public purpose has a purpose remit, these identify priorities set by the Trust to help the BBC focus on its remit and deliver the purposes.

- 1.3.2 Audiences attach a high value to national and regional news and see it as an important part of the BBC's remit.⁹ But in a fast-changing media environment, the effective fulfilment of the purposes is under strain, as evidenced by research conducted by the Trust into the purpose remits in 2007:¹⁰

Sustaining Citizenship and Civil Society

Regarded by licence fee payers as one of the most important purposes, BBC performance is considered to be strong.¹¹ Those within the devolved nations of the UK consider that it could do more to help them understand constitutional affairs. Audiences also have concerns about the way devolution is reflected in network news coverage.

Representing the UK, its Nations, Regions and Communities

In meeting its obligations, the BBC should provide a range of output¹² to meet the needs of different audience groups. Whilst not considered a key priority by licence fee payers, it remains an important part of the BBC remit with considerable performance gaps.¹³ 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; those aged under-45 in lower income groups tend to rate the BBC poorly.¹⁴

- 1.3.3 The Executive maintains that two fundamental shifts are shaping attitudes and contributing to the purpose gap:

- an increased interest in local; and
- the long-term shift from linear to on-demand news consumption.

- 1.3.4 We challenged the Executive to fill the purpose gap and we value the effort that they have put into local video proposals.

- 1.3.5 We recognise the important role that the BBC plays in reflecting the diversity of the UK, its nations, regions and communities.¹⁵ The key question for this PVA is not,

⁹ Ofcom's Second Public Service Broadcasting Review – Phase 1: The Digital Opportunity, p. 36 (the top public priority for programme types on the main TV channels was news)

¹⁰ http://www.bbc.co.uk/bbctrust/framework/purpose_remits.html

¹¹ BBC Trust Purpose Remit research, 2007

¹² Spanning news, entertainment and factual content

¹³ It is among the largest for any of the BBC's public purposes. The provision of a range of output to meet the needs of the nations, regions and communities was also identified as an area for improvement, BBC Trust purpose remit research, 2007

¹⁴ Looking at the overall UK picture, for

1)The BBC helps me feel more involved in my community

2)The BBC caters for my area and my community

The biggest purpose gaps are for under-45 C2DE groups. In 'Delivering Creative Future', the Executive also emphasised the importance of better purpose delivery to C2DE audiences and of lower perceptions, among this group, of BBC value more generally.

¹⁵ Our own audience research undertaken by Rosenblatt has highlighted the importance of the BBC reflecting local issues as well as a key BBC Public Purpose being the representation of UK, its nations, regions and communities.

therefore, whether the aims are important, but rather, whether this proposal will enable the BBC to address local issues and close the purpose gap.

1.3.6 The gap should be addressed in a way that seeks to increase approval in the devolved nations and English regions. The BBC exists to serve all audience groups and there is a need to improve performance on a geographic basis. Any offering must therefore take account of the challenges in reaching low approvers and the underserved. The Executive hopes that local video will widen the age profile of BBC regional and local news by attracting a younger audience. Those under the age of 45 are therefore a key group.¹⁶ However, as part of our assessment, we have also considered how far the proposal will address audiences identified in the purpose gap research. In this PVA, we have focused on the underserved as being, in particular, those in the devolved nations, in some English regions¹⁷ and those aged under 45 in lower income groups.

1.3.7 Underpinning the PVA is a series of key questions:

- at what geographic level should local coverage be set?
- will people use and watch the local service?
- does the proposal narrow the purpose gap?

1.3.8 The Executive's approach is to maintain and strengthen the reach and impact of local news services to offset the predicted decline in regional television viewing through (a) the conversion of existing BBC local website users to broadband video and (b) attracting a new and younger audience to local issues. It hopes that local video will 'reinvent the BBC's regional and local news offering' and safeguard the delivery of the purposes; compensating for the decline in the reach of regional television audiences, attracting a younger demographic¹⁸ and deepening users' appreciation of BBC local websites'.¹⁹

1.3.9 We can see that there is potential for proposals to fit with and further the BBC's public purposes and wider strategy, a possible remedy to the twin challenge of reach and relevance. As a local news-based offering, it may reach a broader area of the UK and better represent regions poorly served by the BBC. In practice, however, the Trust's assessment revealed a number of issues, which we summarise below.

I. Reach and impact

1.3.10 Demand for local news is strong.²⁰ The concept of a local video, on-demand service has attracted support from a broad church. In theory, local news drawn together in an innovative, interactive portal is a powerful proposition. Relevant local news has valuable social currency and may allow the BBC to reconnect with underserved groups who currently regard it as too remote. But if the principle appeals it leads quickly to a debate

¹⁶ In the Executive's application, the offer is targeted at serving all audiences but is likely to be used above all by the under-45s

¹⁷ Away from the South East

¹⁸ The Executive maintains that the centre of gravity of audiences for local video is likely to be the 25-44 age group.

¹⁹ BBC Local Video Management PVA, 2008, p. 3

²⁰ As seen in evidence presented by the Executive and in our own research.

on whether broadband is an effective delivery platform and the level at which local provision should be set.

- 1.3.11 'Local' is a flexible concept for listeners and viewers, ranging from very local to regional.²¹ Audiences expect better national and regional representation, and those in underserved areas express frustration with poor coverage. But even those who welcome a more local presence have differing expectations as to its character.
- 1.3.12 The proposal is beset by a number of issues; chief among them having to actively search for content that many assume will be of limited interest. 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.²²
- 1.3.13 Convenience of access is a critical factor and broadband represents a barrier to use, both in terms of access and the way in which people consume local news.²³ Whilst usage of the internet as a source of local news is growing – albeit from a small base – consumption is largely driven by convenience; 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 search actively for content. For the under-35s, the internet is used somewhat more routinely.²⁴
- 1.3.14 A number of stakeholders raised concerns that a broadband-only service would exclude certain groups; others noted that in rural areas, high-speed broadband was less widely available. Socio-economic factors influence broadband take-up, and low income groups are generally less well represented online. Low approval of BBC performance is more pronounced among these groups. We are not therefore persuaded that local video will reach these groups in sufficient numbers to close the purpose gap.
- 1.3.15 Research findings consistently support demand for local news delivered via television; but spectrum scarcity and cost²⁵ limit the BBC to broadband. We note that commercial news providers are embracing video news, but also that they have more latitude with editorial agendas and a remit that encompasses listings and directories – of more practical value and wider appeal in an online environment.
- 1.3.16 The Executive assumes that reach for local sites will remain steady at 16% of broadband households and we accept this view. Even without the introduction of local video, therefore, the number of households accessing BBC local online content will grow from around 2.1 million in 2007 to 3 million by 2014.²⁶
- 1.3.17 Our own projections suggest local video will deliver incremental reach for BBC local sites of between 3.6% and 9.6% of broadband households by 2014. Taking the mid-point of 6.6% (which is in our view most likely), this represents 1.2 million UK households that will be brought to BBC online content by 2014.

²¹ Rosenblatt research for the BBC Trust, 2008

²² Rosenblatt research for the BBC Trust, 2008

²³ Rosenblatt research for the BBC Trust, 2008

²⁴ Research for the BBC Trust, 2008 and Ofcom Communications Report 2008

²⁵ On the DTT platform







²⁶ Based on 28.3 million UK households by the end of 2013.



- 1.3.18 We believe, however, for reasons we set out in section 6, that consumption of local video will mostly be among core audience groups,²⁷ without any significant extension of reach to the underserved and low approvers.
- 1.3.19 Our overall conclusion, therefore, is one of limited impact given exclusion issues for non-broadband users and the low appeal of an online local news offering that does not extend to listings, reviews and general entertainment.

II. Quality and distinctiveness

- 1.3.20 The distinctiveness of the proposals is low, although some elements are distinctive. Given our reservations on impact and reach, quality has been treated as partially less relevant (although indications are that it would be a high-quality service). We summarise our analysis in figure 1.2, a full assessment is set out in annex III.

Figure 1.2: summary of distinctiveness analysis

Criterion	BBC Trust Assessment
Editorial values	
Non-commercial	
Made for UK	Not relevant
Link to TV & radio brands	
Creative & editorial ambition	
Fresh & original approach	
Uniqueness	

Key:  distinctive  not distinctive

- 1.3.21 An important part of the local video proposals is a focus on partnerships. We welcome efforts to improve collaboration and recognise it as a potential source of distinctiveness that underpins a wider BBC agenda but note that it appears currently to be of limited value.²⁸

III. Cost and value for money

- 1.3.22 Against this background the Trust looked closely at value for money, including the wider affordability of the proposals at a time when pan-BBC costs are under pressure. In our view local video does not provide value for money, especially given the limited uplift in reach to key audience groups and access issues for non-broadband users. The same, or similar ends, could well be achieved by better use of existing resources





²⁷ This point is also made by the Executive in its application, which states that ‘consumption of local video will be predominantly among households forecast to be already using BBC’s local online content adding considerable value for these users and “future-proofing” these websites’.



²⁸ A full discussion can be found in annex III.

Conclusions

1.3.23 Our overall conclusion is that the proposal offers a low to medium level of public value. In particular, its ability to further the public purposes and close the purpose gap is hampered by limited reach to key audience groups. Our research has not established that audiences need more video content. Our assessment instead suggests that a similar level of public value could well be delivered with improvements to navigation, access to a richer source of archive material and additional provision in underserved geographic areas. Our overall findings are summarised as at figure 1.3, below.

Figure 1.3: summary of Trust assessment

Drivers of Public Value	BBC Trust Assessment
Reach	
Impact	
Quality & Distinctiveness	
Value for Money	

Key:  High value  No value

2. Approach to Assessment

2.1 Introduction

2.1.1 The Trust received the Executive's proposals for local video on 19 May 2008 and launched the PVT on 24 June 2008. The first consultation period was originally set for 28 days. However, the Trust and Ofcom agreed to extend the consultation period on the PVA and MIA respectively, to 42 days. The consultation consequently closed on 4 August 2008. This document is the PVA in the Trust's PVT of the Executive's proposal to launch a local video offering.

2.1.2 In this section we explain the PVT process and the approach taken in this assessment. This document is the PVA.

2.2 The PVT Process

2.2.1 The PVT is a key component of the BBC's system of governance, which took effect with the new Charter and Agreement on 1 January 2007.

2.2.2 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 from the Executive must be subject to full and proper scrutiny. The means by which this takes place is the PVT.

2.2.3 The Executive's proposals for local video involve an expanded local news gathering operation, which the Trust considers to be a significant change to the UK Public Services and has, accordingly, subjected it to a PVT. The proposals do not constitute a new service in that, if approved, they will form part of bbc.co.uk.

2.2.4 The PVT is a rigorous, evidence-based process, usually lasting six months and featuring two consultation periods.²⁹ Given the complexity of proposals, and in particular of the MIA, the Trust agreed that the PVT for the local video proposal will run for approximately eight months.

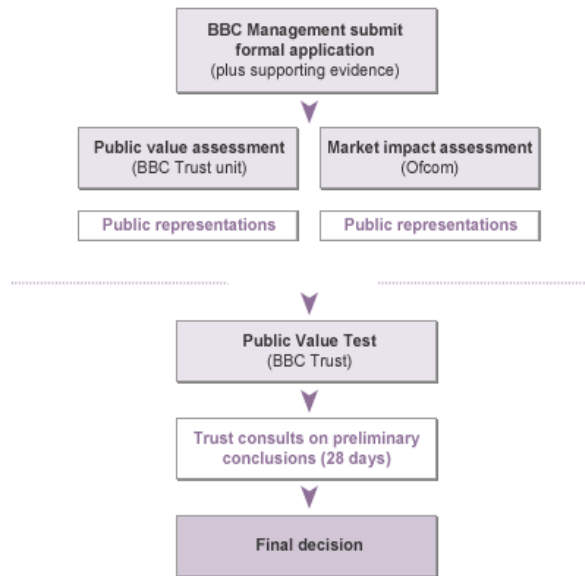
2.2.5 The PVT process is used to assess both the public value and market impact of proposals. It comprises:

- the PVA, which assesses the public value expected to be created by the offering as assessed by the Trust (see section 5)
- the MIA which assesses the effect of the proposal on other services in the market as assessed by Ofcom. The MIA is carried out in accordance with the methodology agreed between Ofcom and the Trust, through the Joint Steering Group (the JSG). The MIA report will be available on Ofcom's website (ofcom.org.uk).

²⁹ The Trust can allow for a longer period if justified by circumstances.

2.2.6 The Trust will consider this PVA alongside the MIA. In reaching its decision, the Trust must be satisfied that any likely adverse impact on the market is justified by the public value generated. Further, it must also be satisfied that the approval is consistent with the Trust's duties including those under Articles 22 and 23 of the Charter and its other legal duties. The Trust will publish its provisional conclusions on its website (bbc.co.uk/bbctrust) and will consult on them before making its final conclusion.

Figure 2.1: the PVT process



2.2.7 The Trust is conducting this PVT in accordance with the *Guidance on the conduct of the Public Value Test*³⁰ published on the Trust's website.

2.3 Approach to the Public Value Assessment

2.3.1 The PVA aims to establish the likely public value of a proposed new service or offering. As a general approach, public value is primarily assessed over a five-year period; it is invidious to forecast beyond that time given the increasing uncertainty, in scale and scope, of factors that could potentially affect the public value of any proposed service. However, in order to recognise the full value of a proposed service, factors beyond this period may be taken into account.

2.3.2 As a starting point for its assessment, the Trust considers the strategic objectives underpinning proposals. Local video aims to enrich linear provision of local issues, develop a new tier of local newsgathering and engage a younger audience.

2.3.3 It then considers whether the proposals fit with the BBC's public purposes. It is a prerequisite of any approval that a proposed service or offering should further the

³⁰ http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/pvt/pvt_guidance.pdf

public purposes in some way. There are six public purposes which we set out below. Those highlighted have particular relevance for local video.

Figure 2.2: BBC public purposes



2.3.4 In its application the Executive has acknowledged that the proposals make a lesser contribution to the non-highlighted public purposes and they are therefore not critical to the Trust's assessment in this PVA.

2.3.5 We also assess the local video proposals against four key drivers of public value:

- Reach
- Quality
- Impact
- Value for money

2.3.6 The following table sets out the assessment of the proposal against the drivers of public value.

Table 2.1: fit with drivers of public value

Drivers of Public Value	Proposal's fit with Drivers of Public Value
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?

2.3.7 The relative importance of each driver of public value varies across different proposals. Our overall assessment in each case is weighted by the significance of each driver for the proposal under assessment.

2.3.8 The following table summarises the weight attached to the four drivers of public value for the local video PVA.

Table 2.2: *weighting the drivers of public value*

Drivers of Public Value	Local Video Weighting
Reach	To have a real impact, it must reach its target audience, reach therefore is also a key driver
Quality & Distinctiveness	This driver is important, also in relation to commercial provision
Impact	Impact on different target audiences and in particular younger audiences is a key driver
Cost and Value for Money	Total cost and value for money relative to other BBC investment is highly relevant particularly in relation to commercial provision and at a time of increased efficiency

2.4 Methodology for the Assessment

- 2.4.1 On receipt of the Executive's application, the Trust and Ofcom jointly drafted a service description, which was agreed with the Executive prior to publication. This clarified our understanding of the proposal under assessment. The service description was published at the start of the PVT process. We draw upon it throughout this report.
- 2.4.2 On commencement of the assessment, we undertook a series of meetings with the Executive to understand better evidence submitted in support of the local video proposals.
- 2.4.3 We then considered the strategic context within which local video would operate and the extent to which it would support the BBC's public purposes. This assessment was informed by our analysis of the likely reach, quality, impact and value for money of the proposed service, set out in section 6 of this document.
- 2.4.4 Our central assessment is in respect of the proposed launch of local video. We have also considered the counterfactual: what would happen if proposals are not approved and BBC local sites evolve over a five-year period with incremental investment, under the terms of the bbc.co.uk service licence. The counterfactual is presented in section 7.
- 2.4.5 Our conclusions and recommendations on the PVA are presented in section 8.

2.5 Sources of Evidence

- 2.5.1 As part of our assessment of public value we drew on evidence from a variety of sources.
- From the Executive – in January 2008, the Executive submitted to the Trust a service proposal and terms of reference for its proposed evidence in support of local video. Following approval of the terms of reference, the Executive gathered evidence, which it formally submitted with its application in May 2008. Briefly, this comprised:
 - evidence on the public value created by the proposition

- an initial market impact assessment
 - findings from a series of deliberative workshops
- From the general public and industry – we sought representations on public value from the general public and industry stakeholders. The Trust received 24 responses from industry and organisation stakeholders and 131 responses from members of the public. These responses have been used to inform the PVA. A high-level summary of all consultation responses from the general public is included in annex IV, a list of stakeholders and the full text of the non-confidential stakeholder consultation responses is included in annex V. In addition to considering written responses, we conducted a series of meetings with stakeholders to gain further insight into their views on the proposals.
- From our own analysis – following a preliminary assessment of the evidence submitted by the Executive, we examined the evidence base and historical and strategic context; tested underlying assumptions and assertions and requested further evidence as appropriate.
- From additional research commissioned by the Trust Unit – we commissioned Rosenblatt to undertake consumer research with approximately 130 people through 16 focus groups and 10 in-depth triad interviews in a range of locations (Slough, Exeter, Manchester & Bury, Cardiff & Bridgend, Glasgow, Highlands – Inveraray, Islands – Mull, Belfast & Holywood).

2.6 Sharing Information with Ofcom

- 2.6.1 Throughout the process, the Trust and Ofcom discussed the proposals under assessment, whilst always being aware of the different roles each was performing and maintaining independence and confidentiality.
- 2.6.2 Information was shared except where submitted in confidence or where otherwise commercially sensitive, in order to ensure that the PVA and MIA were conducted on the same factual basis.
- 2.6.3 It should be noted that the Framework Agreement specifically established the joint Trust/Ofcom group (the Joint Steering Group) to ensure that the MIA is conducted in a manner appropriate to the PVT and to a suitable schedule.
- 2.6.4 The Trust's conclusion on this PVA has been developed independently, without the input of Ofcom.

3. BBC's Proposals and Strategy for Local News

- 3.1 The Executive plans to build on its portfolio of international, national and local journalism, extending reach across a range of platforms and media, see table 3.1. At the same time, it is committed to a programme of efficiency savings over the five years to 2012/13.

Table 3.1: BBC news provision, by platform

Content/Platform	TV	Radio	Online	Mobile	Red button
National news audio-visual	P	O	P	P*	P
National news audio	P	P	P	P	P
National news text	O	O	P	P	P
Regional news audio-visual	P	O	P	P	P**
Regional news audio	P	P	P	P	O
Regional news text	O	O	P	P	P
Local news audio	O	P	P	P	O
Local news audio-visual bespoke for broadband	O	O	O	O	O
Local news text	O	O	P	P	O***

* On selected models, iPlayer and N96, and/or limited to wireless broadband to avoid bill shock

** This is occasionally made available to audiences nationally (but not on a bespoke regional basis)

*** While the stories written up online by BBC local text journalists are, like national/regional text stories made available via Ceefax, they are only currently aggregated on a regional (not local) basis. Aggregation on a local basis could be made available after digital switchover.

- 3.2 Finding the best way of meeting demand for programming made for the UK's nations, regions and communities has challenged the BBC since its inception. The BBC's local ambitions were historically limited by technological and cost barriers. Broadcasting was based on large regions and determined by transmitter locations, and local coverage fell to the BBC's network of radio stations. The advent of widely-available, affordable broadband technology marked a step change, allowing the BBC to establish more locally-based services.
- 3.3 At the same time, the BBC is witnessing a decline in reach to its regional television news, particularly among a younger audience (defined by the Executive as under-45s).
- 3.4 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.

- 3.5 The Executive maintains that local video will help to safeguard the range and quality of news output by increasing the range of video stories available to linear services.³¹ It hopes this will address historically poor representation of nations and regions on network news, by generating more locally relevant material.³²
- 3.6 Local video has its root in earlier BBC pilots for regional services and supersedes plans for a local television news service.³³ These include BBCiHull, a cable television trial, which ran from 2001 to 2002. The trial delivered local news and information to approximately 7,000 homes,³⁴ and there were subsequent small scale off-air trials in Worcester, Wrexham and Liverpool.
- 3.7 BBCiHull offered local sports and weather and included a bespoke news bulletin, updated three to four times a day. According to the Executive, the service demonstrated a strong appetite for local content, delivered in an on-demand environment, and, in particular, for 'viewer videos' and news stories.³⁵
- 3.8 It was 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. The content offering spanned news, sport, short features, weather and user generated content. The Executive points to findings from the trial as evidence of a growing demand for local content.
- 3.9 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.
- 3.10 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 demographic³⁶ and deepening users' appreciation of BBC local websites.
- 3.11 With an annual operating budget of £23 million by 2012/13, the 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

³¹ Without the material generated by local video, it asserts that traditional linear news services will struggle to maintain their quality and impact under agreed efficiency targets.

³² During the West Midlands trial around 10 stories on average featured on the *Midlands Today* regular bulletin each week, and several stories appeared on the BBC News Channel and network bulletins. BBC Management assessment of public value of local video proposals, P39

³³ These were refined after 'Delivering Creative Future', BBC Executive, 2007, concluded that broadband-only service represented better value for money.

³⁴ Which subscribed to Kingston Interactive Television - for historical reasons, Hull has had its own local telecoms supplier, other than BT, and therefore almost universal cable access.

³⁵ BBCiHull was part of a much larger £25 million investment in Yorkshire and Lincolnshire, 'Connecting Locally', which ran from 2001 to 2005. The aim was to demonstrate how a commitment to an overall broadcast service, across all available media could connect the BBC more closely to licence fee payers.

³⁶ The Executive maintains that the centre of gravity of audiences for local video is likely to be the 25-44 age group.

total number of local services to 65. (A summary of the proposals can be found in annex I.)

- 3.12 On average, up to 10 new local video stories would be created per 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 local video content can be found in table 3.2, below.

Table 3.2: summary of local video content

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.

