A new BBC Three channel: Public Interest Test

BBC Public Interest Submission

June 2021

Contents

1. Executive summary

The BBC was founded almost a century ago with a mission to inform, educate and entertain, and ever since our responsibility has been to deliver on that founding vision. Our current Charter requires us to fulfil that mission by serving all audiences through the provision of impartial, high-quality and distinctive output and services.

In September last year, the Director General set out four priorities for the BBC. The second of these is to focus on the content which delivers the best value for licence fee payers. That means unique, high-impact work that is loved, including by those who feel more distant from us. We need more, differentiated "must have" content which audiences feel is for them.

As Ofcom noted in its third annual report on the BBC: "Reaching younger people is an important part of the BBC's challenge to serve all audiences across the UK." It also noted: "The BBC also needs to broaden its reach and appeal to a wider range of people, in particular audiences from minority ethnic backgrounds and those in lower socio-economic groups."

Since its closure as a broadcast TV channel in 2016, BBC Three has predominantly operated as an online content brand within BBC iPlayer. BBC Three has continued to be a huge creative success bringing audiences shows such as *Fleabag*, *Normal People*, *This Country*, *Ru Paul's Drag Race UK* and *Jesy Nelson: Odd One Out*. Despite this, BBC Three's move online has reduced the BBC's impact with younger audiences – particularly those who maintain a broadcast TV habit, and are lighter users of on-demand services.

Restoring BBC Three as a broadcast channel will help us reach and deliver value to these audiences and maximise the reach and impact of our increasing investments into new young adult content.

1.1 The consultation

The BBC Three broadcast TV channel will be a new UK Public Service and as such the BBC has to carry out a Public Interest Test and gain approval from Ofcom before it can be launched. To meet the Public Interest Test it is necessary to demonstrate that the public value of the proposal justifies its market impact.

We published a consultation document setting out our proposals for the new channel in March 2021. We received formal responses from a range of stakeholders representing audience groups, other Public Service Broadcasters, commercial broadcasters, distribution platforms, production companies, other rightsholders, academics and members of the public. We also held very useful roundtable discussions with a range of organisations representing young people, including Prince's Trust, Youth Futures Foundation, National Citizen Service and Uprising.

In this document we set out our final proposals for the new channel, our analysis of its public value and our estimates of its market impact.

1.2 The new BBC Three broadcast TV channel will deliver high public value

Our analysis – based on our audience research conducted by MTM, responses to our consultation and modelling of take up and usage – shows that our proposals will clearly deliver high public value, which we have assessed on three levels: personal, social and industry.

Personal value

This is the extent to which our changes will meet audience expectations, continue to offer them a truly universal service, and therefore provide good value for money for the licence fee. In particular, we have found:

- The proposals will increase reach and time spent among the target audience. Our economic model estimates BBC Three (both the broadcast channel and on iPlayer) could attain an average weekly reach in 2022 of 12.4% for all audiences, and 16% for 16-34s. Time spent with BBC Three in 2022 could grow to 2.3 and 3.1 mins per person per day, for all audiences and 16-34s respectively.[1]

- 55% of 16-34s said the new channel would make BBC Three programmes easier to watch or find and 54% said they would be more likely to look for new programmes.

- Audience research also showed the new channel will significantly improve perceptions of BBC Three (and the BBC more generally) among young audiences.

- Appreciation of the proposal did not skew towards ABC1 audiences, but showed equal appreciation from C2DE audiences and significantly higher appreciation by BAME audiences.

Social value

This the extent to which our changes can promote social value, which we define primarily by reference to how a change will enable the BBC to better deliver our Mission and promote the Public Purposes. In particular we have found:

- The proposals will support the mission by serving an audience (16-34s) that would otherwise be underserved by the BBC;

- The proposals will provide news and current affairs programming for younger audiences on a dedicated channel (the first public purpose – impartial news and information);

[1] These figures include all viewing of BBC Three on both the linear channel and on iPlayer. They have been calculated for the purposes of the market impact assessment and should not be read as the business's viewing projections for the new channel.

- Audiences feel the channel will support the second public purpose (learning for people of all ages) through its range of documentaries and highlighting topical issues such as mental health and the challenges of the job market;

- The BBC Three broadcast TV channel will show the "most creative, highest quality and distinctive output" (third public purpose). It will have a broader range of genres, lower proportion of acquisitions and higher proportion of first-run originals than comparable channels;

- The editorial focus of the new channel is attractive to younger C2DE audiences, younger BAME audiences, and audiences outside of London.

Industry value

Industry value is the extent to which our changes can act as a creative force by supporting investment, fuelling innovation, and shaping and stimulating the creative economy across the UK. In particular:

- Giving a bigger 'shop window' and increasing reach / viewing of BBC Three programming is likely to increase the value of commissions for producers in secondary markets in and outside the UK.

- This will be supported by amended terms of trade relating to BBC Three as a broadcast channel to the benefit of the UK production sector.

- Our intention to spend two-thirds of BBC Three programme spend outside the M25 area and our work with national and regional screen agencies will support independent production companies and the creative economy across the UK. Applying the same approach set out in KPMG's report on the economic impact of the BBC[2], we estimate that this will generate additional value of £23.2m per year across the UK's devolved nations and English regions (outside the M25 area).

1.3 The market impact of the new BBC Three broadcast TV channel will be relatively low

We consider that our proposals will have a modest adverse impact on competitors and are unlikely to have an adverse impact on fair and effective competition.

Our model is based on (a) counterfactual viewing of commercial services absent the new channel, based on BARB data and analysts' forecasts; (b) estimated performance of the new BBC Three broadcast channel and iPlayer based on the previous channel's performance adjusted to account for editorial changes, budget, EPG placement and linear decline; (c) the diversion of viewing from commercial services (based on quantitative research); and (d) the impact on advertising revenues of the diversion of this viewing.

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[2] *An Assessment of the Economic Impact of the BBC*, KPMG, March 2021.

Given the purpose of the PIT, we have taken a conservative approach to uncertainties in our modelling, i.e. overestimating the BBC's market impact. As such the market impact estimates represent a reasonable 'worst case scenario' and should not be read as the business's viewing projections for the new channel.

Our analysis finds:

- The new BBC Three channel could gain a live viewing share (i.e. excluding PVR and catch up) of 0.7% (4+) and 1.5% in the target audience (16-34s) in 2022, below the 16-34 live viewing shares of well-established youth focused channels such as ITV2 (4.9%) and E4 (3.9%) today.
- On a static basis, this viewing will come from other BBC services (~30%), ITV's portfolio (~20%), Channel 4's portfolio (~10%), Channel 5's portfolio (~7%), Sky's portfolio (~6%), other linear / BVOD services (~5%) and SVOD services (17%).
- We estimate that this could reduce total revenues of the commercial sector by at most 0.5% (£22.9m), with ITV revenues down by ~0.6%, Channel 4's by ~0.7% and other commercial broadcasters by ~0.3%. This includes linear and BVOD advertising revenue. We consider there will be little if any measurable impact on the revenues of SVOD services.
- These percentage revenue impacts are relatively smaller than those identified for either the launch of BBC Scotland or iPlayer extended availability.
- Commercial competitors will have various strategies open to respond dynamically to the launch of BBC Three to mitigate any viewing and therefore revenue losses, e.g. in programming strategies.
- Given our distribution obligations we consider that the proposals will also not have an adverse impact in the vertical value chain.

1.4 The Public Interest Test

The Public Interest Test is that "the BBC must be satisfied –

> (a) the proposed change to the UK Public Services contributes to the fulfilment of the Mission and the promotion of one or more of the Public Purposes;
>
> (b) it has taken reasonable steps to ensure that the proposed change has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of the Public Purposes; and
>
> (c) the public value of the proposed change justifies any adverse impact on fair and effective competition."

The new BBC Three broadcast TV channel will contribute to the fulfilment of the Mission and promote all four UK-based public purposes through: (1) the news and current affairs aimed younger audiences; (2) factual programming that will support learning among the target audience; (3) high-quality, creative and distinctive programmes; and (4) reflecting, representing and serving younger audiences from across the UK and all diverse groups.

Our analysis of likely market impact demonstrates a relatively low impact on the market.

Given the high public value and relatively low market impact, we consider that the Public Interest Test is clearly met. We hope that Ofcom will be able to expedite its competition assessment to allow the BBC to launch the new BBC Three broadcast TV channel in January 2022.

2. The context for our proposals

In this section, we set out the key context informing our proposals, including technological and market developments, changes in audience behaviour, the BBC's financial context and the BBC's strategic direction.

2.1 The history of BBC Three

BBC Three launched as a digital television channel in February 2003 with a budget of £75m (c.£120m in today's money), and established a leading reputation for new UK comedy, current affairs and documentaries made for young adult audiences. It was the top rated youth TV channel for 16-34s within its broadcast hours in 4 of its last 5 years of transmission (between 2011-2014).

It had successes across all genres – original British comedies such as *Gavin and Stacey, Bad Education and Cuckoo*; award-winning documentary series such as *Life and Death Row*; popular entertainment shows such as *The Call Centre* and *Don't Tell The Bride*; and critically acclaimed dramas like *Murdered by My Boyfriend*. BBC Three championed new and upcoming UK talent, helping to bring the likes of Stacey Dooley and Reggie Yates to the screen. It also had a strong record of bringing diverse UK stories to TV with documentaries such as *Disabled in an Instant*, *Epilepsy and Me,* and *Excluded: Kicked Out of School*.

In 2015, the BBC proposed to close BBC Three as a broadcast channel and reinvent it online, reducing the budget from £81m (2013/14) to £30m (2017/18). The proposal was approved by the BBC Trust in a Public Value Test which concluded that the change:

> "was motivated by financial pressures and a structural shift in consumption of television services among young adults. But the closure of a service is a difficult decision and our assessment was finely balanced."[3]

The decision to move BBC Three online was made earlier than the BBC would ideally have planned and it acknowledged that the changes would have an impact on some audiences for whom television remained important or who do not have adequate broadband connection. However, overall, the proposal was viewed as likely to deliver positive public value and market impact.

In February 2016, BBC Three became the first television channel in the world to close its broadcasting operation and offer its content on-demand, via the internet.

Since its move online, BBC Three has brought audiences a wide range of innovative and distinctive programmes. Standout titles included original British comedies such as *Fleabag, This Country*, and *The Young Offenders*; contemporary British dramas like *Normal People*, *Thirteen* and *Clique*; thought-provoking documentaries like *Jesy Nelson: Odd One Out*; and hit entertainment shows like *RuPaul's Drag Race UK*. The online BBC Three service has received critical acclaim, including the Royal Television Society Channel of the Year Award in 2017 and Digital Channel of the Year Award from Broadcast Magazine in 2020.

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[3] *Final decision on proposed changes to BBC television and online services*, BBC Trust, November 2015.

2.2 The market challenge

Today, the BBC faces unprecedented competition for young audiences' time. Recent years have seen rapid take-up in high-speed broadband and broadband connected devices (e.g. smart TVs, smartphones, tablets), which has enabled audiences to access a wider range of content from a greater number of providers. We have seen the rapid growth of (predominantly US-based) global subscription video on demand (SVOD) services entering and growing market share in the UK. As of the end of 2019 over 14 million households were subscribed to at least one SVOD service, predominantly Netflix, Amazon Prime Video or NOW.[4]

In late 2019 and 2020, more new SVOD services entered the UK market, notably Apple TV+, BritBox, and most recently in March 2020, Disney+. By early July, Disney+ subscribers reached 16% of online adults, surpassing NOW (10%), to become the third most-popular subscription streaming service behind Netflix (45%) and Amazon Prime Video (39%).[5] Looking ahead, we expect there to be no let-up in the pace of change nor the ferocity of competition facing the BBC.

2.3 The audience challenge

Whilst live broadcast TV still delivers the most overall viewing for UK audiences, these market developments have led to significant changes in how viewers spend their time. Over the last 5 years we have seen the continued decline of broadcast TV viewing, as many audiences increasingly choose to watch on-demand – exacerbated by the huge growth in competition from well-funded global SVOD services, YouTube, gaming and other online video. The global pandemic has further accelerated the fight for viewers and the shift to on-demand viewing across all ages, but most prominently among younger viewers.

The BBC has been relatively effective in managing this transition – combining its strength in broadcast television, whilst growing on-demand viewing on iPlayer, to become the second biggest TV-on-demand service in the UK. Today, the BBC continues to reach large audiences, of all ages, including younger audiences. On average, 80% of 16-34 year olds (12.5 million) use the BBC weekly and 93% (14.6 million) monthly – more than any other brand for media.[6]

However, the BBC has not been immune to this structural shift in audience behaviour and increasing market competition. Both reach and time spent with the BBC continues to decline as the pace of growth of iPlayer is not fast enough to make up for declines in BBC broadcast TV. We need to do more for younger audiences, particularly those in Northern Ireland, Scotland, and the North and Midlands of England. The same is true for audiences from lower socio-economic groups.

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[4] *The Viewing Report 2020*, BARB. As at the end of 2020 this figure had risen to 17.3 million UK homes (source: *The UK multichannel TV landscape, Forecasts for 2021-2030,* Spring 2021 iteration, prepared for BBC by 3 Reasons Ltd).

[5] *Media Nations 2020*, Ofcom, page 5. In 2020, Netflix, Amazon and Disney+ accounted for 90% of all SVOD subscriptions (source: *The UK multichannel TV landscape, Forecasts for 2021-2030,* Spring 2021 iteration, prepared for BBC by 3 Reasons Ltd).

[6] Compass by Ipsos MORI, 16-34, 2020.

As we continue the transition to video-on-demand, there remains a significant and relatively stable cohort of young people who maintain a strong broadcast TV habit but are very light users of BBC TV. They tend to be the very same audiences we need to do more for – audiences outside of London and the south-east, from lower socio-economic groups, and those with less access to on-demand services[7]. The move of BBC Three online in 2016 lost the BBC one of its channels for serving these demographics and we have subsequently struggled to deliver enough value to them with our current broadcast TV channels and iPlayer.

Like other broadcasters, the BBC continues to optimise its portfolio of TV services, using a combination of live TV channels and iPlayer in tandem, to serve all audiences. In a world of constrained finances and increasing competition from US-owned global media giants, our broadcast TV portfolio is one of our best assets. Working together with iPlayer it is a key strength against growing SVOD competition. We must use it as effectively as possible to reach all audiences.

2.4 The financial challenge

Over the past decade, as a result of a freeze on the cost of a TV licence from 2010, the withdrawal of Department for Work and Pensions ('DWP') funding of licences for over-75s, and the BBC being asked to fund new obligations, the BBC's UK services have effectively seen a c.30% reduction in income. At a time of increasing competition for audiences, as well as hyper-inflation in parts of the media market, the BBC has been required to take on more obligations with less income, leaving it with less to spend on programmes and services.

In order to continue to deliver value to all audiences, the BBC has made significant savings. Since 2016/17, the BBC has delivered £618 million of cumulative savings and as at the end of 2020/21 we are projecting our savings total to have risen above £800 million.

In its 2021 report *The BBC's strategic financial management*, the National Audit Office stated: "Despite high levels of inflation in the entertainment industry, the BBC has been able to maintain its content spending, but this will be a challenge for the future."[8] The further necessary savings will involve difficult choices that will impact programmes and services. Our focus on audience value as the BBC's overall strategic priority will help us make these choices.

2.5 The BBC's response to these challenges

The BBC's Charter requires us to serve all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain.[9] As such, it is crucial that the BBC continues to transform to meet the needs and expectations of all its audiences across the UK: in particular those of younger audiences.

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[7] Fixed Line broadband take-up continued to lag in 2020 among social classes D&E, with these groups more likely to continue to rely on mobile connectivity (source: *The UK multichannel TV landscape, Forecasts for 2021-2030,* Spring 2021 iteration, prepared for BBC by 3 Reasons Ltd).
[8] *The BBC's strategic financial management*, NAO, page 9.
[9] Article 5, BBC Royal Charter.

The acceleration of the change in viewing trends, coupled with rising content budgets of competitors, means we have to find a way to grow our offer for younger audiences at pace against the backdrop of significant financial and operational challenges.

Our broadcast TV portfolio is our best asset and, in combination with iPlayer, is our key unique strength against the SVOD competition. We must use our broadcast distribution capability as effectively as possible to reach all audiences.

The scale of the challenge to attract and retain younger audiences requires a bold change: in content, budgets, the portfolio of broadcast TV channels, and in iPlayer. As we set out in our Annual Plan in May 2020, we need to make our whole portfolio work even harder as 'One BBC'. In particular, we intend to accelerate the shift of spend across our video content, to provide more value for younger audiences and to support the growth of iPlayer. In summary, this will involve building on the strengths of the existing channels, clarifying and emphasising their character and role for audiences:

- **BBC One** will remain the centrepiece of our live broadcast offer – a strong mainstream channel that continues to take creative risks. Working within our current budget by identifying opportunities to remix low performing titles into high impact content that also works on iPlayer, we can increase the efficiency of spend and increase time spent with younger audiences.
- **BBC Two** will become the home of the BBC's specialist programming centring on premium and distinctive factual programming, driving greater impact, thanks to better funded titles with longer iPlayer availability. It will remain a multi-genre channel (particularly retaining its role as the pipeline of factual entertainment for BBC One). BBC Two will be enriched by taking the best of BBC Four content, providing these programmes with exposure to a larger and broader audience. We will reduce commissioning in some high-cost genres on BBC Two (e.g. drama), where that money can have greater impact on BBC One or BBC Three.
- As we set out in May 2020, by 2022/23 we are backing the success of **BBC Three** and doubling its content budget to maximise its reach across broadcast and online. We are expanding the range of content that it commissions, whilst retaining its focus on new talent, compelling drama, current affairs and factual, entertainment, and comedy.
- We will increase **BBC Four**'s focus on bringing together collections of the most distinctive content from the BBC's rich archive: particularly arts and music.

Since its closure as a broadcast TV channel in 2016, BBC Three has predominantly operated as an online content brand within iPlayer. This has reduced the BBC's impact with younger audiences – particularly those who maintain a broadcast TV habit, and are lighter users of on-demand services. We believe that restoring BBC Three as a broadcast channel can help us reach and deliver value to these audiences and maximise the reach and impact of our increasing investments into new young adult content.

3. The BBC's proposals

In this section we summarise our initial proposals, address stakeholder feedback on the detail of the proposals and present the final proposals that are being considered in this Public Interest Test. Stakeholder feedback on the public value and market impact of these proposals are set out in the subsequent sections of this document.

3.1 The new BBC Three broadcast TV channel

3.1.1 Our consultation proposals

In our consultation of 5 March 2021, we set out our initial proposals to launch a new BBC Three broadcast TV channel from January 2022.

We proposed that the new BBC Three broadcast TV channel would have a core target audience of the 16-34 age group, with a particular focus on those with a strong broadcast TV habit. Our initial analysis suggested that this audience was likely to be from lower socio-economic groups and outside London and the south-east: demographics currently underserved by the BBC.

We also said that the channel would serve a secondary audience of 13-15 year olds through appropriate pre-watershed content.

3.1.2 Stakeholder feedback

Many stakeholders welcomed the plans for a new BBC Three broadcast TV channel.

Pact acknowledged that a significant proportion of 16-34's continue to watch linear TV and would benefit from the reintroduction of BBC Three on linear. Directors UK similarly recognised the benefits a BBC Three broadcast channel could bring to an under 35 audience across the whole of the UK – particularly those underserved by the BBC or with a lack of access to digital services. For similar reasons, Professor Patrick Barwise and Professor Jonathan Hardy strongly supported a return to linear.

The Writers Guild of Great Britain (WGGB) focused on the current context of the Covid-19 pandemic, which it argued has highlighted the existing digital gap within the UK. Given that the crisis is likely to freeze or widen these access inequalities in the longer term, it agreed a BBC Three broadcast channel may be a means to fill this gap.

The International Broadcasting Trust (IBT) echoed this, agreeing that the more accessible the BBC's content is to its audiences, the better. The Voice of the Listener and Viewer (VLV) also saw the benefit of the proposal to the target audience – agreeing that it was an effective way for the BBC to deliver on its mission in providing content for the whole UK population.

The British Film Institute (BFI) agreed that a 16-34 C2DE audience outside of London continued to have a strong habit on linear TV and that those with less access to digital services could benefit from a dedicated BBC Three broadcast channel, broadening the range of content available to this audience.

BFI, Children's Media Foundation (CMF), Directors UK, and the WGGB also welcomed, in principle, the BBC's ambition to reach a pre-watershed stretch audience of under 16's outlined in the proposal.

While Professor Barwise welcomed the channel's scope, his response indicated that the BBC's prioritisation of the 16-34 target audience should not be at the expense of having mainstream appeal. In Professor Hardy's response, there was a call to serve the Northern C2DE audience 'in consort' with BBC Three's ambitions to represent diverse communities across the UK, not at their expense.

However, some stakeholders did not support the new BBC TV channel.

Some broadcasters questioned whether the BBC Three broadcast channel would be 'unique' and stated that the target market was already served by a range of other channels: including Channel 4's portfolio and other youth focused brands, such as Comedy Central and ITV2. Among broadcaster responses, there were also concerns that a BBC Three broadcast channel could inadvertently divert older viewers away from other channels.

Channel 4 argued that the editorial vision and remit of the BBC Three linear offering would be 'disproportionately detrimental' to the Channel 4 portfolio in particular: causing loss of share and price inflation and damaging a fellow public service broadcaster ('PSB') without clear audience benefits.

Several stakeholders – including COBA, Channel 4 and the Youth, Media and Culture Network – noted the decreasing linear habit among younger audiences and suggested that the BBC should concentrate on serving younger audiences through iPlayer. In a similar vein, Sam Barcroft – while welcoming the additional investment into original content for younger audiences – suggested that the BBC should focus on a 'studio led' approach with third party distribution.

Channel 4 asked the BBC to reconsider its proposal to launch and operate a broadcast channel and suggested instead that the increased budget to BBC Three go instead towards 100% originations for iPlayer and BBC One premieres. Similarly, the Youth Media and Culture Network suggested that the money would be better spent amending and improving the functionality and usability of iPlayer for the particular benefit of younger audiences.

Channel 4 was among other broadcasters asking for further detail on the target broadcast audience. Some responses questioned whether the c3.5M figure outlined was mutually inclusive of, for example, regional audiences, C2DE, audiences, audiences with a lack of digital access. There were also calls for accurate and transparent reporting around the target audience: as evidence in support of the proposal, and then ongoing following the BBC Three channel's launch.

Several stakeholders raised questions about the BBC's decision to close BBC Three in 2016, suggesting that the BBC needed to address the arguments it had made in 2015-16 to justify what some perceived as an about turn on this earlier decision.

3.1.3 Our final proposal

While it is clear that younger audiences are increasingly using on-demand services, it is also clear that there is still a strong broadcast audience within this age group. The BBC now has considerable experience serving younger audiences through iPlayer and main broadcast channels.

Since its move online, BBC Three has brought audiences a wide range of innovative and distinctive programmes, including huge successes such as *Fleabag, This Country*, *Normal People* and *RuPaul's Drag Race UK*. However, despite this, our research shows that younger audience's engagement with the BBC has fallen since the introduction of the online-only strategy for BBC Three.

Therefore, the BBC remains of the opinion that a new BBC Three broadcast channel is an appropriate and proportionate way of reaching younger audiences with a strong linear habit, particularly those from lower socio-economic or BAME backgrounds.

In this document we set out in further detail our plans, target audience, supporting audience research, and economic modelling.

The BBC's current proposal set out in this Public Interest Test is for a new broadcast TV channel for BBC Three. This is a new channel and while it will share some characteristics with the channel that was closed in 2016, it will also differ in significant ways. The question is not whether the BBC made the correct decision in 2015, but whether the current proposal to launch the new BBC Three broadcast TV channel meets the Public Interest Test as required by the current Charter and Agreement.

3.2 Genre mix

3.2.1 Our consultation proposals

In our consultation we proposed that the new BBC Three broadcast TV channel should be a multi-genre channel, including factual entertainment, drama, current affairs, comedy, sport, films and acquisitions.

3.2.2 Stakeholder feedback

BFI welcomed the proposal's editorial vision – arguing that as a PSB, BBC Three would have the opportunity to be more representative of the lives across the UK than the global commercial marketplace would allow for. It saw the 'shop window' proposal for the channel as a means to broaden horizons and tastes of younger audiences through 'passive viewing' on linear. Following this, it stated that a BBC Three broadcast channel could act as a remedy to the algorithmically focused 'echo chambers' prevalent in digital services.

BFI believed that the diverse range of content outlined by BBC Three in the proposal would encourage wider investment into content for 16-34's by UK linear competitors: improving the quality and range of content available for this audience and so having a 'positive impact' on fair and effective competition.

Among PSB responses, the proposal's vision for representation and portrayal of diverse audiences was well received – with some suggestions, for example, that this may be done through the commission of a continuing drama based in a minority community in the nations and regions. However, concerns were raised about the budget available to do so.

Youth Media and Culture Network suggested inter-BBC partnerships within the Nations and Regions, such as collaborations with *BBC Sesh* in Wales.

IBT was concerned not to see explicit references to International Current Affairs within the proposed content mix, given the BBC's track record of creating innovative and distinctive content within this genre, and to contribute to the first Public Purpose. It highlighted the value of having this mix within a BBC Three linear schedule, arguing that as many of the challenges the UK faces are global in nature, international current affairs has a more important role than ever in engaging the UK public with the wider world.

VLV echoed this, with questions and concerns around the proposal's lack of provision for international factual or current affairs content – stating that explicit references to this genre in the proposal would be beneficial.

Among PSB responses, there was opposition to any plans by the BBC to boost viewing on a new channel through the premiere of popular BBC One shows on BBC Three, asking that the portfolio of BBC linear channels stay true to their own genre and audience remit.

3.2.3 Our final proposal

We consider that our proposed multi-genre approach remains appropriate and will ensure that the new BBC Three broadcast TV channel will be distinctive and serve a wide range of interests and audiences.

