

Professor Patrick Barwise
c/o Kate McGavin
BBC Digital Services Review
Department for Culture, Media and Sport
2-4 Cockspur Street
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**CONSULTATION FOR THE INDEPENDENT REVIEW OF THE BBC'S
DIGITAL TELEVISION SERVICES**

Dear Professor Barwise,

You have quite enough reading on your desk in connection with this review, so we do not propose to burden you with anything more than this letter. But we feel it important, as the channel most directly affected by the launch of BBC4, to express an informed view.

Market impact

First, we want to make clear that the benign assessment of market impact by Oliver & Ohlbaum, provided as part of the BBC's submission, is misconceived. BBC4's impact has been catastrophic on those cultural channels already in the market when it was launched. Digital Classics TV has gone out of business. The Performance Channel has cut its budgets to almost zero and become part of a shopping channel. And in our own case, our channel has been teetering on the brink of extinction after losing its principal shareholders as a direct result of BBC4's creation.

Assessments that aim to play down the impact of BBC digital channels must confront economic reality. Any market newcomer that is the best financed in its sector, employs more staff, has exclusive access to product and distribution channels, is vertically integrated within a powerful marketing and publicity network, has unique Government support *and* is regulated more loosely than its competitors cannot fail to make a substantial impact. In the television market, where the target is consumers' time and the supply of consumers and time is finite, that impact can only be at the expense of its competitors.

Our business plan was blown apart by BBC4's arrival. To put things in perspective: before BBC4's launch, Artsworld had a programme budget of approximately £5 million (more than many other commercial digital channels), and commissioned more new arts and culture programmes per year – all from

UK independent producers – than BBC1 and BBC2 put together. Now we have reduced our new commissions to a few per year and our programme budget has sunk temporarily to £1m.

All this is entirely due to the competitive impact of BBC4, whose massive overt public funding is further subsidised by the hidden contributions of BBC services ranging from marketing and cross-promotion to space in BBC publications. BBC4 outbids us lavishly for programme acquisitions, schedules against us, spends more on media publicity than we do on our whole channel (£1m plus on promoting just one programme), usurps space that we once enjoyed in Radio Times and other media, and restricts our access to other platforms. Like other BBC digital channels, BBC4 is an aggressive competitor whose *raison d'être* is to take market share from its commercial competitors.

Sour grapes, you may think. But we were first in the field, our private investors took risks, our staff ran the enterprise with imagination and commitment, our audience grew, reviewers liked us, and we showed the BBC that a digital culture channel was viable. In the same way, The History Channel showed the BBC that a digital history channel was viable, which led the BBC to clone it as UK History – sadly outside your remit because it is a BBC “commercial” channel. If in any other sector taxation had increased, driving private companies out of existence and putting their staff on the dole, it would have been a scandal. In broadcasting, it is simply another BBC expansion and extension of “public service”. If in any other sector the Government gave limitless permissions for publicly-funded organisations to set up new businesses with commercial partners to compete with existing private organisations, there would be an outcry. In broadcasting, it is simply another unregulated BBC commercial expansion. The result is a multi-channel BBC whose services take revenue both from licence-fees and from advertising.

In the public interest?

So the key question, we think, though not explicit in your narrow terms of reference, is whether this expenditure of public money to compete with private investment is justified in the public interest. We argue that it is not, on these grounds:

- Government policy, expressed clearly in the Communications Bill, is to create a dynamic and competitive broadcasting sector in the UK. The publicly-funded expansion of the BBC inhibits competition, drives away investment, keeps market prices artificially high and prevents the commercial sector from fulfilling public service ambitions. The presence of an excessively funded BBC *ensures* that the market fails to provide what it otherwise could. In BBC4's sector it has already done so.
- Programmes and channels financed by the universal licence fee should be universally available. BBC4 will continue to be unavailable to a very large proportion of licence payers for many years. Proponents of BBC expansion take the view that any amount of public funding is justified for broadcasting that is “free at the point of use”. But this admirable

National Health Service principle should hold good only if the service is available to those who pay for it. Successive large increases in the licence fee to pay for digital channels are delivering no benefit to the majority of licence payers.

- The BBC has two publicly-financed channels, BBC1 and BBC2, which are universally available on analogue and digital systems and which together broadcast more than 17,000 hours of programmes every year. This should be sufficient for a public service broadcaster to fulfil all its obligations.

Future development

As Ofcom's recent report makes clear, *"questions are bound to arise about continued public support for and investment in the provision of programming that fewer people watch and that fails to reach large groups of the viewing public"*. Artsworld is a channel that provides such programming, for the comparatively small numbers who choose to pay for it. It is singled out in the Ofcom report as a channel that makes "a public service contribution" to UK broadcasting. But BBC4 is equally such a channel, whose reach and impact is low but whose public funding is enormous, compulsory and rising inexorably.

In our view, such BBC channels should be funded from the licence fee only if it can be demonstrated that the market cannot provide a privately funded, high-quality, equivalent. BBC Parliament is probably a case in point, since it is unlikely that the private sector would provide such a channel, which makes a valuable contribution to the understanding of our democratic institutions even though its viewing figures are very low. But BBC4 is not sufficiently distinctive to justify public funding, especially since that funding itself prevents private provision. In our view, the future of BBC4 should be as a subscription channel, competing for funds in the marketplace and demonstrating its public value and public support thereby.

This is not because we seek some illusory "level playing field". The BBC will always be a dominant, quasi-monopoly force in UK broadcasting and should continue to receive broad public support. But it is time to recognise that the choice provided to citizens in a multi-hundred-channel world does not have to be financed by constant increases in taxation via the licence fee, which inhibit the growth of a healthy private sector.

We are absolutely confident that if BBC4 had not existed, we would by now be providing a cultural channel that rivals BBC4's output in every respect, especially since much of what BBC4 does was based on our programmes and schedules in any case. It would not cost as much to run, because we are not as profligate as the BBC and BBC4 would not be there to drive up market prices. Our cost to consumers would remain low. Left to itself, properly regulated, the market can provide as much quality, value and choice in television publishing as in print publishing - a sector in which the Government does not intervene with public funding. We hope you will take this into

consideration as you consider the long-term future of BBC4 and other digital channels.

Yours sincerely

JOHN HAMBLEY
Chairman

Enc. Artsworld's June programme guide.