4. External Context

- 4.1 As a starting point, we considered the wider environment within which the BBC operates. A growing appetite for on-demand content and heightened interest in local issues form the rationale for local video. Locally produced news plays a significant role in forming a sense of place, whilst personalised, on-demand content is shaping audience expectations.
- 4.2 Audiences attach importance to news for the nations and regions.³⁷ 'Local Matters', a 2008 study by the Newspaper Society found that people are strongly connected to local issues and that their 'attitudes, opinions and priorities vary significantly by region'. This was reinforced by Ofcom in its second public service broadcasting review³⁸ which found that audiences see the provision of local news and information as among the most important areas of public service content.
- 4.3 The UK has a long tradition of local media; 40 million people read a local paper in print, according to the Newspaper Society, whilst 25 million people listen to local commercial radio each week.³⁹ The industry is anchored by strong regional and local media, spanning 1,300 newspapers, 1,100 commercial local websites, 750 magazines,⁴⁰ 336 local commercial radio stations,⁴¹ a growing number of local community radio stations, nine community television channels⁴² and numerous niche sites serving local areas and communities.
- 4.4 Despite strong demand for local news, commercial operators are under pressure. The newsprint industry is contracting. A long-term decline in print, exacerbated by the growth of the internet and the advent of vertical specialist websites competing for recruitment, property and auto advertising, has disrupted traditional publishing models.
- 4.5 In response, publishers have established digital operations in an attempt to offset print decline. Others have diversified, for example, in 2003 Guardian Media Group (GMG) acquired Trader Media Group which owns the highly profitable Auto Trader brand, a specialist auto website. In a separate move, it also launched in 2006, Channel M, a free-to-air local television channel for the Greater Manchester area.
- 4.6 The economics of television delivery of local services are uncertain. Like other local television services, Channel M is broadcast using analogue spectrum. However, the UK's analogue television signals will be switched off, region by region, between 2008 and 2012. Ofcom's market-led approach to the release and award of digital spectrum makes it less likely that local television services will be able to secure valuable spectrum, as costs will increase.⁴³

³⁷ Ofcom, New News, Future News, July 2007, p24, BBC local video Public Value Assessment, 2008, p18

³⁸ Ofcom, Second Public Service Broadcasting Review – Phase 2: preparing for the digital future, 2008, p67

³⁹ RAJAR, 2008, this compares with 9 million to BBC local radio

⁴⁰ Newspaper Society, Annual Review 2007/08

⁴¹ In addition to 40 BBC local radio stations across the English regions and six national services, The Communications Market Report, Ofcom, 2007

⁴² Those licensed by Ofcom only, this figure excludes those broadcasters with no interest in local news and broadband only players

⁴³ The approach to DDR spectrum award is market based and technology neutral and no spectrum is currently being reserved for local TV. Certain packages are being made suitable for local TV, but not exclusive for that

- 4.7 National broadcasters are also struggling. In its second public service broadcasting review,⁴⁴ Ofcom cautioned that the current model for news may be commercially unsustainable, signalling a possible future shortfall in commercial provision. In its 2007 review, Ofcom recognised that nations and regions programming was ITV's most expensive contribution to public service broadcasting. The declining value of gifted analogue spectrum and increased competition for viewers signal a reduction by ITV in its regional news output over the period under review.
- 4.8 A relaxation of ITV's obligations in several areas, including regional news, looks likely and may include fewer regions, from 17 to 9,⁴⁵ a reduction in the weekly volume of regional news and in network current affairs. At the same time, ITV is set to increase its local focus with its network of local websites, as it pursues a slice of the £2.8 billion UK online advertising market.⁴⁶
- 4.9 Despite a focus on multiplatform strategies and a scaling back of regional linear services, television remains the primary source of information by some margin for UK and world news.⁴⁷ In its second PSB review,⁴⁸ Ofcom identified interest in local content but relatively little support for the internet as a substitute for television in the provision of nations and regions programming. With little prospect of digital spectrum being made available for the delivery of local television news, broadband delivery offers a cost-effective alternative, but poses a challenge for public service providers with universal access obligations.

use. Geographic interleaved packages have been finalised for Cardiff and Manchester areas. Source:

<http://www.ofcom.org.uk>

⁴⁴ Ofcom Second Public Service Broadcasting Review – Phase 2: preparing for the digital future, Ofcom, 25 September 2008, section 5

⁴⁵ In 2008, Ofcom proposed to accept ITV's proposals for a reduction in the broadcaster's regional news output, from 17 news services in England and the Scottish borders to 9. Ofcom Second PSB Review Phase 2: Preparing for the Digital Future, p.10

⁴⁶ Online advertising is the third largest segment of the UK advertising market after press and television, growing rapidly, up 38% to £2.8 billion in 2007, against total advertising market growth of just 4.3%, MTM 2008, pp.9

⁴⁷ Ofcom Communications Market Report, 2008; Ofcom second PSB review, September 2008, p.67

⁴⁸ Ofcom PSB review survey, 2007, Ofcom Second PSB Review Phase 1: The Digital Opportunity, figure 52, p.117

5. Perceptions of 'Local'

5.1 We start with a definition. 'Local' is a nuanced concept, which means different things in different places and at different times. The difficulty in defining local was raised by Professor Roger Laughton in his study for the Executive on the BBC West Midlands trial.⁴⁹ In very broad terms, local news is location specific with a limited lifespan and archive value. A widely accepted and useful definition comes from Ofcom in its 2006 Digital Local study:

Although different services may target communities of different sizes, we define 'local' services as any targeted at geographic communities ranging from a neighbourhood of a few hundred or thousand households, to a major metropolitan area with a million or more inhabitants. This includes services that are intended to meet the needs of particular population sub-groups (such as minority ethnic audiences) who may be dispersed over larger areas, but still have some element of geographic concentration.

5.2 Employing a similar approach, the Executive defines local as 'typically covering a county or conurbation of more than 250,000 people (and on average around one million), equivalent to the BBC's network of local radio services and local websites'.⁵⁰

5.3 Research by Rosenblatt commissioned by the Trust adds another dimension; people's perception of local constantly shifts, driven by work, home-life and school. Those living in rural communities attach importance to news from neighbouring communities,⁵¹ whilst city dwellers employ more rigid definitions of local.⁵²

5.4 This general view is reflected by the Executive in its application: ⁵³

The primary issue is that most people find it hard to define what their region actually is. In focus group discussion, most people express some difficulty in describing their region and its boundaries (this is not helped by confusing regional TV reception in many areas). Sometimes they think in terms of administrative boundaries. At times, people's sense of region might equate roughly to a particular city or to a particular county, or they might think in terms of a broader area such as 'the South West' or 'the North'. Regional attachments, while present, tend to be relatively weak (strongest in the south west and the north east of England), and people tend to identify most strongly with their neighbourhood, town and city, particularly in England.

5.5 At its most local, interest is rooted firmly in the specifics of daily life ranging from council services to church fetes. Significant news, such as hospital closures, school boundaries and

⁴⁹ The BBC's Local Television Pilot in the West Midlands, An Independent Assessment, Roger Laughton, 2006

⁵⁰ Local Video Public Value Test, Description of Service, June 2008, p.3

⁵¹ Research by Rosenblatt (2008) found that people tend to structure their local interests in a hierarchy, where news and events gain importance with proximity.

⁵² Those living in urban areas commonly identify two distinct local areas of interest: a central core area, typically where they live, and a secondary area, often a city centre, where they work or socialise.

⁵³ BBC Management assessment of public value of local video proposals, 2008 pp.20-21

crime statistics, concern a larger catchment. At this level, people often rely on regional television, local radio and regional press. Sport and community events can act as social glue and people are hungry for coverage (these last points were reinforced by findings from the 2001 Hull trial and also by our own research⁵⁴).

5.6 There is thus no single definition of 'local'. In this PVA, we have therefore sought to reflect different views appropriately.

5.7 Having explored perceptions of local, we now consider the BBC strategy for local news, within which proposals are framed.

⁵⁴ Audience research undertaken for the Trust by Rosenblatt, 2008

6. The BBC Trust's Assessment

6.1 Introduction

- 6.1.1 The Executive maintains that local video news, bespoke for broadband, marks a step change in BBC provision and that its introduction would strengthen the BBC local proposition. What is less clear is whether it will broaden reach of BBC content, particularly to underserved groups, sufficient to justify the investment.
- 6.1.2 At the core of our assessment is what the audience wants. In assessing public value, we had to be sure that the delivery platform was appropriate to the content proposition. In other words would those most likely to seek out local news do so in a broadband-only environment? Further, we had to satisfy ourselves that broadband would not act as a barrier to participation and, at a time when existing news services are under pressure, that this represented an appropriate use of licence fee funds.
- 6.1.3 In assessing public value, we also take 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 provide some justification for BBC expansion at a local level.
- 6.1.4 Before moving to our central public value assessment, we consider the 'purpose gap' in local provision and assess the importance to consumers and citizens of closing it.

6.2 Public Purposes and the Performance Gap

- 6.2.1 There are six public purposes, illustrated below, and every BBC service should further them in some way. Those highlighted here have particular relevance for local video.

Figure 6.1: BBC public purposes



- 6.2.2 The Executive believes the proposition 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.⁵⁵

⁵⁵ Helping to build digital Britain serves as a secondary contribution, by widening access to digital media, improving media literacy and targeting underserved groups, BBC Management's Assessment of the Public Value of its Local Video Proposals, 2008.

6.2.3 Audiences attach a high value to national and regional news and see it as an important part of the BBC's remit.⁵⁶ But in a fast-changing media environment, the effective fulfilment of the purposes is under strain, as evidenced by research conducted by the Trust into the purpose remits in 2007.⁵⁷

Sustaining Citizenship and Civil Society

Regarded by licence fee payers as one of the most important purposes, BBC performance is considered to be strong.⁵⁸ Those within the devolved nations of the UK consider that it could do more to help them understand constitutional affairs. Audiences also have concerns about the way devolution is reflected in network news coverage.

Representing the UK, its Nations, Regions and Communities

Whilst not considered a key priority for licence fee payers, it remains an important part of the BBC remit with considerable performance gaps.⁵⁹ 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; those aged under-45 in lower income groups tend to rate the BBC poorly.

6.2.4 The Executive maintains that two fundamental shifts are shaping attitudes and contributing to the purpose gap:

- an increased interest in local
- the long-term shift from linear to on-demand news consumption

6.2.5 It maintains it must modernise its portfolio of news services and develop cross-platform editorial propositions to supplement existing output and deepen users' appreciation of BBC local websites (figure 6.2 outlines existing services). It believes an on-demand local video news offering will help the BBC meet its public purposes and close the purpose gap.

6.2.6 A stated ambition is to extend reach to a younger audience, defined by the Executive as the under-45s.⁶⁰ An expanded local newsgathering operation would, it maintains, help sustain the reach and impact of the BBC's local news provision and safeguard the delivery of the citizenship and community purposes.

⁵⁶ 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)

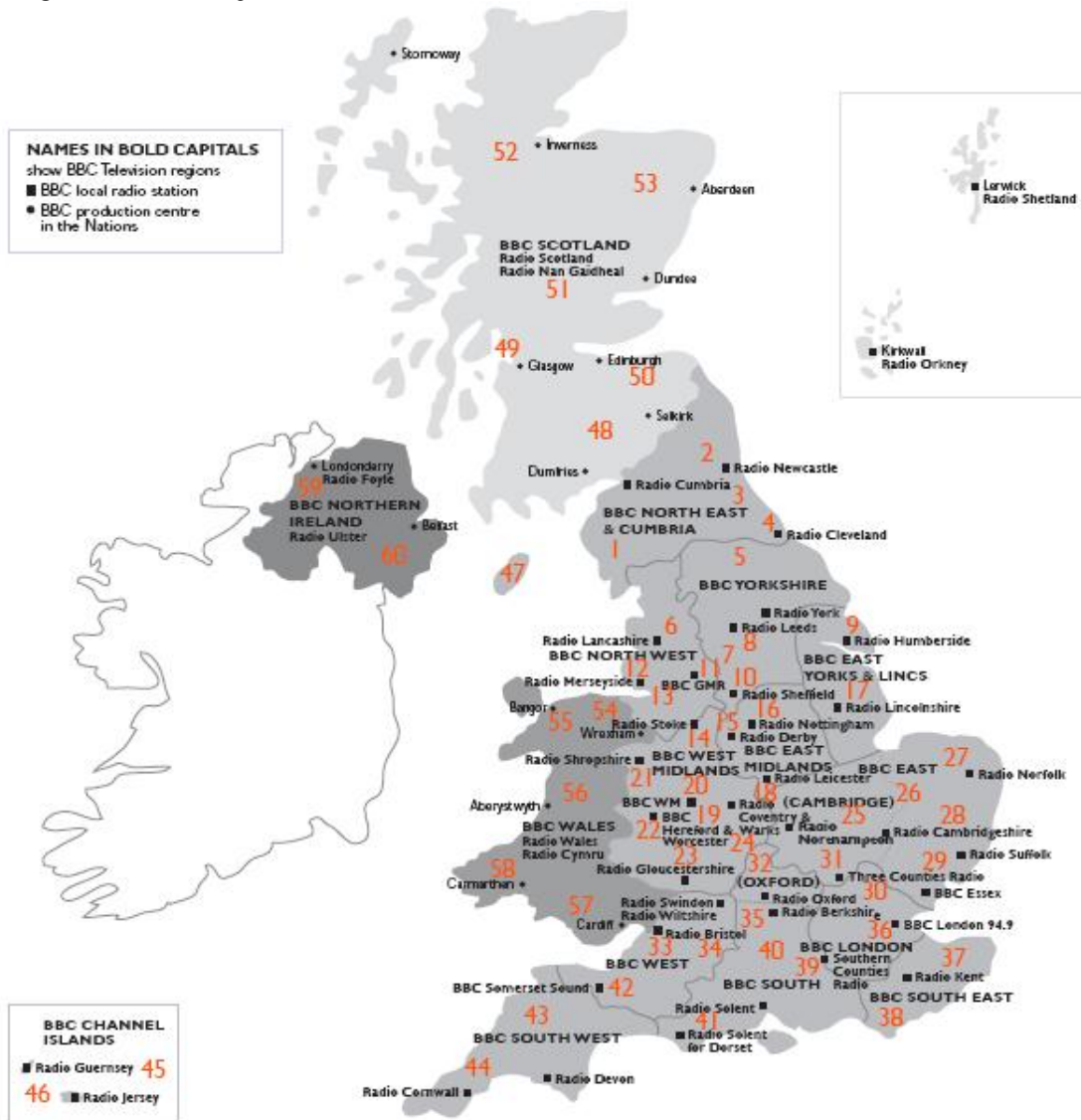
⁵⁷ http://www.bbc.co.uk/bbctrust/framework/purpose_remits.html

⁵⁸ BBC Trust Purpose Remit research, 2007

⁵⁹ It is among the largest for any of the BBC's public purposes. The provision of a range of output to meet the needs of the nations, regions and communities was also identified as an area for improvement, BBC Trust purpose remit research, 2007

⁶⁰ The Executive believes that the centre of gravity of audiences for local video is likely to be the 25-44 age group.

Figure 6.2: BBC regional television, radio and online news services across the UK



BBC LOCAL WEBSITES

ENGLAND

1. Cumbria
2. Tyne (Newcastle)
3. Wear
4. Tees
5. North Yorkshire (York)
6. Lancashire
7. Bradford & West Yorkshire
8. Lancashire
9. Humber (Humberside)
10. South Yorkshire (Sheffield)
11. Manchester
12. Liverpool (Merseyside)
13. Cheshire
14. Staffordshire (Stoke)
15. Derby
16. Nottingham
17. Lincolnshire
18. Leicester
19. Birmingham
20. Black Country
21. Shropshire

22. Hereford & Worcester
23. Gloucestershire
24. Coventry & Warwickshire
25. Northamptonshire
26. Cambridgeshire
27. Norfolk
28. Suffolk
29. Essex
30. Buckinghamshire
31. Beds & Herts
32. Oxford
33. Bristol
34. Wiltshire
35. Berkshire
36. London
37. Kent
38. Sussex
39. Surrey
40. Hampshire (Solent)
41. Dorset
42. Somerset
43. Devon
44. Cornwall
45. Guernsey

SCOTLAND

46. Jersey
47. Isle of Man
48. South Scotland
49. Glasgow & West Scotland
50. Edinburgh & East of Scotland
51. Tayside & Central Scotland
52. Highlands & Islands
53. North East Scotland

WALES

54. North East Wales
55. North West Wales
56. Mid Wales
57. South East Wales
58. South West Wales

NORTHERN IRELAND

59. Foyle & West
60. Belfast & East

- 6.2.7 We can see that there is potential for proposals to fit with and further the BBC's public purposes and wider strategy, a possible remedy to the twin challenge of reach and relevance. As a local news-based offering, it may reach a broader area of the UK and better represent regions poorly served by BBC news, in particular those in Northern Ireland and Scotland, where approval of the BBC is at its lowest.
- 6.2.8 The extent to which local video will ultimately contribute to the public purposes rests on its ability to reach key audience groups,⁶¹ thereby generating public value. The Executive hopes that local video will widen the age profile of BBC regional and local news by attracting a younger audience. Those under the age of 45 are therefore a key group.⁶² However, as part of our assessment, we have also considered how far the proposal will address audiences identified in the purpose gap research. In this PVA, we have focused on the underserved as being, in particular, those in the devolved nations, in some English regions⁶³ and those aged under-45 in lower income groups.
- 6.2.9 Before we can assess the likely contribution of proposals; we need to understand the shift in audience expectations. As a starting point, therefore, we examine factors underlying the purpose gap.

6.3 Factors Underlying the Purpose Gap

- 6.3.1 The Executive believes a gradual decline in reach of the 18:30 news bulletin on BBC One is due to a long-term shift from linear to on-demand and to an increased interest in 'local'.⁶⁴ It maintains consumption patterns are changing rapidly as video becomes increasingly common online and delivery mechanisms improve.
- 6.3.2 The picture belies a more complicated reality. Average audiences to the 18:30 bulletin fell from over 6 million in 2001 to 5.2 million in 2007.⁶⁵ Some regions fare better than others; in Wales, the East and the South West of England audience share of the bulletin remains relatively strong, at 35%, 33% and 31% respectively, but London (24%), the North East and the Border regions (both 20%) perform poorly.⁶⁶
- 6.3.3 The figures are worth a closer look. Falling audience numbers may be attributed to other factors, rather than a diminishing appetite for regional news. Londoners, for example, are among those least likely to watch evening news bulletins. Regional news tends to have a slightly higher reach among C2DE socio-economic groups,⁶⁷ and London has a higher proportion of ABC1s (63% against a national average of 54%). It also has a higher proportion of young adults aged 16-34.⁶⁸ Many working in and around London

⁶¹ Which are currently underserved in the provision of local content or rate the BBC's performance, in representing the UK, its nations and communities in particular, as low.

⁶² Although local video is designed to serve all audiences with an interest in news and information about local communities, those under 45 are a key group

⁶³ Away from the South East

⁶⁴ BBC Management assessment of public value of local video proposals, 2008 p5

⁶⁵ BBC Management's assessment of the public value of its local video proposals, 2008

⁶⁶ Ofcom's Second Public Service Broadcasting Review – Phase 1: The Digital Opportunity, Figure 50, pp. 112

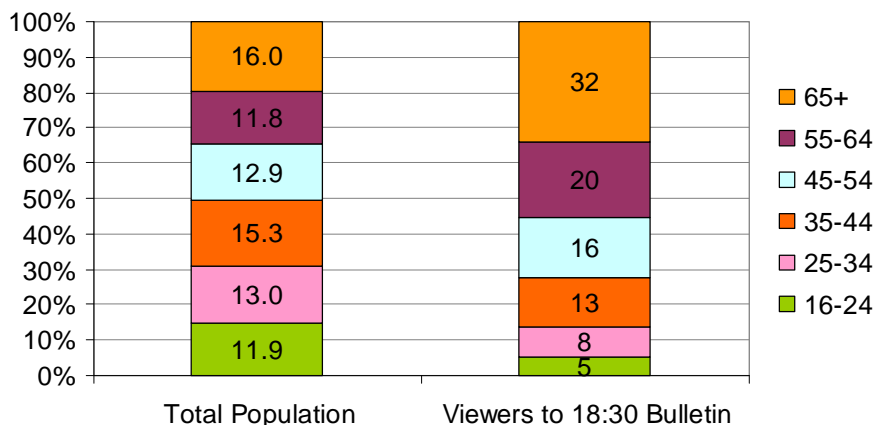
⁶⁷ Viewers of the Six and the regional news slots tend to be older with a skew to C2DEs compared with audiences for the News at 10 slot. Source: BARB, profile of viewing, July 2001 – June 2002 versus July 2007 – June 2008.

⁶⁸ Demographics for the BARB universe supplied by the BBC Executive

commute to and from work, often missing the 18:30 bulletin.⁶⁹ Those using public transport have ready access to a host of local and regional newspapers, including four free daily titles, *City AM*, *Metro*, *thelondonpaper* and *London Lite*.

6.3.4 The age profile of the 18:30 bulletin contrasts somewhat with that of the wider UK population. (Figure 6.3) The over-55s in particular are disproportionately represented. The gap is less pronounced among those aged 35-44 (a key demographic for local video), who represent 15.3% of the population and make up 13% of the audience.

Figure 6.3: UK population aged 16+ versus age profile of 18:30 news bulletin



Source: ONS mid-2006 population data, BBC PVA application, based on Q4 2007 viewing figures

6.3.5 The proportion of viewers aged 35-44 has remained steady (table 6.1). But this masks real losses. In quarter 4 of 2001, average three-minute weekly reach to the 18:30 news programme was 19.6 million viewers. By quarter 4 of 2007, this had fallen to 16.2 million. In the six years to 2007, the programme lost over three million viewers,⁷⁰ of these, 255,000 were aged 35-44. The decline is most pronounced among the young; of all viewers lost over this period, 1.5 million were aged 16-34.