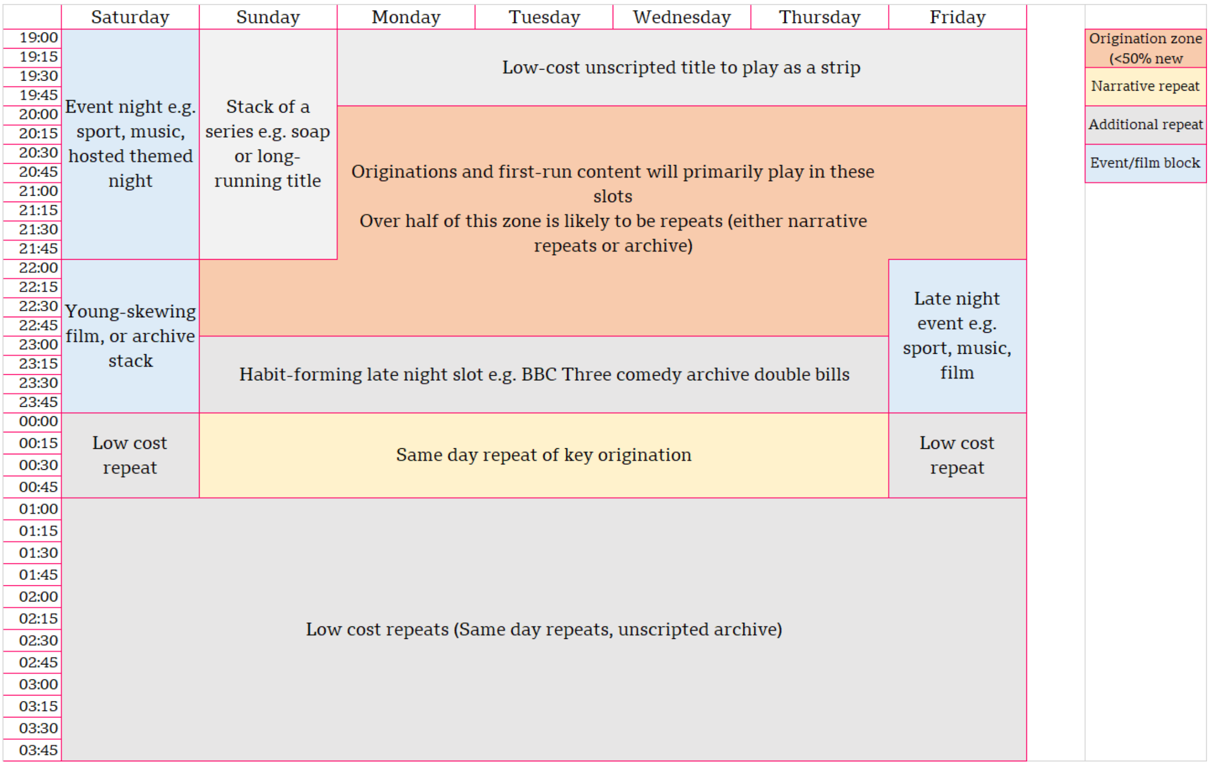
We can also confirm the new channel will include international current affairs as and when it becomes possible following the relaxing of the current restrictions on international travel. International current affairs has always been an important part of BBC Three programming – for example the *Stacey Dooley Investigates* series of documentaries investigating current affairs issues affecting young people around the world, and Reggie Yates' *The Insider* and *Extreme* documentaries delving into pressing social issues across the globe. It will continue to be in the future.

With this in mind, we have also decided that the new channel should have a nightly news bulletin. We are still developing this proposal and as such it is not yet included in the indicative schedule below.

We note some PSB comments regarding 'premiering' popular BBC One shows on BBC Three. The new channel is likely to have some narrative repeats of programmes commissioned by other channels that fit BBC Three's objectives, and we need to retain some flexibility to take account of the impact of, for example, sporting or major news events on the transmission schedule. Furthermore, we also need the flexibility to find the right home for programmes as they and their audiences develop, as is standard practice. However, the key focus of the new BBC Three channel will be high-quality original British programming focused on the target audience of 16-34s, not to inflate ratings through premiering BBC One-commissioned programmes intended for a mass audience.

We set out further details regarding the range of genres and the distinctiveness of programmes in Section 4 on Public Value. Below we set out an indicative schedule for the new BBC Three broadcast channel.

Figure 1: Indicative schedule for the new BBC Three broadcast channel



3.3 UK originations and acquisitions

3.3.1 Our consultation proposals

In our consultation we proposed that at least 70% of the broadcast hours of the new BBC Three broadcast channel should comprise BBC original productions (i.e. programmes commissioned by the BBC including both first-run and repeats).

3.3.2 Stakeholder feedback

In its response, and taking the proposal's high proportion of originations a step further, Channel 4 disagreed that there was a need for BBC Three to have any acquisitions: emphasising that the BBC's pursuit of acquisitions would have a detrimental effect on the wider market.

This was echoed by other PSBs, who asked BBC Three to commit to having at least no US acquisitions on the grounds that this could dilute UK cultural touchpoints and exert unnecessary competitive strains on other broadcasters.

Professor Hardy welcomed the proposal to commission over 300 hours of first run programming, but asked within this that a high target of original UK programming be set.

Similarly, Pact called for the volume of originations intended for the channel to be outlined in the operating license – with formalised splits, and assurances that the targets would be met.

3.3.3 Our final proposal

Acquisitions are part of the content strategy of nearly all TV channels.

We agree that a channel that largely comprised of American acquisitions would not be a distinctive proposition. The key focus of the new BBC Three channel will be high-quality original British programming focused on the target audience of 16-34s. This programming will be distinctive, high-quality and innovative, and will comprise a broader range of genres than is available on other channels aimed at younger audiences, including higher cost genres such as drama. We currently estimate that first-run programming will make up about 95% of the new channel's programme budget, with repeats and acquisitions accounting for about 5%.

However, to fill a channel schedule we will also require lower cost hours of programming, and this need will be fulfilled by acquisitions and BBC archive content (see below).

The new BBC Three channel will not be attempting to acquire already high-performing shows. However, it is clearly appropriate for the BBC to acquire shows that will complement the new channel's original programming and serve the target audience.

We expect that Ofcom will impose an Operating Licence condition in relation to the level of BBC original programmes on the new channel, as it has done so for every other BBC TV channel. However, we also note that Ofcom has announced its intention to review the Operating Licence. We will engage fully with Ofcom on that review. We will also continue to discuss with Ofcom as part of its review of the Public Interest Test how the new BBC Three broadcast TV channel should form part of the future Operating Licence, and how we should measure and report on the performance of the new channel.

3.4 First-run and repeats

3.4.1 Our consultation proposals

In our consultation, we proposed that from 7pm to midnight at least 24% of the hours of the new BBC Three broadcast channel should comprise first-run productions (i.e. programmes that have not previously been shown on television in the UK).

3.4.2 Stakeholder feedback

Channel 4 did not understand the high proportion of repeats proposed given the size of BBC Three's budget.

Directors UK echoed this concern, noting the volume of repeats proposed and questioning the potential impact this would place on the creation of originations.

3.4.3 Our final proposal

As noted above, the key focus of the new BBC Three channel will be high-quality original British programming focused on the target audience of 16-34s. This programming will be distinctive, high-quality and innovative, and will comprise a broader range of genres, including higher cost genres such as drama. Our ambitions mean that we will be able to commission fewer hours of higher cost, higher quality programming.

We also note that the level of first-run programming to repeats is similar to that of the BBC Three broadcast TV channel before it closed: at which time, in real terms, it had a similar budget and lower production costs. At that time we were also commissioning lower cost 'linear first' programmes to fill the schedule, which is no longer a part of the BBC's commissioning strategy. Therefore, we consider that a 24% first-run proportion is reasonable.

Furthermore, the repeats will comprise a mix of narrative repeats (i.e. repeats of shows that have been broadcast for the first time recently) and archive repeats, which could provide a linear broadcast version of the way in which a longer iPlayer window can support certain programmes in building a following – for example, comedy shows, which can take a long time to find and build up their audiences.

3.5 Made out of London programming

3.5.1 Our consultation proposals

In our consultation we proposed that at least two-thirds of programme spend on BBC Three programmes should be spent outside of the M25 area.

3.5.2 Stakeholder feedback

BBC Three's aspiration to support and partner with independent producers outside of London and the M25 area was well received by many respondents.

Directors UK supported the target of two-thirds of commissions outside of London, provided there was not simply a 'lift and shift' strategy for existing talent from the capital. It also called for genuine investments to be made – in both the support offered as well as around financial renumeration and rights. The WGGB and Pact echoed this need for fair support and renumeration in their responses, with WGGB calling for the benefit of this pan-UK ambition to fall to writers and creatives from all under-represented groups.

Channel 4 and other PSBs took the pan-UK proposal further, calling for 100% of commissions and productions for the BBC Three broadcast channel to be from outside of London, arguing that this should be the commitment if the BBC is 'serious' about representation.

3.5.3 Our final proposal

On 18 March, shortly after we published the consultation on the new BBC Three channel, the BBC published *The BBC across the UK* setting out ambitious plans to transform the BBC by moving power and decision-making across the UK between 2022 and 2027. In this document, we stated:

> "For the first time in our history, the clear majority of our UK-wide TV will be made across the UK and not in London. We will set a new target of at least 60% of network TV commissions by spend to be made across the UK, which we would reach sustainably by the end of the Charter. This will benefit the creative sector across the UK and support the independent production community"

And that:

> "Our increased investment in BBC Three will strengthen its role in reflecting the authentic voices of younger people across the whole UK. Our strategy to relaunch BBC Three as a part-time linear TV channel would help attract younger audiences that have a strong linear habit but are lighter users of BBC TV. These are more likely to be C2DE, in the north of England, and often with less access to digital on-demand services. We will aim for two-thirds of BBC Three spend to be outside London."[10]

This is a particularly ambitious objective for BBC Three, as currently its commissioning spend skews heavily towards London. However, making no shows in London would mean the BBC would be underserving younger audiences in London, and could not not continue to make great shows set in London such as *Superhoe*, *Starstruck*, *Dreaming Whilst Black* and *Grime Kids*.

As such we consider that this ambition remains appropriate, will serve audiences well, and will support the creative economy across the whole of the UK.

3.6 Broadcast hours of BBC Three and CBBC

3.6.1 Our consultation proposals

In our consultation we proposed that the new BBC Three channel should have broadcast hours of 7pm to 4am, with peak viewing hours of 7pm to midnight.

We also proposed that in order to accommodate the new BBC Three channel within existing distribution capacity, launching the new BBC Three broadcast channel from 7pm meant bringing forward the end-time of CBBC from 9pm to 7pm.

3.6.2 Stakeholder feedback

Responses to BBC Three's specific provision for the under 16's were broadly in support of the plans to reduce CBBC's hours to accommodate BBC Three.

BFI, CMF, Directors UK, WGGB and Youth Media and Culture Network agreed that the pre-watershed ambitions of BBC Three to reach under 16's offered the BBC an opportunity to serve an audience it does not currently reach. There was some consensus that this benefit outweighed the loss of broadcast and viewing to CBBC within the same hours.

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[10] *The BBC across the UK*, BBC, 18 March 2021, pp 4-5.

However, within these plans, Directors UK, Youth Media and Culture Network, BFI and CMF were also among those calling for clear, careful and explicit plans around content for the 13–15 year-old age group. These responses asked that clearer proposals for this audience be included within BBC Three's plans: including more detail on commissioning, budget and weekend provision.

3.6.3 Our final proposal

The new BBC Three channel will have broadcast hours of 7pm to 4am. However, given the uncertainty about viewing patterns on the new channel and the need for the new BBC Three broadcast channel to adapt and respond to audience needs, we consider that identifying a peak viewing time for the new channel is not appropriate.

In order to accommodate the new BBC Three channel within existing distribution capacity, launching the new BBC Three broadcast channel from 7pm meant bringing forward the end-time of CBBC from 9pm to 7pm.[11]

We note the comments from stakeholders with regard to programmes shown during the 7pm to 9pm period on BBC Three. Our intention for that slot is that we will take account of the needs of the 13-15 age group and schedule pre-watershed content that will appeal to both the 13-15 age group and 16-34s. However, the target audience of the new channel is 16-34s and so we are not establishing an explicit 13-15 programming block.

Further detail is set out in Section 4 regarding the public value impact of reducing the hours of CBBC and how we will be mitigating this.

3.7 Distribution

3.7.1 Our consultation proposals

In our consultation we proposed that the new BBC Three broadcast channel should be distributed on all television platforms. We also proposed that Ofcom should amend the EPG Code to require the new channel to have appropriate prominence, which we suggest should be with an EPG slot at 24, or at the lowest vacant EPG slot within the top 24 slots.

3.7.2 Stakeholder feedback

There was a distinct split in responses from stakeholders regarding the EPG placement of a BBC Three broadcast channel. While some stakeholders called for BBC Three to receive prominence within the EPG, other responses brought up particular concern around disruption and market impact to other broadcasters because of any displacements. There were also concerns raised around the 'swapping' of EPG slots within the BBC portfolio, post launch.

Directors UK was in support of a prominent EPG position for BBC Three on linear, as an important means of 'accessibility and discoverability'. Similarly, IBT, VLV,

[11] Note that for technical reasons CBBC's end time will be brought forward to 7pm at least two weeks before BBC Three launches as a new broadcast TV channel.

WGGB, Professor Hardy and some responses from members of the public indicated that they would like to see a BBC Three broadcast channel given prominence.

COBA raised 'serious concerns' about the proposed BBC Three channel's impact on the market regarding the costs to and impact of imposed EPG changes on smaller broadcasters: particularly following on from the earlier, regulation driven repositioning of the EPG in 2019.

This was echoed by others – particularly Pay TV broadcasters – who, among their responses, provided the context of a period of additional costs and 'prolonged uncertainty and disruption' for providers, broadcasters and end users after 2019's regulatory changes. Some responses noted the disproportional effect the previous changes had had on elderly and vulnerable viewers. A few responses from Pay TV broadcasters therefore did not consider it 'reasonable or proportionate' for EPG providers to amend channel listings again to afford BBC Three prominence.

Some providers stated that there were no vacant slots within the top 24 positions and followed in their responses that they would not renegotiate channel carriage agreements with broadcasters to accommodate the change. Issues around prominence across the UK were also highlighted – with examples of additional considerations in Scotland and Wales being raised within the responses.

Some stakeholders requested that an assessment of the market impact of EPG displacements – with a focus on loss of viewing share, revenue, and the burden of additional spend – was conducted with both providers and broadcasters in mind.

Among responses from Pay TV broadcasters, the issue of the EPG was described as 'a problem of the BBC's making' and it was argued that it should be the corporation's own issue to solve within its existing EPG portfolio.

Channel 4 asked for market impact work to be done around the EPG placement and prominence of BBC Three. As part of this, it asked for particular focus on the effects that may come if the BBC were to later switch this channel with another (for example, BBC Four) following launch. Alternatively, Channel 4 called for a guarantee that BBC Three would remain in slot 24 of the EPG. This was echoed by other PSBs in their responses, who called for a BBC Three channel to be placed in the lowest slot available to receive due prominence.

3.7.3 Our final proposal

We have carefully considered the responses from stakeholders and have as a result made some amendments to our proposals regarding the EPG placement for BBC Three. In particular, we note:

- The strong support for prominence from rightsholders and audience groups;
- A desire from platforms and commercial channels to minimise disruption to the EPG and the placement of other channels; and
- the calls from Channel 4 and other PSBs for a commitment to keep the new channel at slot 24 indefinitely.

We propose that Ofcom should mandate prominence for the new BBC Three broadcast channel within the top 24 slots of the EPG as it is a PSB channel of general interest. We would also encourage Ofcom to expedite this process and to require platforms to implement prominence as soon as reasonably possible.

Where a rationalising of BBC EPG slots in the top 24 can release a slot for the new channel, thereby minimising disruption to the EPG, we will do that. This can be achieved during the next two years if the BBC successfully launches HD versions of all BBC One and BBC Two HD regional variants, as we would no longer require prominent HD and SD listings for both BBC One and BBC Two in England/Northern Ireland. Similarly on Freesat, we will demote existing SD 'simulcast' services to enable positioning of BBC Three at EPG 110 across the whole of the UK.

For Freeview / YouView we propose that the new channel should have an EPG slot at 24 or at the lowest vacant EPG slot within the top 24 slots.

We currently have no plans to swap BBC Three and BBC Four's EPG slots.

While we do not necessarily think we will have been able to achieve these EPG slots by launch in January 2022, we are optimistic that they will be achieved within 18 months of launch.

Figure 2: Expected EPG slots for BBC Three, by platform

Platform	New EPG rank	
	England / NI	Scotland / Wales
Freeview/Youview	24	24
Sky	15	24
Freesat	10	10
Virgin	8	24

Notes: EPG ranks reflect the channel variant highest in the EPG (SD or HD depending on the platform).

Therefore in our forward looking market analysis we have modelled these EPG slots, though we have not modelled differences in slot ranks by nation, instead conservatively using the highest achievable slot between the nations on each platform. This modelling is an integral part of our market impact analysis. We consider that this should provide stakeholders with sufficient certainty over our future plans.

3.8 Budget

3.8.1 Our consultation proposals

In our consultation we set out that our estimated budget for the new BBC Three channel was £79 million, of which the content budget would be £72.5m with annual operating costs of £6.5m (but that the additional operating costs of the channel were only about £2m per year). We also estimated one-off launch costs of £3.5m.

3.8.2 Stakeholder feedback

Pact asked for clarity on commissioning budgets for BBC Three on online and linear.

Pact re-emphasised that the Terms of Trade must apply to all commissioning and asked that new rights packages be offered allowing producers to retain and exploit rights following the primary window. It requested clarity on online-only versus linear tariffs, and on the producer's ability to maintain rights when these windows are extended or changed. Pact asked for assurances that there would be no 'backdoor commissioning' into BBC One or Two via BBC Three Tariffs, and asked for this to be fairly reflected upfront in negotiations.

Directors UK welcomed the BBC's discussions with Pact, and similarly called for fair pay around rights, with reference to iPlayer-first commissioning, extended rights windows, and royalties. It raised some concerns over Three's budgetary pressures, particularly with the downward pressure this may have on programme makers 'doing more for less.'

WGGB echoed the need for fair pay and rights usage for creative practitioners. It raised concerns over the subsidised BBC Three budget via a reduction in spend on BBC Two drama commissions, calling this move a 'false economy.'

There were concerns from some Pay TV broadcasters that an increase to BBC Three's budget could expand the content available on BritBox via preferential treatment and secondary rights windows: threatening other on-demand services.

3.8.3 Our final proposal

Figure 3 below sets out the final estimated budget for the new channel. Figure 4 sets out our estimates of content spend by type of programming.

Figure 3: Estimated budget for new BBC Three channel

	Launch Costs	Annual Costs
Launch Costs		
Technology, operations & marketing one-off costs for launch	£3.5m	-
Ongoing BBC Three content costs		
BBC Three content budget	-	£72.5m
Total ongoing BBC Three content costs	-	£72.5m
Ongoing channel operating costs		
Marketing *(£1.2m increase on existing BBC Three marketing budget)*	-	£5.7m
Technology & operations	-	£0.8m
Total channel operating costs	-	£6.5m
Total Costs	**£3.5m**	**£79.0m**

Figure 4: Estimated content budget for new BBC Three channel, by genre[12]

Programme Genre	
Scripted Originations	£29m
Unscripted Originations	£38.5m
Acquisitions and repeats	£5m
Total Content Costs	**£72.5m**

[12] Note that this estimate will vary each year, as BBC Three commissions different titles and the channel's content mix evolves.

We will be entering negotiations with Pact and other rightsholders regarding the appropriate rights framework to support the launch of the new channel. We are happy to reassure rightsholders that there will be no 'backdoor commissioning' into BBC One or Two via BBC Three Tariffs, or gaming of national/regional commissioning co-productions. The BBC will pay a fair price for programmes that reflects the channel proposition, audience and use across the new channel and iPlayer.

There is no increase in the volume of programmes the BBC is commissioning as a result of the launch of the BBC Three broadcast TV channel. As such there will be no impact on the content available on BritBox UK as a result of the launch of the new channel.

4. Public Value assessment

The BBC is required to be satisfied that the public value of a material change to the UK Public Services justifies any adverse impact on fair and effective competition.

In this section we set out how launching BBC Three as a new broadcast television channel will deliver public value –for individuals, for society as a whole and for industry – in line with our Mission and Public Purposes.

This is informed by:

- Stakeholder responses to our consultation – detailed in Annex 2;
- Quantitative and qualitative audience research undertaken by MTM (published alongside this document);
- Three roundtable discussions with youth interest groups;[13]
- Analysis and economic modelling – detailed in Annex 1.

4.1 Approach to Public Value

In 2020 we worked with Professor Mariana Mazzucato and the UCL Institute for Innovation and Public Purpose (IIPP) on developing a new framework for the assessment of public value at the BBC, resulting in a scoping report for measuring dynamic public value.[14] There are many different facets to public value and as our approach is evolving, we are considering dynamic public value at three levels:

1) Individual/personal value – the extent to which our changes will meet audience expectations, continue to offer them a truly universal service, and therefore provide good value for money for the licence fee;
2) Societal/social value – the extent to which our changes can promote social value, which we define primarily by reference to how a change will enable the BBC to better deliver our Mission and promote the Public Purposes; and
3) Industry value – looking at public value more broadly, the extent to which our changes can promote industry value, acting as a creative force by supporting investment, fuelling innovation, and shaping and stimulating the creative economy across the UK.

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[13] We held three roundtables, the first with organisations representing youth interests, referred to here as 'organisational roundtable'. The organisations present at this session were: Uprising, Youth Futures Foundation, MAMA Youth Project, Prince's Trust, National Citizen Service Trust, RECLAIM, Youth Focus North West, and Ushine, Ishine. The BBC also met with members of the Future Voices Group, youth ambassadors for the Youth Futures Foundation and members of the Youth Voice Forum from National Citizen Service. These roundtables are referred to as 'youth representative roundtables'. We held these sessions to gather views and insights regarding the appeal and public value of the new channel.

[14] *Creating and Measuring dynamic public value at the BBC – A scoping report*, Institute for Innovation and Public Purpose, December 2020.

It is important to note that the proposed changes we are considering as part of the Public Interest Test relate to the launch of BBC Three as a broadcast TV channel, and not the increase in content budget and programming that had already been announced. As such we are not claiming that the public value of the change relates to the increase in BBC Three programmes generated by this budget, but rather we are identifying the increase in consumption and awareness of these programmes and the BBC as a whole generated by the launch of the new broadcast channel. Additionally, when describing the distinctiveness of the proposed channel in relation to other services it is clearly necessary to describe the programmes it will show.

The rest of this Section 4 outlines our analysis of the extent to which the new BBC Three broadcast TV channel will provide personal value, social value and industry value.

4.2 Personal value

Personal value is found within the BBC's direct relationship with audiences, which is fundamental to enable the BBC to deliver its Mission and Public Purposes. Our audiences must feel that the BBC delivers value for money on the licence fee across a range of its services – in terms of the content we provide as well as the way in which we connect and engage with individuals on a personal level, bringing them closer to the BBC.

Our analysis – based on audience research, roundtable discussions, and responses to our consultation – indicates that the personal value of our proposals is likely to be high for the following reasons:

- A new BBC Three broadcast channel will provide underserved younger audiences with a deeper engagement through the sense of part of the BBC being "for me";
- A BBC Three broadcast TV channel will provide an additional, convenient way for younger audiences to watch programmes they value;
- The BBC Three broadcast TV channel will provide a BBC Three shop window which will fuel discovery of its content, including onward journeys to iPlayer;
- The BBC Three broadcast channel can provide a home for live music and sporting events that might not otherwise get a linear showing;
- BBC Three (both the broadcast channel and on iPlayer) could achieve an average weekly reach of 12.4% amongst all audiences, and 16.0% amongst 16-34s in 2022, and is predicted to grow by 0.8 percentage points to 2024 for all audiences, and 1 percentage point for 16-34s; and

- The BBC Three broadcast TV channel will provide more value for money from the licence fee.

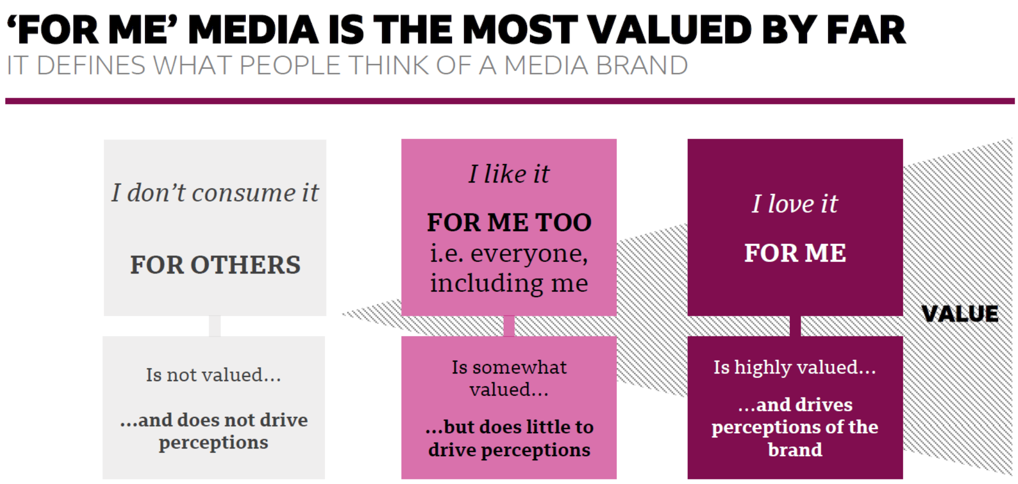
4.2.1 A BBC Three broadcast channel will provide underserved younger audiences with deeper engagement through the sense of part of the BBC being "for me"

The BBC needs to focus on strengthening its direct relationship with our audiences, deepening engagement and connection, especially with younger audiences.

Our audience research over the last few years is clear that younger audiences do not see the BBC as having enough relevant content for them. Whilst the BBC offers a number of mainstream titles on BBC One and BBC Two that are 'for everyone' and are watched by younger audiences, we do not offer enough content that younger people feel is truly 'for me' (and not for everyone else).

Content 'for me' is the most loved and highly valued by younger audiences – content which helps them to form their identity, and which is different, dynamic, entertaining and aspirational. Figure 5 demonstrates the value of 'for me' media.