Table 6.1: age profile of the 18:30- nations/regional news⁷¹

Adults	2001 (% of total audience)	Q4 2007 (% of total audience)
65+	28	32
55-64	16	20
45-54	15	16
35-44	13	13
25-34	12	8
16-24	7	5

6.3.6 Whilst reach to the under-34s has dropped, top line figures conceal wide regional variations. The reach for this age group remains strong with West at 20.4%, Midlands

⁶⁹ Many are still commuting or working at this time – for instance, the distance of the average commute has risen by 16 per cent over the past 10 years, BBC Management’s Assessment of the Public Value of Local Video Proposals, 2008, p22

⁷⁰ BBC Management assessment of public value of local video proposals, 2008, p25

⁷¹ BBC Management assessment of public value of local video proposals, 2008, data taken from figure 8, pp. 25

East at 19.6% and the North and Ulster both at 17.7%.⁷² This could be explained by the high proportion of 16-34 year olds who live in these areas. The Executive maintains that the unique political and social conditions in Ulster generate a strong appetite for news among young people living there (higher than the UK average). It also points to strong approval ratings of the BBC generally in the South West and West to explain a higher reach in these regions.⁷³

- 6.3.7 More generally, it is not clear whether reach to the bulletin will continue to decline at the same rate or plateau as digital switchover nears completion.⁷⁴ Improvements to the regional news bulletin may be another way of maintaining reach to a younger audience and halting (or slowing) the decline. We note that the introduction on BBC1 earlier this year of a short news bulletin at 8pm on week days has helped to attract underserved audiences, including new and younger viewers.⁷⁵
- 6.3.8 Other more general factors are at play; multi-channel television exerts a pressure on PSB audience share,⁷⁶ whilst the internet competes for viewing time.⁷⁷ A cohort of 16-24 year olds is experimenting with new media. The key question is whether this level of activity marks a generational shift.⁷⁸ Such analysis is beyond the scope of this paper and the Executive admits relatively little appetite for local news among this group.
- 6.3.9 Having examined some of the factors underlying the purpose gap, we move to the central part of our assessment.

⁷² Source: BARB, Reach of viewing by BBC region to BBC One regional news slot amongst 16-34s, July 07 – June 08

⁷³ During discussions with the Executive as part of this assessment

⁷⁴ Digital switchover has ushered in multi-channel television and led to greater competition for audiences.

⁷⁵ The summary added 1.7 million additional viewers to BBC News and 576,000 were 16-34s. Overall reach was up 3%, source: 8pm News Summary, Delivering Creative Future, BBC 18 January 2008

⁷⁶ Whilst the BBC has actually increased its share in multichannel homes from 29.5% in 2002 to 31.2% in 2007, the reach of multichannel services, taken as a whole, increased between March 2004 and March 2008, gaining 27 percentage points over the period. Ofcom Communications Market Report, 2008, p222. Additional research found that under-34s in multi-channel homes devote less than half of their viewing to the five terrestrial channels, compared with 70% among over- 55s, source FT, 2 March 2004

⁷⁷ The Ofcom Communications Market Report, 2008, pp.29, stated 'It looks increasingly clear that this drop [in broadcasting consumption] is partly a function of the rising use of the internet'.

⁷⁸ Those under 24 are typically light television viewers; the long-term question is whether they will turn to the 18:30 bulletin over time, whether on television or on-demand.

6.4 Summary of the Trust's Assessment of Public Value

- 6.4.1 The concept of a local video, on-demand service has attracted broad support.⁷⁹ But if the principle appeals, it leads quickly to a debate on whether broadband is an appropriate delivery platform and, on a fundamental level, how local the BBC can, or indeed should, be.
- 6.4.2 On one hand, demand for local news appears strong. Whilst usage of the internet as a source of local news is growing – albeit from a small base – consumption is still largely driven by convenience; print media, radio and television all play a central role. This is most pronounced among the over-34s and those with children, who, our research suggests, typically have less time to search actively for content.⁸⁰
- 6.4.3 For the under-35s, the internet is used somewhat more routinely but interest in local news is typically weaker among this group.⁸¹ Whilst users of commercial local news sites tend to reflect the wider population,⁸² providers have more latitude in developing editorial propositions specifically targeted at a younger market, beyond the confines of ‘news’ as defined by the BBC agenda.
- 6.4.4 Broadband represents a barrier to use, both in terms of access (for low income groups) and the way in which people consume local news. (We consider this point further below.) Socio-economic factors influence take-up, and low income groups are generally less well represented online. Low approval of BBC performance⁸³ is typically 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. Likewise, we have no compelling evidence to suggest that those in Northern Ireland and Scotland are more likely to use local video. Meanwhile, whilst 35-49 year olds are well-represented online, those aged over 34 tend to spend proportionally less time there due to competing work and family commitments.⁸⁴
- 6.4.5 Whilst we accept the role of the internet in delivering news we do not believe that local video will compensate entirely for the decline in audience for the 18:30 news bulletin. Findings consistently support demand for local news delivered via television.⁸⁵ Spectrum scarcity and cost limit⁸⁶ the BBC delivery to broadband, but this represents a misfit between ‘medium’ and ‘message’.⁸⁷ It also raises the question of how local the BBC can

⁷⁹ Many respondents to our public consultation were in favour of the proposals. Refer to the Dipsticks report, published with this PVA. Audience Councils also welcomed efforts to improve local representation, whilst Council for Northern Ireland signalled concerns about the delivery platform.

⁸⁰ Rosenblatt research for the BBC Trust, 2008

⁸¹ There is a range of views on the appeal of news to younger audiences. We accept some interest in local news among this age group, as evidenced by usage data supplied by the Executive for the BBC London website, which suggest 15% of users are aged 16-24. However, the Rosenblatt research indicated that interest is stronger among older audiences and those with children.

⁸² Based on some of the evidence provided to us in stakeholder submissions and in discussions

⁸³ In representing the UK, its nations and communities in particular

⁸⁴ Rosenblatt research for the BBC Trust, 2008 and Ofcom Communications Report 2008

⁸⁵ Ofcom, PSB review survey, 2007, Ofcom Second PSB Review Phase 1: The Digital Opportunity, figure 52, p.117.

⁸⁶ On the DTT platform

⁸⁷ Further it suggests that local provision is made across more than one platform.

and should be. We note that commercial news providers are embracing local video news, but also that they have more latitude with editorial agenda and a remit that encompasses listings and directories – of more practical value and wider appeal.

- 6.4.6 Taking these factors into account, our own projections suggest that local video will reach between 2.3 and 4.2 million UK households by 2013/14, groups that, in the main, already consume BBC online content,⁸⁸ without any significant extension in reach to the underserved and low approvers.
- 6.4.7 Against this background the Trust has looked closely at value for money, including the wider affordability of proposals at a time when pan-BBC costs are under pressure. In our view local video does not provide value for money, especially given the limited uplift in reach to key groups and access issues for non-broadband users.
- 6.4.8 On balance, whilst we believe the proposal generates some public value, we do not consider it sufficient to justify the scale of investment. We set out our reasoning in the section that follows, taking into account reach, quality, impact, costs and value for money.

6.5 Who Will Use Local Video?

- 6.5.1 The basis of our assessment is whether a broadband delivery local video news offering is the most effective way for the BBC to fulfil its local remit.⁸⁹ Put another way, would people use the service in sufficient absolute numbers to justify the investment and would it extend reach to underserved groups identified by both the Executive (as being, more generally, the under-45s) and by the Trust purpose remit research (those in the devolved nations, in some English regions and those aged under 45 in lower income groups)?⁹⁰
- 6.5.2 The Trust undertook a detailed analysis of reach.⁹¹ Before setting out our conclusions, we deal with a specific, but related, aspect of the application: broadband availability.

Broadband availability

- 6.5.3 Broadband availability is now in 99% of households; in 2007 it extended further into rural areas and faster connection speeds are more widely available,⁹² but variations in uptake persist (table 6.2).

⁸⁸ This compares with reach to BBC local online content for the year end March 2007 which was estimated to be 2.1 million households.

⁸⁹ In terms of the number of users and the consumption of content.

⁹⁰ For proposals to fulfil the public purposes they need to reach users but it is also important to assess where those users may come from.

⁹¹ A full analysis can be found in annex II.

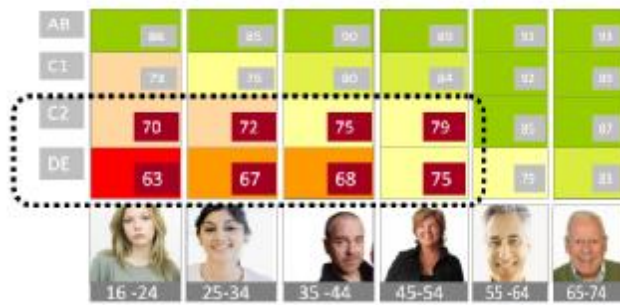
⁹² The Communications Market 2007, Nations & Regions, Ofcom, however, some stakeholders raised concern about performance in certain areas.

Table 6.2: UK broadband penetration by households, Q1 2008, source Ofcom

Nation	% Households with Broadband
UK Average	57
England	58
Northern Ireland	52
Scotland	53
Wales	45

6.5.4 Platform choice is a key consideration. Whilst 80% of the UK population consumes BBC news every week,⁹³ reach to low-income groups is weaker (figure 6.4). Among households in the top 20%, 87% have an internet connection. This compares with 18% of households in the lowest quintile, an absolute difference of 69 percentage points. The gap between the highest and lowest quintiles has widened since 1998-99, when it was 24 percentage points.⁹⁴

Figure 6.4: BBC claimed reach across all platforms⁹⁵



Source: BBC TV News Audience Research 2008

6.5.5 Socio-economic group is more of a factor than age in broadband take-up,⁹⁶ (figure 6.5) but interest in local news is common to high and low income households.⁹⁷ In Glasgow, for example, where the percentage of low-income households is higher than the national average, broadband penetration hovers around 32% (this compares with 62% in London and a national average of 58%).⁹⁸

6.5.6 Meanwhile, the combined cost of broadband connection and PC equipment may put the service beyond the means of low income households (according to Ofcom, take up in Glasgow is probably constrained by lower than average ownership of PCs).⁹⁹ As Scotland's largest city, Glasgow is home to around 40% of the population.¹⁰⁰ This is

⁹³ 70% BBC TV news, 52% on radio and 12% online, source: Journalism report by Mark Byford, 2007 quoting PBTS (Pan BBC Tracking Survey), BARB, RAJAR and an extrapolation of Sage data.

⁹⁴ Social Trends Report, 2006, Office for National Statistics; Ofcom also found significant differences in the household penetration of communications services by socio-economic group. The UK Communications Market Report, 2008, pp.333

⁹⁵ BBC TV News, Audience Research 2008

⁹⁶ Broadband take up stands at 64% for the under-45s compared with 53% for the over-45s

⁹⁷ BMRB Report 2008 – BBC Local Video Service, p9

⁹⁸ This refers to the Glasgow Local Authority area, Ofcom Nations and Regions Report, 2008, UK summary <http://www.ofcom.org.uk/research/cm/cmnr08/uksummary.pdf>. Broadband reach is significantly below the UK average in other regions, including Humberside, at 40% and the Black Country, at 49%.

⁹⁹ See footnote 73

¹⁰⁰ Ofcom, The Communications Market Report, Nations and Regions: UK, 2007, pp.22

particularly important in the context of weaker BBC news provision in the devolved nations (figure 6.2). It is also worth noting that a higher proportion of those with disabilities live in poverty.¹⁰¹

Figure 6.5: Broadband take-up by socio-economic group, source: Ofcom 2008



6.5.7 We accept the Executive’s argument that broadband penetration is increasing, but also note that growth has slowed. Many European countries are beginning to plateau according to the Broadband Stakeholder Group (BSG).¹⁰² Our own modelling supports continued growth in broadband penetration over the next five years. However, in the current economic climate, future growth is uncertain and may mask regional variations.

6.5.8 Whilst broadband penetration rates among different socio-economic groups may converge over time we have not seen any compelling evidence to suggest that the disparity will recede, especially in the current economic climate. Whilst the Government has signalled its desire to increase broadband penetration, significant barriers in terms of price and IT training are likely to persist for some time. Hence we believe it will take significant intervention to bridge this divide.¹⁰³

6.5.9 Given DTT spectrum constraints, we agree that broadband can, in some circumstances, be an effective platform for the delivery of news. We note the view offered by the BSG that, in the very long term, broadband connectivity will take a similar place as other utilities in its importance to households, and almost everyone will have access. However, we also note that, in the medium term, cost, skills and technical feasibility will remain a barrier to participation for some groups.¹⁰⁴

¹⁰¹ The Monitoring Poverty and Social Exclusion Annual Report, UK - New Policy Institute and Joseph Rowntree Foundation, 2005 found that three out of every 10 disabled adults of working age are living in poverty in Britain

¹⁰² The level of penetration at which markets are reaching a plateau varies across the EU, for example Scandinavian countries have a higher penetration than the UK. However, there is certainly a trend toward growth slowing across the developed EU markets. The levels of penetration achieved vary, but in each case a significant minority of households do not have broadband connections.

¹⁰³ By the UK Government

¹⁰⁴ It is likely that in the long term broadband connectivity will be equally as important as other utilities to households, and almost everyone will have access. Performance and cost are barriers to inclusion in the short and probably medium term for some groups – Trust Unit meeting with the Broadband Stakeholder Group, September 2008. Some stakeholders also raised concerns about broadband performance in certain areas.

Will local video extend BBC reach?

6.5.10 Reach measures the number of people who access BBC content. It is a key driver of public value. Clause 12 of the Framework Agreement requires the BBC to do all that is reasonably practicable to ensure that audience groups can access public services in a range of ways.

6.5.11 More generally, it is the BBC's main objective under Article 3(2) of the Charter to promote its public purposes. This necessarily involves increasing the number of people consuming its content overall. But reach is not just about the total number of people using BBC services. On-demand delivery makes it easier for audiences to access content at a time of their choosing and public value is generated if this helps to maintain or increase consumption levels.

6.5.12 Similarly, the BBC has a role in serving minority and underserved audiences. A further useful measure of reach, tied to achievement of the public purposes, is the extent to which BBC content reaches particular groups.

6.5.13 Our assessment of reach then rests on three pillars:

- Will it increase, maintain or reduce total reach and consumption of BBC content?
- Will it reach particular groups having special relevance to the public purposes as described above?
- Will it compensate for the decline in reach of the BBC's regional news bulletin?

6.5.14 In arriving at our conclusions, we have drawn on a range of sources and undertaken our own research to better understand audience demand for a local video based news offering. Discussions with Ofcom meanwhile allowed us to establish a shared understanding of likely uptake. Our full assessment, including a critique of the Executive's methodology, is set out in annex II. What follows is a summary of our conclusions on reach with regard to the three strands of our assessment.

6.5.15 Estimating average weekly reach is somewhat speculative. There is a wide range of operational, social and market factors at work.¹⁰⁵ Whilst some can be predicted with a degree of accuracy, others are harder to gauge. This is especially true where the product or service is new, as is the case here. Given these uncertainties, we relied on a range of projections, rather than a spot estimate, set out in table 6.3.¹⁰⁶

Table 6.3: local video reach estimates as a % of all UK households

Year	2010	2011	2012	2013	2014
Reach %	2.4-4.8	4.6-8.9	6.5-12	8.1-14.5	8.2-14.7

¹⁰⁵ A full analysis can be found in annex II.

¹⁰⁶ In line with the Executive's application, we modelled reach for local video from launch in 2009/10 to 2013/14. This five year period encompasses the first year (2013/14) in which spending will be unchanged from the year before and is likely to be more predictable than the longer term.

- 6.5.16 The gradual deployment of local video means it is unlikely to reach a relatively steady state from a national perspective until nearing the end of the forecast period. We believe, therefore, that the most relevant estimate of reach is our forecast for 2014; 8.2-14.7% (or 2.3-4.2 million households).¹⁰⁷
- 6.5.17 Our results are consistent with the Executive's forecast of average weekly reach for local video (11.4% or 3.2 million households by 2013/14).¹⁰⁸ Ofcom forecasts for local television provide a cross-check; in its 2006 Digital Local study it assumed a 10% reach in broadband households for local online video services from independent providers.¹⁰⁹
- 6.5.18 We therefore believe that the Executive's approach at the national level is reasonable. That is, that the introduction of local video would result in an incremental increase in reach of the local sites. However, we do not believe that the variations in reach by individual area in the model are supported by sufficient empirical data. A detailed analysis of the approach employed by the Executive revealed inconsistencies that we set out below.
- 6.5.19 Having established weekly reach at a UK level the Executive adjusted its estimate to take account of regional variations in demand for the service. Demand was weighted according to a number of demographic and geographic factors. This tended to reduce reach in metropolitan and urban areas but increase it in rural areas and the nations.¹¹⁰
- 6.5.20 The Executive maintains that by 2013/14 the percentage reach for each local area will range from a low of 3% in London to a high of 21% in Mid-Wales.¹¹¹ We found no compelling evidence to support either the magnitude of direction or degree of variation in reach between areas. In particular, we are not persuaded that the Executive can fully justify its assumptions that reach will be significantly lower in metropolitan areas and higher in non-English regions.
- 6.5.21 Whilst audiences in the nations are generally more critical of a lack of BBC provision we found no evidence that they were more likely to use the local video service.¹¹² We also note that broadband take up in Wales is below the UK average. Similarly, in the BBC England Annual Review 2008, the BBC London local site performs strongly.¹¹³ The Executive asserts that, as the UK's capital city, London had a higher proportion of

¹⁰⁷ Reach estimates for earlier years represent a proportional increase from current reach levels for local sites to our estimates for 2014. The Executive maintains that new users will be brought to the BBC's local online content by Local Video, with the service forecast to add an incremental reach of over one million UK households by 2013/4.

¹⁰⁸ Annex II sets out the Trust's detailed consideration of the Executive's reach model and the reasons for its assessment that the Executive's forecast for weekly reach is a reasonable and reliable basis for the Trust's analysis.

¹⁰⁹ The adjustments are discussed in detail in annex II.

¹¹⁰ A full discussion can be found in annex II.

¹¹¹ This equates to an estimated 112,000 households in London and 20,000 households in Mid Wales. These estimates were made after taking into account population density, demand in non-English regions and urban/rural split.

¹¹² Rosenblatt research for BBC Trust, 2008

¹¹³ BBC England Annual Review, 2008, p48

nationally significant news stories. We accept the point but it does not address the low reach outlined in the application.¹¹⁴

6.5.22 We did not obtain compelling evidence to suggest that demand for local video among broadband users would vary significantly by area. Indeed, the evidence we did obtain often generated conflicting results. We believe that, in reality, demand for local video is likely to be highly dependent on factors specific to each area, such as:

- the quality of the local news team
- the nature of issues which can or will be addressed
- the competitive landscape in terms of local news provision.

We also accept that there may be slightly higher demand for local news in rural areas (whilst allowing for any issues with broadband performance) and reflected this in our model.

6.5.23 It is reasonable to assume that a key driver of inter area variation is likely to be broadband penetration.¹¹⁵ As part of our assessment, we utilised external forecasts for broadband penetration from a number of sources including Ofcom, the Executive and third party stakeholder submissions.¹¹⁶

6.5.24 We estimate that the average UK broadband penetration of UK households will be in the range 66%-72%¹¹⁷ by 2014, with a mid point of 69%. In particular, we believe that it will grow faster than the Executive's estimates in some regions, particularly London and the South East but slightly slower in others such as Humberside and Glasgow.¹¹⁸ We have been relatively conservative in our estimates. Whilst it is possible that strong Government initiatives will increase penetration, we believe that their implementation is sufficiently uncertain not to give weight to their impact.¹¹⁹

6.5.25 In arriving at our final projections for local video we accept that much depends on operational, social and market factors, which are difficult to assess ex ante. However, we believe our estimate of 8.8-14.8% reach by 2014 is reasonable. We also accept that the introduction of local video will, in the main, increase consumption among existing users of BBC local sites, and deliver some incremental reach to new users. Our estimate of reach to each geographical area is set out, in the form of a chart, in annex II.

¹¹⁴ We encountered various difficulties in assessing the reach of individual BBC local sites over the period under review. Existing data on BBC local sites are limited, measured in different ways and complex to interpret, limiting the reliance that can be placed upon them. Stakeholders also raised these concerns.

¹¹⁵ To reflect underlying uncertainties in future growth, we used a range of estimates; these can be found in annex II.

¹¹⁶ Because of concerns over the accuracy and consistency of some of these data we ran a large number of scenarios to test base assumptions.

¹¹⁷ This equates to between 18.7 million and 20.5 million households.

¹¹⁸ The BBC's model estimates broadband penetration in London to be 66% by 2014 whilst the Trust has estimated this to be up to 73%. In contrast the Executive estimates broadband penetration by 2014 in Humberside to be 64% whilst the Trust puts this at 62%.

¹¹⁹ Further information on regional broadband penetration rates can be found in annex II

Will proposals reach particular audience groups?

- 6.5.26 As part of our reach assessment, we also considered whether local video would extend reach to underserved groups. In this PVA, we have focused on the underserved as being, in particular, those in the devolved nations, in some English regions¹²⁰ and those aged under 45 in lower income groups. In the Executive's application, the target group was, more broadly, the under-45s (and in particular those aged 25-44).¹²¹
- 6.5.27 We take the view, for reasons that we set out below, that users of local video will, in the main, represent core BBC audience groups.
- 6.5.28 The Executive maintains that a combination of on-demand delivery and short 'impactful' stories will widen the age profile of BBC regional and local news. It points to the West Midlands trial, where over 60% of the audience was under 45, as evidence of this. Two external reports from the Future Foundation¹²² and Ipsos Mori¹²³ are used as further corroboration of a growing interest in localism among a younger audience. The Executive also draws on findings from the 2008 Ofcom Communications Market Report which revealed a growing propensity to spend time online. The Executive also refers to research it commissioned from BMRB as part of the market impact assessment for local video.
- 6.5.29 Whilst we accept the research, there is nothing to suggest that a younger audience will spend time on local video news stories when online. The Ipsos Mori report¹²⁴ on the 'iPod' generation (those aged between 18 and 34) explores ways in which Government can engage with younger voters. Whilst it uncovered general interest in local issues among this age group (most pronounced in those with families) it did not investigate directly whether they would seek out local news online.
- 6.5.30 Whilst watching videos on the internet is increasingly common among 16-24 year olds,¹²⁵ we are not persuaded that this group will use local video in great numbers.¹²⁶ Our research found that younger people are, by and large, interested in an offering that encompasses reviews, listings and entertainment.¹²⁷
- 6.5.31 It is important then not to overstate the potential for broadband delivery to reach a younger audience. This general point was underlined in the earlier 2007 On-Demand

¹²⁰ In regions away from the South East

¹²¹ Although local video is designed to serve all audiences with an interest in news and information about local communities, those under 45 are a key group

¹²² Redefining Regions: Exploring Regional and Local Identity, Future Foundation 2004

¹²³ A New Reality: Government and the IPOD Generation, Ipsos MORI, 2008, this was shared by the Executive with the Trust during our assessment as further supporting evidence

¹²⁴ Based on research undertaken with a group of 35 young people

¹²⁵ The UK Communications Market Report, 2008, p.64; BMRB Report 2008 – BBC Local video service, further, in its Ofcom Nations and Regions Report, 2008, Ofcom found that 30% of adults have used the internet to watch video content.

¹²⁶ The Executive also admits little appetite for local news among this group.

¹²⁷ Rosenblatt 2008

PVT, which found that young people tend to cite the content proposition rather than the platform as influencing their likelihood to view.¹²⁸

- 6.5.32 More generally, broadband represents a barrier to use, both in terms of access and the way in which people consume local news. A number of stakeholders¹²⁹ raised concerns that a broadband only service would give rise to social exclusion issues, whilst AG Alba drew attention to technical restrictions in the delivery of video content:

Some areas of Scotland, such as rural areas in the Highlands and Islands have no broadband service or a service whose bandwidth is too limited to carry audiovisual content.

In its submission, Scottish Screen also drew attention to poor availability of high speed broadband in areas distant from main population centres.

- 6.5.33 Socio-economic factors influence broadband take-up,¹³⁰ and low income groups are generally less well represented online. Whilst use of the internet to watch television is growing, viewing is most pronounced among higher income groups. Research by BARB found that 72% of those watching television online were ABC1s, compared with 28% of C2DEs.¹³¹
- 6.5.34 The Executive points out that the BBC has historically launched a range of services that are not universally available but which display a technology adoption curve. It points to the on-demand PVT which was launched at a time when broadband uptake stood at 43%. We accept the point, but draw attention to some quite fundamental differences between on-demand and local video.
- 6.5.35 On-demand proposals were essentially a delivery mechanism for audiences to consume existing content in a different way and maintain overall BBC reach. An additional benefit was their appeal to a younger audience, who consume internet-based proposals disproportionately and are relatively hard for the BBC to reach.
- 6.5.36 By contrast, local video constitutes new BBC content and would only be available via broadband. Findings consistently support demand for local news delivered via television. Spectrum scarcity and cost limit BBC delivery to broadband, but this represents a misfit between 'medium' and 'message'.
- 6.5.37 We recognise there are practical steps that the BBC can take; working in partnership with others,¹³² to bridge the digital divide and encourage households to adopt broadband, but in the medium term there is a limit to what can be achieved here.
- 6.5.38 We also accept that not all internet usage occurs within the home. Members of the public can access the internet from public libraries, for example. However, adults from

¹²⁸ While the Executive also referred to the potential availability of local video on mobile devices as helping to reach a younger audience, we considered provision on this platform is insufficiently developed for this to be accorded weight in our assessment.

¹²⁹ Among them AG Alba and the Audience Council for Northern Ireland.

¹³⁰ Broadband take up stands at 64% for the under-45s compared with 53% for the over-45s

¹³¹ Profile of Internet Viewers in the Past Week, BARB Bulletin, Issue 17, September 2008

¹³² For example, Government, public service broadcasters and internet service providers

lower managerial and professional occupations have a higher rate of attendance than those in lower income groups (and are more likely to have broadband at home). Even then, only six per cent of all visitors go to libraries to use computers or the internet,¹³³ making it less likely that those without broadband access in the home would venture to a library to use local video.

- 6.5.39 We also support wider policy aims to extend BBC reach across a range of platforms, but note that, unlike other BBC news content that can be accessed via television and radio services, local video would only be available to those with broadband internet access. Nevertheless, we do accept that the offer, whilst aimed at all licence fee payers, is targeted principally at the under-45s (many of them existing broadband users). But whilst this group are well-represented online, those aged over 34 tend to spend proportionally less time there due to competing work and family commitments.
- 6.5.40 Whilst we accept an increase in the overall reach of BBC local online services, the particular issue is whether proposals extend reach to underserved groups identified in the purpose remit research. In our view, the net result is likely to be an increase in consumption among core audience groups,¹³⁴ rather than a significant extension of reach to the underserved and low-approvers.¹³⁵ We are not persuaded therefore, that local video will reach underserved groups in sufficient numbers to close the purpose gap.
- 6.5.41 Within that, we think it likely that local video will hit one of its key performance indicators set out by the Executive in its application; two thirds of reach to those under the age of 45. This is broadly in line with current usage levels of bbc.co.uk News England and BBC Local London site, which already attract a younger audience¹³⁶ (table 6.4).

Table 6.4: reach to online BBC news content by platform and age¹³⁷

Age/Platform	16-24	25-34	35-44	45-54	55-64	65+
bbc.co.uk News England	15%	28%	26%	18%	10%	2%
<i>Where I Live</i> London (now <i>BBC Local</i> London)	15%	20%	27%	23%	11%	4%

- 6.5.42 However, on the basis of our findings, it is not clear that local video will fully compensate for the decline in reach of the 18:30 bulletin.¹³⁸ Of those surveyed by BMRB who said they would 'definitely use' local video, 21% do not currently watch BBC regional television news.¹³⁹ This suggests that 79% of potential users¹⁴⁰ are also viewers of BBC regional television news. The Executive suggests that of this second group, a large proportion may shortly abandon these linear news services and that local video will

¹³³ Social Trends, No. 38, 2008 Edition, Office for National Statistics

¹³⁴ Those already using BBC online news services

¹³⁵ PVA application and other sources, Human Capital analysis of BMRB reach suggests that local video will deliver incremental reach to BBC local online content; 69% of those who said they would definitely use the service (9% of the total sample) do not currently use BBC local online content.

¹³⁶ The only site for which demographic data are available

¹³⁷ The Pulse, Q407

¹³⁸ The Executive maintains, on current trends, that national and regional television news bulletin are likely to lose between 2-3 million households in three minute weekly reach over the next five years, BBC Management's Assessment of the Public Value of its Local Video Proposals, 2008, p7

¹³⁹ BMRB research for the BBC Executive on local video proposals, 2008

¹⁴⁰ Those who said they would 'definitely' use local video

compensate for the loss, but we have no firm evidence to support this. Further, the steepest decline in viewing of the 18:30 bulletin has been among those aged 16-34, who, our audience research suggests, are less likely to use a local news offering.

- 6.5.43 We note that the introduction on BBC One earlier this year of a short news bulletin at 8.00pm on weekdays has helped to attract underserved audiences, including new and younger viewers.¹⁴¹
- 6.5.44 The Executive made reference in proposals to access to local video via mobile devices.¹⁴² Given a lack of strong empirical data on the use of video news on mobile phones, the Trust has not included an assessment of reach through mobile devices in this PVA.¹⁴³
- 6.5.45 In conclusion, we do not believe that local video will deliver a step change in demand. Indeed, it is possible that this level of growth in users is achievable even without local video. We consider this point further in section 7, on the counterfactual. We therefore take the view that consumption will, in the main, be among core audience groups, without bringing new audiences (the underserved and low approvers) to BBC content in sufficient numbers to close the purpose gap.

6.6 Will Proposals Benefit Consumers and Citizens?

- 6.6.1 In this section we consider the impact of the proposals in terms of the benefit for consumers or citizens and society.
- 6.6.2 Whilst drawing on evidence provided by the Executive, we recognise some of the limitations with large scale studies, however well-executed, in predicting future behaviour. We therefore commissioned a qualitative study to gain a deeper insight into whether the proposal, as it stands, will deliver value.¹⁴⁴ We draw on these findings throughout this section but accept, given the small sample size, that views may not be representative of the broader population.¹⁴⁵
- 6.6.3 The concept of a local video, on-demand service has attracted support from a broad church. This in part reflects the gap in current BBC provision.¹⁴⁶ In theory, local news drawn together in an innovative, interactive portal is a powerful proposition. Relevant local news has valuable social currency and may allow the BBC to reconnect with underserved groups who currently regard it as too remote.
- 6.6.4 Our own projections, however, suggest that local video will deliver limited reach to key audience groups. Our overall conclusion therefore is one of limited impact given that

¹⁴¹ The Summary added 1.7 million additional viewers to BBC News and 576,000 were 16-34s. Overall reach was up 3%, source: 8pm News Summary, Delivering Creative Future, BBC 18 January 2008

¹⁴² Internet enabled

¹⁴³ The Executive considered in its application that whilst a proportion of mobile usage is also likely to be incremental, it is difficult to estimate its impact, owing to the lack of strong empirical data on news video via mobile phones. We have, therefore, placed no weight on mobile when assessing reach. This is in line with the approach taken by the Executive in its application

¹⁴⁴ Rosenblatt 2008 research report commissioned by the Trust

¹⁴⁵ The Trust's consultation on local video proposals received 131 responses from members of the public. A full report is included as an annex to this paper.

¹⁴⁶ Research by both the Executive and the Trust reveals an appetite for more locally focused services.

audiences are less likely to embrace a broadband-only news offering that does not extend to listings, reviews and general entertainment, whilst low income groups are less likely to have broadband access.

- 6.6.5 To better understand the relative merits of local video and its value to individuals and society, we consider below its component parts, starting with a discussion on local news.

Interest in local news

- 6.6.6 Public interest in local news is strong. In the UK, 83.9% of all adults read a regional newspaper, compared with 65% who read a national newspaper. Regional press has a high solus readership; 28.1% of those who read a regional newspaper do not take a national one.¹⁴⁷ That is not to say that regional news is valued more highly; for national news television remains the main source of information by some margin.¹⁴⁸
- 6.6.7 Local news continues to matter. Despite technological, cultural and social change, attachment to locality remains strong. In its 2006 Digital Local study, Ofcom uncovered strong support for television programming reflecting local areas. This was reinforced by the BBC's earlier broadband pilot in Hull which demonstrated an appetite for local television news.¹⁴⁹ Demand for local news was further evidenced by responses to the Trust consultation, as one respondent noted:

It's important that someone (not necessarily the BBC) increases local video content. It will give local people a voice and a higher sense of belonging. There are numerous issues that get virtually no coverage as there just isn't room on the television channels. Areas will also have the opportunity to promote and educate the specific highlights of their particular area.¹⁵⁰

- 6.6.8 In broad terms, what is of interest locally varies significantly between age groups (figure 6.6). A similar picture emerges for national news. BBC research¹⁵¹ found that sensational and domestic stories appeal to a younger audience: 35-54s tended to focus on personal finance whilst items on government policy attract the over 55s.
- 6.6.9 We recognise that there are limits to generalisations but relevance is a determinant of reach, and editorial agendas are as important as delivery platform in targeting viewers. The debate about the relative importance of delivery platform and content in attracting a younger audience is ongoing, both within the BBC and more widely. We consider this point below.

¹⁴⁷ Press Gazette research, May 2007

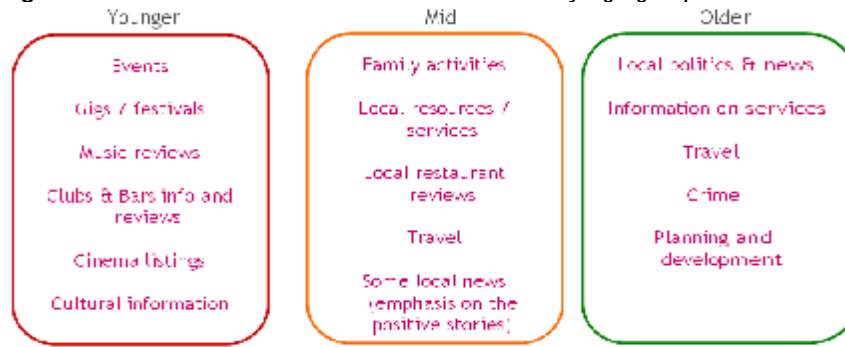
¹⁴⁸ Ofcom Communications Market, 2008, P229

¹⁴⁹ Local news was the most requested type of video content and consistently out-performed viewing to on-demand national and international news bulletins.

¹⁵⁰ Refer to Dipsticks report

¹⁵¹ Audience report based on Pulse data on the top stories on radio

Figure 6.6: interest in local news and information by age group



Source: BBC Trust Research into local, 2008

6.6.10 When assessing the appeal of a local news offering, reach is related to relevance. Audiences are interested in a wide range of information of which news is only a part. Research for the Trust found that local events, entertainment and listings were all considered part of a well-rounded service.¹⁵² We found general support for a broad offering that combined news with listings and entertainment, as one research participant noted:

If they could have something like restaurant reviews, or reviews of local bars and pubs that would be great. They could also have a section for local businesses and services.

Female, 20-23, Belfast

6.6.11 The real value lies in coverage of a breadth of interests and issues that will appeal to a broad spectrum of users.¹⁵³ A smaller geographic footprint, as proposed here, has limited value if the editorial proposition is (of necessity) curtailed.

6.6.12 It is worth noting that in discussions with industry stakeholders, we were presented with evidence suggesting that the audience profile of commercial local news sites reflects that of the wider population. We accept however, that commercial providers have more latitude in developing editorial propositions specifically targeted at a younger market, beyond the confines of 'news' as defined, appropriately, in our view, by the BBC agenda.

6.6.13 Proposals included plans to stream key events to each of the 60 local areas. Whilst the Trust acknowledges there may be some impact or public value in streaming key events, this was only a small aspect of the proposal and therefore does not affect our assessment of public value.

Expansion of BBC local remit

6.6.14 Overall, there was a balance of opinion in favour of improved local provision and strong support for a dedicated team of BBC journalists.¹⁵⁴ Over 90% of respondents to the public consultation thought that it was important for the BBC to improve its depth and breadth of coverage and nearly half stated that proposals would increase their interest in

¹⁵² Rosenblatt, 2008

¹⁵³ Sample stories supplied by the Executive for use in our research were of limited interest.

¹⁵⁴ However, a number of stakeholders expressed contrary views.

and consumption of local news. Expanded coverage of local issues was also welcomed by the Audience Councils of Wales and Northern Ireland.

- 6.6.15 Having smaller local regional catchments is a popular concept, especially in those areas which are currently underserved. Whilst a number envisage a clear role for the BBC at this level, many feel well-supplied by local news:

There is quite a bit of local information and news out there already. The papers are very good for the crime and things like that. I listen to the radio for travel and traffic reports. I'm not sure what else I need. I certainly don't need more of the same.
Female, 30-45, Slough

- 6.6.16 One or two respondents drew attention to the likely withdrawal by ITV from its regional news commitments, and the need to provide a serious treatment of local issues. Again, responses were coloured by differing perceptions of 'local'. Whilst some welcomed the geographic framework set out under proposals, others were critical that it covered too wide an area to be relevant. The Executive was clear in its application that it had no ambition, correctly, in our view, to be 'ultra-local' in a way that might overlap with existing provision from newspaper groups.¹⁵⁵

- 6.6.17 Whilst we found overall satisfaction with BBC coverage of national affairs, for local news, its treatment was less consistent.¹⁵⁶ BBC regional news remains popular, although the geographical footprint was felt by some to be too large (this point is made by the Executive in its application). These views were felt most strongly in Scotland where there was widespread resentment at the uniform treatment it receives. Despite certain reservations in East Scotland that news coverage could migrate towards the Glasgow area, the overall footprint of local video was felt to strike the correct balance between providing a local service without becoming too insular or parochial.

Figure 6.7: differing audience expectations of local video, by nation¹⁵⁷



¹⁵⁵ A number of stakeholders expressed the view that local video proposals overlapped with existing provision.

¹⁵⁶ Rosenblatt, 2008

¹⁵⁷ Source: Rosenblatt research for the Trust, 2008

6.6.18 Those in Wales, where local provision is also poor, welcomed expanded newsgathering capabilities. There was muted enthusiasm in England, where provision is generally considered to be strong; the notable exception being Dorset. Here, respondents placed an obligation on the BBC to improve local provision but raised concerns over the delivery platform. Whilst there are some limits to what can be inferred from a qualitative study, our findings are supported by Ofcom which found that demand for better representation on UK networks is consistently higher among those in devolved nations and comparatively less so among those in England.¹⁵⁸

6.6.19 By contrast, in Northern Ireland one or two cautioned the service could become too parochial. Others cast doubt on whether the BBC could get local enough to be relevant, whilst a number was concerned that, if it did, the content may not justify the effort.¹⁵⁹

What would they cover around here? A few things happen now and again, like bits of crime or something goes wrong in the town, like a crash or something, but the stories would be few and far between.

Female, 35-50, Hollywood

6.6.20 Expectations were frequently unrealistic on the level of coverage under proposals:

I would ideally like the BBC to be more local to my area, preferably just around greater Manchester. I'd like it if they could split greater Manchester up into North and South to make it really local.

Female, 25-35, Manchester

6.6.21 This disconnect was apparent in the earlier BBC West Midlands trial which found that different expectations of the city of Coventry and the county of Warwickshire meant that the pilot was not sufficiently local for some licence fee payers.¹⁶⁰

6.6.22 Interestingly, whilst a number of respondents regarded the BBC as 'remote', few viewed local provision as a priority area.

Is it the BBC's job to get any more local? I feel they're too big to really get to the heart of my local community. It's already being done well by others.

Male, 30-45, Glasgow

6.6.23 Whilst acknowledging a gap in local provision, many stakeholders drew attention to the importance of bolstering the BBC's national services and regional presence. In its submission, the Institute of Welsh Affairs reflected a widely-held view when it observed:

No one doubts that online local news coverage could be improved...the issue within Wales is whether these proposals should be a priority for the BBC. Our contention is

¹⁵⁸ Second Public Service Broadcasting Review, Phase Two: Preparing for the Digital Future, Ofcom, 25 September 2008, p69.

¹⁵⁹ Again, we recognise the limits to generalising findings from qualitative studies.

¹⁶⁰ The Laughton Report, 2006, pp. 14

that this should not be a present priority and that any new investment would be better directed at strengthening the BBC's national services for Wales.

6.6.24 We found broad support for a greater level of engagement and a high approval rating for personalisation and interaction, particularly among a younger audience. The role of community producer was also welcomed.

6.6.25 The appeal of video was mixed, whilst most agreed that it was an engaging medium which strengthened their emotional connection with a story, others viewed it as unnecessary and time-consuming. One observed:

I'd like to know about the upcoming meetings – what's going to be discussed, how I can get involved, who will be there. You don't need video for that.

Female, 30-45, Hollywood

6.6.26 Video conversion rates vary widely. Whilst news stories with high visual appeal are well-suited to the medium of video, those with a strong human interest angle are also popular. Data supplied by the Executive on conversion rates from text to video news items for one week in September 2008 on bbc.co.uk news tend to support this. The average conversion rate for stories is around 13%, from a low of 3%, for a story on the credit crunch, to a high of 32% for the Islamabad Marriott blast. A news item on a boy aged 3, who saved his mother's life by dialling 999 meanwhile, whilst not especially 'visual', received a conversion rate of 13%.

Demand for broadband delivery

6.6.27 Appetite for a broadband-only service is mixed. When it comes to accessing local news, people use a range of sources, with an emphasis on immediacy and ease of use.¹⁶¹ The Executive suggests that 'convenience' is a key driver. It marshals a number of arguments in support of online delivery including 2007 research by Ofcom in which 40% of people with broadband agreed that websites are a better way of accessing local information than television (28%, disagreed).¹⁶² However of all respondents, only 27% agreed with this statement.

6.6.28 The picture is more complex. In Digital Local,¹⁶³ Ofcom cast doubt on the effectiveness of the internet as a delivery mechanism for local news and services, pointing to issues around access and ease-of-use.¹⁶⁴ People remain relatively conservative in their choice of media. Whilst there is clear demand for local content online (between 20% and 30% of all search engine queries are location-specific) news accounts for only four per cent of time spent on local and regional sites.¹⁶⁵

¹⁶¹ Rosenblatt audience research for the BBC Trust, 2008

¹⁶² BBC Management's assessment of the public value of its local video proposals, p34, Ofcom PSB review survey, 2007, Ofcom Second PSB Review Phase 1: The Digital Opportunity, figure 52, p.116.

¹⁶³ Digital Local: Options for the future of local video content and interactive services, 19 January 2006

¹⁶⁴ It noted that 'broadband television services will only gain widespread acceptance when content is delivered to viewers' living rooms through their television sets'. The same report also noted that broadband as a standalone distribution platform could be beneficial for smaller reach categories.

¹⁶⁵ Classifieds, local search and directories receive the bulk of traffic according to reach by MTM London, 2008

- 6.6.29 This is reinforced by Ofcom in its 2007 PSB review survey, which found that 44% of UK adults relied on television for local news, compared with 31% who relied on newspapers and 7% on radio.¹⁶⁶ There were regional variations too, those in Northern Ireland were most likely to rely on television as their primary source and least likely to cite newspapers. By contrast, in Scotland, people relied more heavily on newspapers compared with the wider population.
- 6.6.30 More recent research suggests little has changed; during its second PSB review, Ofcom uncovered low usage of the internet as a main source of local news.¹⁶⁷ Only 4% of people in the Border regions of Scotland, Tyne Tees and Granada relied on the internet as their main source of local news. This compared with 5% in Anglia, Central and STV North and 7% in ITV Wales, rising to 8% in London, and 12% in the Border regions of England.¹⁶⁸
- 6.6.31 This is important in the context of the purpose gap and the ability of local video to reach those in the devolved nations, where approval of the BBC tends to be lower.¹⁶⁹
- 6.6.32 Fewer than half of respondents to the public consultation agreed that proposals were an effective way to improve coverage; reservations centred on cost, geographic coverage¹⁷⁰ and delivery. One or two expressed support for a television channel:

It will be helpful to have a local news office and editorial leadership, but this is not helpful if there is no county-wide distribution medium apart from the internet - how is this to be provided on free-to-view TV and on radio?