Figure 5: 'For me' media



Source: BBC Audiences[15]

Brands most valued by younger audiences deliver 'for me' content in a personalised and intuitive way, driving frequency and thereby building value perception.[16]

The new BBC Three broadcast TV channel will strengthen the direct relationship with younger audiences by enabling those who retain a linear habit to access BBC Three content, and by acting as a shop window fuelling accessibility and

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[15] BBC Audiences research: *What do 13-30s value the most from media?*, July 2019, page 11.
[16] Ibid, pages 3 and 8.

discoverability of BBC Three content and deepening audiences' relationship with BBC Three, iPlayer and the BBC as a whole.

4.2.1.1 A BBC Three broadcast channel will also increase awareness and improve perceptions of BBC Three and the BBC with younger audiences

The MTM audience research uncovered mixed awareness of the BBC Three brand (as did the roundtables with youth representatives), as well as confusion around the relationship between BBC Three and iPlayer. It found that many viewers of the previous BBC Three broadcast channel did not follow when it went online in 2016.

The research also found, consistent with previous research, that for many young audiences the BBC is not an organisation that they feel produces content for them, and is not a provider that they look to. It is perceived as old, 'posh', overly serious and not for them.[17] Re-establishing a part of the BBC dedicated to their needs is an important part of building that relationship.

For instance, after exploring the BBC Three page on iPlayer during our qualitative research a number of participants were surprised at the breadth of content available. One person said: *"I was quite shocked to be honest, I wasn't expecting there to be so many programmes that I would be interested in watching."*[18]

Another person said:

> *"Was Normal People on BBC Three? Because I watched it through iPlayer. I'm not sure if that was through that channel or not?"*
>
> and another said:
>
> *"I've watched Bad Education but for some reason I've always thought it was on Channel Four…".*[19]

This was reiterated in our roundtables with youth representatives, where, for example, one young person noted that:

> *"There's a lot of stuff that's BBC Three content that I didn't realise, so proof it should be brought back as a channel, as you guys are making content we don't know that's there."*
>
> Another said:

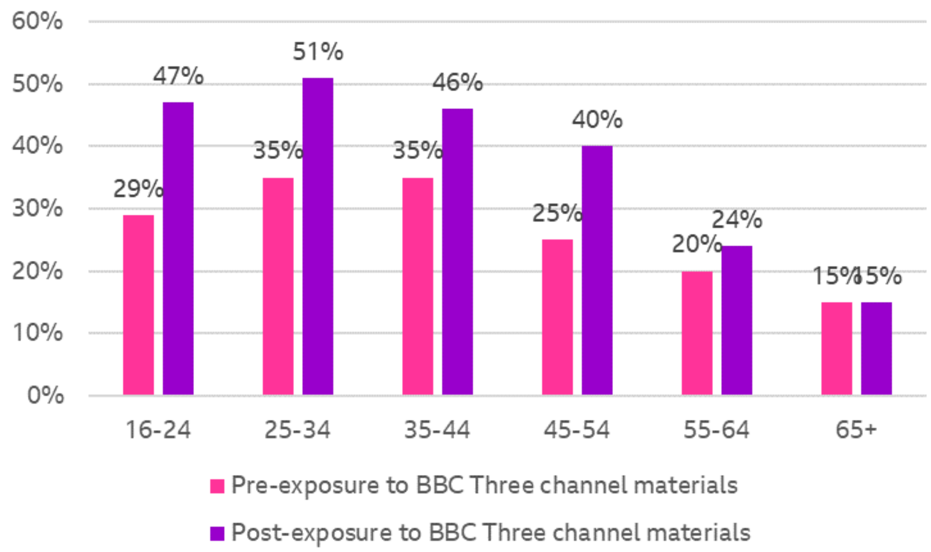
[17] See MTM research, pages 15 and 23.
[18] MTM research, page 16.
[19] MTM research, page 14.

"There's a lot more documentaries and things like that that relate to young people and that's obviously BBC Three – and that's what I go to most but never realised it's BBC Three. It's probably a place I would go to to watch the TV."

The new BBC Three broadcast TV channel will provide younger audiences with a dedicated BBC channel, broadcasting programming that is relevant to them and their lives. It will also help to shift perceptions of the BBC being 'traditional' and 'stuffy' held by younger and under-represented (e.g. BAME, LGBTQ+) audiences.[20] It will be a channel that encourages these audiences to feel like the BBC is offering TV shows for them.

Our quantitative research shows that once audiences learn of the proposal to launch BBC Three as a new broadcast TV channel, favourability towards BBC Three improves (with the exception of the oldest age group), particularly among younger audiences (see Figure 6).

Figure 6: Favourability towards BBC Three by age group

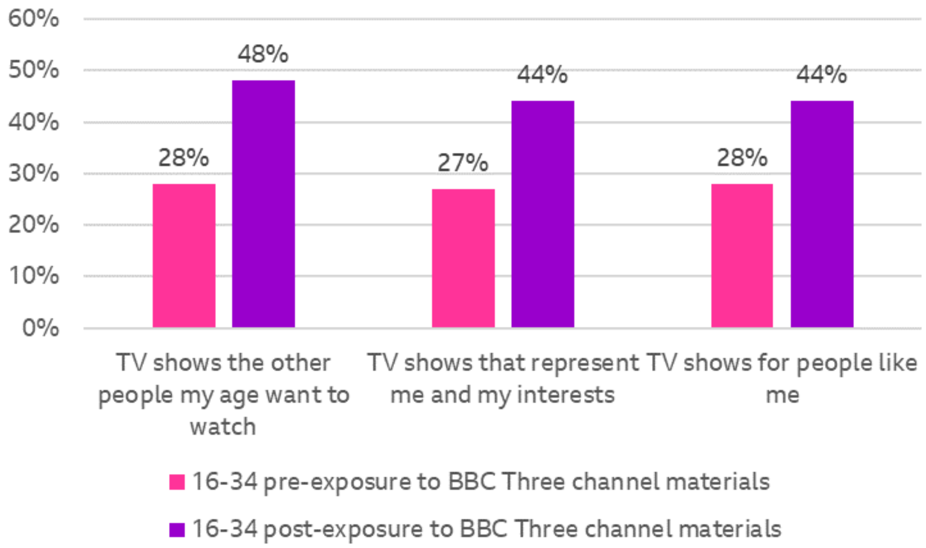


Source: MTM[21]

The MTM quantitative results particularly demonstrated the shift in perceptions among 16-34s after learning about the proposals, as summarised in Figure 7.

[20] MTM research, page 15.
[21] MTM research, page 21.

Figure 7: 16-34s Perceptions of BBC Three



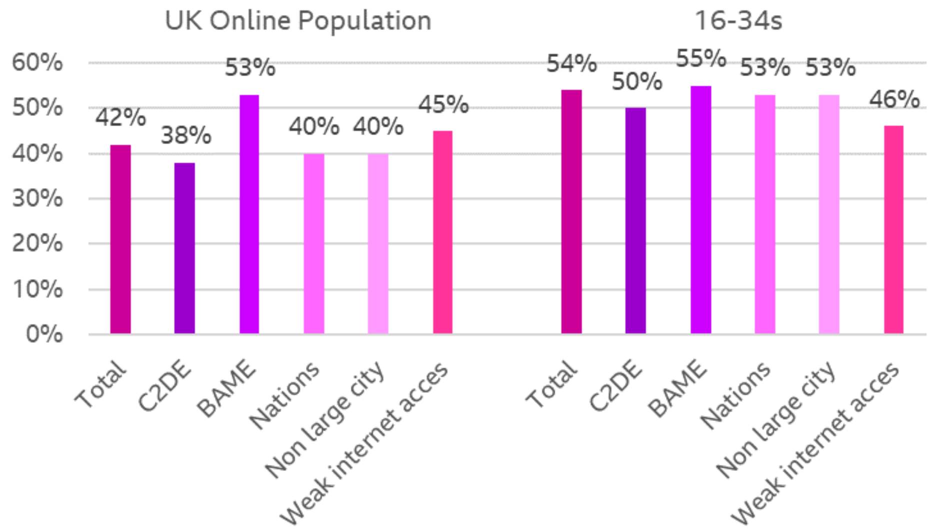
Source: MTM[22]

These quantitative findings were supported by the qualitative research, with one young person saying, *"…make[s] me think the BBC are making an effort to be relevant to young people and offer something more on trend outside of BBC One and BBC Two."*[23]

Furthermore, the appeal of the proposition is strongest among the channel's target underserved younger audiences, with the biggest uplift in perceptions of BBC Three seen in 16-34 BAME audiences, as highlighted in Figure 8.

[22] MTM research, page 30.
[23] MTM research, page 23.

Figure 8: Personal impact of BBC Three



Source: MTM[24]

After learning of the changes, half of BAME audiences have a favourable impression of BBC Three, in comparison to 32% of white audiences. As one participant said: *"There's Asian people and black people. I feel it's very varied and I think that's a positive and not something you tend to see on telly."*[25]

The research also shows a significant uplift for C2DE audiences, rising from 25% to 34%, and those who have a weaker internet connection (struggle to stream or download video content on their broadband connection), rising from 30% to 40% – after learning about BBC Three becoming a TV channel.[26]

> "I think it's a forward looking decision and really it's about messaging to young people and saying there is a focus on you at the BBC and you are important to us. And that in a broadcast sense we want to have important conversations about identity, environment etc. for you. …the world of broadcast and VOD go alongside each other, good shows can be consumed on both. It's about saying the BBC Three brand is visible and the young generation are important to the BBC."
>
> ~~ Ash Atalla, Producer, Roughcut TV, on the *Today Programme*, 3 March 2021

[24] MTM research, page 48.
[25] MTM research, page 40.
[26] Ibid.

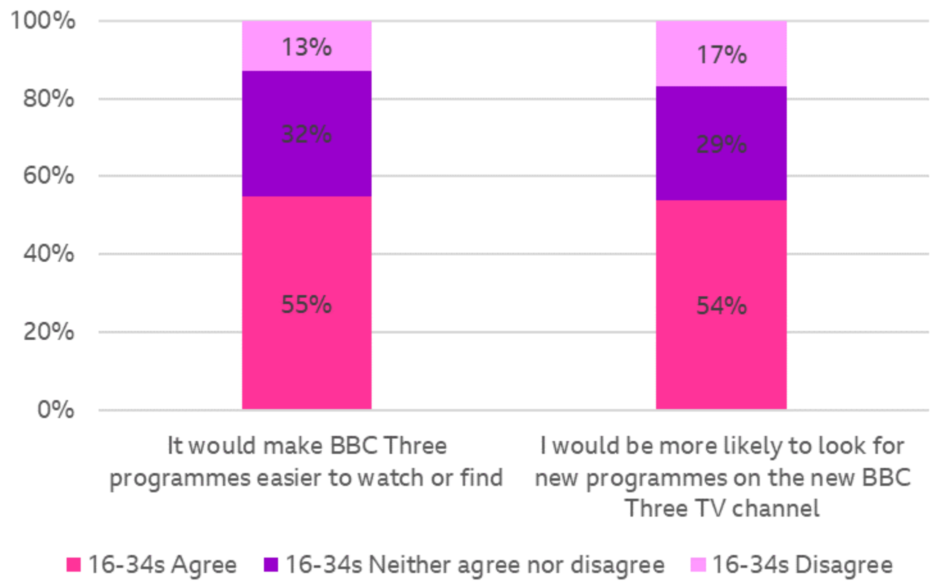
4.2.2 A BBC Three broadcast channel will provide an additional, convenient way to watch

Audiences want to be able to access and watch content with ease and convenience, and – as discussed above – at present they are not necessarily discovering BBC Three content.

As such, the BBC Three TV channel will be a key route to discovering BBC Three programming. Our research supports this, where 'stumbling' upon shows was highlighted amongst the benefits of the channel, as well as providing an additional access point for iPlayer.

Over half of 16-34s agree the channel will make it easier to watch or find BBC Three programmes, and are more likely to look for new programmes on the new channel, as summarised in Figure 9.

Figure 9: 16-34s Personal impact of BBC Three launching as a TV channel



Source: MTM[27]

The channel will be more convenient and increase accessibility of BBC Three programming, with younger audiences also suggesting it will become more of a viewing destination. As one participant put it:

> *"You have to make a conscious effort to go and look for these shows on iPlayer… A TV channel would help showcase some of these shows to people."*

Whilst another said:

[27] MTM research, page 31.

> *"It's right at the end of your fingertips isn't it…to just flick on your TV that's the easiest way to find what you're looking for. The only reason I don't watch it is because it's not on the TV…out of sight out of mind!"*[28]

In their responses to our consultation some stakeholders also highlight the public value of the channel's accessibility, for example:

- BFI says that passive viewing via a 'linear shop window' can help broaden horizons and expand personal tastes in a way that online services cannot do.
- Directors UK, IBT, VLV and WGGB all agree that the BBC Three broadcast TV channel will deliver on the core principle of universality, which will be particularly beneficial for audiences with lack of access to on-demand digital services.
- Directors UK, IBT, VLV, WGGB and Professor Jonathan Hardy all support a prominent EPG position for the BBC Three broadcast TV channel as a means of accessibility and discoverability.

The roundtables with youth representatives echoed these sentiments.

The BBC Three broadcast TV channel will ensure BBC Three content is available to all audiences, providing an additional convenient access point to watch as well as being a key route to discovering BBC Three content.

4.2.2.1 A BBC Three broadcast channel will also fuel discoverability of BBC Three content on iPlayer

Young people expect to easily find content that is relevant to them, and whilst BBC Three programmes appeal to younger audiences, the results of our research and our discussions in roundtables suggest mixed brand awareness, confusion around the relationship between BBC Three and iPlayer, and low attribution of BBC Three programmes (e.g. linking to other brands or Netflix).

Source: Tweetwatch, 3 March 2021

After exploring the BBC Three page on iPlayer, many of the qualitative research participants were surprised at the breadth of BBC Three content as well as learning that some of their favourite shows are BBC Three programmes.

Consequently, audiences feel that a BBC Three broadcast channel will help to provide a 'shop window' to BBC Three content on iPlayer, increasing discoverability and helping with identified issues regarding awareness and understanding of the

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[28] MTM research, pages 23 and 31.

brand. These findings were echoed in our roundtable discussions with youth representatives.

On learning of the proposals, 38% of the population and 46% of 16-34s feel the channel will help them discover new programmes, and 35% of the population and 46% of 16-34s feel the channel will offer them high quality TV shows.[29] In addition, ~40% of younger audiences agree that, as a result of the channel, they will go to iPlayer to catch up on programmes / watch future episodes or shows they had watched on BBC Three, as well as go to iPlayer to find similar shows.[30]

As one participant put it:

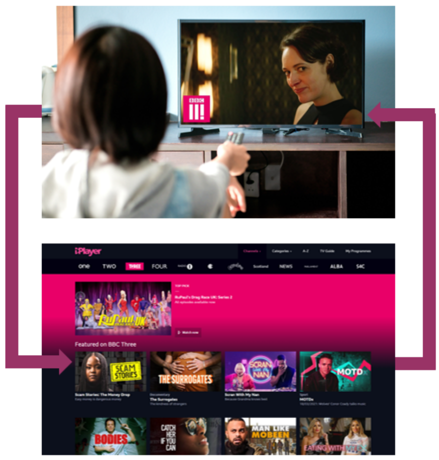
> *"I think it will encourage people to find new shows by putting it on a TV channel, things people wouldn't necessarily search for on iPlayer. It's more inclusive to have access to both on demand and a TV channel."*[31]

In addition, in its response BFI says that it thinks that a dedicated broadcast channel like BBC Three acting as a 'shop window' will help audiences engage with content outside their personal tastes, broadening their horizons. A similar point was made in the roundtables – that young people tend to go to iPlayer to seek out specific programmes to watch, however with a broadcast TV channel they are more likely to happen across something interesting they may not otherwise have considered watching.

As two participants said:

> *"[iPlayer] will become more of a hub for the channel"*, and *"it'll open BBC Three up to more people. I think lots of people don't go to BBC iPlayer so if they see it as a channel again they might go and visit the app."*[32]

In its response, IBT also sees the value in our 'twin strategy' of focusing on serving younger audiences on the broadcast channel and supporting iPlayer growth – the more accessible the BBC's content is to its audiences, the better.



Source: MTM

The new BBC Three broadcast TV channel will therefore provide younger audiences with a shop window to BBC Three content, fuelling discoverability and onward journeys to iPlayer, increasing engagement with younger audiences. Working

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[29] MTM research, page 29.
[30] MTM research, page 38.
[31] MTM research, page 29.
[32] MTM research, page 37.

together, the channel and iPlayer will make the brand much more 'mentally available' (with audiences better able to understand what BBC Three offers them) – increasing brand awareness and encouraging deeper engagement with the BBC by younger audiences.[33]

4.2.3 A BBC Three broadcast channel can provide a home for live music and sporting events that might not otherwise get a linear showing

A BBC Three broadcast TV channel offers an opportunity to provide a platform for content such as live music and sporting events that may not otherwise be broadcast and which may also have broad appeal, encouraging shared TV moments and 'appointment' viewing for younger audiences.

Our research found that audiences will value a BBC Three TV channel that surfaces content that otherwise might not have a home on the BBC, such as live sport and highlights, and live music (e.g. *Live Lounge*). Content that is unlikely to be shown on BBC One or Two – and which audiences wouldn't necessarily think to seek out on iPlayer – would have a more accessible home on the BBC Three channel.

This content could also create occasion TV moments providing a 'hook' or 'anchor' for audiences – weekly appointment viewing that has wide appeal and which they would watch with their family. The 'in the moment' event aspect adds to the appeal of BBC Three as a live broadcast channel, with the possibility of added extras on iPlayer (e.g. behind the scenes, more interviews, acoustic sets etc.).[34]

In one of our roundtables it was noted that while the market for sports content is quite saturated, there is value for them in sports shows that are presented in a different way, such as interactively, and that they also value shows with presenters who are really passionate about what they are talking about, for example ex-footballers, and where the audience gets to see their personality, thereby connecting better with fans.

BBC Three does intend to broadcast these types of live sporting and music events, for example youth/women's/international football; however these plans are at an eastly stage given their dependence on securing the rights to specific events.

In broadcasting content that may otherwise not have a home on the BBC, the BBC Three TV channel will increase reach and deepen engagement with our audiences, promoting shared appointment viewing and creating potential opportunities for added content on iPlayer.

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[33] MTM research, page 36.
[34] MTM research, pp 33-35.

4.2.4 A BBC Three broadcast channel will increase reach and time spent with the target audience

An important part of personal public value is audience consumption, i.e. individuals will only gain value from the new channel if they watch it. We have estimated the new BBC Three channel's time spent and reach, and our quantitative research examined likelihood to watch. Discussed below, the results indicate that the broadcast channel will increase the reach and consumption of BBC Three content, both on linear and on iPlayer.

As with any modelling exercise, the model required simplifications and assumptions. A conservative approach to addressing uncertainties was adopted – overestimating the BBC's take up (and in turn potential market impact) as opposed to underestimating. Nevertheless, the quantitative and qualitative survey results support the view that target audiences are likely to watch the BBC Three TV channel following the channel launch. More detail about the modelling approach can be found in Annex 1 and we discuss the model's predictions of the channel's likely take-up and impact in Section 5 of this document.

4.2.4.1 Predicted time spent

Our model predicts that for all audiences, time spent with BBC Three could grow to 2.3 minutes per person per day (with 1 minute of viewing through the linear channel) as a result of the proposed changes, compared to the counterfactual of 1.2 minutes per person per day where BBC Three is available only through iPlayer.

For 16-34s, we predict time spent with BBC Three could grow to 3.1 minutes per person per day (with 0.8 minutes of viewing through the linear channel), compared to the counterfactual of 2.1 minutes per person per day where BBC Three is available only through iPlayer.

4.2.4.2 Predicted reach

We calculated the likely average weekly reach for BBC Three based on our estimate of the new channel's volume of viewing (linear and on iPlayer) during the hours of 7pm to 4am (discussed above). To do so, we drew on the reasonably consistent relationship between volume of viewing and reach between 7pm to 4am.[35]

Our reach estimates are presented in Figure 10 below. We estimate BBC Three (both the broadcast channel and on iPlayer) could achieve an average weekly reach of 12.4% amongst all audiences, and 16.0% amongst 16-34s in 2022. This reach is predicted to grow by 0.8 percentage points to 2024 for all audiences, and 1 percentage point for 16-34s. Note that BBC Three already exists as a channel on

[35] We used BARB C7 data of viewing minutes and average weekly reach in 2019 for a mix of larger and smaller channels, as well as broadcaster portfolios and all broadcast TV, to create a curve of best fit with which to map our projected BBC Three viewing minutes to a corresponding reach %.

iPlayer, therefore not all of its estimated reach can be attributed to the channel launch. It is also important to recognise that this includes BBC Three's combined reach via live TV and *all* of iPlayer (which differs from BARB reach since it includes all iPlayer content irrespective of its broadcast date, viewed through any device).

Figure 10: Projected BBC Three average weekly reach %

	2022	2023	2024
A4+	12.4%	12.8%	13.2%
A16-34	16.0%	16.3%	17.0%

Source: BBC analysis
Notes: Derived from BBC Three viewing both linear and on iPlayer.

4.2.4.3 Likelihood to watch

We also asked audiences a series of questions in the quantitative survey to understand their likely usage of the new channel. This research found that 50% of 16-24s are very or quite likely to watch the new BBC Three broadcast TV channel, 57% for 25-34s, and 50% for 35-44s.[36]

In terms of the channel's target population groups, 49% of 16-34 C2DE audiences, 52% of 16-34 BAME audiences, and 54% of 16-34 audiences outside of metropolitan cities as well as those in the Nations, said they are very or quite likely to watch the new channel.[37]

4.2.5 A BBC Three broadcast channel will provide more value for money for the licence fee

The BBC must deliver value to all UK audiences, as set out in our Charter and Framework Agreement and discussed in our recently published report, *BBC Value for Audiences*[38]*.* As the ongoing operational costs of the broadcast channel representing only about 2.5% of BBC Three's total annual budget, the new BBC Three broadcast TV channel will provide more value for money for the licence fee.

As shown in Figure 11 below, with the launch of the new broadcast channel, BBC Three's estimated cost per viewer in 2022 will be 8p, compared to 17p in the counterfactual scenario of no channel launch and where BBC Three content is watched on iPlayer.

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[36] MTM research, page 24.
[37] MTM research, page 42.
[38] *BBC Value for Audiences*, BBC, February 2021.

Figure 11: Estimated cost per viewer hour, 2022

	BBC Three linear channel + iPlayer	BBC Three on iPlayer only
Cost per viewer hour	9p	17p

Source: BBC analysis

Notes: Derived from BBC Three viewing forecasts for both linear and iPlayer, and BBC Three content and marketing costs. Note that these figures are not comparable to other channels' cost per user hour reported in BBC annual reports which do not include all iPlayer viewing in the denominator and include different cost elements.

The results of our research suggest that audiences agree that they will be getting better value for money with the launch of the new channel. In particular, 57% of 16-34s surveyed feel that the new BBC Three broadcast TV channel will result in better value for the licence fee, with only 13% disagreeing. For all adults, 44% agreed that it will result in better value for the licence fee, with 28% disagreeing.[39]

Audiences also feel that by delivering more content at no extra cost, the channel will provide value to free-to-air only homes in particular, given the more limited range of channel options (vs pay TV).[40]

4.2.6 Summary of personal public value

Therefore, we consider that our analysis – supported by a range of quantitative and qualitative evidence – indicates that the personal value of our proposals is likely to be high.

4.3 Social value: The BBC's Mission and Public Purposes

An additional driver of public value is the extent to which our changes can promote social value. We define this principally by reference to how a change will enable the BBC to better deliver our Mission and promote the Public Purposes.

These proposals seek to do so by launching a new BBC Three broadcast TV channel, providing innovative, high quality 'for me' programming aimed at younger audiences.

Our analysis – based on our audience research, roundtables with youth representatives, and responses to our consultation – indicates that the social value of our proposal is likely to be high, because our proposed changes will safeguard our ability to deliver the Mission and Public Purposes to all audiences – particularly younger audiences -and therefore support the long term future of the BBC.

[39] MTM research, page 69.
[40] MTM research, page 61.

4.3.1 A BBC Three broadcast channel will help the BBC fulfil its Mission

The BBC's mission is to "act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain".[41] In doing so, the BBC must deliver good value for money in return for the licence fee.

At the organisational roundtable there was enthusiasm and support for the channel, and general agreement that our plans reflect much of what young people feel is important, including developing a pipeline of talent, involving and engaging with young people throughout the creative process, genuine diversity and a full breadth of stories – socio-economically, ethnically and less London-centric.

Some organisations noted the importance of the new channel as a social good, providing inspiring content showcasing young people who have set up their own businesses etc., and including signposting[42] of support for young people. And one organisation said that they are excited by the real direct support that the channel will be bringing to young people, as a leader driving change as a public institution.

The roundtables with youth representatives provided some very helpful insights in relation to the public value of the channel. One participant highlighted the value of TV as you grow up – it is where you get role-models from when you're younger, and provides you with your first insight into what the world looks like, affecting your perceptions of places and people.[43]

Similarly, another person said: *"It feels like a timeline in life – CBeebies, CBBC, then just dropped off"*, and noted that though they watch BBC One for news, there is no TV option on the BBC for younger people (only iPlayer), so if BBC Three was a linear channel then they would likely watch it.[44]

A number also highlighted that the channel will enable more people to access BBC Three content, particularly those who may not have internet access (including some people from lower income backgrounds) or have access that is unsustainable where multiple people are using it.