- 6.6.33 The West Midlands trial uncovered a strong appetite for local news, but in scaling back the proposal to broadband only, the BBC radically changed its character. Occasional internet users expressed some support for online delivery, but most admitted they had limited time to actively search for content, even when it was of interest. This was most noticeable among the 34-45s many of whom had competing family and work commitments and limited time to actively seek out local stories.¹⁷¹
- 6.6.34 This is borne out in the Ofcom 2008 Communications Report which found that those aged 35-49, whilst well-represented online, spend proportionally less time there, figure 6.8.

¹⁶⁶ Ofcom Communications Market, 2008, pp.229

¹⁶⁷ Ofcom's Second Public Service Broadcasting Review, Phase Two: Preparing for the Digital Future, 2008, annex 16, p.22

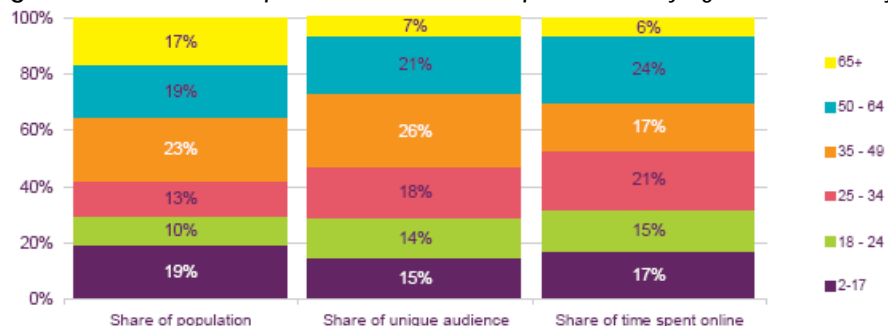
¹⁶⁸ Respondents were grouped based on ITV geographic regions.

¹⁶⁹ Most noticeable in Scotland and Northern Ireland, BBC Trust purpose remit research, 2007

¹⁷⁰ Whether the proposals covered the right areas

¹⁷¹ Rosenblatt research for the BBC Trust, 2008

Figure 6.8: internet unique audience and time spent online, by age, home use only¹⁷²



Source: Ofcom 2008

6.6.35 Data supplied by the Executive also suggest that television remains the preferred platform for local news and that this is more pronounced among those over 25.

Table 6.5: platform of commercial media used at least once a week for local news¹⁷³

	16-24	25-34	35-44	45-54	55+
Regional television programme	36%	55%	61%	70%	74%
Internet website for your area	33%	21%	18%	12%	5%

6.6.36 On balance, the internet appears to play a limited role in current repertoires. Analysis of time spent on local and regional sites by MTM London revealed that users spend the majority of their time on classifieds sites (58%), followed by local search and directories (39%); but only 4% on local news and information sites.¹

6.6.37 Most people consume local news in a passive way; browsing the newspaper, listening to the radio or watching television.

The internet isn't part of my routine; I would have to go out of my way. I like to grab a paper, take some time to relax

Male, 34, Manchester

6.6.38 This view accords with the Laughton report (2006) on the West Midlands trial, which found that respondents were not totally satisfied with a broadband only offering even when as citizens they welcomed the principle of local provision. Laughton noted:¹⁷⁴

In the medium term, licence fee payers will expect BBC news, however local it is, to be carried on the dominant free-to-air platform. But it is unclear whether this will ever be possible across the whole of the UK, given competing claims for spectrum.

¹⁷² Ofcom, 2008, Communications Report

¹⁷³ BMRB Quantitative Research on BBC local video proposals, 2008, supplied by the Executive. The figures are not a percentage of all UK individuals, rather a percentage of people who access news from local commercial media. Of 1036 people asked, 742 said that they access news at least once a week from a local commercial media source. Of these, 141 were aged 16-24 (which is about 60% of all 16-24s included in the survey). Of those aged 16-24, 36% had used regional television and 33% the internet to access news.

¹⁷⁴ The Laughton Report, 2006, p.17, frustrations diminished as familiarity increased.

- 6.6.39 Based on the analysis our overall view is that local video has low appeal and hence limited impact. In the near term at least, broadband may act as a practical barrier to usage. Whilst respondents from Dorset were most likely to support improved local provision, they were least likely to agree that broadband delivery was optimal. This is interesting given there is limited local radio in Dorset and a clear gap in BBC provision. It is not for want of access either – broadband penetration in Dorset is in line with the UK average. Nonetheless, we accept that, given a small sample size, there are limitations to what we can infer here.
- 6.6.40 There are two possible explanations as to why a broadband-only local news offering has low appeal. Habits are entrenched but likely to change over time, driven by the growth in local online news or people feel there is too much effort sourcing local news online, for too little reward. Most likely, a local news only offering is of limited appeal, especially in an online environment, that typically attracts a younger demographic in search of a broader offering.
- 6.6.41 We accept, however, that the internet is transforming audience behaviour.¹⁷⁵ YouTube provides an interesting case study. The site went live in 2005; the following year it had acquired 3.9 million unique users. By 2008, this had jumped to over 20 million. Putting aside the obvious differences in proposition and user base, it illustrates the transformational effect of the internet on behaviours and routines.
- 6.6.42 In conclusion we believe the proposals will have limited impact given that people are generally well served by existing providers and less likely to embrace broadband as a local news-only offering that does not extend to listings, reviews and general entertainment.
- 6.6.43 Having considered the benefit of proposals to consumers or citizens and society, we now consider whether they meet conditions for high quality and distinctive content.

6.7 Are Proposals of High Quality and Distinctive?

- 6.7.1 A further driver of public value is quality. We have assessed this against the seven distinctiveness criteria developed by the Trust for the bbc.co.uk review (figure 6.9).¹⁷⁶

¹⁷⁵ By way of example, the BBC iPlayer delivered more than 700,000 daily video streams in May 2008, five months after its official launch. The UK Communications Market Report, Ofcom, 2008

¹⁷⁶ It is appropriate to apply these suggested criteria to proposals as they relate to the key drivers of public value and if approved, local video would form part of bbc.co.uk







Figure 6.9: BBC distinctiveness criteria¹⁷⁷



1. BBC **editorial values** (accuracy, independence, impartiality, taste and decency)
2. Non-commercial (in some genres, such as news, there is particular value in there being no advertising or subscriptions)
3. Made for the UK
4. Clear link to television or radio programme **brands**
5. Level of **creative** and **editorial** ambition (seriousness of intent, breadth or depth of subject matter)
6. Fresh and **original** approach
7. Uniqueness (no one else provides this content)

Source: BBC Trust 2008 bbc.co.uk review

- 6.7.2 As part of our assessment we have drawn on research undertaken by Rosenblatt, relevant published reports, evidence provided by the Executive and results of the public consultation.
- 6.7.3 We were presented with evidence from the Executive that proposals would be of high quality. The scale of the proposed investment is likely to mean that the BBC will bring high-quality production values to bear on the local news sector, with little prospect of the commercial sector matching the investment in the quality or extent of video output in the short to medium term.
- 6.7.4 Our overall conclusion is that the distinctiveness of the proposals is low, although some elements are distinctive (figure 6.10). Further, given our reservations on the impact and reach of local video, quality becomes somewhat less relevant. Our full assessment can be found in annex III.

Figure 6.10: summary of distinctiveness analysis

Criterion	BBC Trust Assessment
Editorial values	
Non-commercial	
Made for UK	Not relevant
Link to TV & radio brands	
Creative & editorial ambition	
Fresh & original approach	
Uniqueness	

Key:  distinctive,  not distinctive

¹⁷⁷ Since publishing its review of bbc.co.uk in May 2008 which set out distinctiveness criteria for the service, the Trust has received legal advice that the criterion 'made in and for the UK' should be amended to 'made for the UK' so as to be fully compliant with procurement law.

6.8 Partnerships

- 6.8.1 An important part of proposals is their focus on partnerships.¹⁷⁸ We welcome the Executive's efforts to improve collaboration and recognise it as a potential source of distinctiveness that underpins a wider BBC agenda. In his 2006 report on the West Midlands trial, Professor Laughton stated that in order to be distinctive:

*The BBC would need to demonstrate a clear commitment to partnerships in which it is not always the lead partner. Some of these partnerships should be with the same organisations that currently see the BBC as a threat.*¹⁷⁹

- 6.8.2 The Executive set out a loose framework for partnering in its application, in the hope that stakeholders would help refine proposals. Certain stakeholders provided some comments on this. Whilst not necessarily an indicator of future performance, the BBC's track record in this area is somewhat mixed. The recent bbc.co.uk review exposed weaknesses in respect of click-throughs and stakeholders are wary, yet in other areas such as R&D the BBC has a long history of successful partnerships. Many stakeholders questioned the efficacy of any form of partnership, and whether it would ameliorate their concerns about BBC expansion at a local level. A number drew attention to the £800,000 annual budget for content syndication, which was felt to be too small to be of value.

- 6.8.3 In this context the BBC's willingness and ability to link to the content of other providers is relevant. Our own research undertaken as part of the bbc.co.uk service review suggested that the BBC has some way to go in this regard:

We are disappointed to find that bbc.co.uk's provision of links to external sites is not leading to more click-throughs, despite this being identified as a priority in the Graf review. We are asking BBC management to find ways of increasing the effectiveness of its provision of links and ensuring that bbc.co.uk helps its users navigate to external sites from all parts of the site.

bbc.co.uk review, Trust, 2008

- 6.8.4 We did find some support for partnership proposals. The Media Trust welcomed efforts to support local production and citizen journalism, whilst Manx Radio noted that 'unfettered access to [BBC] content and a collaborative approach to newsgathering offers us an opportunity to thrive'. It cautioned, however that 'over zealous syndication restrictions' would be problematic, thereby significantly reducing the value.
- 6.8.5 Therefore, while partnerships are a potential source of value, the Trust would need further information and reassurances on the Executive's plans in this regard.
- 6.8.6 Having considered likely uptake of local video, assessed potential benefits and evaluated proposals against distinctiveness criteria, we now move to the final part of our assessment, value for money.

¹⁷⁸ This is relevant to the distinctiveness of the proposals and more broadly to the overall public value of local video.

¹⁷⁹ Professor Roger Laughton, The BBC's Local Television Pilot in the West Midlands, p.25

6.9 Do Proposals Represent Value for Money?

- 6.9.1 An important driver of public value is whether proposals provide value for money. The Trust has particularly focused on whether the potential reach of local video justifies the level of investment. In order to provide the service, on the scale detailed in the application, the total cost over four years from 2009/10 to 2012/13 is £68 million. From maturity in 2012/13 the service will cost £23 million a year and employ [REDACTED] staff around the UK.
- 6.9.2 This works out at an average cost of around £350,000 for each of the 65 offers across the UK and an average headcount allocation of 6 staff. The Executive considers that this £68 million would be funded by efficiencies and savings within the existing Nations and Regions budget.
- 6.9.3 In our overall view, local video is not the most efficient way to deliver value and does not represent value for money, especially given the limited reach to key audience groups, and access issues for non-broadband users. We set out our reasoning in the section that follows.

Current local spend

- 6.9.4 We start with an assessment of current local spend. In 2007/08 the BBC reported £113.9 million of expenditure against the bbc.co.uk service licence. £[REDACTED] of this related to services delivered by the BBC's Nations and Regions division. Of this some £[REDACTED] relates to the BBC's local content and services across the UK. The £[REDACTED] for local online content and services, together with 2012/13 incremental increase and the additional investment for local video can be seen below.

Table 6.6: *BBC local spend* [REDACTED]

- 6.9.5 Non-PVT incremental spend relates to BBC local activities that fall outside the scope of this assessment but is important to illustrate the predicted total local budget for 2012/13 if proposals were approved. Local video would increase investment in BBC local sites by around [REDACTED]%. Headcount across nations and regions local services would increase by [REDACTED], from around [REDACTED] in 2007/08 to [REDACTED] by 2012/13. Of the [REDACTED] staff currently working on BBC Local, [REDACTED] would be allocated to local video under proposals. Extra staff would be based mainly at local BBC radio sites.
- 6.9.6 On average, each BBC Local site currently produces three to four text-based news stories each day. In the English regions journalists are deployed at the BBC regional centres. There is also a news desk in Birmingham which produces content for each local area. In the nations, a larger proportion of local material is centrally produced alongside national news content.

Table 6.7: *BBC local headcount* [REDACTED]

- 6.9.7 Regional variations in resource allocation reflect assumptions based on a range of factors. As the UK's largest city with a population of around 10.5 million, London has a larger staff allocation; likewise in Wales, where there is dual language provision, and in Scotland, which covers a large geographical area. By contrast, areas which are currently well served by regional news centres would, on average, employ one less video journalist under the proposals.

What will the extra resource deliver?

- 6.9.8 Under the proposals, extra staffing resource would enable production of up to 10 video stories a day as well as three news bulletins. The PVT investment will create a new tier of local newsgathering within the BBC, increasing the range and volume of stories. New investment is expected to deliver both extra news coverage and present stories in different ways. In its application, the Executive marshals a number of arguments in support of additional investment:

volume: increase to an average of six or seven news stories per day per local area; the investment will enable around 100 extra cameras to be deployed across the UK

range: extend the range of text-based stories via more video-driven/visual stories, e.g. more specialist stories across transport, health, education and crime

multi-media: generate local stories that are multi-media, combining text, graphics, stills and video

editorial perspective: community producers will bring new angles to local news coverage

- 6.9.9 Whilst additional investment provides scope for the BBC to expand its coverage at a local level, it may sometimes struggle to generate 'newsworthy' material. As we have already seen, it may also lead to greater duplication of existing coverage from commercial providers, without necessarily extending reach to underserved groups and low-approvers identified in the purpose remit research. Meanwhile, our audience research cast doubt on the value of video in reporting local stories. One or two respondents expressed the view that local news stories may not be sufficiently engaging for video delivery.
- 6.9.10 In order to drive maximum efficiencies it is imperative that local and regional news co-ordinate their respective offerings. There is evidence of this happening in the West Midlands trial where, on average, 10 local video stories appeared on Midlands Today and several were covered by the BBC News channel and network bulletins. The Executive maintains that investment at this level underpins a wider strategy to improve the relevance of BBC news provision to the nations and regions. We do not doubt this, but consider the same outcome could be achieved with considerably less investment. This is discussed further in section 7.
- 6.9.11 It is worth noting that the costs of the West Midlands pilot were considerably more than those associated with the deployment of local video. The Executive maintains that higher costs were associated with digital satellite distribution and producing packaged pieces for a linear television model. This suggests it may, therefore, be

more difficult to generate efficiencies if local video material is not of sufficient quality to exploit synergies with regional television.

Extra capacity and untapped resources

- 6.9.12 Regional television news stories from the three nations and 12 BBC English news regions are already repurposed for the BBC local sites and available as archive material.
- 6.9.13 We wanted to establish whether 'excess capacity' exists in the system, by which we mean stories that are filmed for regional television that do not make it on air for various reasons (for example, a breaking news story takes priority). This information is not collected by the BBC, but the Executive believes around five stories are abandoned by each regional news desk every week.
- 6.9.14 The Executive maintains that regional and nations television news stories tend to skew overall towards the BBC regional and national centres. Therefore this untapped additional resource may not give the granularity and localness the application seeks to address.
- 6.9.15 However, these abandoned stories are local to a certain region and it is reasonable to assume that they are the 'next best' output that the BBC had to offer on a certain day. It also illustrates one way in which existing resources could be exploited to close the performance gap at less expense to the BBC.

Cost per hour

- 6.9.16 The application sets out the cost per hour at £2,100 based on an average of 26 minutes per day for each service, plus an additional daily output of 52 minutes for London. However, the Executive has since stated that, on average, there would be around six or seven new stories per service per day.
- 6.9.17 The lower average of six is in line with the extra capacity in terms of staff. The Executive has stated that each story will be generated by a single journalist. On average each member of staff will be able to generate 0.5-1 story a day.¹⁸⁰ This equates to a maximum of six stories per day for the extra six staff. Additional stories may also be sourced from third parties but given the limited resource it is unlikely to affect the average number of stories for any given area.
- 6.9.18 The following table illustrates how the average number of stories per day for each service affects the cost per hour of the service:

¹⁸⁰ Figures are calculated over the course of a seven day week.

Table 6.8: cost per hour

Average number of video stories	Minutes of content per day	Cost per hour (£)
6	12	4,742
7	14	4,064
8	16	3,556
9	18	3,161
10	20	2,845
10 plus 3 bulletins	26	2,189

- 6.9.19 Six video stories a day would cost £4,700 per hour. If those six stories were accompanied by three bulletins (described in the service description as being normally around 45-90 seconds each and up to a maximum of two minutes) it would reduce the cost per hour to between £3,200 and £3,600 (i.e. 16-18 minutes of content per day, per service in total).
- 6.9.20 This is similar, in cost per hour, to BBC Radio Scotland (£3,300) and the combined cost of BBC Radio Wales and BBC Radio Cymru (£3,400 in total).
- 6.9.21 The cost per hour of the television news trial in the West Midlands was calculated at £5,900 based on operating costs of £1.9 million and a total of 320 hours. The Executive maintains that the pilot was producing packaged pieces for a linear television model, making direct comparison difficult. However, at nearly three times the cost per hour quoted for local video, it raises questions about the reliability of cost data provided in the application.

Weekly cost per user hour

- 6.9.22 The application uses weekly cost per hour to calculate the cost of providing the service as a comparator to nations and regions news and national and local radio. If we use the same calculation but vary reach, as derived from the Trust's own estimates, the mid-range cost per user is the same as the application, 9 pence, shown in the table below:

Table 6.9: weekly cost per user

	Low Range	Mid Range	High Range
Reach (%)	8.2%	11.5%	14.7%
Weekly cost per user (pence)	12.4p	8.9p	6.9p

- 6.9.23 This is significantly lower than the BBC's nations and local radio, but higher than nations and regions television news. It would be useful to compare the figure with other BBC services, but as most are reported as 'cost per user hour' it is not possible to draw a direct comparison. We can, however, evaluate this against bbc.co.uk, which in 2007/08 had a weekly cost per user of 18p. We can also assess the service against BBCi, which, over the same period, had a weekly cost per user of 4p. We note the cost per user hour is also high when considered against the counterfactual scenario of allowing evolution in local provision, set out in section 7.

External spend

- 6.9.24 The service proposes some external spend for the acquisition of video. From 2012/13 there would be £795,000 available for acquired video and partnerships and £440,000 for weather and sport acquired video. Stakeholders were critical of the acquisition budget, which they viewed as immaterial. The Executive is unable to provide benchmarks for acquired video but stated that this amount is equivalent to around 15 to 20 journalists, employed full time producing some 5,000 stories a year.

Headcount

- 6.9.25 Like many organisations, the BBC is currently seeking efficiencies throughout the corporation. These efficiencies include a reduction in workforce. Under the Executive's proposals, most staff at risk of redundancy would be redeployed.
- 6.9.26 In the absence of local video, the BBC may incur redundancy and related costs in the region of £[REDACTED]. This equates to [REDACTED] staff in England and [REDACTED] in the nations. However, these figures represent a 'worst case' scenario. We are aware of other BBC projects, particularly in the nations that could, if approved, provide redeployment opportunities for those at risk.

Conclusions on value for money

- 6.9.27 In our view, local video does not deliver value for money, especially given the limited uplift in reach to key audience groups and access issues for non-broadband users. In particular, the costs of delivering the service appear rather high. We draw attention to the cost per hour of local video, compared with national radio services. Whilst there are limits to what can be inferred from a comparison of two very different services, on balance it does not seem the most efficient use of funds.

7. The Counterfactual

7.1 Introduction

7.1.1 In assessing public value, the Trust must have regard to what might happen in the absence of local video; in other words, the counterfactual, considered below.

7.2 Background

7.2.1 Local video would sit within existing provision on the BBC's network of local websites. The BBC's local online presence has evolved over eight years and will continue to do so in line with emerging technologies, audience expectations and market shifts. In recent years, BBC local sites have developed to offer a less cluttered, more editorially-focused experience (e.g. news, sport, travel and weather) with a greater number of links to other providers.

7.3 Central Scenario

7.3.1 We have developed one counterfactual and considered two further scenarios, put forward by the Executive in its application.

7.3.2 In the first, which we will refer to as our 'central scenario', BBC local sites evolve over a five-year period absent local video but with incremental investment, under the terms of the bbc.co.uk service licence. From discussions with the Executive, the Trust is aware that areas of improvement are likely to include:

- The redeployment of web journalists into new roles that focus on making better use of UGC (e.g. text, e-mails, pictures and video) and improving opportunities for audience participation. UGC will fit with the websites' editorial purposes and comply with the BBC editorial policy including guidance on moderating content.
- A common publication system. At present different types of material are published using different content management systems, reducing flexibility in the way staff resources are used and in the ways that content is presented.
- A more consistent journey between BBC local content and other parts of bbc.co.uk would improve the use of BBC local sites, for example, sport and weather sites, as well as providing links into the BBC's wider digital democracy project.
- Improvements to search, navigation and architecture as part of a continuing modernisation process for the BBC local sites. Improvements will allow greater flexibility and personalisation, along with greater interactivity and the ability to find, rate and recommend content.

- Investment to develop local sites in Northern Ireland, including some repurposed video material from the national news bulletin.¹⁸¹

7.3.3 Table 7.1 summarises the Trust's comparison between the key website variables of the local video proposal and the counterfactual.

Table 7.1: *key website variables*

KEY VARIABLES	CENTRAL CASE	COUNTERFACTUAL
LOCAL VIDEO NEWS BESPOKE FOR BROADBAND	YES	NO
BBC LOCAL WEBSITE GEOGRAPHIC AREAS COVERED	60	57
BBC-ASSISTED VIDEO UGC	YES	NO
INTERACTIVE MAP-BASED NAVIGATION	YES	YES
IMPROVED LINKING	YES	YES
GREATER USE OF UGC	YES	YES
IMPROVEMENTS TO DESIGN AND ARCHITECTURE	YES	YES
IMPROVEMENTS TO SITES IN NORTHERN IRELAND	YES	YES

7.3.4 We note that some BBC local sites outperform others¹⁸² and that better visibility and general improvement, to bring all sites to a uniform standard, may drive usage and approval ratings.¹⁸³ Additional improvements may include more extensive use of non-news archive material on local sites.

7.3.5 Our central counterfactual scenario also allows for gradual service improvements to other platforms in an effort to extend reach to underserved groups. Examples include the recent introduction of an 8pm news bulletin on BBC One. Other changes within the BBC, such as the restructuring of the leadership of the Nations and Regions and the creation of new strategic forums may likewise strengthen regional representation over the period under review. Other examples may include additional resources targeted at regional television bulletins or basic news opt-outs for local radio stations.

7.3.6 It is our expectation that these changes could occur at a far lesser cost than the local video proposal and within the scope of existing BBC activities.¹⁸⁴

7.4 Alternative Counterfactuals

7.4.1 In its application, the Executive considered two alternative scenarios, which we set out below.

¹⁸¹ Historically, there has been less investment at a local level in these areas.

¹⁸² BBC Nottingham, for example, is consistently one of the strongest performing local sites in the country, BBC England Annual Review, 2008

¹⁸³ More work is needed to understand why some sites outperform others and what can be done, absent local video, to bring all sites to a consistently high standard.

¹⁸⁴ For radio opt outs, this would be subject to a feasibility study on the availability and cost of transmitter infrastructure.

Reduction in the number of journalists for local video: limiting BBC expansion at a local level in this way may ameliorate commercial concerns but it would also dilute public value. The Trust takes the view that the same issues would still remain as identified earlier in this assessment, particularly limited reach and impact and lack of distinctiveness.

Restriction of the offer to underserved areas: the Trust has reservations about the potential of the proposals to reach underserved groups. We consider that the same issues in relation to reach would remain as set out in Section 6. Whilst there is merit in bringing all BBC local websites up to the same standard, a purpose gap is likely to remain if disaffected groups do not access local video.

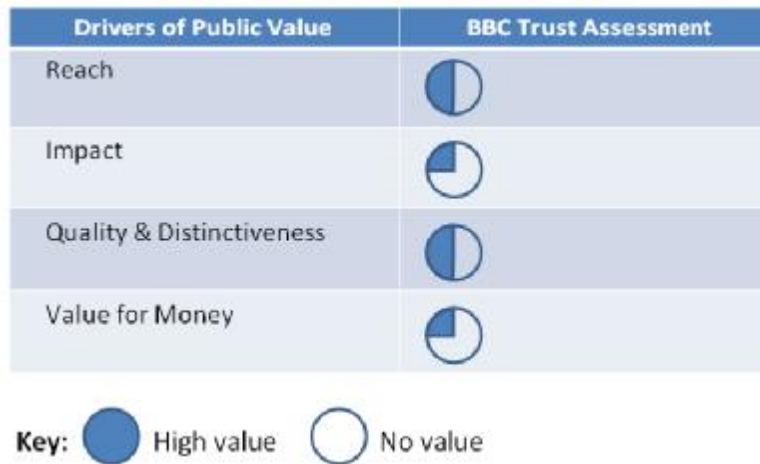
7.5 Summary of Counterfactual Analysis

- 7.5.1 Even if the local video proposals are not implemented, BBC local sites will continue to evolve, within the parameters of the bbc.co.uk service, improving the user experience and deepening audience appreciation. We accept that video has a part to play, but make the point that these evolutionary developments will not, under the current and proposed service licence terms, extend to video news bespoke for broadband. In other words, only video content that has appeared or will appear on BBC linear services, such as the 18:30 bulletin, may be shown on local sites.
- 7.5.2 Under the central scenario, we can see potential for public value. In the Trust's view, these incremental developments may, over time, deliver at least as much public value and provide a better solution to the purpose gap. The Trust takes the view that improvements confined to an online environment, such as those suggested in the local video proposals, will only go so far in closing the purpose gap.

8. Conclusions

- 8.1 In our view, the proposals offer a low to medium level of public value. Our assessment of public value has been made against the key drivers of public values as set out at figure 8.1.

Figure 8.1: *summary of Trust assessment*



- 8.2 The Executive developed proposals to fill the gap in local provision and we value the effort that has gone into them. We recognise the important role the BBC plays in reflecting the diversity of the UK's nations, regions and communities, in an increasingly competitive environment.
- 8.3 Whilst the Trust supports the aim of improving local provision it does not consider proposals the most effective way of achieving this goal. Whilst local video has potential to deliver value, it does not have sufficient reach to underserved audiences. For the same reasons, local video does not represent the most efficient use of licence fee funds, especially given access issues for non-broadband users, low uptake among key groups and against a background of constrained funding. Further, partnership and linking arrangements are currently of limited value.
- 8.4 Local video proposals in their current form will not adequately address the gap identified in the provision of the BBC's public purposes. Further, it has not been established whether audiences need more video content or would be satisfied with modest improvements to navigation, access to a richer source of archive material and additional provision in underserved geographic areas. In our overall view, proposals are not the right way for the BBC to satisfy audience demand for greater relevance and regional representation, in the context of a broader market.
- 8.5 Whilst we accept the role of the internet in delivering local news we do not believe that local video will compensate for the decline in reach of the BBC regional television news bulletin. Our research findings consistently support demand for local news delivered via television. Spectrum scarcity and cost on the DTT platform limit the BBC to broadband







delivery, but this represents a misfit between ‘medium’ and ‘message’. We note that commercial news providers are embracing video, but also that they have more latitude with editorial agenda and a remit that encompasses listings and directories – of more practical value and wider appeal to the public.



8.6 Nonetheless, we accept the consumer and citizen benefits of a strengthened BBC presence at a local level. In this respect, we have considered, throughout this PVA, the level at which local provision should be set. We consider that there is public value in local provision by the BBC, albeit that 'local' means different things to different people and is therefore a fluid concept. It is our belief that allowing existing local sites to develop incrementally with reduced headcount per area compared with this proposal, and clear limits on editorial ambitions and newsgathering operations, will contribute to closing the purpose gap. Improved mapping and navigation, already planned by BBC management, and a richer source of archive material, including regional news, will all contribute to an improved local offering.

I. Quality and Distinctiveness

8.7 Our overall conclusion is that the distinctiveness of the proposals is low, although some elements are distinctive. The full analysis is set out in annex III and summarised in figure 8.2, below.

Figure 8.2: summary of distinctiveness analysis

Criterion	BBC Trust Assessment
Editorial values	
Non-commercial	
Made for UK	Not relevant
Link to TV & radio brands	
Creative & editorial ambition	
Fresh & original approach	
Uniqueness	

Key:  distinctive  not distinctive

8.8 While we consider the proposals would deliver quality, this does not substantially change our overall view on public value. We would, however, note that an important part of the local video proposal is a focus on partnerships. The Trust recognises this as a potential source of distinctiveness that underpins a wider BBC agenda.

II. Impact

- 8.9 In theory, local news drawn together in an innovative, interactive portal is a powerful proposition. Relevant local news has valuable social currency and may allow the BBC to reconnect with underserved groups who currently regard it as too remote.
- 8.10 But if the principle appeals, it leads quickly to a debate on whether broadband is an appropriate delivery platform. Whilst usage of the internet as a source of local news is growing, albeit from a small base, consumption is largely a passive experience; 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.
- 8.11 For the under-35s, the internet is used somewhat more routinely. Users of commercial local news sites tend to reflect that of the wider population. We accept, however, that commercial providers have more latitude in developing editorial propositions specifically targeted at a younger market, beyond the confines of 'news' as defined, appropriately, in our view, by the BBC agenda.
- 8.12 Based on these factors, and taking account of other limitations, our overall conclusion on proposals is one of limited impact in the form proposed.

III. Reach

- 8.13 Taking relevant factors into account, our projections suggest that local video will deliver incremental reach to groups that, in the main, already consume BBC content. The net result is likely to be an increase in consumption among core audience groups (those already using BBC news services) rather than a significant extension of reach to the underserved and low-approvers.
- 8.14 Generally, broadband represents a practical barrier to use, both in terms of access and the way in which people consume local news. We accept that the ABC1 bias of online delivery is somewhat offset by the C2DE interest in local content, and note that the proposition is not deliberately targeted at underserved low income households, but as the only means of delivery it would preclude certain groups from using the service.
- 8.15 Socio-economic factors influence broadband take-up, and low income groups are generally less well represented online. Low approval of BBC performance is more pronounced among these groups. Meanwhile, 35-49 year olds (a key target audience for local video) are well represented online but tend to spend proportionally less time there due to competing work and family commitments.

IV. Cost and Value for Money

- 8.16 The Trust has particularly focused on whether the potential reach of local video justifies the level of investment. In our view, the proposals do not achieve value for money. Certainly, the cost is difficult to justify when considered against the relatively low effect on reach.

V. Counterfactual

- 8.17 The Trust considered a central counterfactual scenario in which BBC local sites evolve over a five-year period absent local video but with incremental investment. We also considered two alternative counterfactual scenarios, first, a scaling down of the local video proposals and secondly, restriction of the offer to underserved areas.
- 8.18 In the Trust's view, even if the local video proposals are not implemented, BBC local sites will continue to evolve, improving the user experience and deepening audience appreciation. Under the central scenario, these developments may deliver at least as much value as that likely to be generated if local video proposals are implemented.
- 8.19 The Trust takes the view that improvements confined to an online environment, such as those set out in local video proposals, will go only so far in closing the purpose gap. It also considers that, even on the alternative counterfactuals set out by the Executive, the same issues identified in the proposals regarding impact, lack of distinctiveness and reach to underserved groups remain.

Annex I. Description of Proposals

This section provides a description of proposals, based on the local video application submitted by BBC management.

Introduction

Prior to the launch of the local video PVT, the BBC Trust and Ofcom co-produced a service description, which was published as part of the public consultation. A summary of the service description is set out below.

The Executive has applied for permission to provide an on-demand, local video service, delivered via fixed and mobile broadband internet connections. At launch, the service would not be available on any other platform. The main aspects of the service description are as follows:

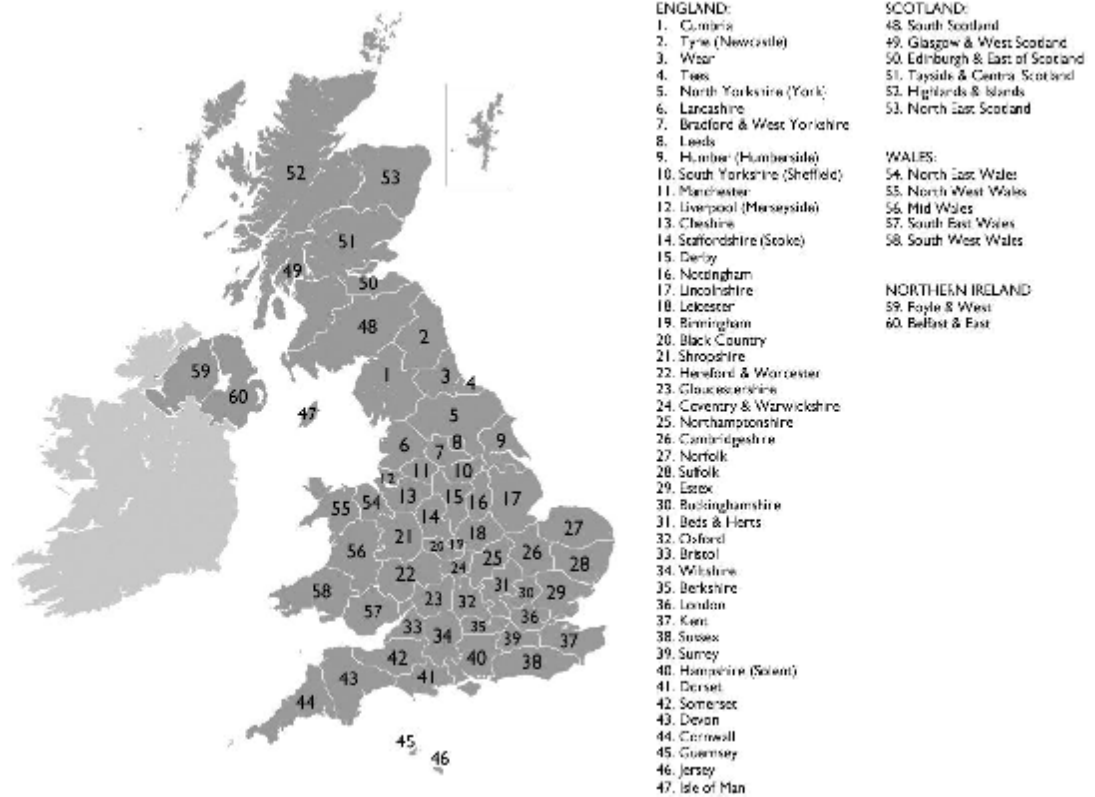
- Local video would expand upon the BBC's existing network of local websites.¹⁸⁵
- It would be available in 60 areas across the UK, most of which cover an area of more than 250,000 people (and on average, one million);¹⁸⁶ which is equivalent to the coverage of the BBC's existing network of local websites and radio services (figure 1).
- In Wales, local sites would be available in both English and Welsh, bringing the total number of local services to 65.
- The service would offer bespoke video, focused chiefly on news and sport, but also including weather, user generated content¹⁸⁷ and knowledge-building genres (for example, science, nature, heritage, history, arts, culture and faith).
- The service would add a new tier of local video newsgathering to local news provision on bbc.co.uk.
- Content would be produced locally in, and for, each of the 60 areas. It would be free at the point of use, without advertising, and available across the whole of the UK for broadband users.
- Non-UK broadband users would also be able to access the service.
- Local video would have an annual operating budget of £23 million by 2012/13.

¹⁸⁵ BBC Local, formerly known as 'Where I Live'

¹⁸⁶ In 11 of the proposed local video areas, the population is below 250,000, these are: Highlands and Islands, South West Wales – Welsh, North West Wales – Welsh, Mid Wales – English, Cardiff and South East Wales – Welsh, North East Wales – Welsh, North West Wales – English, Jersey, Isle of Man, Mid Wales – Welsh, and Guernsey.

¹⁸⁷ Produced in collaboration with the BBC

Figure 1: BBC local map



Context

As noted, local video would expand upon existing local provision on bbc.co.uk.

bbc.co.uk offers news, information and content on a range of subjects, from business news and sporting fixtures to parenting and religion. It has grown as an on-demand platform for BBC radio and television, offering streamed and downloadable audio and video content, alongside opportunities for interaction and user generated content.

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 million.

The site offers news coverage at an international, national, regional and local level.

Existing BBC Local sites serve audiences under the terms of the bbc.co.uk service licence and include:

- Audio and text news and related material
- Broadcast news bulletins and video stories linked to linear news and other television output
- Travel
- Weather

- User generated content
- Live streams
- Mobile content
- Podcasts and audio on-demand content

Local video would expand upon, and sit within, this context of existing local provision.

An example of a current BBC Local site can be seen below.

Figure 2: existing BBC Local site for Birmingham



BBC local content is available in different ways on different BBC sites. These include BBC News, BBC Local, BBC genres sites and possibly, in future, BBC iPlayer. Local online content can also be found using external search engines and the search facility on bbc.co.uk.

Figure 3: accessing current BBC local content via BBC News England



Figure 4: accessing current BBC local content via BBC News regional site



Figure 5: accessing existing BBC local content via BBC Local homepage



Content

Local video is a web-based proposition using broadband technology to deliver video journalism.

The proposed service is focused predominantly on local news and sport, but also includes weather, user generated content¹⁸⁸ and knowledge-building genres (for example, science, nature, heritage, history, culture, arts and faith).

A summary of local video content can be found in table 1, below.

¹⁸⁸ Produced in collaboration with the BBC

Table 1: summary of local video content

Content type	Definition	Frequency	Limit
Video Stories	<p>News and related items: politics, social issues, education, health, crime etc</p> <p>Sports news: coverage of minority sports and local treatment of major events (football, rugby etc)*</p> <p>Community and local life: 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.

The sum of the video stories and bulletins described above will not exceed 26 minutes of content, per area per day.

Text will accompany or introduce video stories. A 'story' is a piece of content which can be updated a number of times in any 24-hour period. Upper limits on video stories do not extend to live streams.

Only user generated content produced in collaboration with the BBC will be included in the upper limit on video stories.¹⁸⁹

Video clips submitted by users and produced without the assistance of the BBC are not subject to the upper limit. They fall under existing editorial controls governing online content and are not included in this PVT assessment.¹⁹⁰

Upper limits on the daily volume and duration of stories would be averaged across the year. BBC management believes this would allow for editorial flexibility to exceed thresholds in exceptional circumstances (for example, at times of national crisis, flooding or during national and local elections).

There are, in two regions, exceptions to the daily upper limits on video stories:

London: with a population of over 10.5 million, BBC management proposes a higher volume of stories (up to 20 stories daily, or 40 minutes in total). Including bulletins this would not exceed 46 minutes of content per day.

Wales: the upper limit of 10 video stories per area, per day, would be applied separately to the English and Welsh offers. This will allow for the creation of separate video stories in English and Welsh (and up to 20 per day in total), using teams that

¹⁸⁹ The BBC already produces around 100 of these videos on BBC local sites per week across the whole of the UK. It is anticipated that, as a result of this proposal, this number would increase to 300. Beyond this, the BBC already publishes a range of user generated content under existing permissions.

¹⁹⁰ Users can already submit video clips to BBC local sites.

work alongside each other. Even when the same stories are covered, they will often receive different treatment.

In all other respects, the composition of the local video offer for both London and Wales is as described above.

In line with existing provision on bbc.co.uk, the local video 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/sales offers
- Classified advertisements and listings of items for exchange or free collection
- 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

The proposal does not include traffic or travel updates in video, although travel information is available on existing BBC Local sites.

Each local video area will have a community producer. Their role would be to work with individuals and groups on the production of local video content.

The proposal includes, where editorially appropriate, the provision of links to external sites, commercial news providers and community organisations, allowing users to seek out a wider range of news sources.

Distribution

The proposal is for on-demand distribution via bbc.co.uk to internet-enabled devices on fixed and mobile broadband connections.¹⁹¹ Local video content would be made available elsewhere on bbc.co.uk. Content may also be available via the BBC iPlayer. Material may be repurposed and broadcast on linear television.

Content would also be offered in a form optimised for mobile usage.¹⁹² This would include access to daily news, sport and weather video bulletins. Where possible the BBC would use location-based technology, such as GPS, to deliver local video content to mobile devices, based on a user's location or preferences.

The BBC would make available the majority of its branded local video content to local news sites. This would allow the embedding of content into other websites on fair, reasonable and non-discriminating terms subject to BBC syndication guidelines and terms and conditions. The

¹⁹¹ Content will be repurposed in a format suitable for mobile platforms.

¹⁹² Like the BBC's main website, the BBC's dedicated mobile browser already offers multimedia content across BBC genres. This includes video news and sports content as well as local information.

BBC would use its existing network of 'big screens' to deliver local video content to urban audiences.¹⁹³

Figure 6: *the BBC uses big screens in outdoor settings*



The proposal does not include distribution via conventional broadcast television (DTT, cable or digital satellite) but is likely at some point to be offered on television sets via internet protocol, in line with wider BBC plans and subject to obtaining any necessary consent from the BBC Trust. Local video will operate 24 hours a day, seven days a week, without a predefined publication schedule.

Geographical Coverage

The proposal covers 60 geographic areas (table 2) and expands upon existing BBC provision:

- In 55 areas in England, Scotland, Wales and the Isle of Man, the geographical coverage of current BBC Local websites will remain unchanged.
- In Northern Ireland, two new websites are currently under construction;¹⁹⁴ and in Cheshire, Buckinghamshire and Surrey, three new local websites are planned.¹⁹⁵

¹⁹³ Note: big screen provision does not form part of this assessment.

¹⁹⁴ As part of current bbc.co.uk service licence activity

¹⁹⁵ As part of local video proposals

Table 2: the 60 BBC local video areas

Existing BBC local radio station and BBC Local website	Existing BBC Local website but limited BBC radio¹⁹⁶
Newcastle	Dorset
Cumbria	Somerset
Tees	
Lancashire	Existing BBC Local website but no existing BBC local radio¹⁹⁷
Merseyside	
Manchester	
Leeds	
Sheffield	
York (North Yorkshire)	
Humberside (Hull)	Highlands & Islands
Lincolnshire	North East Scotland
Staffordshire (Stoke)	Tayside & Central Scotland
Hereford and Worcester	Glasgow & West of Scotland
Birmingham (West Midlands)	Edinburgh & East of Scotland
Coventry and Warwickshire	South Scotland
Shropshire	
Leicester	North West Wales
Nottingham	North East Wales
Derby	Mid Wales
Norfolk	South West Wales
Suffolk	South East Wales
Essex	
Northampton	Isle of Man
Cambridgeshire	
Beds/Herts (Three Counties)	Existing BBC radio and BBC Local website in development
London	
Kent	
Sussex (Southern Counties)	Foyle and West
Hampshire (Solent)	Belfast and East
Oxford	
Berkshire	Underserved by the BBC
Gloucester	Cheshire (parts served by Merseyside/Stoke)
Wiltshire	Buckinghamshire (served by Three Counties)
Bristol	Surrey (served by Southern Counties)
Devon	
Cornwall	
Guernsey	
Jersey	

The local video proposal will build upon these websites, specifically:

- In 40 areas in England and the Channel Islands, local video will complement existing local radio and website provision.

¹⁹⁶ Dorset receives an opt-out news service from BBC Radio Solent with separate news bulletins on week days. The BBC also invests in separate travel and sports coverage for the county. BBC Somerset broadcasts an opt-out from BBC Radio Bristol for 44hrs pw.

¹⁹⁷ The BBC does not provide the same breadth and depth of local radio coverage in Scotland as it does in England, but some news bulletin services do exist, such as for Highlands & Islands, the NE, and community services for Orkney and Shetlands.

- In 15 areas (three in England, six in Scotland, five in Wales and one in the Isle of Man) local video will enrich an existing local website offering.
- In two areas in Northern Ireland, local video will complement existing local news provision and the two BBC Local websites currently under development.
- In Cheshire, Buckinghamshire and Surrey, areas that are currently underserved¹⁹⁸ by the BBC, local video will add a new tier of local provision.
- In Wales, local sites will be available in both English and Welsh, bringing the total number of local services to 65.

Functionality

Users would be able to tag, rate and share local video stories.