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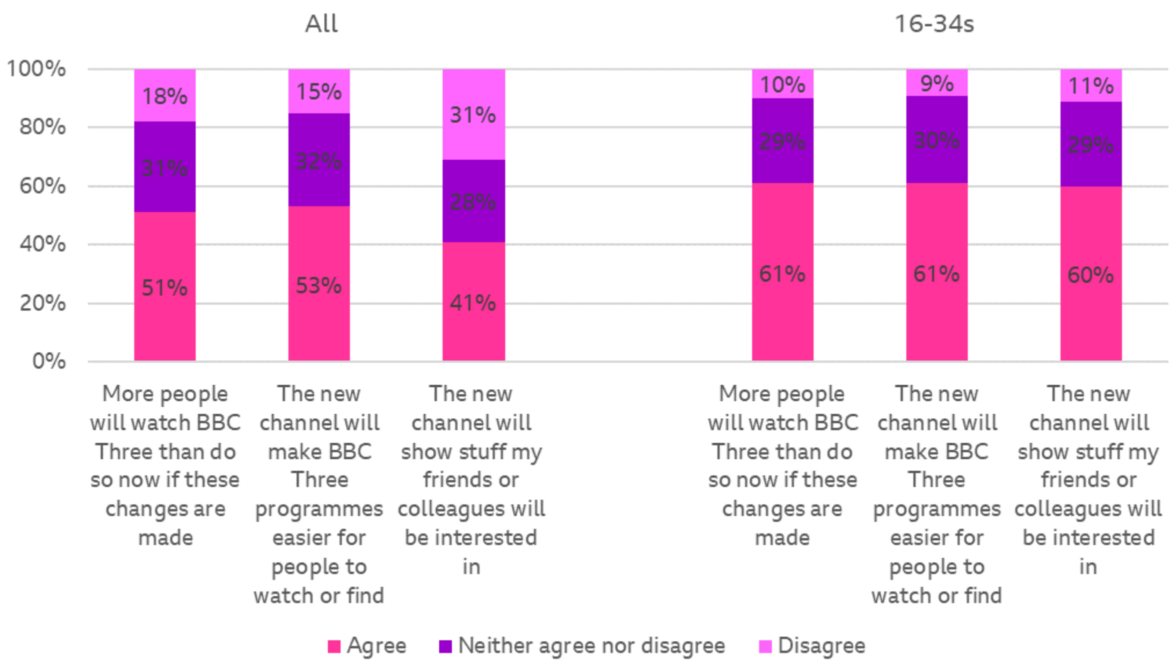
[41] Article 5, BBC Royal Charter.
[42] It was suggested that the channel should provide more signposting after programmes, i.e. to organisations who can provide more help and information, however it was also noted that there is a tension between signposting support and the BBC's independence and the requirements of our Editorial Guidelines, which prevent us from promoting third parties (including charities).
[43] This was in response to a question from the Channel Controller asking whether a channel dedicated to the younger experience would have any value.
[44] This was in response to a question from the Channel Controller asking whether bringing back BBC Three as a channel would be irrelevant or useful, and whether it would matter to them if there was a channel specifically for young people.

In addition, one person said that young people need to be a bit more strategic with what they watch, however they don't think in that way, so we (as a broadcaster) *"need to guide and facilitate what's out there."*[45] Finally, the words that stuck with one participant as characterising BBC Three were *"inspirational/advice, education, entertains".*

The results of both our qualitative and quantitative audience research also suggest that the new BBC Three broadcast TV channel will have societal benefit, with an average of 47% of the population in agreement, rising to 59% for 16-34s. In particular, as Figure 12 below sets out, 53% of adults surveyed feel it will make BBC Three programmes easier for people to watch or find, and 51% feel that the changes will result in more people watching BBC Three than they do now.

Figure 12: Social impact



Source: MTM[46]

In the qualitative research audiences identified several social benefits of launching the new channel:

- It will appeal to those 'younger than me' – Despite recognising it's not 'for them', older viewers (particularly 55+) still feel that BBC Three has potential to attract wider audiences – with Stacey Dooley documentaries and dramas appealing most.

[45] This was in response to the questions: *How well does TV reflect young people's lives? Does it reflect a sense of belonging and identity?*
[46] MTM research, page 63.

- It provides extra content for Freeview households – Many feel that the channel will provide additional value for free-to-air homes who do not have pay TV, by delivering additional content at no extra cost. As one participant said: *"For anyone who just has Freeview it's a huge benefit, it's a whole other channel to watch."*

- It is a new platform for under-represented groups – BBC Three launching as a new TV channel will help to provide a greater platform for under-represented audiences who don't typically get as much terrestrial screen time, e.g. BAME, LGBTQ, nations and regions, and young people more generally.

- It can appeal to the young at heart – Audiences recognise that *"it's not the age that actually matters – it's the mindset…"* (as one participant said), appreciating that the BBC Three channel will have content that also resonates with older audiences, as well as giving them insights into how younger generations think, act, feel, speak, etc.[47]

Source: Tweetwatch, 3 March 2021

4.3.2 A BBC Three broadcast channel will promote the BBC's First Public Purpose to provide impartial news and information

The BBC's first Public Purpose is:

> "**To provide impartial news and information to help people understand and engage with the world around them**: the BBC should provide duly accurate and impartial news, current affairs and factual programming to build people's understanding of all parts of the United Kingdom and of the wider world. Its content should be provided to the highest editorial standards. It should offer a range and depth of analysis and content not widely available from other United Kingdom news providers, using the highest calibre presenters and journalists, and championing freedom of expression, so that all audiences can engage fully with major local, regional, national, United Kingdom and global issues and participate in the democratic process, at all levels, as active and informed citizens."[48]

In an era of misinformation and fake news, the BBC remains one of the trusted sources of news and information across the UK and globally. For example, during the

[47] MTM research, pp 61-62.
[48] Article 6(1), BBC Royal Charter.

unprecedented Covid-19 pandemic 83% of people have trusted coverage on BBC TV.[49]

Some stakeholders (IBT and VLV) expressed concern about the lack of any mention of international news and current affairs content in consultation proposals for BBC Three. Both organisations considered that international news and current affairs had been a small but important part of the previous BBC Three channel, that this is an important component for the target audience, and would serve the BBC mission and younger audiences particularly well.

The results of our research also suggest that audiences are generally not able to perceive any potential impact of the channel in relation to the first Public Purpose to provide impartial news – primarily due to the lack of any overt news content in the showreel that they watched.[50] However, in contrast to the general perception, almost two-thirds of BAME audiences (compared to 42% of all respondents) feel that the channel will help people in the UK understand and engage more in the world around them.[51]

In addition, during our organisational roundtable discussion, two organisations highlighted that young people are keen to be agents of change and there is an appetite for news and debate programmes exploring how social issues impact young people's lives and how young people themselves can create social change. The new channel can show how young people have used their experiences to create positive change in different spheres/worlds – such as those who have lived through homelessness, been in gangs, set up own business, etc.

In a youth representative roundtable there was also interest in news programming, with a number indicating they enjoyed watching *Newsround* when they were younger. However they feel that news is often presented in a very structured and scripted fashion and by slightly older people, meaning there's some disassociation. They suggested it would make sense to have something more 'them' – coming from young people to tell young people what's going on.

The current Covid-19 pandemic – including international travel restrictions – means that we have not been able to formulate specific plans in relation to news and current affairs programming for the channel. However, we do intend to broadcast a range of international news, current affairs and factual programming (e.g. factual documentaries with Stacey Dooley) on the channel.

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[49] BBC written evidence to DCMS Sub-committee on Online Harms and Disinformation Covid-19 Inquiry, April 2020
[50] MTM report, page 76.
[51] MTM report, page 69.

Considering stakeholder responses and insights provided by young people, BBC Three has decided that the channel will also broadcast a nightly news bulletin to keep young audiences informed of national and global events and issues that are of interest to them. These bulletins will be presented by young people for young people.

The new BBC Three TV channel will therefore help to meet our first Public Purpose.

4.3.3 A BBC Three broadcast channel will promote the BBC's Second Public Purpose to support learning for people of all ages

The BBC's second Public Purpose is:

> "**To support learning for people of all ages:** the BBC should help everyone learn about different subjects in ways they will find accessible, engaging, inspiring and challenging. The BBC should provide specialist educational content to help support learning for children and teenagers across the United Kingdom. It should encourage people to explore new subjects and participate in new activities through partnerships with educational, sporting and cultural institutions."[52]

As part of its broad multi-genre remit, alongside great drama, comedy and entertainment, the new BBC Three broadcast TV channel will provide targeted factual programming in prominent peak-time slots that will help younger audiences learn about a wide range of subjects in an accessible and engaging way and explore new subjects. This will be an important contribution to the BBC's informal learning output.

Our audience research indicates that audiences agree that the channel will meet our second Public Purpose. Audiences feel the channel will provide learning through its range of documentaries and highlighting topical issues such as mental health and the challenges of the job market. As one participant of the qualitative research said, in relation to the channel: *"Looking at the documentaries, covering different cultures, mental health, teaching people about these important subjects."*[53]

During our organisational roundtable discussion, the future world of work and how young people navigate this world – especially in light of the Covid-19 pandemic – was highlighted by a number of organisations. It was stated that the career choice for one in four young people is informed by the media (e.g. shows like *Casualty* and *The Apprentice*), and the channel presents opportunities for showcasing the breadth of career paths, breaking stereotypes, changing mindsets within different groups, and supporting young people in finding pathways to job opportunities. This is

[52] Article 6(2), BBC Royal Charter.
[53] MTM research, page 76.

particularly important as increasingly young people are not gravitating towards London but staying in their local communities, where – as one organisation put it – the "vast majority are completely lost" in relation to their future.

A number of those in the youth representative roundtables also said that they prefer to watch TV programmes that they can learn from and that add value, such as documentaries – particularly as they don't have much free time. In particular they noted the importance of documentaries like *Defending Digga D* and *Jesy Nelson: Odd One Out*, where BBC Three has been clever at using influencers to explore topical issues like mental health in a relevant way – and from which young people can learn and help others. One participant associated these types of documentaries (which they watched live on BBC One or Two) with a sense of realism and emotiveness.

All of these types of programmes will help to deliver against our second Public Purpose, and the BBC Three TV channel will give such programmes a greater platform and drive reach and discoverability of this content, improving our engagement and connection with younger audiences.

4.3.4 A BBC Three broadcast channel will promote the BBC's Third Public Purpose to show the most creative, highest quality and distinctive output and services

The BBC's third Public Purpose is:

> "**To show the most creative, highest quality and distinctive output and services**: the BBC should provide high-quality output in many different genres and across a range of services and platforms which sets the standard in the United Kingdom and internationally. Its services should be distinctive from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content."[54]

The Agreement defines distinctive output and services as meaning those:

> "that are substantially different to other comparable providers across each and every UK Public Service both in peak time and overall, and on television, radio and online, in terms of -
>
> (a) the mix of different genres and output;
> (b) the quality of output;
> (c) the amount of original output produced in the UK;
> (d) the level of risk-taking, innovation, challenge and creative ambition; and

[54] Article 6(3), BBC Royal Charter.

(e) the range of audiences it serves.”[55]

The BBC Three broadcast TV channel will be a creative, high-quality and multi-genre channel that will offer a broader choice for audiences. This as a view supported by several stakeholders:

- The BFI believes that the channel’s intention to offer ‘distinctive’ content will deliver “significant social and cultural benefit to its audience”, and help to broaden horizons and expand personal tastes of the target audiences in a way that personalised algorithmically served online content cannot.
- Directors UK recognises the public value in the BBC Three broadcast channel as a way of ensuring a wide range of diverse, entertaining and informative UK originated content for younger audiences.
- Pact supports the proposed change, and thinks that the channel will restore 'high quality commissioning' needed to retain and grow younger audiences.

Below we set out how the new channel will promote the third public purpose, using the five criteria defined in the Agreement.

4.3.4.1 Mix of different genres and output

The BBC Three broadcast TV channel will be distinctive from the other TV channels and services in the market, including youth oriented channels – in particular E4 and ITV2 – and channels skewing to younger audiences, such as Sky One. For instance, ITV2, E4 and Sky One each broadcast for all hours of the day, while BBC Three will broadcast from 7pm to 4am only.

In the overlapping hours, the channels have very different programming strategies. For example during peak broadcast hours (i.e. 7pm to midnight):

- ITV2’s commissioning strategy is entertainment-led, focusing almost entirely on entertainment/factual entertainment, comedy, and film, without any factual or documentary content. In contrast, BBC Three will have both light-hearted entertainment and thought-provoking factual. A higher proportion of BBC Three’s peak broadcast hours will comprise drama, factual, and entertainment/factual entertainment content and a lower proportion will comprise comedy and film.
- E4’s commissioning strategy focuses on entertainment, comedy, reality, and film. Its tone is light-hearted and entertainment-led, with an absence of serious-toned factual or documentary content. In contrast, BBC Three’s offering will include more serious content, including factual and

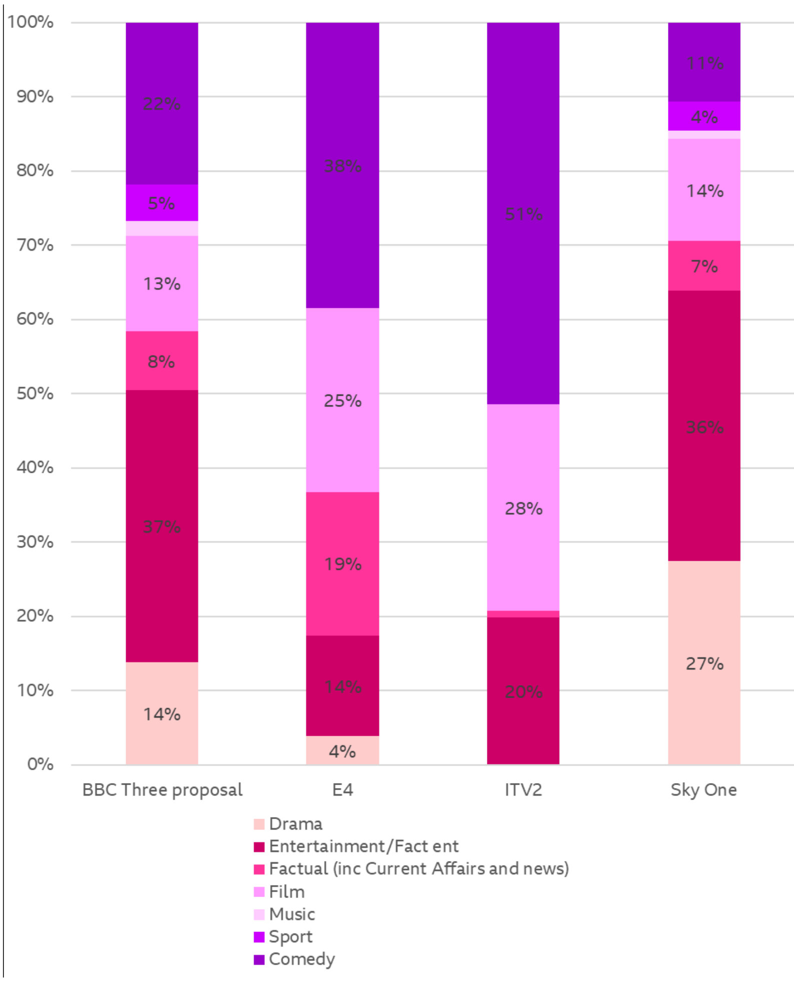
[55] Schedule 2(1)(2), BBC Agreement.

documentaries. Thus a higher proportion of BBC Three's peak broadcast hours will comprise drama and entertainment/factual entertainment, and a lower proportion will comprise comedy and film.

- Sky One's focus is primarily on tonally light-hearted entertainment, including a combination of factual entertainment, reality, comedy and drama programming. Much of Sky One's programming is not specifically targeted at youth audiences, but rather programmes with broader appeal. In contrast, BBC Three's offering will be distinctive through its provision of more serious factual content and documentaries targeting young audiences.

These differences are illustrated in Figure 13 below.

Figure 13: Comparison of channel hours by genre, 2019



Source: BARB and BBC expectations for BBC Three[56]

In addition, BBC Three commissions content that none of its competitors do, for example youth-focused factual content such as *Jesy Nelson: Odd One Out* and

[56] 2019 selected to avoid Covid-19 influence.

Defending Digga D, Stacey Dooley's international documentaries, and in factual entertainment, collaborations with R1Xtra to produce an authentic slice of an under-represented cultural scene in UK broadcast TV via *The Rap Game*.

4.3.4.2 Quality of output

BBC Three delivers outstanding quality of content across all genres, with the commissioning team delivering some of the most innovative and diverse content available in the UK that can have significant audience impact (e.g. *Killing Eve, RuPaul's Drag Race UK*). It also holds a host of award winning content such as seen recently in *I May Destroy You, This Country, Defending Digga D, Man Like Mobeen, Normal People,* etc.

Our audience research found that 60% of 16-34s feel that the new channel will offer a broader choice of high quality content and half agreed with the statement "the new BBC Three channel would be unique – no other TV channel is like this".[57]

However, quality is a multi-dimensional concept that is inherently difficult to measure, considering factors such as high production values, high quality talent, high moral standards, quality and depth of research, entertainment content, original ideas, editorial integrity, educational/emotional value, enduring content, and range of guests.[58]

Though there is no way to measure it definitively, the BBC uses a number of mechanisms to try to measure the quality of its programming, including through our Pulse panel, which measures audience appreciation through AI ("Appreciation Index") scores,[59] and audience engagement on social accounts. For example, in relation to BBC Three programmes:

- In 2020, the AI for *Normal People* (which broadcast on BBC One) peaked at 85, only 3 points lower than the highest performing drama across competitors, which was an established series. There were 2.1m video views and 473k likes for Normal People's Instagram page, and 573k engagements on the programme's Twitter page. The Twitter live Q&A achieved over 315k views.

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[57] MTM research, pages 70 and 88.
[58] Source: *Audience Perceptions of Quality*, BBC Trust 2007 / BBC Trust Focus Groups 2010.
[59] The Pulse panel is a BBC commissioned survey contracted to and managed on the BBC's behalf by GfK. It's a 20,000+ strong panel and is nationally representative of the UK, with regional boosts in Scotland, Wales and Northern Ireland. Along with other strategy measures the AI score (Appreciation Index) is one of the panels core functions and is the BBC's lead quality measure. As a convention allowing to look at the scores out of 100, the average of all these marks out of 10 for a programme or channel is multiplied by 10. This gives an Appreciation score or an AI. For example, when aggregating scores for all programmes together for BBC TV we get an average score of 8.2, which gives us an AI of 82. Note that the survey focuses on broadcast TV, making it more difficult to measure BBC Three programmes. For more information see: *BBC Audience Information: Context & Glossary (Document 2)*.

- *This Country* on BBC Three was the highest scoring comedy series for under 45's with a score of 90, and with a sustained score throughout the final series – was also the third highest comedy title amongst all audiences.

- *Famalam,* a sketch comedy show, is one of the top three performing videos on social, achieving over 22m views on Facebook alone, 500k reactions, and over 95k shares.

- BBC Three has built up dedicated *RuPaul's Drag Race UK* social channels with large numbers of dedicated followers: over 540k on Instagram, 280k on Facebook and 165k on Twitter. The *Drag Race* social accounts achieved over 37m video views for their content and in excess of 11m engagements on social platforms.

- *Roman Kemp: Our Silent Emergency*, a one-off documentary exploring mental health and suicide among young men, has had 3,826,669 organic social views and 107,094 engagements across BBC Three social channels. [60] Social engagements include the following Tweets, demonstrating the impact it has had on audiences:

4.3.4.3 Amount of original output produced in the UK

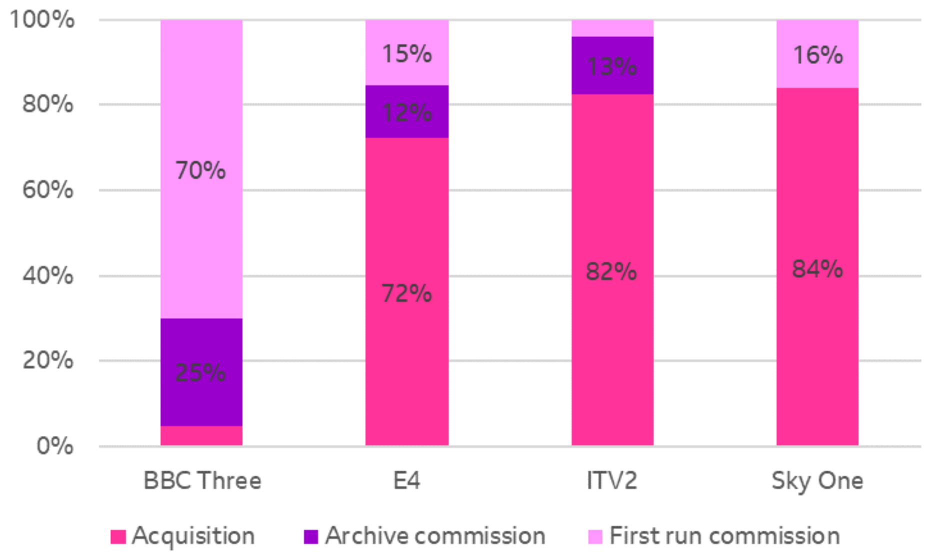
The key focus of the new BBC Three channel will be high-quality original British programming focused on the target audience of 16-34s, and at least 70% of BBC

[60] Sources: BBC, *AI scores on TV: What do they mean?,* January 2021, and internal BBC data. Note that video views and engagements do not include paid video views and engagements, but those generated from BBC Three's social activity organically.

Three's broadcast hours will be original productions, i.e. programmes commissioned by the BBC, the vast majority of which are also produced within the UK.

When looking at the top 10 performing programmes (in FY 2020/21) for BBC Three, ITV2, E4 and Sky One, there is strong differentiation in terms of the mix between commissions and acquisitions. As shown in Figure 14 below, 95% of 16-34s viewing of the top 10 programmes on BBC Three was of first-run and archive BBC commissions. In comparison viewing of the top 10 programmes on the comparator channels was predominantly of acquisitions.

Figure 14: 16-34s viewing of Top 10 programmes by commission/acquisition, FY2020/21



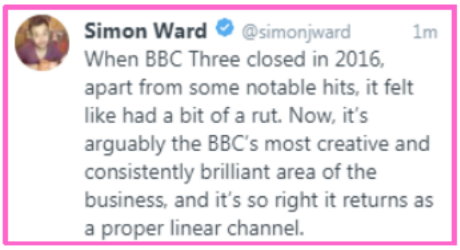
Source: Internal BBC data and BARB data[61]

As Lara O'Reilly, Media Editor of Insider, said:[62]

> *"Ever since BBC Three went online only, it's pumped out hit after hit; the smartest strategy does prevail – investment in original content. The sense from the BBC is that rightly it deserves its own channel based on all this success – and it does seem the original decision to put it online only was a bit of a blunder. There are still young people watching TV on linear; not as many as before but they are still there; there's still a market."*

[61] BBC Three data is iPlayer only, competitor channel data is BARB 28-day consolidated. Though helpful to our assessment, this means it is obviously not a like-for-like comparison, due to repeat rates etc. on linear TV vs perpetual on-demand availability.
[62] *The Media Show*, BBC Radio 4, 3 March 2021.

4.3.4.4 *Level of risk-taking, innovation, challenge and creative ambition*



Source: Tweetwatch, 3 March 2021

BBC Three has been successful in taking creative risks by backing new ideas across different genres and then helping to turn these into highly successful shows.

There are many examples of BBC Three programmes that have seen striking success with audiences and critics. These include:

- Phoebe Waller-Bridge's *Fleabag* has won at least 39 of 70 nominated awards, including two BAFTAs and two Golden Globe Awards.
- *Killing Eve* has received similar international acclaim, winning three BAFTAs, a Golden Globe Award and a Peabody Award.
- *In My Skin*, produced by Expectation Entertainment and filmed in Wales, has received critical acclaim and won numerous awards including four BAFTA Cymru awards and an RTS Programme Award.
- *Normal People*, produced by Element Pictures in Ireland, has received critical acclaim and praise for the performances, directing, writing, aesthetics and portrayal of mature content, has also been nominated for numerous awards, and became iPlayer's most streamed series of the year with 68 million views from April 2020 to May 2021.
- *Defending Digga D* was new director Marian Mohamad's first production – and for which she was awarded the Emerging Talent: Factual BAFTA in 2021.
- *Man Like Mobeen* was awarded the Craft – Production prize at the RTS Midlands Awards 2020, where Guz Khan was also awarded Best Male Actor and Best Writer (shared with co-writer Andy Milligan) for the series, and Duaa Karim won the Acting (Female) award.

Furthermore, a higher proportion of BBC Three programmes are new series, rather than returners, compared to other BBC channels. In addition, our audience research found that audiences feel the new BBC Three broadcast TV channel is creative in terms of style, tone and output, delivering high quality content, particularly dramas and documentaries.[63]

[63] MTM research, page 76.

4.3.4.5 *The range of audiences it serves*

BBC Three is focused on British content increasingly set and made in the Nations and Regions and centred on the authentic portrayal of diverse, under-represented groups across the UK, reflecting the lives and interests of young UK audiences. As such, it will be a distinctive part of the BBC portfolio of channels and other services.

Overall, our audience research found that 47% of all audiences and 60% of 16-34s agree the changes would make the BBC more appealing to people generally, and 52% of all audiences and 60% of 16-34s agree that the BBC would appeal to a wider variety of different people than it does now.[64] In addition, overall favourability towards BBC Three improved by +9% for all audiences and +19% for 16-34s after viewing the stimulus about the new channel, with appeal highest amongst 25-34s at 57%.[65]

As discussed above, our research also shows that the proposed channel appeals most to the target 16-34 audience, including under-served C2DE, BAME and non-metropolitan audiences. The biggest rise in favourability to BBC Three is among BAME audiences (50%), and we also saw a rise in favourability among C2DE audiences (+9%) and audiences with a weaker internet connection (+10%) after learning about BBC Three becoming a TV channel.[66]

In addition, whilst they may not watch it themselves, older (especially 55+) audiences recognise that the channel has benefits for the younger generation, particularly those interested in themes/people like them that will feature in BBC Three programmes.[67]

The BBC Three channel also includes content that will resonate with older audiences (the "young at heart") interested in topical issues, opening up opportunities for them to see how younger generations think/act/feel/speak, etc.[68]

Finally, BBC Three's pre-watershed offering will include programming that is suitable for and will appeal to 13+ audiences, providing older children with an opportunity to continue to discover and watch BBC content as they transition into their later teens-early adulthood.

Therefore, *"Kids who think they're too old for CBBC but aren't allowed to watch 'grown-up TV' will feel as if they have a place of their own for the first time."*[69] The BFI, CMF, WGGB and the Youth Media and Culture Network all see the opportunity for and

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[64] MTM research, pp 71-72.
[65] MTM research, pages 20 and 24.
[66] MTM research, page 40.
[67] MTM research, page 61.
[68] Ibid.
[69] *BBC 3 return: what comes next?,* Max Goldbart, Broadcast, 3 March 2021.

benefit of pre-watershed content reaching 13-15s, with the WGGB welcoming this ‘stretch audience’.