Current and archive local video content would be accessible via the bbc.co.uk site-wide search engine. In line with the overall approach to archiving on bbc.co.uk, local video content would be available in perpetuity.

Users would be able to access local video stories from any of the 60 geographic areas, regardless of their own location.

Improved navigation, including an interactive map of each of the 60 local areas,¹⁹⁹ would allow users to locate text, audio and video content with greater ease (figure 7). It would guide users to the latest material, while offering links to the BBC's wider news, sport, travel and weather offering.

Figure 7: bbc.co.uk interactive map (for illustrative purposes only)



Cost and Reach

By 2013/14, local video is projected to achieve a weekly reach of around 11% of UK households (3.2 million in total).

¹⁹⁸ Parts of Cheshire are currently served by Merseyside and Stoke; Buckinghamshire is served by Three Counties; whilst Surrey currently falls into Southern Counties, which includes Sussex.

¹⁹⁹ As noted, improved navigation forms part of the ongoing modernisation of BBC local provision and will not be affected by the outcome of this assessment.

The BBC has assessed the cost of delivering local video over the five-year period 2008/09 to 2012/13. The BBC's investment in local video would be phased, increasing by increments each year, starting in 2009/10 (no spend in 2008/09) and reaching maturity at around £23 million a year in 2012/13.

This equates to an average cost of around £350,000 a year for each of the 65 offers across the UK. Proposed investment in the new local video service to 2012/13 is £68 million.

The proposal provides for a gradual increase in staffing across all of the 65 offers over the five-year period. A total of 60 areas are identified, each with an average of around six staff. This compares with around four staff per service for existing BBC local online content.

Content Syndication and Acquisition

Content syndication: the BBC would make available the majority of its branded local video content to local news sites. Local video content could be embedded in external sites, whether not-for-profit or commercial, allowing individuals and organisations to supplement their coverage with BBC material.²⁰⁰

Purchasing local video news: the BBC would make available an annual fund rising to around £800,000 by 2012/13 with which to source local video news from external providers on a commercial basis.²⁰¹

Linking to External Sites

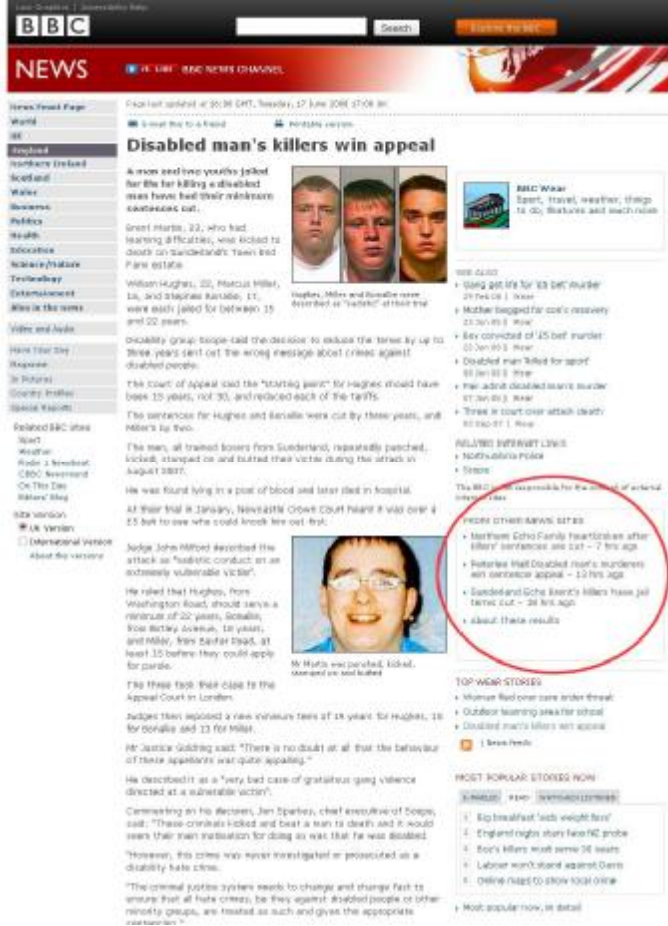
Links to external sites: bbc.co.uk already provides related internet links to external sites (figure 8). Under proposals, BBC management intends to improve access to external sites²⁰² by linking, where possible, from individual BBC video stories to coverage of the same or related stories by other local news providers.

²⁰⁰ Subject to BBC syndication guidelines and the BBC's terms and conditions.

²⁰¹ Subject to compliance with applicable regulatory requirements

²⁰² In line with current editorial policy

Figure 8: example of current external linking from BBC sites



Partnerships and Training

Editorial: the BBC would seek to develop appropriate editorial initiatives with local news providers.²⁰³

Community media: under proposals, the BBC would aim to build on formal partnership agreements with the Community Channel and the Community Media Association to improve digital media literacy.

Training: the BBC would seek to provide informal advice on shoot and edit skills to local non-BBC news providers, publishers and radio stations.

²⁰³ One example from the BBC's recent local television pilot in the West Midlands was a shared photographic competition with the Shropshire Star.

Annex II. Trust Assessment on Reach

Assessing average weekly reach

The gradual deployment of local video means it is unlikely to reach a relatively steady state from a national perspective until nearing the end of the forecast period. Therefore, we believe that the most relevant estimate of reach is our forecast for 2014.²⁰⁴

Table 1: local video reach estimates as a % of UK households

Year	2010	2011	2012	2013	2014
Reach %	2.4-4.8	4.6-8.9	6.5-12	8.1-14.5	8.2-14.7

Therefore the Trust believes that the Executive's forecast of average weekly reach for local video (11.4% of UK households by 2014) for the UK as a whole is reasonable. Whilst there is the potential for some upside in reach relative to the Executive's own estimates, this will depend on a number of operational and market factors which are difficult to assess ex ante.

To estimate reach for each of the 60 areas, the Executive adjusted its 'top down' estimate for UK reach to take account of regional differences. As we discuss below, the Executive's approach tends to exaggerate reach in rural areas and underestimate reach in metropolitan areas. We do not believe that the Executive has justified in sufficient detail some of the assumptions which drive the variation in reach for local video across the 60 regions. In particular, we are not persuaded that the Executive can fully justify its assumptions that reach will be significantly lower in metropolitan areas and higher in non-English regions.

Therefore, to estimate the potential reach for local video we built our own model; our estimates for each of the 60 geographic areas are set out below.

The Executive application

As part of the application the Executive submitted a detailed five-year model to estimate the potential reach for local video in the 60 regions between the years ending March 2010 (2009/10) and the year ending March 2014. The main outputs, in terms of reach, from the Executive's model are:

- Reach as a percentage of all households (both for the UK and by region)
- Reach as a percentage of broadband households (both for the UK and by region)²⁰⁵

²⁰⁴ Reach estimates for earlier years represent a proportional increase from current reach levels for local sites to our estimates for 2014.

²⁰⁵ The Executive did not model the potential reach for local video on mobile devices. Again, we believe that potential reach on mobile devices is difficult to estimate and may not be significant. In any event, given our overall conclusion, it has not been necessary to come to a view on this potential platform.

The main output of the Executive model is set out in table 2 below.

Table 2: Executive projection of local video reach as a % of all households²⁰⁶

	2010	2011	2012	2013	2014
From existing Local Site users	3%	5%	6%	8%	8%
From new users	1%	2%	3%	4%	4%
Total	4%	7%	10%	11%	11%

To obtain these results the Executive's model utilises a number of assumptions in relation to the potential size of the market for local video and what percentage of this market will actually be reached by the new service. These assumptions are set out in table 3 below.

Table 3: Assumptions

Stage	Assumption	Source	Estimate for 2013-14
1	UK households	ONS	28.3 million
2	Broadband penetration for the UK	Enders analysis/Screen Digest	67%
3	Household reach of BBC local online content	BBC data	21.7%
4	Percentage of local site users who access on average at least one local video ²⁰⁷	BBC data on current usage patterns for local sites combined with assumptions as to the use of embedded local video	79%
5	Broadband penetration by local video region	Enders analysis and Executive assumptions	65%
6	Household reach by local video region	Estimates of propensity to use using adjustment factors derived by Human Capital	Ranges from 3% reach for London to 21% in Mid Wales

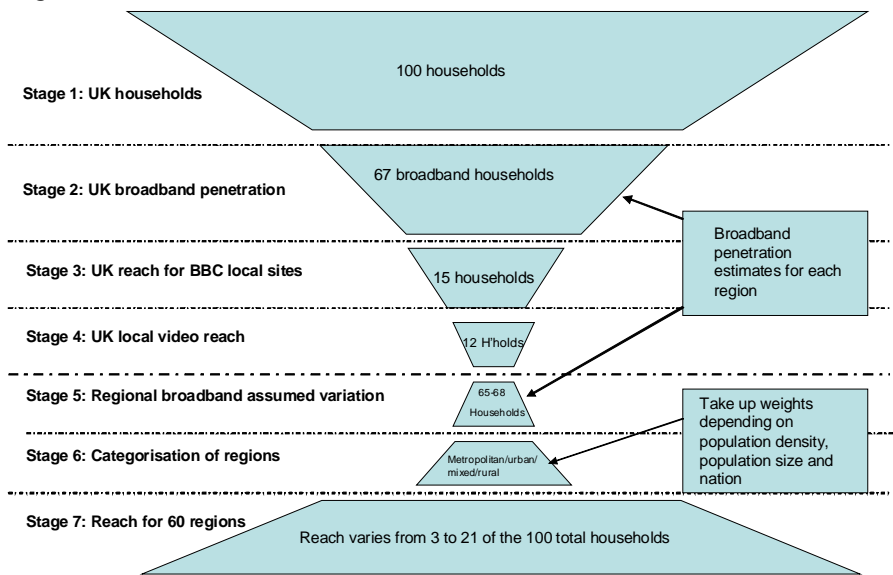
The Executive's model estimates the potential reach for local video between the financial years 2009/10 ('2010') and 2013/14 ('2014') at the national level by utilising a four stage filter approach. First the number of UK households was estimated using data from the Office of National Statistics ('ONS'). Second, the model estimates the projected take up of broadband by these UK households. Third, the model estimates the percentage of these broadband households which will access local BBC news sites. Finally, the model then estimates the reach for local video by estimating what proportion of these local news site users will actually access at least one local video during a typical week.

The model's approach is best understood from an illustrative example as set out below. From an initial hypothetical base of 100 households in 2014, 67 will have broadband access. Of these, 15 will access a local news site of which 12 (79%) will go on to access one or more local videos.

²⁰⁶ Figures have been rounded

²⁰⁷ Based on a number of underlying assumptions

Figure 1: Executive's model



While stages 1-4 of the Executive's model estimate an average UK reach figure for local video, the model then breaks this down into regional estimates for each area. Broadband take up is estimated for each of the areas. To do this the Executive's model forecasts broadband penetration for twelve regions across the UK and then maps these estimates into each of the relevant areas within those twelve regions.

Estimated reach for local video is then derived by taking the national estimates from Stage 4 and applying a number of adjustment factors based on the region and its population characteristics. As can be seen in figure 1 above, for 100 UK households the average UK reach is estimated to be 12 households in 2014 but this estimate will vary by region and could, for example, in the same year, be forecast to be as low as three households in London to 21 households in mid-Wales.

Trust assessment of the Executive's model

Forecasting likely demand for a new service on a regional basis is inevitably dependent on a number of assumptions. Therefore, as our starting point, we set out to understand those assumptions to which the model's outputs are most sensitive. The Executive's estimates of local video reach at both a national and local level display varying sensitivity to the assumptions employed. We discuss each of these in turn below.

Number of households

Using Government data,²⁰⁸ the Executive estimates that the total number of UK households will increase from around 26.4 million at the end of 2008 to 28.3 million by the end of 2013. This represents an average 7% growth in the number of UK households

²⁰⁸ The BBC derived these estimated from a number of sources but mainly relied on data from the Office of National Statistics.

over the period. There is some regional variation in growth rates ranging between 3.94% (Wear) to 10.31% (Lincolnshire). These estimates appear reasonable; we also note that any variation will not have a material impact on our assessment as our focus is on percentage uptake rather than base number of households.²⁰⁹

Broadband penetration

A key driver of reach is the capability of households to access the service. This is best estimated by broadband penetration.²¹⁰ The Executive model forecasts broadband penetration for 12 geographic areas across the UK and maps these onto the 60 local video regions.²¹¹

The forecast assumes that broadband penetration for the UK as a whole will increase from a recorded 45% of UK households at the end of 2006 to an estimated 67% in 2014. This forecast is built on estimates of broadband penetration for twelve UK regions. These regional estimates are then mapped into the sixty local video areas. Historically, broadband penetration has varied considerably across the UK. The Executive model assumes that recent convergence in penetration rates will continue to 2013. Whereas broadband penetration at the end of 2006 ranged from a low of 40% in the West Midlands to a high of 47% in the North West, by 2013 it is forecast to have broadly converged with all regions lying within a range of 65-67%.²¹²

The Trust has a number of concerns with the Executive's approach. Firstly, it would have been useful if the model included estimates of the number of households in each region with broadband access. Some of the most remote areas may still have poor performance which may impact the potential appeal of the proposition.

Whilst the impact of poor access in certain areas is not material to BBC UK-wide estimates, it may be more significant in specific areas or parts of those areas and it does have a bearing on the public value generated.

Secondly, the reliance on broadband penetration at a more aggregate level means that some of the variations between areas are lost. For example, broadband penetration is currently estimated to be as low as 32% in Glasgow: this is significantly lower than the Executive's estimate of penetration (53%) for Glasgow and the West of Scotland.

²⁰⁹ The only issue here is that higher or lower estimated growth in the number of households will impact the absolute number of estimated households using Local video. However, we do not believe that any realistic variance in the number of households will have a significant impact on conclusions.

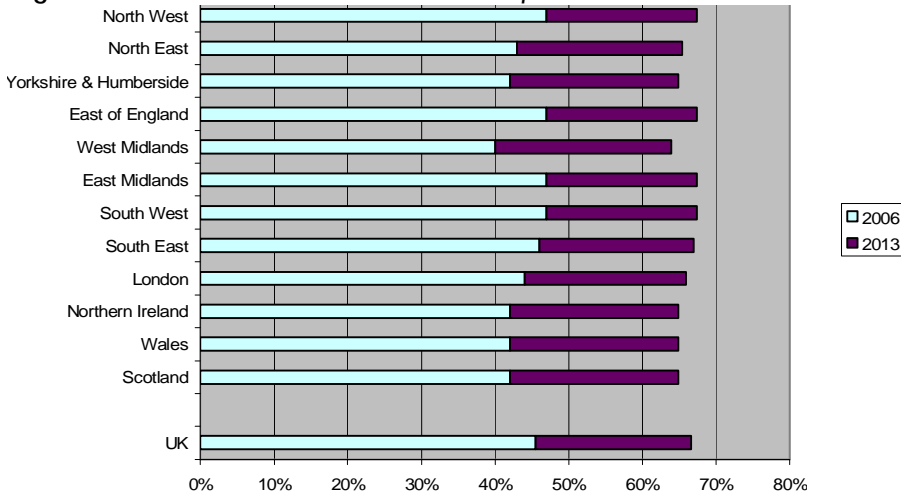
²¹⁰ The BBC does not expect local video to be suitable for narrowband delivery. It estimates that less than 1% of current users of bbc.co.uk access the site using narrowband. In addition, most of these users are likely to have converted to broadband by 2013. There is some support for this assumption: Ofcom in its publication, 'the UK Communications Market' (August 2008) estimated that 45% of narrowband users will convert to broadband within the next twelve months.

²¹¹ To derive its forecasts the BBC relied on research by Enders Analysis.

²¹² Estimated variance around the mean for all UK regions is projected to fall from 8% to 2%. These data were provided by Enders Analysis which divided the UK into twelve regions.

Thirdly, the assumed extent of UK-wide broadband convergence between now and 2014 is somewhat speculative.²¹³ When these factors are taken into account the risk of over or under-estimating potential audience in certain areas could be significant.

Figure 2: Executive's estimates of broadband penetration



Irrespective of these concerns there is a high risk that any estimates of broadband penetration are inaccurate. Inevitably a range of factors, ranging from the state of the economy, the effectiveness of government initiatives to the intensity of competition between broadband providers, will determine future penetration rates.

Because of these concerns, we undertook our own assessment of broadband penetration between 2008 and 2014. We utilised a number of data sets from PricewaterhouseCoopers, Screen Digest, Enders Analysis as well as estimates made by Ofcom as part of its market impact assessment. All of these forecasts had different projections for the growth in broadband penetration between now and 2014, at both a UK and regional level.²¹⁴

Using this forecast, we estimate that average UK broadband penetration will be in the range 66% to 72% of UK households by 2014 with a mid point of 69%. Our estimates for each of the five years of the plan are set out in table 4 below:

Table 4: Trust broadband penetration estimates

Year	2010	2011	2012	2013	2014
% Broadband penetration	60-67	63-69	64-70	65-71	66-72

²¹³ However, it could be argued that whilst the degree of convergence across the 60 regions might be overstated in the five-year model, over a longer time frame there is likely to be continued convergence.

²¹⁴ For example, the range varied between the BBC at 67% UK penetration by 2014 to PwC with 84% penetration by 2014.

We have been relatively conservative in our estimates.²¹⁵ Whilst it is possible that strong government initiatives will drive penetration higher, we believe their implementation is too uncertain to build them into our forecasts.

Although our estimated range is close to the spot estimates of the Executive at the UK level, there is more variation at an area level. In particular, we believe that broadband penetration will grow faster than the Executive's estimates in some regions, particularly London and the South East but slightly slower in others such as Humberside.²¹⁶ We believe that there will continue to be some variation in broadband penetration across the 60 local video regions by 2014. Longer term, it is reasonable that penetration rates will continue to converge.

Despite these reservations we believe that the broad estimates for UK-wide broadband penetration employed by the Executive are reasonable.

BBC local video reach

The Executive estimates local video reach as a percentage of UK broadband households will increase from 6.5% in 2009 to 17.2% by 2014.

To derive this estimate the Executive model forecasts reach for BBC local online content absent the introduction of local video. Under this scenario, the model assumes that reach will continue to average around 16% of broadband households until at least 2014. This is based on data which show that reach for the BBC's local sites has averaged approximately 16% of broadband households for the last two years with a relatively low variance.²¹⁷

As outlined below, the Executive 'conservatively' estimates that the introduction of local video will generate an increased interest in local sites.²¹⁸ As shown in table 5, reach for sites as a whole will increase by 22% from an estimated 18% of broadband homes in 2009 to 22% in 2014.²¹⁹

²¹⁵ For example PwC estimate UK broadband penetration will be over 80% by 2014.

²¹⁶ The BBC's model estimates broadband penetration in London to be 66% by 2014 whilst the Trust has estimated this to be up to 73%. In contrast the BBC estimated broadband penetration by 2014 in Humberside to be 64% whilst the Trust puts this at 62%.

²¹⁷ To estimate weekly reach the BBC model uses data from server logs which are then converted to reach using a number of assumptions to take account of possible double counting such as cookie deletion, work and home access to BBC local sites and multiple PC ownership per household. Average weekly reach varied between 13% and 25% during the eighteen months to September 2008. However, whilst we do not believe that the data are particularly reliable they are the best available.

²¹⁸ BBC Management's assessment of the public value of its Local video proposals, page 31

²¹⁹ The build up of this assumption as described in the PVA is a bit misleading. Whilst the model applies a 72% usage factor to an assumed 50% uplift in users, all this actually means is that the user base increases by 36%, all of whom access at least one local video.

Table 5: Executive estimates of reach for BBC local websites

	2010	2011	2012	2013	2014
Base	16%	16%	16%	16%	16%
Increment due to local video	2.2%	3.8%	4.9%	5.7%	5.7%
Total	18.1%	19.7%	20.9%	21.7%	21.7%

Having estimated local site reach, the Executive estimates the proportion of users who will access local video. This estimate is underpinned by three key assumptions. Firstly, based on historic data, the model assumes that each user will access on average 17.45 pages per week. It then assumes that a certain percentage of these pages will have an embedded video (13% in 2010 rising to 50% in 2014). Finally, based on results from the embedded video news trial, the probability that a user will access at least one page ('conversion rate') is estimated at 14%. Combining these assumptions the Executive estimates that the percentage of households who use a BBC local site and will access at least one local video will grow from 36% in 2010 to 79% by 2014.

Table 6: Executive estimates of reach for local video (% of broadband households)

	2010	2011	2012	2013	2014
Total	18.1%	19.7%	20.9%	21.7%	21.7%
Percentage accessing video	36%	57%	71%	79%	79%
Local video reach	6.5%	11.3%	14.7%	17.2%	17.2%

Local video is a new product and predictions are inherently imprecise. The extent to which local video will be a substitute for or complement to existing local news providers is unclear. The Trust has undertaken its own market research to better understand the extent to which local video will increase reach for BBC local news sites.

The evidence is mixed. There is a strong interest in local news across all demographics. Audiences are currently served by a wide range of media including local and regional press, local radio and television and online news providers. There is a growing appetite for obtaining news online. For example, BBC news online is the most used area of bbc.co.uk. Indeed it is notable that the fastest growing parts of the site relate to news, sport and nations and regions. This growth in the number of users is despite recent investment by other organisations, such as Google, in news aggregation.

However, the ways in which consumers access news and in particular local news is relevant to potential demand. A particular feature of this market is the bundling of local news with other content such as classified advertisements or music. Although the business models which surround the provision of local news are evolving rapidly, it would be a mistake to underplay the ability of established local news providers to adapt to new technology or usage patterns whether on or off-line.

The ability of BBC local sites to grow reach will be, to some extent, constrained by their inability to offer bundled services.²²⁰ This might limit the potential for BBC local video to become a substitute for other sources of news. Indeed, given the very local nature of

²²⁰ bbc.co.uk Service Review, May 2008

much of the intended news, it is not unreasonable to assume that reach will on average be somewhat similar to levels already experienced by the local sites.

Nevertheless, the introduction of local video should generate a higher level of awareness of the BBC's local news sites. It is unclear whether this will translate into high usage levels. Our research suggests that interest in accessing local video will depend on the news agenda. Significant stories can generate relatively high levels of interest but consumption of local news is by and large a passive experience. The BBC's ability to cross-promote its services may also generate higher reach for local video.