4.3.4.6 Conclusion

The BBC Three broadcast TV channel will provide a greater platform for distinctive, high quality programming for younger audiences, driving reach and discoverability of this content, and improving our engagement and connection with younger audiences.

In our quantitative research, half of 16-34s agreed that “the new BBC Three channel would be unique – no other TV channel is like this”.[70]

In terms of whether the new channel will meet our third Public Purpose, one participant went so far as to state that:

> *“it would definitely contribute towards that one – that could almost be the mission statement for BBC Three.”* [71]

> “If you ask me, shows like these [*Killing Eve, Fleabag* and *Shrill]* should not be hidden away on a sub-par platform. They are jewels in the BBC’s crown, some of the best the Beeb has to show for itself. The potential for more shows like this, to see more complex, humorous and downright moving shows come to light is something I hotly anticipate. … Legitimacy often comes from the platform, and there is no better medium than television. …there is nothing that tells a richer visual tale than TV does. Losing yourself in a fabulous series is one of my greatest loves.”
>
> ~~ *BBC Three’s broadcast resurrection offers a fresh chance for TV dramas aimed at younger people*, Clara Hill, Broadcast, 4 March 2021

4.3.5 A BBC Three broadcast channel will promote the BBC’s Fourth Public Purpose to reflect, represent and serve the diverse communities across the UK and support the creative economy

The BBC’s fourth Public Purpose is:

> “**To reflect, represent and serve the diverse communities of all of the United Kingdom’s nations and regions and, in doing so, support the creative economy across the United Kingdom**: the BBC should reflect the diversity of the United Kingdom both in its output and services. In doing so, the BBC should accurately and authentically represent and portray the lives of the people of the United Kingdom today, and raise awareness of the different cultures and alternative viewpoints that make up its society. It should ensure that it provides output and services that meet the needs of the United Kingdom’s nations, regions and communities. The BBC should bring people together for shared experiences and

[70] MTM research, page 88.
[71] MTM research, page 76.

help contribute to the social cohesion and wellbeing of the United Kingdom. In commissioning and delivering output the BBC should invest in the creative economies of each of the nations and contribute to their development."[72]

There are an estimated 16 million people aged between 16 and 34 living in the UK. Of these about 13.5 million live in England, of which around 11 million live outside of London. Scotland has 1.3 million 16-34s, Wales 742k and Northern Ireland £454k. Many of these young people fall into lower socio-economic groups, particularly as they are just starting out in life. A key driver for the new channel will be to 'lean in' and provide content that represents the lives and lived experiences of young people, portraying and dealing with issues like identity inclusivity and role modelling in Britain; supporting and reassuring them as they go through one of the most challenging and core stages of their lives, transitioning from their teens into early 20s – finding a job, establishing independence, establishing identity, etc., and now also tackling additional challenges that the pandemic has brought.

BBC Three already reflects and portrays authentic voices and experiences across the UK, with programmes like *Rap Game, Glow Up* and *Angels of the North* showcasing aspirational stories of self-made young people, and all the commitment and hustle they display to get where they are, in a way that talks directly to the audience. *Meet the Khans* showcases the life of a couple of Pakistani Muslim heritage who married young (a reality for some in South Asian communities) – portrayed in their authentic day-to-day world with its ups and downs outside the sphere of current affairs.

Source: Tweetwatch, 3 March 2021

Other programmes in the pipeline include a tractor competition filmed in Northern Ireland employing locally from an economically hard-stretched city, and featuring young farmers – an insight into young rural lives and rarely seen on TV. A streetwear competition will showcase stories of young people from around the UK, hustling through and opening their own businesses, and BBC Three is producing a music show that will celebrate Black British music.

However, the BBC needs to do more, and is committed to increasing investment in BBC Three and launching the broadcast TV channel to help rebalance existing resources so that we better reflect, represent and serve everyone. This will involve doing more for currently under-served and under-represented audiences such as younger C2DE and BAME audiences across the whole of the UK.

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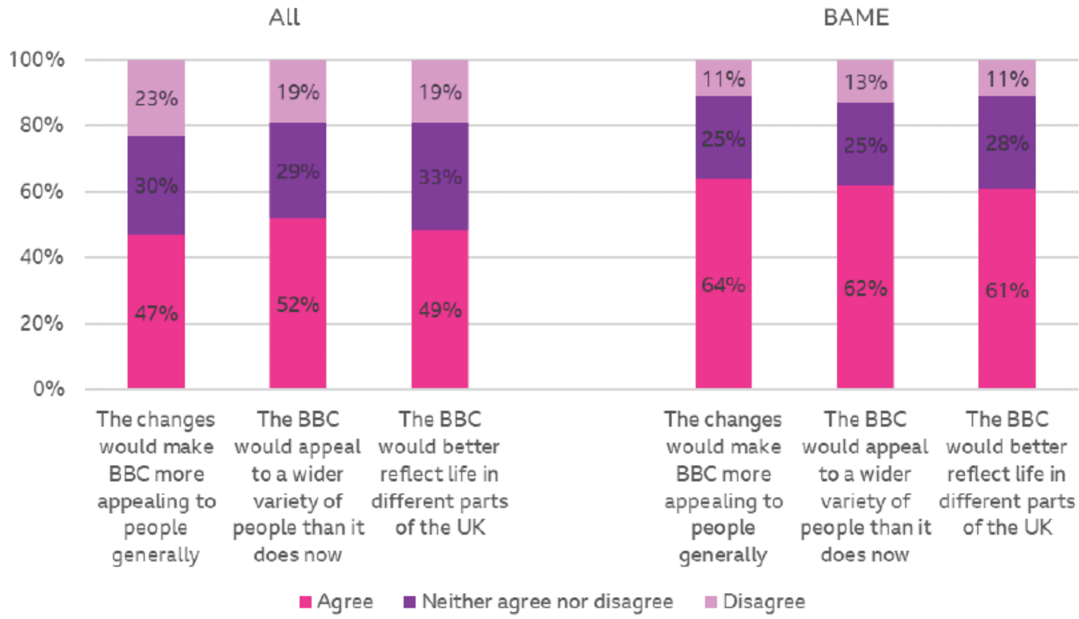
[72] Article 6(4), BBC Royal Charter.

Our audience research found that audiences agree that a key strength of the new BBC Three channel is that it will help to provide a greater platform for under-represented groups (such as BAME, LGBTQ+), and reflecting in its programme mix the different regions, nations and walks of life across the UK.[73] After learning of the new channel, BAME audiences react particularly well to the proposed changes, as illustrated in Figure 15. In contrast, our 2019/20 Annual Report states that only 43% of BAME audiences think that the BBC is effective at reflecting people like them.[74]

Figure 15: Social impact



Source: MTM[75]

As two participants commented:

> *"It's keeping up with the times… the content involving the LGBTQ community, race, different parts of the UK, a lot of places and different genres that people can hone into"*, and *"Realistic character portrayals, and the stories that are shown would do more to highlight groups you don't often see on TV."*[76]

Source: Tweetwatch, 3 March 2021

Our organisational roundtable discussion reiterated the importance of authentic representation and avoiding stereotypes (and assumptions about young people), as young people from all backgrounds want to be represented in their entire experience, noting

[73] MTM research, page 76.
[74] BBC Group Annual Report and Accounts 2019/20, page 39.
[75] MTM research, pp 71-72.
[76] MTM research, page 62 and 76.

that not everybody is going to be a rapper, make it on YouTube, is interested in climate change etc., so there has to be nuance – young people are just as varied as everyone else.

As well as inspiring stories, at the organisational roundtable it was suggested that the channel could include the realities of, for example, non-glamorous but crucial jobs in a range of sectors, such as hospitality and retail, where starting pay may be low but vital skills are learnt – as a part of their employment journey. The new channel will show the full breadth of young people's lives – and we have already given examples earlier in this section above of programmes in the pipeline that will showcase truthfully the lives of young people doing important but rarely seen jobs (e.g. farming and hospitality).

The channel also provides an opportunity to challenge social exclusion and increase young people's sense of belonging, identity, and membership in society as a whole. For example, relationships are crucial to identity, and one of the roundtables highlighted that there is appetite for more content on relationships. The new BBC Three channel will show programmes relating to relationships, which have an added current resonance in the wake of lockdown and the evidence of feelings of isolation and disruption that it has caused for younger people.

Our roundtables with youth representatives further underlined the significance of authentic portrayal and representation, with specific reference to genuine representation and *positive* portrayal of disability, race, and geography. They feel that all too often under-represented people are portrayed by the media in a negative light, e.g. parents facing difficulties raising an autistic child, and representation of black communities through portrayal of hardship or as victims. They also agree there is value in representing people all around the UK, not just London and the main cities; but caution against stereotyping – which some felt occurred too often – the North East of England isn't all *Geordie Shore* and Liverpool isn't just gangs and drugs.

A couple of participants talked about how excited they feel when they hear their accents unexpectedly in a mainstream programme, which gives them a sense of pride and a sense that they matter. But beyond accents there should be a lot more exposure to people from different backgrounds and different communities, so there will be a fairer and more realistic representation of what the UK actually is.

Some also agreed that it was rare to see positive portrayals of black people and positive representation of black communities – mostly you will see shows associated with drugs and/or gangs, some of which glamorise them, meaning that young black people think that is all that's out there or something to aspire to. However, one young person noted that seeing documentaries like *Defending Digga D* "feels like that is the start of a good change and a paradigm shift".

A number of attendees remarked that documentaries that challenge standardised stereotypes and include celebrities that diverse communities can identify with can be a very powerful medium – the work BBC Three had done with Digga D, Mist and Amir Khan were cited as examples of this. Similarly it was noted that *RuPaul's Drag Race UK* coming to BBC Three has made people more interested and educated in LGBTQ+ culture.

One person said:

> *"Based on the channels I've seen, BBC is ahead of the game in terms of diverse representation – beyond accents – a lot more exposure to people from different backgrounds, different communities, so know will get more fair representation, and suppose more realistic representation of what the UK actually is."*[77]

Finally, stakeholders also agree that the channel will meet the fourth Public Purpose:

- BFI indicates that BBC Three has the opportunity to be more representative of lives across the UK than the global commercial marketplace otherwise allows.
- Directors UK feels the channel will be beneficial for younger audiences to see themselves represented in pan-UK originated content, providing content that appeals to and reflects their lives. They also support our plans to commission from under-represented and diverse groups, and two-thirds outside of London spend.
- Other PSBs welcome the proposal for representation and portrayal of diverse audiences.
- IBT and WGGB welcome representation and portrayal of all aspects of life in the UK.

The new BBC Three broadcast TV channel will provide a greater platform for diverse, under-represented young people, driving reach and discoverability of content which authentically represents and portrays their lives – increasing our engagement with younger under-served and under-represented audiences.

Source: Tweetwatch, 3 March 2021

4.3.6 Summary of social public value

Therefore, we consider that our analysis – based on the above audience research of broader societal benefits – indicates that the social value of our proposals is likely to be high, as the channel acts to boost access to the high quality content that shows the UK in all its diversity, takes risks, and is tailored to our underserved younger audiences.

[77] This was in response to the question: *How important is it to you that shows are grounded and made all around the UK?*

4.4 Industry value

Industry value can be found in the BBC's contribution to the sector as a whole, with an emphasis on our continued support of the UK creative industry through investments in original productions (particularly local and regional), talent development, training, and strategic partnerships.

4.4.1 Benefits to the production sector

The new BBC Three broadcast TV channel will support the BBC's substantial investment in the creative economy across the UK.

The new BBC Three broadcast channel will provide increased reach/viewing of BBC Three programming, and such provide a bigger 'shop window', that may increase the potential commercial value of secondary rights for producers' programmes and increase opportunities for exploitation of ancillary rights, in and outside the UK. For example, *Fleabag* was produced by Two Brothers Pictures for BBC Three, and has been distributed to Amazon Prime and IFC in the US, Net5 in the Netherlands, and was remade for French television, airing on Canal+.

As most of BBC Three's commissions are produced by independent producers (see Figure 16 below) this is likely to be of particular benefit to the independent production sector. This will be supported by amended terms of trade relating to BBC Three as a broadcast channel to the benefit of the UK production sector.

Figure 16: BBC Three commissions by supplier, average % spend & hours, 2016/17 – 2020/21[78]

Supplier Split	% Spend	% Hours
BBC PS	20%	25%
BBC Studios	19%	14%
Non-Qualifying Independent producers	13%	11%
Qualifying Independent producers	48%	49%
Grand Total	**100%**	**100%**

Source: BBC data

Also, the BFI believes that the diverse range of content on the channel will help to drive wider investment into content for 16-34's by competitors, consequently improving the quality and range of content for this audience. This would also increase the volume of commissions across the sector for the production sector.

[78] NQI and QI refer to programming made by non-qualifying and qualifying independent producers, within the meaning of *The Broadcasting (Independent Productions) Order 1991*. There are independent production quotas – relating to the levels of programming made by qualifying independent producers across BBC television services.

4.4.2 Impact on regional production

Our aim for two-thirds of BBC Three's programme budget to be spent outside of London (compared with quotas of 35% for ITV and Channel 4, and 10% for Channel 5) will support independent production companies and the creative economy across the UK. This will be a big step change for BBC Three, as, since going online, the vast majority of BBC Three's programme spend and corresponding programme hours has been within London, as set out in Figure 17.

Figure 17: BBC Three regional production average % spend & hours, 2016/17-2020/21

Ofcom Region	% Spend	% Hours
London	74%	77%
Midlands and East Anglia	1%	1%
Multi Region	3%	1%
Non-UK	5%	2%
North Of England	4%	6%
Northern Ireland	3%	4%
Scotland	3%	3%
South Of England	3%	4%
Wales	3%	2%
Total	**100%**	**100%**

Source: BBC data

We have analysed the potential impact of our intention to spend two-thirds of BBC Three programme spend outside the M25 area. Applying the same approach set out in KPMG's report on the economic impact of the BBC[79], we estimate that once it is accomplished this redistribution of content spend will generate additional value of £23.2m per year across the UK's devolved nations and English regions (outside the M25 area).

Directors UK, IBT and WGGB all indicate support for representation and portrayal of all aspects of life in the UK through commissioning outside of London – genuine investment in commissioners, producers, and crew, and WGGB hopes that writers from under-represented communities will benefit from this aim.

4.4.3 Talent development

Industry value will also be created through our content investment and investment in talent through schemes and partnerships across the UK nations and regions, broadening representation and building a talent pipeline for economies beyond London, setting a skills standard and making highly-skilled talent available. The channel will then provide a bigger platform for emerging talent and producers to

[79] *An Assessment of the Economic Impact of the BBC*, KPMG, March 2021.

reach a broader audience and increase engagement with younger audiences across both television and iPlayer.

Further, our various schemes and partnerships, including partnerships with national and regional screen agencies, apprenticeships scheme, new directors scheme, assistant commissioner scheme, and writersroom all support and provide opportunities for new and emerging talent entering the industry.

One such success story is *Defending Digga D,* which was new director Marian Mohamad's first production – and for which she was awarded the Emerging Talent: Factual BAFTA in 2021.

Another is *Man Like Mobeen*, creator Guz Khan's comedy-drama series celebrating the diverse community of Birmingham as well as bringing his central character to life. Khan's career has since taken off, landing him starring roles in shows like *Turn Up Charlie* with Idris Elba. *Man Like Mobeen* was awarded the Craft – Production prize at the RTS Midlands Awards 2020, where Khan was also awarded Best Male Actor and Best Writer (shared with co-writer Andy Milligan) for the series, and Duaa Karim won the Acting (Female) award.

Paul Mescal starred in his first television role as the lead in *Normal People*, for which he was awarded the Leading Actor at the BAFTA TV Awards 2021. Since the series, Mescal has landed a number of roles in films – his feature film debut will be in *The Lost Daughter,* and he will portray lead roles in the films *Carmen* (a modern day reimagining of the opera of the same name), *God's Creatures* (a psychological drama), and *Bring Them Down* (a thriller).

Finally, another obvious success story is Stacey Dooley, who first appeared on BBC Three (when it was previously a broadcast TV channel) in *Blood, Sweat and T-shirts* in 2008, and has since gone on to present thought-provoking documentaries for BBC Three and others, including her *Stacey Dooley Investigates* series on BBC Three, where she investigates current affairs issues affecting young people around the world. Among her many achievements, Stacey was appointed an MBE for services to broadcasting in the 2018 Birthday Honours, won the 16th series of *Strictly Come Dancing,* and has published a Sunday Time Bestseller book, *Stacey Dooley, On the Front Line with the Women Who Fight Back.*

Source: Tweetwatch, 3 March 2021

The new channel will continue to help to jump-start new and emerging on and off-screen talent and new ideas, giving them a bigger platform and increasing their reach and exposure.

Additionally, the youth representative roundtables and stakeholder responses from the Youth Media and Culture Network and Professor Hardy, highlighted the value of the channel involving young people throughout the entire creative process. To this point, Professor Hardy stated:

> "There is scope to add a wider role in commissioning and showcasing creative work by young people themselves, and work by a wider range of content makers, including those supported by community arts, education at all levels, youth services, disability services and other resources and networks. Showcasing such work on the broadcast channel (as well as online) as part of the programme mix, would also strengthen the core arguments, as it would provide routes to discoverability of culturally relevant (proximate) content to the core audiences identified in the proposal. This forms part of a wider vision for the BBC as the principal PSM content provider, but also serving as a gateway to networked public services across communications, culture and community life."

4.4.4 Summary of industry value

Therefore, we consider that the new BBC Three broadcast TV channel will create industry vale through benefits to the independent production sector, the redistribution of programme spend from London to the nations and regions, and in supporting the development of talent.

4.5 Costs of the proposals and potential foregone public value in other services

Balanced against the potential significant personal, social and industrial value, we have considered the extent to which our proposals could negatively impact on public value elsewhere. This could occur, for example, if the BBC was planning to curtail existing UK public services or to divert significant funding from other existing UK public services, leading to a potentially detrimental impact on this offer for audiences.

We have considered the potential impacts by 1) quantifying the additional potential cost to the BBC to deliver these changes, and 2) assessing how this additional expenditure is likely to be met from within the BBC's budget. We have also considered whether audiences will switch from other BBC services to the BBC Three channel, and what this might mean.

4.5.1 The additional costs of the new channel are relatively low

As set out in section 3.8, we estimate that the potential ongoing costs relevant to scope of this Public Interest Test – i.e. the additional cost of broadcasting the channel on television – are about £2m per year, i.e. about 0.1% of the BBC's overall content spend budget for television of £1,831m for 2021/22.

We do not consider that the additional cost to the BBC will result in any forgone public value across other BBC services, as the predicted ongoing costs will be met by the expected BBC Three budget of £79m per year.

4.5.2 The foregone public value of reducing CBBC's hours is justified by the increased public value of the new channel

We have however considered the potential foregone public value in decreasing CBBC's broadcast hours to 7pm (from 9pm) in order to free up distribution capacity for the BBC Three channel to commence at 7pm.

The reduction in CBBC broadcast hours will inevitably affect overall viewing consumption. CBBC live viewing between 7pm and 9pm, which stands to be lost to accommodate the new BBC Three channel, comprised 16% of CBBC's live viewing and less than 0.1% of total BBC viewing (including iPlayer) in 2020.

However, our refreshed content strategy for BBC Children's provides additional audience benefit through CBBC's continuation of education content, so that it becomes an ongoing part of CBBC's offer – beyond lockdown and Covid-19 pandemic. Although CBBC's broadcast hours will be reduced its budget will be unchanged, meaning it will be able to invest in higher value programming when commissioning content under its refreshed strategy.

In addition, a portion of the viewers of CBBC between 7-9pm are 16-34s who may be better served by BBC Three. BBC Three's offering will include pre-watershed content that is suitable for and appeal to 13+ audiences, providing older children with an opportunity to continue to discover and watch BBC content as they transition into their later teens-early adulthood.

Several stakeholders – including BFI, CMF, WGGB and the Youth Media and Culture Network – were supportive of this, although all considered it would have higher value if this included content commissioned specifically for a 13+ audience.

At present, BBC Three does not intend to do this, however as mentioned above, programming broadcast on the channel between 7-9pm will be appropriate for and appeal to younger teens. In addition, CBBC will of course also continue to be accessible via iPlayer for all hours of the day.

4.5.3 Potential foregone public value in other BBC services

In terms of other BBC channels, our research suggests that the main impact of the new channel will be on existing viewing of BBC channels and services, with 30% of the hours gained by BBC Three coming from other parts of the BBC's portfolio (e.g. BBC One, BBC Two, iPlayer, etc.). The fact that these audiences are choosing to switch from other BBC channels to BBC Three must mean that these audiences are better served by BBC Three, and this therefore represents a net increase in public value (at least from the perspective of personal value).

We therefore do not consider that there will be any significant detrimental impact on public value elsewhere across the BBC as a result of our proposals.

The BBC has no plans to close any current services, or to make any significant changes to such services, as a result of these planned changes. As such, we do not consider these changes will have any discernible effect on the audience offer in other UK Public Services, and therefore on public value.

4.5.4 Potential foregone public value in other non-BBC services

We acknowledge that other broadcasters – particularly other PSBs – can also be a source of public value. While it is our view that the Public Interest Test is essentially interest in the "public value of the proposed change", we address below the potential impact on the public value of other non-BBC services.

Assessing public value is difficult and subjective. We consider that making value judgments about the relative "worthiness" of PSB programming on different services is neither possible nor useful, given the different remits of the PSBs and commercial broadcasters. Therefore, we consider whether our proposals may have an adverse impact on either the production or consumption of public value.

As set out in Section 5 of this document, we estimate that the market impact of the new BBC Three channel will be relatively low, and it is unlikely to have an adverse impact on other broadcasters' incentives to invest in content and services that may provide viewers and industry with public value.

For that viewing that is diverted from other broadcasters, again the logical assumption must be that these audiences consider themselves at that moment to be better served by the BBC Three channel, and this therefore represents a net increase in public value (at least from the perspective of personal value).

It is also important to note that some of the viewing of the new BBC Three broadcast channel will come from non-broadcasting sources (e.g. social media, gaming, homework). As such, the introduction of BBC Three will increase the total aggregate level of TV viewing in the UK (compared to the counterfactual where the channel is not launched). This suggests that the net public value must be increased by the proposed change.

4.6 Summary of the public value of the proposed changes

In summary, we consider that launching a new BBC Three broadcast television channel will result in both high personal and high social value, as well as significant potential industry value.

The BBC Three channel will create public value in a wide range of ways. It will show high-quality, creative and distinctive content and will serve younger under-represented and currently under-served audiences, including C2DE and BAME audiences. It will provide an accessible and convenient platform for younger audiences to find and watch content that is relevant to them, and drive reach and discoverability of BBC Three content, working in tandem with iPlayer to improve the BBC's relationship with younger audiences.

The evidence demonstrates that our proposals will provide better value to licence fee payers, secure the continued relevance of the BBC with all audiences, particularly younger audiences, and enable the BBC to better deliver the Mission and Public Purposes.

In the next section we set out details of the potential impact of our changes on fair and effective competition against which the public value of the changes outlined above must be balanced.

5. Potential impact on fair and effective competition

In this section we set out the potential increase in viewing the new channel could achieve and summarise our analysis which indicates that this is unlikely to have an adverse impact on fair and effective competition.

This is structured as follows:

- First, we present the estimated change to BBC's viewing as a result of the channel launch;
- Second, we identify those services most likely to be affected by the channel launch both horizontally in the TV supply chain (i.e. competitors at the same level of the supply chain) and more widely (i.e. at different levels of the supply chain, or in other sectors).
- Third, we consider the impact of the proposal on commercial broadcasters. We consider both the static impact on their viewing and advertising revenues, as well as whether these static impacts may adversely affect rivals' incentives to invest in programming or innovation over the longer term.
- Fourth, we consider the impact of the proposal on Pay TV and SVOD providers, and whether their incentives to invest or innovate may be changed as a result.
- Finally, we assess whether there may be potentially any wider competitive impacts of the channel launch.

5.1 Change to BBC viewing from the channel launch

To estimate the market impact of the BBC Three channel launch, we model two scenarios: a "factual" scenario of the volume of viewing for various services post the channel launch, and a "counterfactual" scenario of the volume of viewing absent the channel launch. The impact of the channel launch on each service is determined by its change in viewing across the two scenarios.

The proposed channel launch is likely to drive changes to the BBC's viewing in the "factual" relative to the "counterfactual" through three avenues: the new BBC Three linear channel, BBC Three on iPlayer and the CBBC linear channel. We separately estimate how each of these services are likely to be affected by the channel launch, and then combine the individual impacts to produce a net change to the BBC's portfolio viewing post-channel launch.[80] We consider the relevant forecast period in the current context is three years given the rapid pace of change in television, including new entrants, new forms of content delivery, industry consolidation, new technologies and shifts in viewing habits.

[80] The methodology and assumptions underlying the model are discussed in detail in Annex 1.

A conservative approach was adopted to addressing uncertainties and simplifying assumptions in the model – overestimating the BBC's take up (and in turn market impact) as opposed to underestimating. Therefore, the BBC viewing estimates presented in this section should be interpreted as "worst case scenarios" for the rest of the market, with the actual BBC viewing achieved in 2022 likely to be lower.