Based on available evidence, we believe that the Executive's estimate of the uplift in reach for BBC local sites stemming from local video is reasonable but may be conservative. Whilst recognising that achieved reach may be higher, we estimate that, by 2014, the reach of BBC local websites will be in the range of 19-26%. This compares with the Executive's estimate of 21.7%.

Local video reach

The Trust agrees broadly with the Executive's approach to estimating local video reach. The Executive's model estimated that on average 14% of visitors to a page containing an embedded local video will access it. The Trust has reviewed more recent evidence on conversion rates. Whilst there is considerable variance according to the interest generated by a particular story the average rate was, in fact, slightly below 14%.²²¹ Although it is unlikely that the actual number of pages with embedded local video could end up being higher than 50% it is possible that it could be lower than 50%. This is especially true if the increased local journalist presence helps drive an increased number of news stories. This may put downward pressure on future conversion rates. Hence the output of these three assumptions – that by 2014, 79% of local site users will click through to a video – is likely to represent an upper bound.

Therefore we have used a range of potential conversion rates in our modelling with an estimated 60-80% range for the proportion of users of local sites accessing at least one local video per week. Using this range we estimate the following forecast reach for the period 2010 to 2014.

Table 7: Trust estimates of average UK reach for local video as % of:

Year	2010	2011	2012	2013	2014
Reach % Broadband households	4-7	7-13	10-17	12-20	12-20
Reach % all households	2.4-4.9	4.6-8.9	6.5-12.1	8.1-14.5	8.2-14.7

The Trust therefore considers that the Executive's estimate of local video reach as 17.2% of broadband households by 2014 as reasonable and within the Trust's range of 12% to 20%.

²²¹ Data for September had conversion rates ranging from 0.66% for 'how to catch in cricket' to 43.2% for a 'Wembley stadium tour'. The average conversion rate for the September data was 13%.

Estimating regional variation in reach

To forecast reach at the regional level the Executive's model adjusts the UK-wide estimates to take account of the following factors:

- the level of broadband penetration specific to each area²²²
- the population density for each area
- the population size for each area
- which Nation the area falls in.

The Executive model uplifts reach for the nations by 25%. This is justified on a number of grounds. For example, research has shown that there is a strong appetite for local news in Scotland (BBC provision there is poor).

The Executive also adjusts reach down according to population size and density for each region. As a result estimates for metropolitan areas are adjusted down by between 71% and 31%. Conversely, reach in rural areas is adjusted upwards by between 33% and 84%²²³. The Executive's model is then calibrated to ensure that overall average reach for the UK remains unchanged.

The main impact of these adjustments is to generate lower estimates of reach in large metropolitan areas such as London and Birmingham but higher reach in both rural areas and for the non-English regions. In particular the impact of the calibration is to reduce the magnitude of the positive adjustment factor in predominantly rural areas but also exaggerate the downward adjustment in metropolitan areas such as London and Manchester.

Whilst this approach has a consistent logic, the choice of approach when combined with underlying adjustment factors, generates some diverse results. In particular local video reach in London is estimated to be 3% of households by 2014. This means London's projected reach will be 71% below the UK average of 17.2%.

The Trust accepts that it is inherently difficult to estimate the variation in reach across 60 areas. However, it is not convinced that the degree or direction of variation in reach levels set out in the Executive model is fully supported by sufficient empirical evidence. The notion that local video will generate a lower average reach level in metropolitan areas is based on two key factors:

- a lower than average level of interest in local news in these areas
- a wide variety of competing sources of local news, across a range of media

²²² The BBC utilises forecasts of broadband penetration across 12 areas of the UK and maps these estimates onto relevant regions within those areas. The derivation and application of these forecasts tends to flatten out regional variation in broadband penetration.

²²³ The model adjusts its UK-wide estimate of reach to take account of the population characteristics of each region. All sixty regions are categorised into four demographic types- metropolitan, urban, mixed and rural. Reach is adjusted by -25%, 0,+25%,+30% respectively. In addition reach was adjusted by between -30% to +30% depending on the population size of the region.

However, these factors do not withstand scrutiny. Whilst existing data to estimate reach for BBC local sites are not particularly reliable, they do not suggest that demand in London is lower than elsewhere.²²⁴ Our own research supports this. Additionally, the presence of a large number of competing suppliers is evidence of strong interest in local news. Whether demand for local video is a complement to, or a substitute for, (or both) these alternative services, is unclear.²²⁵ In addition, we have not seen any compelling evidence to suggest that all metropolitan areas will exhibit the same pattern of usage. More importantly, we are not convinced that the degree to which reach has been adjusted in metropolitan areas is supported by empirical analysis to make such estimates reliable.

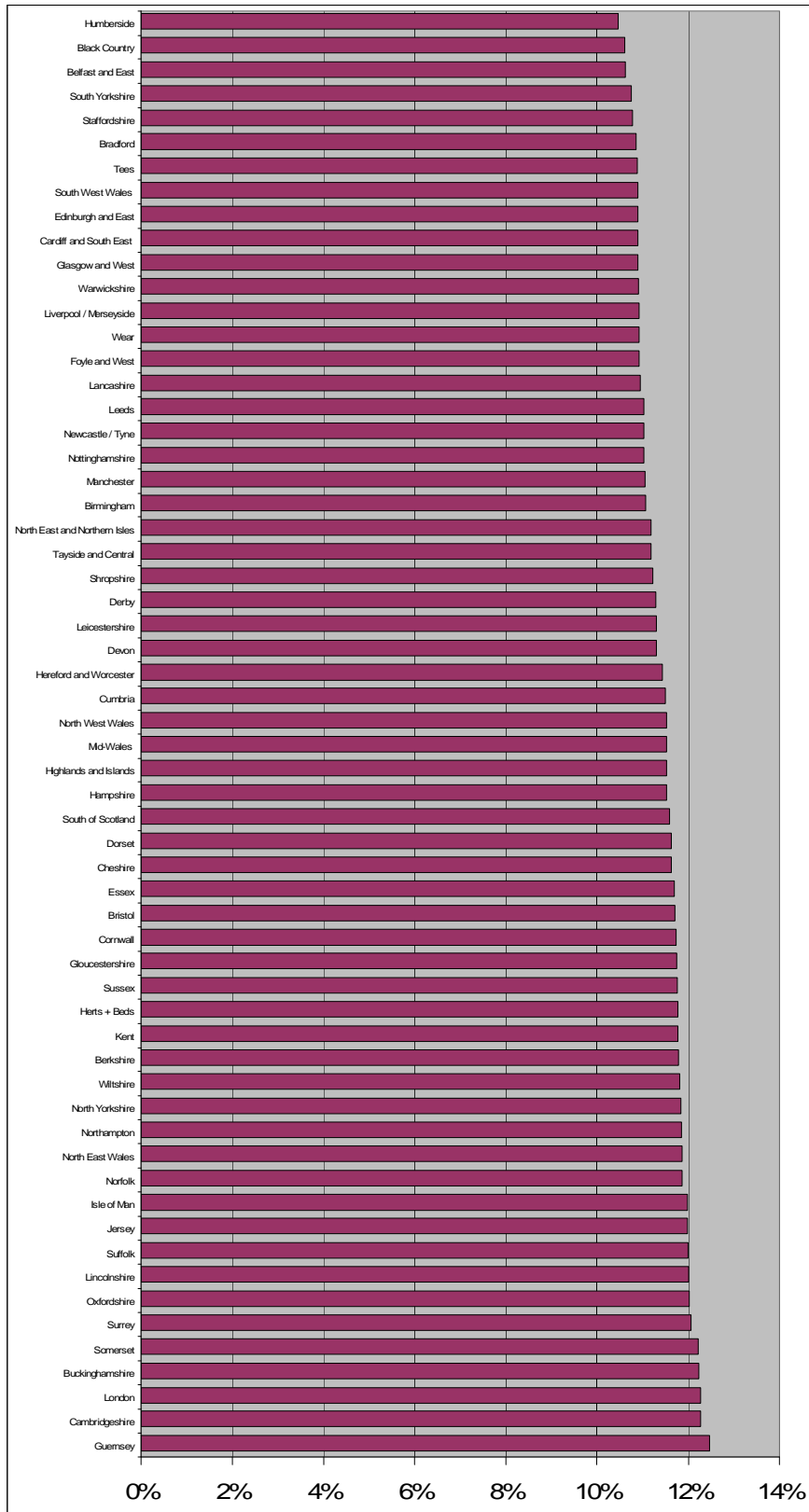
Due therefore to the lack of detailed, reliable or consistent evidence, we have made only small adjustments to estimated reach for local video at the area level. Our forecasts include a small uplift in rural areas to reflect potential increased demand for local news. Otherwise we do not believe we have strong ex ante evidence to estimate potential inter area variation in reach nor that it will be significant. Every area will have its own demand characteristics. Much of this demand will depend on the particular abilities of that region's news team.

Therefore the main driver of inter regional variation in the Trust's forecasts of reach are variation in projected broadband penetration. The Trust's forecast of local video reach by 2014 reach for the 60 regions is set out in figure 3 below.

²²⁴ The Trust obtained unique user data for the six months to September 2008. The data were only available for the last six months and were complex to interpret, limiting the conclusions that can be drawn.

²²⁵ It could also be argued that given a significant proportion of Londoners were not born in London many Londoners will have a preference to access BBC local sites which cover their place of birth outside of London or indeed sites relevant to overseas countries. However, given that the Trust has not had access to reliable data on this issue the impact of such demand is speculative and therefore not directly built into our forecasts.

Figure 3: The Trust's mid-point reach forecast to 2014, as a % of all households for the 60 geographic areas



Annex III. Trust Assessment on Quality

Are Proposals of High Quality and Distinctive?

A further driver of public value is quality. We have assessed this against the seven distinctiveness criteria developed by the Trust for the bbc.co.uk review (figure 1).²²⁶ It is appropriate to apply these criteria to proposals as they relate to the key drivers of public value and, if approved, local video would form part of bbc.co.uk.







Figure 1: BBC distinctiveness criteria



1. BBC editorial values (accuracy, independence, impartiality, taste and decency)
2. Non-commercial (in some genres, such as news, there is particular value in there being no advertising or subscriptions)
3. Made for the UK
4. Clear link to television or radio programme brands
5. Level of creative and editorial ambition (seriousness of intent, breadth or depth of subject matter)
6. Fresh and original approach
7. Uniqueness (no one else provides this content)

Source: BBC Trust 2008 bbc.co.uk review

In assessing distinctiveness we have drawn on research undertaken by Rosenblatt, relevant published reports, evidence provided by the Executive and results of the public consultation. Our overall conclusion is that whilst the offering demonstrates some elements of distinctiveness, it is not in itself highly distinctive, as set out in figure 2.

Figure 2: summary of distinctiveness analysis

Criterion	BBC Trust Assessment
Editorial values	
Non-commercial	
Made for UK	Not relevant
Link to TV & radio brands	
Creative & editorial ambition	
Fresh & original approach	
Uniqueness	

Key:  distinctive,  not distinctive

²²⁶ In the recent [.co.uk](http://bbc.co.uk) review, most or all of the criteria had to be met. The 'made for the UK' criterion is arguably not relevant in this assessment. Similarly, the link to television or radio brands in the case of news content does not make it distinctive.

We set out below our analysis of each of the relevant criteria.

Editorial values

Distinctiveness against this criterion is derived from the regulation of BBC online content for fairness, independence, impartiality and accuracy.

Audiences place a high value on strong editorial values from the BBC and expect these to extend across all platforms. This was underlined by participants in audience research sessions for the Trust:²²⁷

'You just expect really high quality from the BBC, no matter what it is.'

'They're known all over the world for the news – it's what they do best.'

'With the BBC, you just expect it's going to look slick and professional.'

'You know that when it comes from the BBC it's going to be accurate.'

Whilst unregulated in this respect, local newspapers are valued by their readers and play an important role in communities. In a poll conducted by YouGov in 2007,²²⁸ 52% of people identified their local or regional paper as the best source of news and information about their local area, followed by the BBC television news at 13%.²²⁹ This general point was underlined by a number of stakeholders who drew attention to high levels of satisfaction with local titles among print readers.

Similar points were made by other newspaper groups in their consultation responses, including GMG, which pointed to Ofcom's research in its second PSB review and suggested that in areas where local press websites are well-developed, provision is already fit for purpose.²³⁰

Comments from respondents in Manchester were significantly more positive about the quality of news available in the region than the UK average, supporting our belief in the strength of the PSB service that Channel M and manchestereveningnews.co.uk is providing.

Ofcom PSB review, phase 1

²²⁷ Rosenblatt audience research for the BBC Trust, 2008

²²⁸ <http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=37543>

²²⁹ The figure for local/regional newspaper website was 4%, and for the BBC website 6%.

²³⁰ Ofcom PSB review, phase 1, figure 53, statements are 'news about my region is generally of a high standard' and 'the main TV channels should not be made to show more news about my nation/region'

Non-commercial agenda

The proposed service will be free from advertising and therefore distinctive in relation to alternative provision which is substantially advertising-funded.²³¹

However, this is only meaningful in so far as the proposition has salience for audiences. Stakeholders noted that the non-commercial nature of BBC content should not, in itself, be used to demonstrate distinctiveness. In its submission, Johnston Press noted that commercialism is often 'seen as positive, providing relevant local information'.

This general point was underlined by research for the Trust which found that audiences value news offerings that incorporate a wide range of local information.²³² Analysis of time spent on local and regional sites by MTM London meanwhile revealed that users spend the majority of their time on classifieds sites (58%), followed by local search and directories (39%); but only 4% on local news and information sites.²³³

Level of creative and editorial ambition

Production values, the number of video stories, and range and depth of coverage are all potential elements of distinctiveness. Whilst the BBC's high production values, and the extent and depth of coverage will be distinctive, range may be limited by the number of available newsworthy stories in each area.

Production values, extent and depth of coverage

The scale of the proposed investment is likely to mean that the BBC will bring high-quality production values to bear on the local news sector, with little prospect of the commercial sector matching the investment in quality or extent of video output in the short to medium term. By the time BBC local video is fully launched in 2012/13, the BBC plans to create up to 20 minutes of bespoke new video stories each day for each of the 60 local areas and invest £68 million in this service.

This is significantly more than outlay by the commercial sector. By way of example [REDACTED] annual spend on its entire regional online operation [REDACTED] is around £[REDACTED].²³⁴ Similarly, [REDACTED] states that it [REDACTED].

Human Capital's analysis of a sample of local video sites concluded that the BBC's high production values, visual appeal and in-depth journalism, bespoke for broadband, were likely to be a source of distinctiveness.²³⁵ Human Capital recognised, however, that certain sites already provide high-quality video output. It identified providers which are

²³¹ A distinction can, however, be made between advertisements on local websites and advertisements embedded in the videos themselves. Human Capital maintains that as few sites currently use in-video advertising it is not a source of distinctiveness but may become one in future.

²³² Research undertaken by Rosenblatt for the Trust highlights the importance to all age groups of listings and information on local services.

²³³ MTM London, investigation of business models for content in the online children's and local and regional market, Sept 2008. Analysis based on Nielsen top 2,000 sites with adjustments.

²³⁴ Of which a fraction is the production of video content

²³⁵ BBC material had the highest number of cuts per minute, and the largest percentage of packages with complex post-production.

experimenting with new production techniques, including the *Manchester Evening News* and the *Yorkshire Post*. This is likely to improve over time, with superior production facilities and video journalist expertise.

Audiences generally expect the BBC's production values to extend directly to local video; anything falling short of this would undermine a local proposition, as one respondent noted: ²³⁶

The BBC is renowned for the world service and the news. That's what they're good at. There's no reason why, just because they have journalists reporting on a local issue, it shouldn't be of the same quality

Male, 30-45, Bury, North West England

Range of stories

Range is less likely to be a source of distinctiveness given probable limitations on the number of newsworthy stories in any given locality. Several stakeholders questioned the BBC's ability to generate genuinely original material. Audiences also raised similar concerns.²³⁷ Opinion Leader Research²³⁸ observed that 'a few participants express concern that there may not always be sufficient newsworthy stories in their local area to meet the daily quota of video stories and are keen to ensure that stories will only be covered if they are sufficiently newsworthy.'²³⁹ Our own research cast doubt on whether local stories would be sufficiently visually engaging to be video worthy.²⁴⁰

An analysis of the stories on a small sample of sites (BBC local and local newspaper sites), over a six-day period, undertaken by the Trust concluded that there would be scope for the BBC to expand its coverage. However, in so doing it may well duplicate commercial provision. Given the scale of the study, it is difficult to generalize, but we found that bigger stories were covered by all sites serving any given area. Currently, BBC local websites limit coverage to significant stories; while other sites carry a greater number of more locally focused items, ranging from schools and hospitals to traffic incidents.

Fresh and original approach

The proposition contains several elements that could be described as fresh and original: its partnership proposals, development of digital media literacy, encouragement of participation in local democracy, producer-assisted viewer videos and the role of the community producer.

Stimulating digital media literacy

'Building digital Britain' serves as a secondary contribution. The ability of the BBC to stimulate digital media literacy across the UK, both under these proposals and more generally, far outstrips that of the commercial sector. The role of community producer

²³⁶ Rosenblatt research for the BBC Trust, 2008

²³⁷ Rosenblatt research for the BBC Trust, 2008

²³⁸ Submitted by the Executive with its application

²³⁹ Opinion Leader Research, 2008 quoted in the BBC management's assessment of the public value of its Local Video proposals

²⁴⁰ Rosenblatt, 2008

is particularly appealing to audiences. We note that various community organisations are active in this area but that their remit is more localized. Further, the service proposal includes several elements intended to boost media literacy, for example the support for UGC and the proposal to build on formal partnership agreements with the Community Channel and the Community Media Association.

Encouraging participation in local democracy

The BBC is well positioned to encourage participation in local democracy. Its Digital Democracy project is exploring the potential for a dynamic portal that brings together the best of what the BBC has in audio, video and text,²⁴¹ and local video is a potential source of additional content. Under local video proposals, 20% of content will focus on local democracy and public policy issues.

However, we also note the submission from the Newspaper Society, which draws attention to its members' coverage of political issues, and the growing use of webcams and interactive Q&A sessions with local MPs. Drawing on 2008 research by Millward Brown, it maintains local newspapers and their websites are seen by the public as the best means of obtaining information about local authorities and public services.

Producer-assisted 'viewer videos'

A central plank of proposals is producer-assisted 'viewer videos' and the role of the community producer in each local area. Providing production assistance was identified by Human Capital as unique to the BBC, 'while many other sites provide a location for uploading UGC, none, broadcast or local newspaper provide production assistance'.²⁴² This was further supported in submissions to our consultation, among them, [REDACTED], which admits that it could not [REDACTED].

However, user generated content features on many newspaper websites and is not, of itself, distinctive. In addition, stakeholders expressed concerns that a greater use of UGC more generally would harm operations. User generated content is expected to play a key role in the development of new services, and complement coverage of local and regional news so any expansion of BBC activity in this area poses a threat to commercial providers.²⁴³

Uniqueness

The Executive identifies the following factors as being unique to local video:

- UK-wide coverage ensuring plurality of provision
- the size of the proposed local news areas.

The provision itself of video news does not appear to be unique.

²⁴¹ Pete Clifton, BBC Internet Blog

http://www.bbc.co.uk/blogs/bbcinternet/2008/02/digital_democracy.html

²⁴² p.42 BBC Management's assessment of the public value of its Local Video proposals

²⁴³ [REDACTED] submission to the BBC Trust

UK-wide coverage and size of proposed local news regions

The Executive maintains that a UK-wide local news service is unique and Human Capital points to a distinctive 'new level of local newsgathering', which is larger than the footprint of local newspapers but smaller than broadcasting regions. Whilst no one else provides a UK-wide service, the issue of plurality requires further analysis.

Plurality is important both in the sense of having competition to the BBC and in ensuring that all areas of the UK have more than one provider of local news. In his report on the West Midlands trial,²⁴⁴ Laughton noted that 'a more localised BBC service would ensure that, throughout Britain, there is effective plurality of voice. A more local BBC should seek to work with other news providers as well as maintaining enough resource to compete with them where necessary.'

The Executive's application adds that effective plurality would be achieved 'by adding provision of additional newsgathering capacity in areas where there is often a monopoly gatekeeper.'²⁴⁵ We can see some merit in these points but question whether plurality of provision is an issue at a local level.

Research undertaken by BMRB found that 63% of people use three or four sources of local news, and 88% use two or more in most areas. Further, we note that whilst expanded BBC coverage at a local level may support plurality in some circumstances, this could be achieved within the parameters of the existing BBC local sites, without recourse to local video.

The geographic footprint of proposals drew criticism from stakeholders; many claimed they mimicked existing commercial provision. In each area, the Newspaper Society pointed to at least one online news provider and in the majority of cases, several. By way of example, BBC local websites link to multiple other sources of news and local information.

Provision of video news

A growing number of regional newspapers, from the *Bristol Evening Post* and the *Plymouth Herald* to the *Truro Packet* offer video content. [REDACTED] introduced video to 99 sites in 2006/07 and uploads 1,300 video clips per month.²⁴⁶ [REDACTED] has trained 100 staff and publishes around 40-50 new video stories each week. [REDACTED] has more than 100 websites, at least 50 of which would carry local video content by September 2008. In June 2008, there were 62,000 video views across the This Is Network, and video features are increasingly used to support the key commercial categories of property and motors.

Figure 3 provides examples of local video on non-BBC sites, where it is used for local news bulletins, reports or stories.

²⁴⁴ Laughton Report, 2006

²⁴⁵ p. 44, BBC Management's assessment of the public value of its local video proposals

²⁴⁶ [REDACTED] Presentation to the BBC Trust

Figure 3: examples of local video news sites

Bristol Evening Post, www.thisisbristol.co.uk



The Evening Gazette, Teesside, www.gazettelive.co.uk



Lancashire Evening Post, www.lep.co.uk



Made for the UK and links to TV and radio brands

All local video news will by definition be made in and for the UK, albeit that content would be accessible to non-UK broadband users. Further, there are no plans to exploit the BBC's television or radio brands through the proposition. However, where appropriate, it may be used in regional linear television services.