The forecast of BBC Three's viewing share post-channel launch in 2022 is presented in the figure below. Figure 18 below shows that the new linear channel could obtain a live viewing share of 0.7% amongst all audiences, and 1.5% amongst 16-34s. Including PVR and all BVOD viewing, its share is estimated at 1.3% amongst all audiences and 4.3% for 16-34s. Note that BBC Three already exists as a channel on iPlayer, therefore not all of its combined linear + BVOD share can be attributed to the channel launch. BBC Three on iPlayer is forecast in the counterfactual to have a viewing share in 2022 of 0.7% for all audiences, and 2.9% for 16-34s. This means that the channel launch results in incremental share gain for BBC Three of 0.6 percentage points amongst all audiences, and 1.4 percentage points amongst 16-34s.[81]

Figure 18: Projected BBC Three viewing share in 2022

	A4+		A16-34	
	Factual scenario	**Counterfactual scenario**	**Factual scenario**	**Counterfactual scenario**
Live only (excl. PVR)	0.7%	0%	1.5%	0%
Linear and BVOD*	1.3%	0.7%	4.3%	2.9%

Source: BBC analysis

*Notes: *share of all UK broadcast linear and broadcast video on demand viewing (i.e. excludes subscription video on demand).This includes all BBC Three viewing on iPlayer (which differs from BARB C7 shares since it includes all iPlayer content irrespective of its broadcast date, viewed through any device).*

This places BBC Three's 2022 share amongst all audiences (both live only, and linear plus BVOD) below that of ITV2 and E4 today. Amongst 16-34s, BBC Three's share is below that of ITV2 (both live only, and linear plus BVOD), but above the linear and BVOD combined share for E4 (driven by the size of iPlayer relative to All4). [82] This comparison is shown in the figure below.

[81] Throughout, BBC Three figures do not include viewing of BBC Three content shown on other BBC channels.

[82] For avoidance of doubt, this means BBC Three's linear-only share is below that of ITV2 and E4 amongst 16-34s.

Figure 19: Comparison of BBC Three share forecast with young-skewing channels

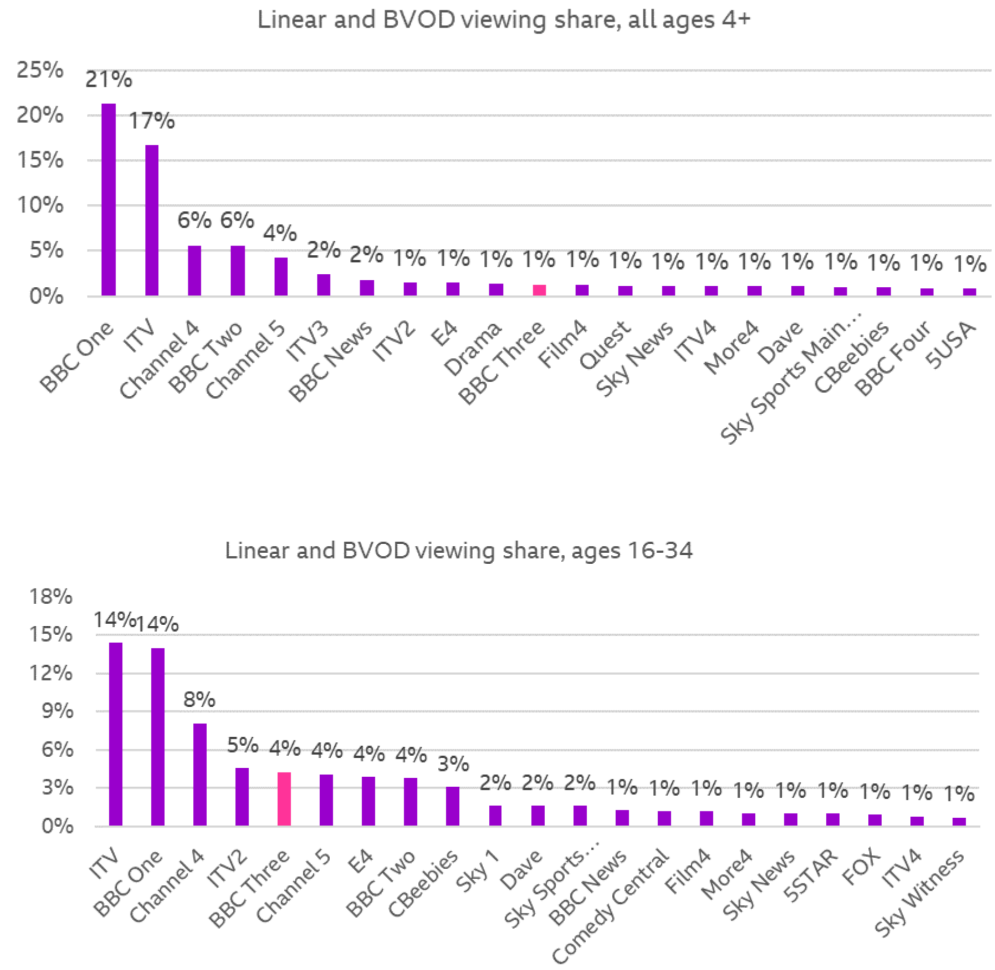
	A4+		A16-34	
Share, all hours	**Linear + BVOD**	**Live only (excl. PVR)**	**Linear + BVOD**	**Live only (excl. PVR)**
BBC Three, 2022	1.3%	0.7%	4.3%	1.5%
ITV2, 2020	1.5%	1.5%	4.6%	4.9%
E4, 2020	1.5%	1.3%	3.9%	3.9%

Source: BBC estimates and BARB consolidated 7-day viewing in 2020

Notes: BBC Three shares are forecasts, including all BBC Three live and iPlayer viewing on all devices. Competitor shares are actuals according to BARB, excluding viewing on non-TV devices and catch up viewing later than 7-days after broadcast.

As shown in the figure below, the linear and BVOD combined viewing share we estimate for BBC Three would rank it in 11th place for all audiences, and 5th for 16-34s. Although not presented below, in terms of live-only viewing, BBC Three would rank outside of the top 20 channels for all audiences, and 12th for 16-34s.

Figure 20: Shares of broadcast linear and video on demand viewing



Source: BBC estimates and BARB consolidated 7-day viewing in 2020.
Notes: Only the top 20 channels by viewing share in 2020 are shown, with the addition of a forecast for BBC Three in 2022. While BBC Three estimates are forecasts for 2022 and include all BBC Three live and iPlayer viewing on all devices, this is compared to actual shares according to BARB data in 2020. Shares according to BARB exclude viewing on non-TV devices and catch up viewing later than 7-days after broadcast, such that the comparison to BBC Three's share is not exactly like-for-like.

The channel launch stimulates a change to the BBC's portfolio viewing share in 2022 as follows:[83] amongst all audiences, the BBC obtains an incremental 0.4 percentage points in viewing share across its full portfolio, and amongst 16-34s the BBC increases its portfolio viewing share by 0.8 percentage points. This is presented in the figure below.

[83] Comprised of the combination of gained BBC Three linear and iPlayer viewing and lost CBBC live viewing between 7pm and 9pm.

Figure 21: Change to BBC portfolio viewing share in 2022

	A4+	A16-34
BBC portfolio in the counterfactual scenario	31.1%	29.6%
BBC portfolio in the factual scenario	31.5%	30.4%
BBC portfolio change due to channel launch	0.4 percentage points	0.8 percentage points

Source: BBC analysis

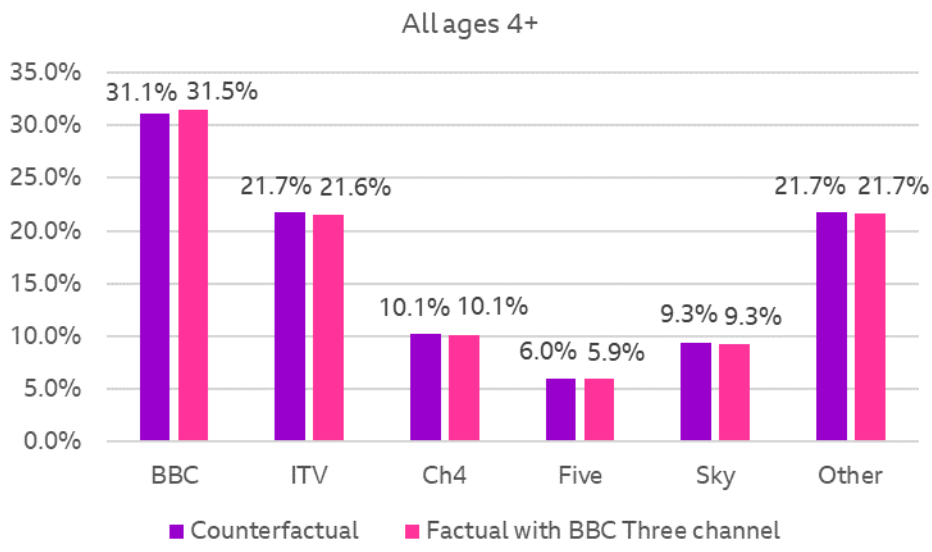
Notes: Share of all UK broadcast linear and broadcast video on demand viewing (i.e. excludes subscription video on demand).

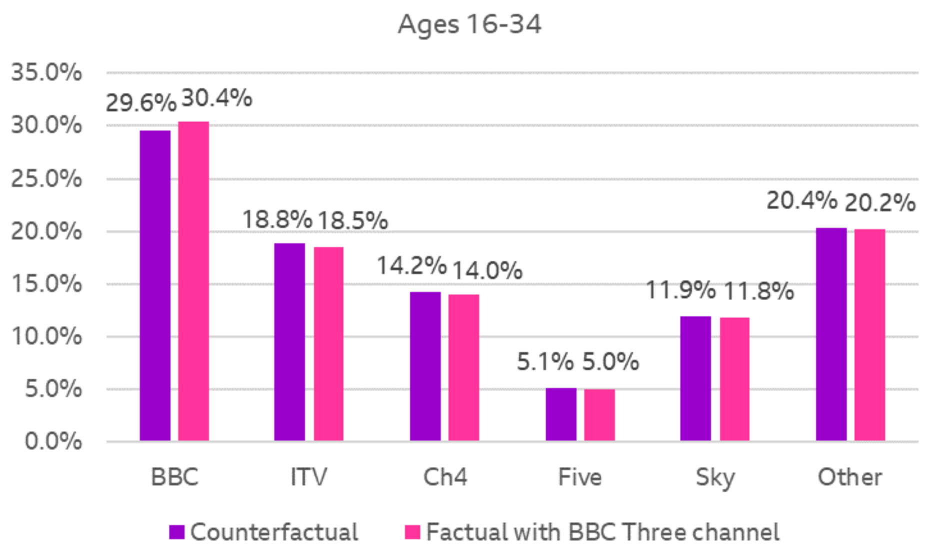
Given that our model is dependent on a number of assumptions that are uncertain and/or subjective due to lack of definitive data, it is important to test whether the outcomes of the model change materially in response to changes in the input assumptions. A sensitivity analysis of the more uncertain assumptions (e.g. iPlayer first commissioning assumption, etc) in the model suggest that its results are not highly sensitive to those assumptions. Indeed, none of the sensitivity adjustments result in a change to the BBC's share of more than 0.1 percentage points. For more details see Annex 1.

Finally, we model the impact of BBC's share gain on other broadcasters under the base case. The mechanism through which the channel launch impacts other broadcasters' viewing is discussed in more detail in the subsections below. Amongst all audiences, ITV's and Channel 4's portfolio are predicted to lose 0.2 and 0.1 percentage points of viewing relative to the counterfactual, respectively, while the impact on Channel 5 and Sky is smaller. All other broadcasters are predicted to lose 0.1 percentage points of viewing. Amongst 16-34s, ITV's and Channel 4's portfolio are predicted to lose 0.3 and 0.2 percentage points of viewing relative to the counterfactual, respectively, while the impact on each of Channel 5, Sky and a catchall for other broadcasters is a loss of 0.1 percentage points in share each.[84]

[84] Note that references to Sky throughout exclude NOW, which is instead discussed with other SVODs in Section 5.4.

Figure 22: Broadcaster portfolio linear + VOD viewing shares, 2022





Source: BBC analysis
Notes: Share of all UK broadcast linear and broadcast video on demand viewing (i.e. excludes subscription video on demand).

5.2 Identification of services affected by the proposal

Based on the description of the initial proposal provided in Section 3, we identify the sectors and services most likely to be affected. As discussed by Ofcom, BBC proposals can have an impact through potentially crowding out commercial activity and affecting competition in the supply chain.[85] We therefore consider the proposal's potential horizontal impact (impact on competitors at the same level of the TV

[85] *Assessing the impact of proposed changes to the BBC's public service activities: Ofcom's procedures and guidance*, Ofcom, 29 March 2017.

supply chain) and potential wider impact (impact on parties at different levels of the supply chain, or in other sectors).

5.2.1 Horizontal impacts

Broadcasters must compete hard for the attention of consumers who have a massive array of choice for what to spend their time on, ranging from, for example, linear TV to VOD services to gaming to social media to audio streaming services. In this sense, BBC Three could be considered as competing in an "attention market" in which various global and local services and platforms compete for consumer's time with a combination of content and advertising.

Nevertheless, to simplify the analysis we narrow the competitor set in accordance with precedent from previous market impact assessments of proposed TV channel launches, focusing on linear TV and video-on-demand services only.[86] This narrow view drives the conservative assumption that incremental BBC Three viewing time would be gained by the BBC from other linear and on-demand video services only. This overstates the hypothetical impact on these commercial services, since in reality some of the viewing time gained by the BBC could come from sources outside of TV – social media, gaming, video sharing platforms like YouTube and TikTok, or other activities entirely.

We assess the likely impact of the channel launch on the following types of services through which viewers are able to access TV content:

- **Broadcaster linear channels and on-demand services –** both Free to Air (FTA) and Pay TV broadcast channels and on-demand services which typically earn revenue from the supply of advertising "impacts" to advertisers.
- **Pay TV package services –** which provide access to a larger bundle of channels and video on demand services through a subscription package. Principally supplied in the UK by Sky via satellite and Virgin Media via cable TV.
- **Subscription video-on-demand services –** which distribute audio-visual content over IP and are funded through consumer subscriptions.

This is discussed in Sections 5.3 and 5.4 below.

5.2.2 Wider impacts

In previous market impact assessments of proposed TV channel launches, the BBC has considered a number of additional impacts:[87]

[86] *BBC Scotland Competition Assessment, Final Determination Annex 3: Assessment of Market Impacts*, Ofcom, 26 June 2018.
[87] *Proposals for the launch of a new BBC Scotland TV channel: BBC Submission to Ofcom*, BBC, November 2017.

- Competition downstream in the broadcasting supply chain between **TV platforms** (e.g. Freesat, Freeview, Sky and Virgin Media), where the new channel would be an input into these platforms;

- Competition upstream in the broadcasting supply chain for the **production of content**;

- **cumulative effects** on competition (e.g. whether links between the new channel and other BBC services could lead to increased use of these other services and in turn affect other sectors or companies operating in multiple sectors);

- potential impacts on **other sectors** (e.g. whether the channel launch could impact sectors beyond TV).

However, given that BBC Three's content budget is the same as it would be without launching the new channel, the level of content production is unchanged by the channel's launch. The same applies for the Children's budget, which is unaffected by the channel launch. Similarly, given that BBC Three's content is already made available through iPlayer, the channel does not result in any knock-on effects for other BBC services (aside from iPlayer, which is considered as part of our impact on horizontal competition) or companies operating across sectors. Finally, given our findings that the proposal is unlikely to have an adverse impact on competing linear TV and video-on-demand services, any impact on other sectors would be too marginal to result in an adverse impact on fair and effective competition.

We therefore only consider further whether the proposals could affect competition downstream in the supply chain between **TV platforms**. This is discussed in Section 5.5 below.

5.3 Impact on broadcasters

We considered whether the proposals would be likely to have any static and/or dynamic impacts on FTA and Pay TV broadcasters. In doing so, we considered the combined linear TV and VOD viewing for each broadcaster.[88] Broadcasters such as ITV, Channel 4, and Sky all offer both linear and video services, and will consider whether to invest and innovate by looking at both their digital and linear advertising revenues collectively.

First, we set out the static impact on commercial broadcasters as a result of the channel launch, first through a quantitative assessment and thereafter through a qualitative assessment.

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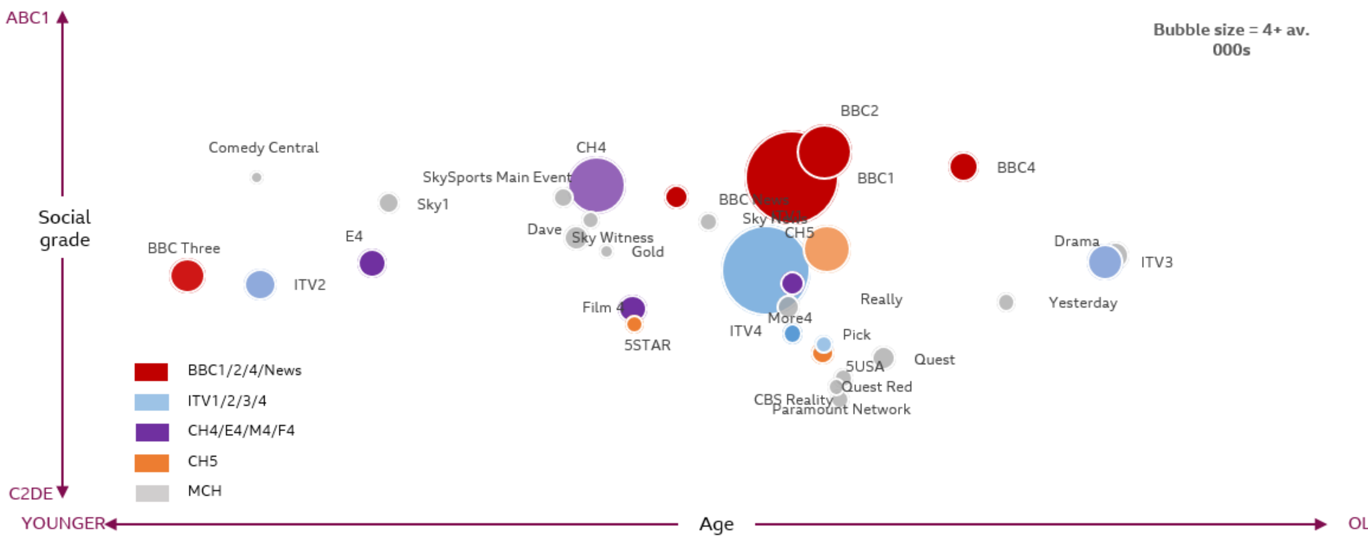
[88] Attempting to quantify the impact on linear and VOD services separately would require many more subjective assumptions, including the proportion of current advertising revenues derived from VOD and speculating on the value and impact of the loss of linear relative to BVOD audiences.

Second, we consider the dynamic impact on these commercial broadcasters, i.e. whether the channel launch risks crowding-out commercial activity (such as investment or innovation) of rival broadcasters.

Throughout, we consider those broadcasters that provide channels similarly positioned to BBC Three. The chart below plots the most popular TV channels amongst all audiences by average age and social grade.[89] It suggests that on these measures, BBC Three is similarly positioned to ITV2 and E4, and to a slightly lesser extent Sky One.

Figure 23: Largest broadcast channels mapped by social grade and age, 2020



Source: BARB 7 day consolidated, all individuals 4+, 7pm to 4am; average age generated by TechEdge.
Notes: CBeebies removed

We therefore consider in detail the impact of the channel launch on:

- ITV;
- Channel 4; and
- Sky.

Based on the evidence set out below, we conclude that the BBC Three proposal would be unlikely to have an adverse impact on fair and effective competition involving broadcasters.

[89] Note that BBC Three as reflected in this figure is based on the audience of the old BBC Three channel, since the requisite data is not available for BBC Three on iPlayer.

5.3.1 Static impact on broadcasters

5.3.1.1 Quantitative assessment of impact on portfolio viewing and revenues

To obtain a view of the market impact of the proposal, we modelled the change to competitor viewing as a result of the channel launch. Having calculated the net viewing gain to the BBC's portfolio post-channel launch (see Section 5.1 above) we sought to determine which services would lose viewing as a result of the proposition and by how much their viewing would be diverted to the BBC.

As described in more detail in Annex 1, we used as our source for diversion the consumer research conducted as part of the BBC Three Public Interest Test. Survey respondents stated the number of hours they were likely to watch the BBC Three linear channel for in a given week, and were then were asked how much time they would take away from each of the channels/services they used in a typical week as a result. The results are shown in the figure below.

Figure 24: Source of viewing lost to the new BBC Three channel

	A4+		A16-34	
	Excluding sources outside of TV	**Including sources outside of TV**	**Excluding sources outside of TV**	**Including sources outside of TV**
BBC	32%	27%	30%	24%
ITV	22%	19%	19%	16%
Channel 4	11%	10%	11%	9%
Channel 5	7%	6%	5%	4%
Sky	6%	5%	5%	4%
Other linear + BVOD	5%	4%	6%	5%
SVOD	17%	15%	25%	20%
Outside of TV*		15%		18%
Total	**100%**	**100%**	**100%**	**100%**

Source: MTM. Base: All who are likely to watch the new channel weekly.

*Notes: *sources outside of TV include video sharing platforms like YouTube and TikTok, and other activities entirely.*

The research suggests that the main impact of the channel would be on existing viewing of BBC channels and services, with 30% of the hours gained by BBC Three coming from other parts of the BBC's portfolio (e.g. BBC One, BBC Two, iPlayer, etc.). Thereafter, ~20% of hours will come at the expense of ITV's portfolio, ~10% from Channel 4's portfolio, and ~5% from each of Channel 5's, Sky's and a catchall for other broadcaster's portfolios. Moreover, these figures are even lower if the hours gained from non-TV sources, such as YouTube, are factored in.

These results are used to calculate the change in viewing for the broadcasters driven by the channel launch. This change in viewing is translated into an estimated change in revenues. The revenue impact is the result of lower volumes of viewing which in turn reduce the advertising impacts available for sale, and hence advertising revenues. The revenue impact also accounts for (i) increases in the price of advertising impacts from a reduction in the supply of impacts and (ii) the fact that the loss of valuable 16-34 viewers for commercial players could have a more material financial impact than their overall viewing impact figures would suggest.[90] The results are presented in the figures below.

Figure 25: Revenue impact on broadcasters in absolute magnitude

Broadcaster	Change in viewing	Counterfactual 2022 linear TV + BVOD ad revenue [£m]	Revenue impact [£m], based on price elasticity offset of:		
			67%	**50%**	**33%**
ITV	-0.6%	1,800	-5.5	-8.4	-11.3
Channel 4	-0.7%	974	-3.3	-5.0	-6.7
Other commercial broadcasters	-0.3%	1,693	-2.4	-3.7	-4.9
Total		**4,467**	**-11.3**	**-17.1**	**-22.9**

Source: BBC analysis, ITV annual reports, Channel 4 annual reports, Group M TV ad revenue forecasts.
Notes: Offsets of 67%, 50% and 33% reflect the assumption that increases in the price of advertising would offset a given percentage of the reduction in advertising impacts sold. Figures are nominal.

Figure 26: Revenue impact on broadcasters as a share of total revenues in the counterfactual

Broadcaster	Change in viewing	Counterfactual 2022 linear TV + BVOD ad revenue [£m]	Revenue impact [%], based on price elasticity offset of:		
			67%	**50%**	**33%**
ITV	-0.6%	1,800	-0.3%	-0.5%	-0.6%
Channel 4	-0.7%	974	-0.3%	-0.5%	-0.7%
Other commercial broadcasters	-0.3%	1,693	-0.1%	-0.2%	-0.3%
Total		**4,467**	**-0.3%**	**-0.4%**	**-0.5%**

Source: BBC analysis, ITV annual reports, Channel 4 annual reports, Group M TV ad revenue forecasts.
Notes: Offsets of 67%, 50% and 33% reflect the assumption that increases in the price of advertising would offset a given percentage of the reduction in advertising impacts sold. Figures are nominal.

We estimate that the launch of the BBC Three linear channel could reduce total commercial advertising revenues (including digital) by between £11 million and £23

[90] See Annex 1 for more detail. The price elasticity effect was addressed through incorporating "offset" assumptions of 67%, 50% and 33%. This is consistent with *Proposed changes to BBC Three, BBC iPlayer, BBC One and CBBC: Market Impact Assessment*, Ofcom, 30 June 2015, page 37.

million per year. This is small in the context of national TV advertising revenues of over £4 billion per year. The impact is largest for ITV and Channel 4, each of which might lose at most 0.6% and 0.7% of their advertising revenues (~£11 million and £7 million, respectively). The remaining revenue loss of at most £5 million is split between all other commercial broadcasters.

It is worth emphasising once more that there is considerably uncertainty around the likely take-up and impact of the new channel, and the assumptions adopted in our modelling are conservative. Therefore, the predicted change to viewing and revenues of other channels presented in this section is unlikely to materialise and should be interpreted as "worst case" impacts for other broadcasters, particularly for the upper bound of our predicted ranges. Moreover, this analysis is static in nature, and hence we do not model broadcaster responses which may mitigate the channel's impact (discussed in the sections below).

Finally, we note that the above revenue impacts already take into account potential lost revenue to broadcasters from shifting down the EPGs of various platforms, as a result of the BBC Three channel launch. This is because our model estimates the total viewing gained by BBC Three, conditional on its positioning in the EPG. This is equivalent to the total viewing lost by other channels based on BBC Three's positioning in the EPG (since total TV viewing is assumed unchanged by the channel launch). Put differently, separately estimating the lost viewing (and hence ad revenue) to channels moving down the EPG and assuming this is captured by BBC Three would be double counting, since our model estimates the entirety of the viewing the BBC Three channel could achieve based on its position in the EPG.

We acknowledge however that our diversion figures derived from the survey results do not account for how competitor channels' positioning in the EPG may influence the distribution of viewing minutes across channels that is diverted to BBC Three. Channels above BBC Three may do slightly better than we have predicted, and channels below slightly worse.

Nevertheless, we do not consider this is likely to materially influence the results because: (i) many broadcasters (particularly the larger ones) will have channels both above and below BBC Three, meaning the net effect on them is small; (ii) no channels may be required to move down the EPG on particular platforms (because BBC Three will take the place of an existing SD BBC channel variant); and (iii) even though they are below BBC Three and theoretically have moved down one slot, the practical impact is likely to be negligible for many channels. For example, it seems unlikely that sports, film or international channels will be much affected, since these genres (or the channels in them) are destinations in their own right, likely to be navigated to directly, rather than by working down through the EPG. Similarly, the impact on channels with substantially different target audiences – such as Yesterday or ITV3 (see Figure 23 above) – are unlikely to be impacted by the introduction of a new channel aimed at younger audiences.

5.3.1.2 Qualitative assessment of closeness of competition between channels

The quantitative assessment above provides a view of the potential impact of BBC Three on broadcaster portfolios as a whole. We further assess the potential impact of BBC Three on particular linear channels which are similarly positioned to BBC Three in terms of the measures shown in Figure 23 above. We examine the degree of closeness of competition between them, because the impact of BBC Three is likely to be more keenly felt by closely competing channels which audiences may view as substitutable.

We evaluate the closeness of competition between BBC Three and each of ITV2, E4, and Sky One. Since the factors explored here are already discussed in Section 4.3, these are presented in tabular form for brevity.

Figure 27: Comparison of youth oriented channel offerings

	BBC Three	ITV2	E4	Sky One
Broadcast hours	7pm – 4am	All hours	All hours	All hours
Target audience	16-34s with particular focus on C2DE, BAME, and non-metropolitan groups	16-34s	16-34s	Mainstream, wide target audience. Describes itself as "for the entire family"
Programming genres/tone	Dual-focus on light-hearted entertainment and thought-provoking factual	Almost entirely entertainment, fact-ent, comedy, and film, without any factual or documentary content	Entertainment, comedy, reality, and film. Tone is light-hearted, entertainment-led, with an absence of serious-toned factual or documentary content	Tonally light-hearted entertainment, including a combination of fact-ent, reality, comedy and drama programming
Commissioning strategy	Core element of offering will be programming made outside of London, focussed on reflecting the diverse lives and interests of young UK groups	Large proportion of US reality and entertainment acquisitions. Content tends to be broad and global in focus and in tone	Tone is broad and global, and hence a large proportion of content is US comedy and drama acquisitions	Carries a lot of US acquisitions across scripted (comedy and drama) and unscripted (reality and factual entertainment)
Audience perception	50% of 16-34s agree that "the new BBC Three channel would be unique – no other TV channel is like this".			

The above suggests that while BBC Three is closely positioned to these channels in terms of average audience age and social grade, there are some material differences between them. BBC Three does not compete with them for audiences over a substantial portion of the day. In the overlapping hours, BBC Three has a materially different programme offering. Indeed, young audiences themselves perceive BBC Three's offering as unique.

While clearly there will be some audience viewing time that BBC Three and these channels are competing for, the above suggests that an appreciable portion of their audiences may not crossover with those of BBC Three due to the distinctiveness of their offerings. Hence, ITV2, E4 and Sky One are unlikely to lose a material volume of their audiences to BBC Three.

Nevertheless, in the sections which follow, we consider whether the limited static impacts we predict may adversely affect rivals' incentives to invest in programming or innovation over the longer term.

5.3.2 Dynamic impacts on ITV

In this section, we consider whether the BBC Three channel launch is likely to crowd-out the commercial activity of ITV.

5.3.2.1 The services provided by ITV

ITV is an integrated producer broadcaster operating in two main areas:[91]

- Broadcast and online. ITV operates a family of channels and its programming is delivered across linear television and online (via ITV Hub). ITV also provides SVOD services through ITV Hub+, BritBox UK and BritBox International.
- Production and distribution. ITV Studios is the largest commercial producer in the UK, producing programming for ITV's channels, other public service broadcasters (including the BBC) and on-demand platforms. It operates internationally, producing content for major networks, cable channels, local broadcasters and on-demand platforms. Its distribution business focuses on the sale and exploitation of programmes and unscripted formats around the world.

The 2020 distribution of ITV's revenues is shown in the figure below. It is noteworthy that: (i) over half of its revenues are from non-advertising sources and (ii) it has a number of other ways of monetising its content, including overseas sales. Therefore it is not clear that a limited loss in UK advertising revenue is likely to have an impact on its overall incentives to invest.

[91] *What we do*, ITV [accessed June 2021].

Figure 28: ITV revenue sources, 2020

	Revenue (£m)	Share of revenues (%)
ITV Studios UK	535	16%
ITV Studios US	234	7%
ITV Studios International	343	11%
Global Formats and Distribution	258	8%
Advertising Revenue	1,577	48%
Direct to consumer	87	3%
SDN	73	2%
Other	153	5%
Total	**3,260**	**100%**

Source: ITV Annual Report 2020

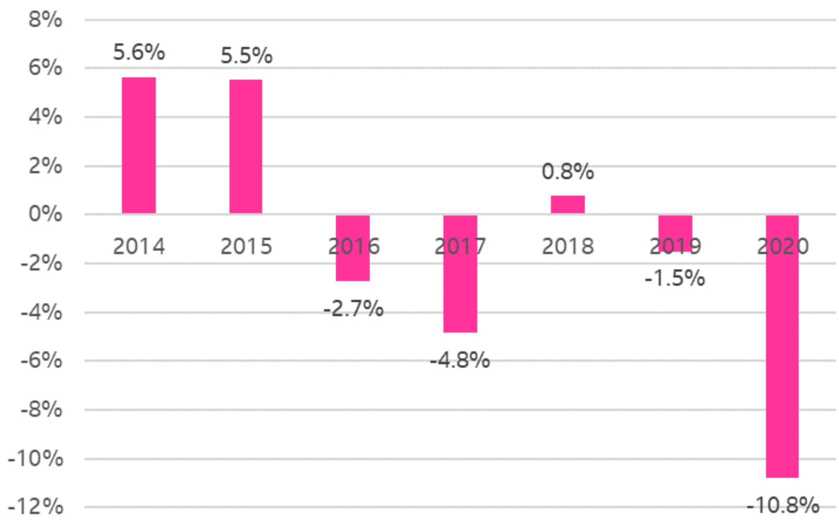
5.3.2.2 Relationship between revenue and incentive to invest

We have estimated that the launch of the BBC Three linear channel could lead to a reduction in ITV's revenues of between 0.3% and 0.6%. It is useful to put these losses into the context of total year-on-year revenue fluctuations for ITV. The figure below presents the year-on-year changes in ITV's advertising revenues, according to its annual reports. It shows that losses of ~0.5% of advertising revenues is within the range of annual revenue variability (even before the Covid-19 pandemic in 2020).

It is also worth noting that while ITV's revenues were hit in 2020 owing to the Covid-19 pandemic, ITV is now seeing more positive revenue trends. Advertising revenues in Q4 2020 were up 3% against the same period in 2019, and ITV is expecting year-on-year revenue to be up between 5% and 7% for the four months to the end of April 2021.[92]

[92] ITV Results Centre, ITV [accessed June 2021].

Figure 29: Year-on-year changes in advertising revenues, ITV



Source: ITV annual reports.
Notes: Each year refers to the change in advertising revenue in that year relative to the previous year. Figures for 2013 to 2017 based on year-on-year changes in net advertising revenue (i.e. linear TV only), figures for 2018 based on year-on-year changes in all ad revenue (i.e. linear TV and VOD).

In previous public interest tests for BBC channel launches, Ofcom agreed with the view that a competitor's incentive to invest would unlikely be at risk where the percentage impact on their viewing and revenues was small.[93] For example in the BBC Scotland PIT, Ofcom stated that "The change in revenues represented a 2% decline relative to STV's 2016 advertising revenues… Our view was that, while the likely impact on STV's revenues was not immaterial in absolute terms, it was relatively small as a percentage of STV's total advertising revenues, and so we did not consider it is likely to put STV's viability at risk or affect STV's incentives to invest and innovate."[94] It is noteworthy that for the current proposition the percentage revenue impact is materially lower than this.

Moreover, we note that ITV's main channel is the most popular channel with 16-34 audiences, followed closely by ITV2 which is ranked fourth.[95] Additionally, ITV Hub is growing in popularity, having expanded its content by extending the catch up window and adding short form content.[96] ITV stated that in 2018 around 81% of 16-

[93] Other arguments were made by the BBC in the Scotland Public Interest Test, including that there is not a strong correlation between programme investment and revenues, and that factual margin forecasts were within the range of variation seen prior to the channel launch. However, Ofcom dismissed this evidence as inappropriate given its high-level nature and the range of other factors that may have had a larger impact on the level of investment over the period. We have therefore not sought to replicate this analysis. See Ofcom BBC Scotland Competition Assessment Final Determination Annex 3: Assessment of Market Impacts, page 15.
[94] *BBC Scotland Competition Assessment, Final Determination Annex 3: Assessment of Market Impacts*, Ofcom, 26 June 2018, pages 14 and 17.
[95] According to BARB C7 and BARB live data, 2020.
[96] *ITV Results Centre*, ITV [accessed June 2021].

34s in the UK were registered to ITV Hub, with the fifth series of *Love Island* alone adding 3.2 million registered users in June 2019.[97] Therefore, ITV has every reason to continue to invest in successfully maintaining its appeal with younger audiences, with the change in distribution mechanism for BBC Three unlikely to affect this. In fact, the impact of individual programmes, such as *Love Island*, on ITV's viewing may be greater than the impact of BBC Three's channel launch. In a rough calculation, we estimate the loss of *Love Island* from ITV2's linear schedule in 2019 would have brought ITV's portfolio share amongst 16-34s from 23.8% to 22.7% (a 1.1 percentage point change).[98] This can be compared to the 0.3 percentage point change we are predicting for ITV's portfolio share in 2022 amongst 16-34s, due to the BBC Three channel launch.[99]

The increasing prevalence of SVOD services will continue to incentivise broadcasters like ITV to innovate, and this competitive environment, more than the changes made to BBC Three, will continue to drive investment decisions made by the UK broadcasters. ITV announced the restructure of its Broadcast business in response to the increasingly competitive viewing landscape, to better grow its digital capabilities and maintain focus on its mass live audiences.[100] Furthermore, ITV is under a number of regulatory obligations which affect its incentives to invest and innovate.

5.3.2.3 Ability to respond

To the extent that a material volume of viewers do switch away from ITV's channels to BBC Three, ITV may be able to commercially respond to mitigate this loss. This could be done either by commissioning similar content to that which proves popular on BBC Three, or by potentially seeking even greater differentiation to that which highlighted in Section 5.3.1.2 above. In this regard, stronger competition would induce higher quality and more attractive content – a positive outcome for audiences.

It is noteworthy that ITV recently announced in April 2021 its new young audiences commissioning strategy.[101] This involves commissioning youth-skewing scripted

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[97] *ITV hub passes 30 million users*, InformITV, 22 October 2019.
[98] According to BARB C7 data, 2019. To estimate the impact of the loss of *Love Island* from ITV2's linear schedule in 2019, we replaced the viewing of ITV2 in the months of *Love Island's* broadcast (June and July of that year) with the average viewing in the months before and after (i.e. May and August). Adjustment of the full months of viewing also eliminates the influence of any "hammocking", whereby *Love Island* audiences did not switch from ITV2 after the timeslot. For avoidance of doubt, we also adjust total market viewing by the same difference as the difference between ITV2 viewing with and without *Love Island.*
[99] Note that the share change for ITV in the *Love Island* scenario is on the basis of 7-day catch up data, but the share change for ITV in the BBC Three channel scenario is on the basis of total viewing (linear and BVOD) data.
[100] *ITV annual report*, 2020, page 18.
[101] *ITV announces 'on-demand first' strategy for our young audiences commissioning*, 22 April 2021.

and factual content for ITV2 and ITV Hub, and a move to an "on-demand first" strategy. As a result some commissions that land on ITV Hub first and ITV2 will venture into factual programming. It appears therefore that ITV will be well placed to respond to the BBC Three channel proposition by the time of launch, and will be intensifying competition against BBC Three in the linear and VOD space, to the benefit of audiences.

5.3.3 Dynamic impacts on Channel 4

5.3.3.1 The services provided by Channel 4

Channel 4 is a publicly owned and commercially funded UK public service broadcaster. It is commercially self-sufficient while following a social enterprise model. It operates as a not-for-profit, with surplus reinvested into content. It has no in-house production, commissioning all of its UK programmes from UK production companies.[102]

The 2019 distribution of Channel 4's revenues are shown in the figure below.

Figure 30: Channel 4 revenue sources, 2020

	Revenue (£m)	Share of revenues (%)
Digital revenue	163	17%
TV advertising and sponsorship	772	78%
Other	50	5%
Total	**985**	**100%**

Source: Channel 4 Annual Report 2019

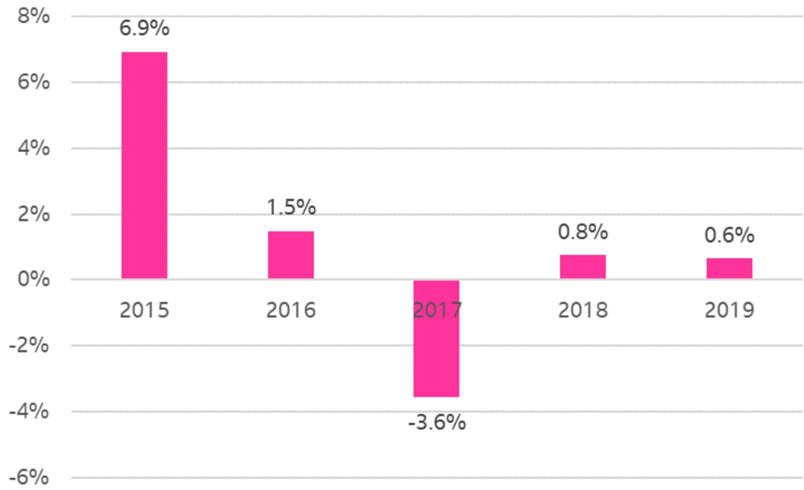
5.3.3.2 Relationship between revenue and incentive to invest

We have estimated that the launch of the BBC Three linear channel could lead to a reduction in Channel 4's revenues of between 0.3% and 0.7%. We once again place these into context of total year-on-year revenue fluctuations for Channel 4. The figure below presents the year-on-year changes in Channel 4's advertising revenues, according to its annual reports. It shows that losses of ~0.5% of advertising revenues is within the range of annual revenue variability.

Moreover, while Covid-19 had an adverse impact on Channel 4's advertising revenues in the first half of 2020, its advertising revenues improved toward the end of 2020 and industry commentators note that Channel 4 is particularly well placed to take advantage of the escalation in viewing shifts to digital caused by lockdown.[103]

[102] What is Channel 4, Channel 4, [accessed June 2021].
[103] Channel 4: 2019, 2020 and beyond, Enders Analysis, 3 November 2020.

Figure 31: Year-on-year changes in advertising revenues, Channel 4



Source: Channel 4 annual reports.
Notes: includes both linear and VOD ad revenues. Each year refers to the change in advertising revenue in that year relative to the previous year. Data for 2020 advertising revenue was not available at the time of writing.

As explained above, Ofcom has previously considered that a revenue impact of less than 1% is unlikely to harm the commercial viability of firms and their incentives to invest.

Moreover, we note that Channel 4 is ranked the second most popular channel with 16-34 audiences, followed by E4 which is ranked sixth.[104] During 2019, Channel 4's main channel increased its share of 16-34s by 2% during peak time and in this time Channel 4 had 24 of the top 30 highest-profiling titles for 16-34s.[105] Additionally Channel 4's strong strategic focus on accelerating growth in digital means that:[106]

- Channel 4's digital revenues grew by 18% between 2018 and 2019, making up 17% of the corporations revenues in 2019;
- 80% of 16-34 year olds in the UK were registered on All4 in 2019, up from 70% in 2018;
- 52% of views on All4 are from 16-34 year olds, with All4 the youngest-profiling public service broadcaster streaming service in the UK;
- E4 was the largest UK broadcaster brand on social in terms of video views in 2019, widening E4's reach with younger audiences;

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[104] According to BARB C7 and BARB live data, 2020.
[105] *2019 Annual report*, Channel 4, page 14.
[106] *2019 Annual report*, Channel 4, page 15.

- E4 is the second most popular digital channel for 16-34 year olds and the third most popular digital channel in the UK.

Therefore, Channel 4 has every reason to continue to invest in successfully maintaining its appeal with younger audiences, with the change in distribution mechanism for BBC Three unlikely to affect this.

Indeed, the increasing prevalence of SVOD services will continue to incentivise broadcasters like Channel 4 to innovate, and this competitive environment, more than the changes made to BBC Three, will continue to drive investment decisions made by the UK broadcasters. Furthermore, Channel 4 is under a number of regulatory obligations which affects its incentives to invest and innovate.

5.3.3.3 Ability to respond

To the extent that a material volume of viewers do switch away from Channel 4's channels to BBC Three, Channel 4 may be able to commercially respond to mitigate this loss. This could be done either by commissioning similar content to that of BBC Three, or by potentially seeking even greater differentiation to that which highlighted in Section 5.3.1.2 above. In this regard, stronger competition would induce higher quality and more attractive content – a positive outcome for audiences.

It appears that Channel 4 will be increasingly well positioned to respond, and is investing to attract younger audiences. For example, as part of its Future4 Strategy, Channel 4 is investing more in highly distinctive, young skewing formats, with a goal of doubling All4 viewing by 2025.[107] E4 also launched a search for new UK talent in 2019 as part of its onscreen inclusion and diversity strategy.[108]

5.3.4 Dynamic impacts on Sky and other broadcasters

5.3.4.1 The services provided by Sky

Sky UK is a British broadcaster and telecommunications company that provides television and broadband Internet services, fixed line and mobile telephone services to consumers and businesses in the UK. Sky UK is a wholly owned subsidiary of Comcast-owned Sky Group. Sky Group has operations in several markets around Europe, including the UK, Ireland, Germany and Austria.

Sky UK is active in a number of services, including:[109]

[107] *Channel 4's Future4 strategy*, Channel 4 [accessed June 2021].
[108] *E4 on nationwide hunt for brand new talent* , Channel 4, 17 July 2019.
[109] See Sky.com and Sky Store websites [accessed June 2021].

- Broadcast channels such as Sky News and Sky Sports channels, some of which are available free to air and all of which are available via Pay TV. Sky is the UK's largest Pay TV broadcaster;
- Video on demand services such as "On Demand" (linked to the core Sky TV service) and "NOW" (separate from the core Sky TV service);
- Pay TV subscription packages, offering access to Sky's broadcast channels and video on demand services, as well as a host of other linear channels/services;
- Sky broadband packages, also available as part of a package with Sky TV;
- Sky mobile plans and devices;
- Sky Store, offering a library of films from Sky Cinema for rental or purchase.

Sky's UK & Ireland revenues in 2018 are broken down in the figure below. It is noteworthy that: (i) advertising revenues only make up 6% of Sky's total revenue and (ii) Sky has other ways of monetising its content, such that it is not clear that a limited loss in UK advertising revenue is likely to have an impact on its overall incentives to invest.

Figure 32: Sky UK & Ireland revenue sources, year ended 30 June 2018

	UK & Ireland revenue (£m)	UK & Ireland share of revenue (%)	Statutory Group total revenue (£m)	Statutory Group total share of revenue (%)
Direct to consumer	7,611	85%	11,830	87%
Content	788	9%	838	6%
Advertising	540	6%	917	7%
Total	**8,939**	**100%**	**13,585**	**100%**

Source: Sky Annual Report, 2018

Notes: 2018 figures were the latest available found at https://www.skygroup.sky/reports

5.3.4.2 Relationship between revenue and incentive to invest

We have estimated that the launch of the BBC Three linear channel could lead to a reduction in other commercial broadcasters revenues (i.e. excluding ITV and Channel 4) of between 0.1% and 0.3%, equating to between £2.5 million and £5 million. This is the aggregate reduction for all other broadcasters, and hence the impact on an individual broadcaster, such as Sky, would be less. It is unlikely that such a small change in viewing and in advertising revenue would have a measurable effect on Sky's or other broadcaster's decisions to invest or innovate. For Sky in particular, a subsidiary of ComCast, such a modest loss of UK advertising revenue is very unlikely to affect its program budget or activity in the UK.

5.4 Impact on SVOD and Pay TV services

We further consider the horizontal competitive impact of the BBC Three channel launch on Pay TV services and SVOD services. The revenue impact on these services has not been factored into our economic model for simplicity, and is assessed largely qualitatively instead.

FTA broadcasters such as the BBC make their channels freely available to audiences. As discussed above, FTA broadcasters compete against one another (both in the linear and VOD space), as well as against Pay TV broadcasters (both in the linear and VOD space) for advertising revenue. However, FTA broadcasters also compete against Pay TV services and SVOD services who sell subscriptions to their service or package of services direct to consumers. If FTA broadcasters increase the quality and range of their services, some Pay TV and SVOD subscribers may choose to cancel their subscriptions to watch more FTA content instead. Similarly, if Pay TV and SVOD services lower the price or raise the quality of their services, FTA audiences may switch away from FTA broadcasters to these services.

We consider whether the launch of the BBC Three channel could induce Pay TV or SVOD subscribers to cancel their subscriptions in significant numbers, and if so, whether this could affect the incentives of Pay TV and SVOD services to invest.

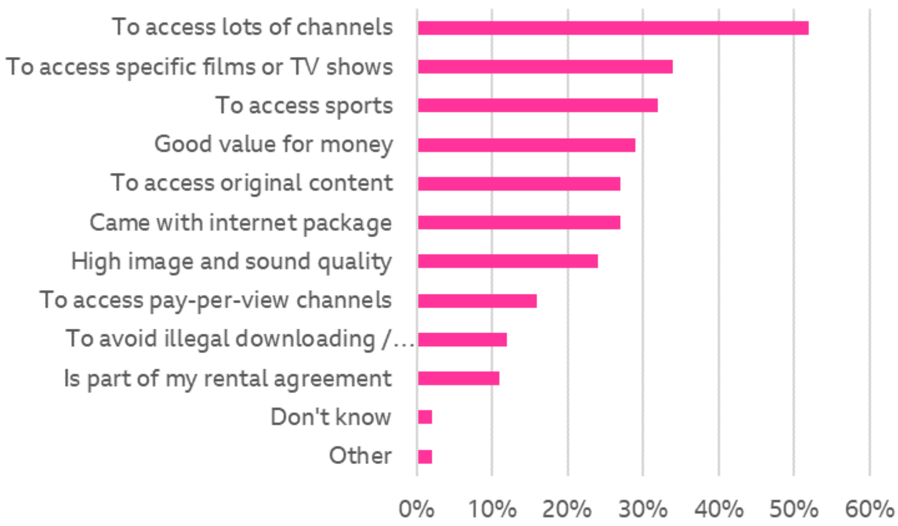
5.4.1 Pay TV services

As shown in Figure 26 above, we estimate that commercial broadcast channels, excluding ITV and Channel 4, could experience a 0.3% reduction in viewing due to the BBC Three channel launch. This is a conservative estimate of the impact on a large number of broadcasters, including Pay TV channels. It is unlikely that such a marginal decline in the volume of viewing to Pay TV channels would impact a viewer's propensity to subscribe to a given Pay TV service.

We further note that the BBC Three channel proposition differs materially from a Pay TV package. This means that the many reasons for subscribing to Pay TV would not be affected by the single additional FTA channel launch. For example:

- Pay TV subscribers value aspects of their subscription that would be unaffected by the channel launch. Shown in the figure below, Pay TV subscribers seek access to a wide variety of channels, specific films and shows, sports, original content, pay-per-view channels, and high quality image and sound. Therefore, the BBC Three channel launch – whose content is narrowly targeted at 16-34s and is already available on iPlayer – would not be likely to diminish the value of the Pay TV proposition to its subscribers.

Figure 33: Reasons for paying for a TV subscription (cable/satellite) in the UK, 2020



Source: Statista Global Consumer Survey.
Notes: Multiple answers were possible. Results should be interpreted as, e.g., 52% of respondents subscribe to Pay TV in order to access loss of channels.

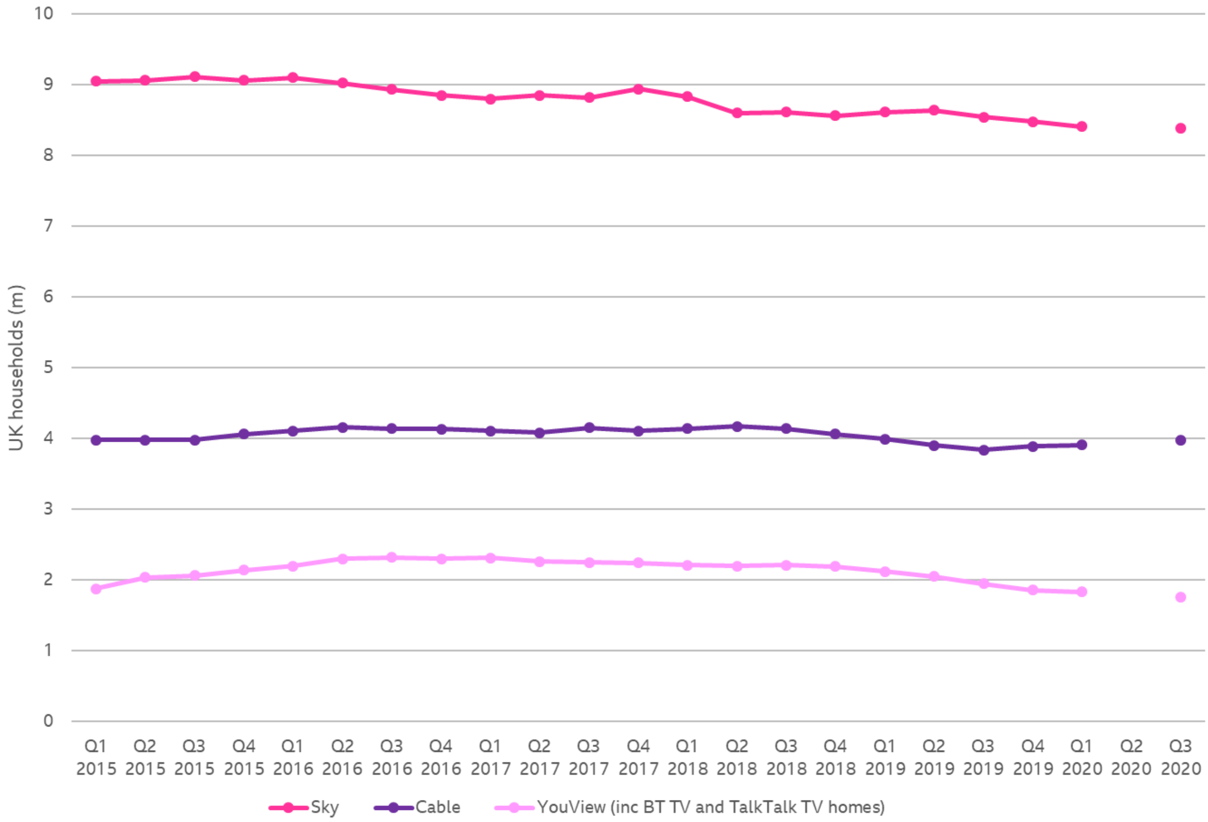
- Pay TV packages skew toward ABC1 users, while BBC Three is primarily targeting C2DE audiences. Ofcom's Technology Tracker 2020 shows that 57% of Sky's subscribers, 58% of Virgin Media's subscribers and 65% of BT TV's subscribers are ABC1.
- Pay TV packages include as part of their offering the various FTA linear channels and BVOD services, as well as some SVOD services. Any viewing of BBC Three – as a linear channel or on iPlayer – may still be viewed through the Pay TV package, perhaps even enhancing the value of the Pay TV service to its subscribers.

Moreover, we note that Pay TV subscriptions have largely been holding steady over the last few years (as shown in the figure below). This is despite the fact that there have been a number of new SVODs and linear channels launched over the period.[110] Sky, the largest Pay TV provider in the UK, has said it will more than double its spend on original content to £1 billion by 2024 and more recently announced it will be increasing the number of original and exclusive films and TV shows it offers, in order to intensify competition against the streaming giants.[111] Sky also operates a pan-European business including major territories, such as Germany and Italy. It is therefore unlikely that a single FTA channel launch in the UK will cause Sky, or the

[110] Linear channel launches include CBS Justice in 2018, Smithsonian Channel in 2019, Paramount Network in 2020, HGTV in 2020 and BBC Scotland in 2019.
[111] *'Sky ramps up film and TV plans to compete with streaming giants'*, BBC News, 25 January 2021.

other Pay TV services, to reduce investment or compete less vigorously in the UK media market.

Figure 34: UK households by TV platform, 2015 – 2020



Source: BARB Establishment Survey

Finally, MTM's quantitative survey asked the subscribers of Pay TV services whether they would be likely to cancel their subscription as a result of the channel launch.[112] 6%, 3% and 5% of BT, Virgin Media and Sky subscribers, respectively, claim that they would definitely cancel their Pay TV package. 20%, 15% and 14% of BT, Virgin Media and Sky subscribers, respectively, claim that they would consider making changes to their Pay TV package. However, we are sceptical of these results, which we consider are highly likely to overstate actual churn driven by the channel launch. This is for the following reasons:

- The very fact that respondents were presented with this question in the survey pressed them to consider a response. In reality, BBC Three viewers may not associate their viewing of the channel as having any implications for their Pay TV subscription. Moreover, we recognise that stated behaviour in a

[112] *"Earlier you told us you subscribe to [X Pay TV service]. How likely, if at all, would you be to cancel or downgrade your [X Pay TV service] subscription if the new BBC Three channel were to launch?"*

hypothetical context can differ from actual behaviour in reality, particularly in regards to cancelling subscriptions.[113]

- The MTM survey did not ask about respondents' intention to cancel their Pay TV subscriptions prior to the channel launch. Therefore some of those respondents who stated they would cancel their subscriptions may have been intending to do so absent the channel launch.[114]
- The MTM survey asked this question to individual respondents, without placing this in the context of their wider household viewing preferences. The decision to subscribe to Pay TV services are typically made at the household level, such that even if young adults in the household are likely to watch BBC Three at the expense of Pay TV channels, other household members may continue to value their Pay TV subscription.
- Many Pay TV subscriptions are part of a wider package of services, including broadband and phone packages. This means that respondents may have failed to take into account that the decision to subscribe is not solely determined by the relative attractiveness of the Pay TV service itself. Indeed, 27% of Pay TV subscribers in the UK gave "came with internet package" as a reason for subscribing (shown in Figure 33 above).

On balance, we consider that the BBC Three proposal would only have a minor impact on Pay TV, and would be unlikely to have an adverse impact on fair and effective competition involving Pay TV services.

5.4.2 SVOD services

Our model estimated that the BBC Three channel launch could result in a change to total SVOD viewing minutes relative to the counterfactual as follows: For all audiences, aggregate SVOD viewing is predicted to decrease by 0.6% and for 16-34s, by 0.4%. This is a conservative estimate of the impact on a large number of SVODs operating in the UK. It is unlikely that such a marginal decline in the volume of viewing to SVOD would impact a viewer's propensity to subscribe to a given SVOD service.

We further note that the BBC Three channel proposition differs materially from an SVOD service, for the following reasons:

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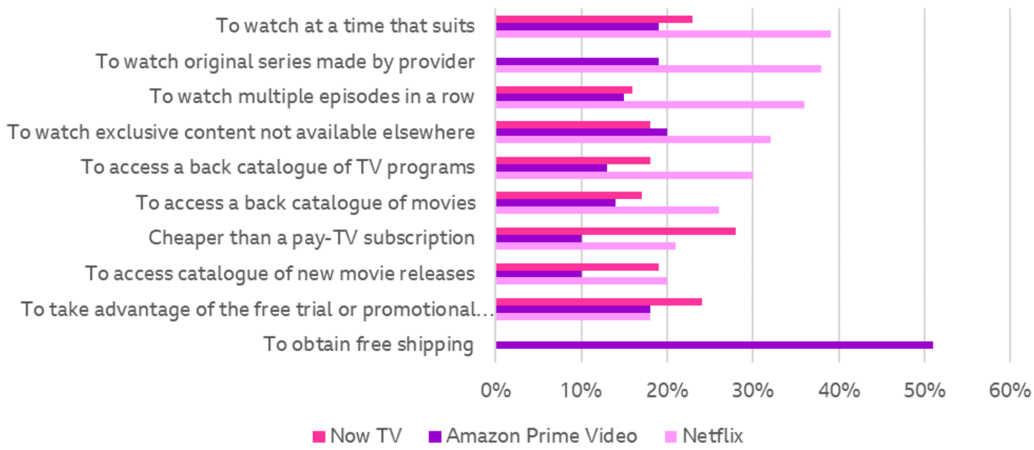
[113] Behavioural economic literature tells us that people are likely to overestimate their propensity to cancel subscriptions. See for example 'Paying not to go to the gym' Stefano DellaVigna and Ulrike Malmendier, The American Economic Review, Vol. 96, No. 3 (Jun., 2006), pp. 694-719, which finds that "Consumers overestimate, for example, their future self-control or their future efficiency in pursuing costly activities. This leads to overestimation of attendance and of cancellation in automatically renewed contracts".

[114] MTM agree with the hypothesis that the figures for likelihood of cancelling subscriptions are likely to be impacted by external forces.

- The reasons why viewers choose to subscribe to an SVOD service do not suggest that the BBC Three linear channel would be a close substitute for SVOD. As shown in the figure below, the key reasons to subscribe to SVOD were to watch at a time that suits, to watch original series made by the provider, watch multiple episodes in a row and watch exclusive content. These are clearly different characteristics to those of the BBC Three channel.

Figure 35: Reasons for using SVOD services in the UK, Q1 2018



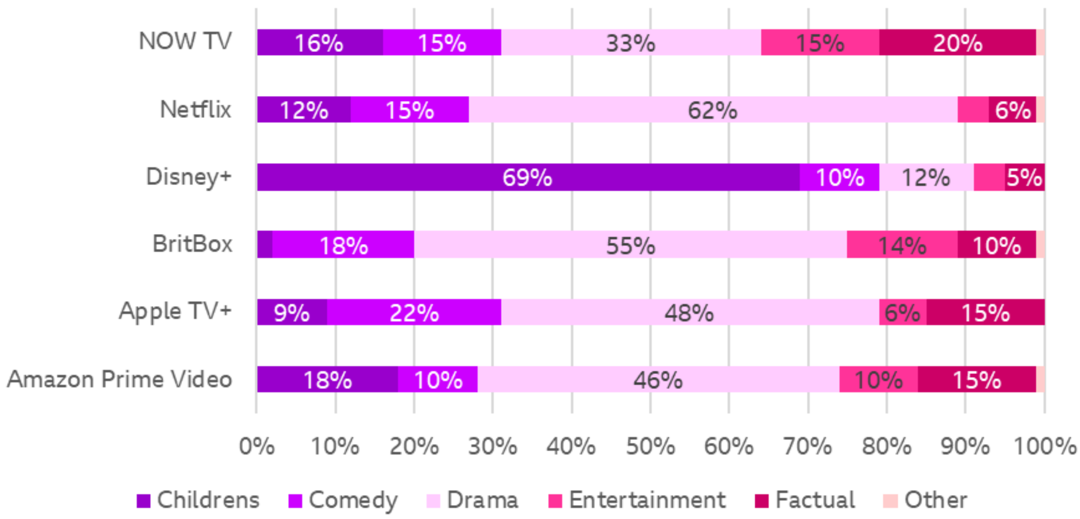
Source: GfK SVOD Tracker
Notes: Multiple answers were possible. Free shipping not available as part of Netflix or Now TV's service. 'To watch original series made by provide' not asked of Now TV subscribers. Results should be interpreted as, e.g., 39% of Netflix subscribers stated that they were using the service to watch video content at a time that suited them.

- The figure above also shows that consumers highly value the bundle of services that is often available through their SVOD provider. For example, the key reason for subscribing to Amazon Prime is to receive free delivery of shopping.
- The programme offering of BBC Three and the SVODs is distinct. Most of the SVODs focus significantly on US television series and movies, while BBC Three will focus on content which portrays life in the nations and regions of the UK. While these SVODs are increasing their investment in UK content, their content must naturally have global appeal, and hence is predominantly less 'British' than that commissioned directly by UK broadcasters.[115] [116] At a programme level, in the 12 months to October 2020 Netflix and BBC Three on iPlayer had just 16 overlapping titles.
- BBC Three's proposed content offering differs materially from the SVODs. The figure below shows that all of the SVODs are drama-heavy (except for

[115] Outsourcing culture: When British shows aren't 'British', Enders Analysis, 7 March 2021.
[116] BritBox, the joint venture between ITV and the BBC is an obvious exception to this.

Disney+), while only 14% of BBC Three's peak content offering will be drama. BBC Three's largest genre, entertainment/fact-ent, is a relatively small proportion of the SVODs hours.

Figure 36: UK SVOD's hours of content, by genre, April 2020



Source: Ofcom's Media Nations 2020, pg 63.
Notes: Factual include documentary and news and current affairs. Includes TV seasons and films.

- Similarly, the global SVODs are skewed toward ABC1 audiences, while BBC Three is targeting C2DEs. According to Ofcom's Technology Tracker 2020, 60% of Netflix subscribers, 67% of Amazon Prime subscribers and 63% of NOW subscribers are ABC1. For BritBox, these figures are higher yet, with 89% of BritBox subscribers classified as ABC1.[117]
- Even between the different SVOD services, there is a high degree of differentiation. BritBox in particular can be described as a "niche" streamer, differentiated from Netflix and Amazon Prime in terms of its library of British content which appeals to over-45s.[118] Indeed, Figure 35 above shows that SVOD subscribers use these services for their original or exclusive content. This desire to access a wider range of content has resulted in a growing number of households owning multiple SVOD subscriptions, as shown in the figure below. It is unlikely that an individual FTA channel launch would be a significant enough change in the FTA customer proposition to work against this trend by stimulating SVOD subscription cancellations.

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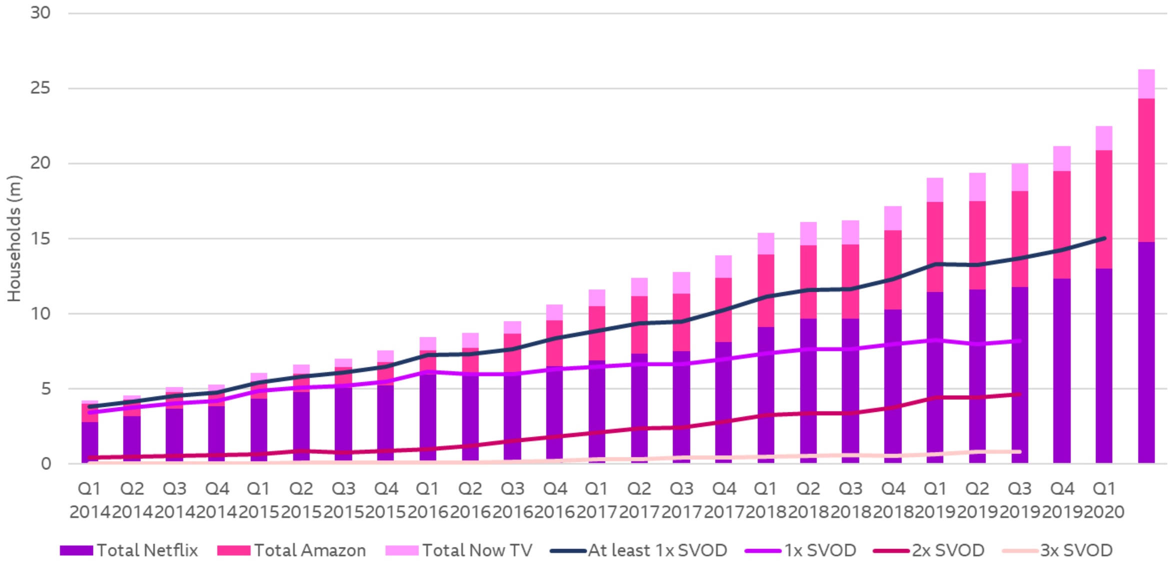
[117] Note that BritBox figures are derived from a very small sample size.
[118] ['Amid streaming wars, BritBox focuses on older subscribers'](), Digiday, 30 July 2019.

Figure 37: UK household SVOD subscriptions, 2014 – 2020



Source: BARB Establishment Survey

Moreover, even if there were a marginal revenue impact on SVOD services in the UK, this is unlikely to affect their incentives to invest or innovate in their content or digital platform because:

- Netflix and Amazon's incentives to invest in content and technology are made on a global basis and the small change in UK revenues would only have a minor impact on global investment decisions. Similarly NOW (now part of Comcast) is expected to monetise investments across Comcast's global customer base. Additionally, BritBox revenue is only a small portion of the revenue associated with the decision by its parent companies (ITV and BBC) to make the programmes it carries.
- Competition in the sector has intensified over the last few years, with the number of SVOD services growing rapidly. For example, BritBox launched in the UK in 2019, with Disney+, AppleTV+ and Discovery+ all launching in 2020. In February 2021, Disney+ significantly expanded with the addition of content from ABC, Fox, FX, etc. Potential UK launches in the near future include Peacock (NBC/ComCast), HBO Max (WarnerMedia/AT&T) and Paramount+ (Viacom). There is also no sign of investment slowdown from established SVODs. For example, Netflix announced its commitment in 2020 to boosting its spend on UK content to $1 billion.[119] Both Disney+ and Netflix

[119] 'Netflix to spend $1bn in UK in 2020 on TV shows and films', The Guardian, 25 November 2020.

have increased their subscription prices in the UK to increase their investments in new content and their product offerings.[120]

Finally, MTM's quantitative survey asked the subscribers of SVOD services whether they would be likely to cancel their subscription as a result of the channel launch.[121] 8% of Netflix subscribers stated they would cancel or consider cancelling their subscription, rising to 23% for BritBox subscribers. As was the case for Pay TV services, we are sceptical of these results, which are highly likely to overstate actual SVOD churn driven by the channel launch. This is because (i) survey results which ask about specific actions can be subject to overstatement bias, particularly in regards to subscription cancellations, (ii) the results do not account for the fact that the decision to cancel a subscription may depend on the attitudes of all members of the household, particularly since some services like Netflix offer packages covering multiple users, and (iii) the survey did not ask about respondents' intention to cancel their subscriptions prior to the channel launch. Indeed, the above churn likelihoods, showing BritBox and NOW with the highest likelihood of churn, are consistent with Ofcom's Media Nations 2020 report which found that services with fewer subscribers have a higher proportion of subscribers who intend to unsubscribe at any given point in time.[122]

On balance, we conclude that the BBC Three proposal would only have a minor impact on SVOD, and would be unlikely to have an adverse impact on fair and effective competition involving SVOD services.

5.5 Wider impact

We considered whether the proposals could affect competition downstream in the supply chain between TV platforms (e.g. Freesat, Freeview, Sky, and Virgin Media). We considered whether:

- The BBC could restrict access to BBC Three to particular TV platforms, and/or
- The BBC could restrict access to the TV platforms it co-owns due to changed incentives following the channel's launch.

5.5.1 Restrictions on carriage of BBC Three

The BBC would be unlikely to impose restrictions which limited the carriage of BBC Three to specific TV platforms and adversely affected competition in the TV

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[120] 'Lockdown entertainment becomes pricier: Netflix subscription costs to rise by up to £24-a-year while Disney Plus charges are also heading higher' , This is Money, 6 January 2021 and 'Disney Plus' Price In The UK Is Going Up: Here's Why', Cord Busters, 11 December 2020.
[121] *"You've said that you are likely to spend less time watching TV programmes and films accessed from each of the following services. How likely, if at all, would you be to cancel each of these subscriptions if the new BBC Three TV channel were to launch?"*
[122] Media Nations 2020, Ofcom, page 25.

platform sector. Such a policy would be contrary to the BBC's public purposes and "must-offer" obligation, in both the Framework Agreement and set out in Ofcom's requirements for the BBC:

> "*Ofcom requires that the BBC must offer the public services to third parties in response to reasonable requests for supply, except where the BBC has an objective justification for not doing so. In offering the public services for supply, and in supplying those services, the BBC must act on a fair, reasonable and non-discriminatory basis.*"[123]

As a result, the BBC's ability to restrict access to BBC Three, or any other BBC Channels, is limited. Moreover, given the small incremental viewing share forecast for BBC Three, the BBC's incentives to restrict access would likely be unchanged by the channel's launch. On the contrary it is clear that the BBC's incentives are to maximise the availability of the channel, not to restrict its availability.

5.5.2 Restrictions on access to BBC distribution platforms

The BBC would be unlikely to affect competition between TV platforms through its part ownership in Freesat, Freeview, Digital UK and YouView. In Freeview, Digital UK and YouView the BBC is a minority shareholder, substantially restricting its ability to influence competition through these platforms. The BBC and ITV are joint shareholders in Freesat, although this entity is being acquired by Digital UK in the near future once merger control and regulatory clearances are obtained. Consequently, the BBC's shareholding position in Freesat will be that of an indirect minority shareholder as Digital UK (in which the BBC will continue to be a shareholder) will be the ultimate parent company of Freesat. As regards Freesat currently, each shareholder can appoint an equal number of directors to the board. Decisions relating to the strategy of Freesat must be reached by way of consensus between the BBC and ITV, again restricting the BBC's ability to influence competition through this platform.

As a result, the BBC does not have the ability to act unilaterally over the platforms it co-owns. Moreover, given the small incremental viewing share forecast for BBC Three, the BBC's incentives to restrict access to its platforms would likely be unchanged by the channel's launch.

In light of the above, we conclude that the BBC Three proposal would be unlikely to have an adverse impact on fair and effective competition between TV platforms.

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[123] Distribution of BBC public services: Ofcom's procedures and guidance, Ofcom, 29 March 2017, Paragraph 3.32. See also clauses 61 and 62 of the BBC Agreement.

6. The Public Interest Test

6.1 Background

The Charter and Agreement place a number of obligations on the BBC when it would like to make changes to its UK public services. In particular the Agreement[124] stipulates that the BBC may only make a material change to its UK public services where:

- The BBC has carried out a Public Interest Test on the proposed change;
- The BBC has determined that the Public Interest Test is satisfied; and
- Ofcom determine that the BBC may carry out the proposed change.

A material change is defined to include:

(a) the carrying out of any activity as a new UK Public Service; and

(b) any change to a UK Public Service which may have a significant adverse impact on fair and effective competition.

The Agreement[125] also explains what a Public Interest Test involves. Specifically the BBC must be satisfied that:

- The proposed change to the UK public services contributes to the fulfilment of the Mission and the promotion of one or more of the BBC's Public Purposes;
- It has taken reasonable steps to ensure that the proposed change has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of the Public Purposes; and
- The public value of the proposed change justifies any adverse impact on fair and effective competition.

In addition, the Agreement also requires that the BBC, in carrying out the Public Interest Test, must consider the scale and likelihood of any public value relative to the scale and likelihood of any adverse impact on fair and effective competition. It is recognised that the determination will require qualitative assessments to be made and that direct comparison of factors relating to public value and factors relating to risks to fair and effective competition may not be possible.[126]

We set out below our findings under the Public Interest Test in the light of the research and analysis we have conducted and the consultation process.

[124] Clause 7, BBC Agreement.
[125] Clause 8(1), BBC Agreement.
[126] Clause 8(2), BBC Agreement.

6.2 Does the proposed change contribute to the fulfilment of the Mission and the promotion of the Public Purposes?

Our analysis – based on our audience research conducted by MTM, responses to our consultation and modelling of take up and usage – shows that our proposals will clearly deliver high public value – personal, social and industry value. In particular, the new BBC Three broadcast TV channel will enable the BBC to better fulfil our Mission and promote the Public Purposes:

- The proposals will support the mission by serving an audience (16-34s) that would otherwise be underserved by the BBC;
- The proposals will provide news and current affairs programming for younger audiences on a dedicated channel (the first public purpose – impartial news and information);
- Audiences feel the channel will support the second public purpose (learning for people of all ages) through its range of documentaries and highlighting topical issues such as mental health and the challenges of the job market;
- The BBC Three broadcast TV channel will show the "most creative, highest quality and distinctive output" (third public purpose). It will have a broader range of genres, lower proportion of acquisitions and higher proportion of first-run original productions than any comparable channel; and
- The editorial focus of the new channel is attractive to audiences outside of London, younger C2DE audiences and younger BAME audiences.

As such the BBC is satisfied that our proposals for a new BBC Three broadcast channel will deliver high public value and will contribute to the fulfilment of the Mission and the promotion of all the relevant Public Purposes.

6.3 Has the BBC taken reasonable steps to ensure that the proposed change has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and promotion of the Public Purposes?

In order to determine what reasonable steps might be needed to avoid any unnecessary adverse impact on fair and effective competition, it is necessary to identify what adverse effects might flow from the proposed changes (and if so, whether they are necessary for the effective fulfilment of the BBC's Mission and the promotion of its Public Purposes).

As set out in Section 5, our analysis indicates that the new BBC Three broadcast TV channel will have only a modest impact on the revenues of commercial competitors, and therefore is unlikely to have an adverse impact on the structure of competition or the incentives of competitors to invest in programmes and services, generally or more specifically for the target audience.

The BBC has considered, in light of stakeholder responses and the evidence we have gathered through audience research and economic analysis, whether there are any reasonable steps the BBC needs to take to mitigate any adverse impacts on fair and effective competition that are not necessary for the effective fulfilment of the Mission and promotion of the Public Purposes.

In particular, we have clarified our editorial proposition and set out how it will be distinctive and complementary to commercial competitors. We have also listened to commercial broadcasters and distribution platforms with regard EPG placement for the new channel, and have developed our proposals so that any disruption to other channels is minimised as far as possible.

The BBC is therefore satisfied that to the extent our final proposals may have some impact on our competitors, this impact is limited and cannot be further reduced without jeopardising the success of the new BBC Three broadcast TV channel and the public value that our analysis has evidenced will flow from this improvement to our services. As such we consider that our final proposals are the minimum necessary to fulfil our Mission and promote the Public Purposes.

6.4 Does the public value of the proposed changes justify the adverse impact on fair and effective competition?

In light of our findings on the public value of the proposal and the likely market impact, we are therefore satisfied that our proposal for a new BBC Three broadcast TV channel strikes the right balance between better serving a currently underserved audience and thereby providing better value for the licence fee, while not constraining the ability of the wider market to generate revenue and innovate. It does not give rise to a degree of risk of an adverse impact on fair and effective competition which requires us to assess further the relative weight of each as required by this limb of the test.

6.5 Conclusion

As set out in detail in this document and summarised above, the BBC is satisfied that all elements of the Public Interest Test are met with regard to the new BBC Three broadcast TV channel. We consider the new channel will contribute to the fulfilment of the mission and the promotion of the public purposes, create high public value and have at most a modest impact on fair and effective competition.

Annex 1: Modelling the expected viewing for BBC Three and its market impact

Document published separately on BBC website.

Annex 2: Consultation Responses

In March 2021, the BBC opened a consultation on plans to re-launch BBC Three as a broadcast TV channel in January 2022.

The purpose of our consultation was to seek views, primarily from industry stakeholders, to help us to refine our proposals. This was a necessary step, given the need for us to undertake robust analysis on both the public value of our proposals as well as the potential impact on fair and effective competition, as required by the Public Interest Test.

The BBC received 22 responses, primarily from industry stakeholders, including other broadcasters, both PSB and commercial; Pay TV operators; rightsholder representative bodies; platforms; media policy academics and a number of industry and audience groups. Where permission has been given, these responses have been published alongside this Public Interest Test document. A number of stakeholders submitted confidential responses. The points they raise have been anonymised and are reflected in this Public Interest Test document.

In this Annex we summarise these responses by key themes raised, and by respondent.

Responses from members of the public

We received 5 responses from members of the public which are relevant to the scope of the Public Interest Test. Of these, there was unanimous support for our proposed changes. Almost all the public respondents expressed that they were happy that the BBC Three linear channel would be "back" and agreed that a BBC Three channel would be of great benefit to underserved younger audiences. There was consensus that a BBC Three broadcast channel would deliver public value – with comments on universality, representation across the UK, and an increased availability of the channel's 'varied', 'innovative' and 'distinctive' content.

Public respondents noted that increasing the availability of BBC Three content on linear that had been paid for with licence fee payers' money could only be of benefit to viewers. Some of the responses extended this sense of value to the wider creative industry – commenting that a channel would bring investment across the UK to independent companies, particularly in the regions outside of London. There was some comment by members of the public on the unique opportunity a BBC Three broadcast channel would have to be truly representative of British life and culture in all its diversity. The respondents did not see current UK competitors (such as ITV2 or E4) or global SVOD services like Netflix delivering this kind of nuanced and representative content, and so welcomed the proposal as a means of filling of this gap in the market.

There was consensus in the public responses that there would not be a detrimental effect of a BBC Three broadcast channel on fair and effective competition, with responses citing the limited hours the channel would be on air; the positive impact on the wider creative industry; and the incentive for other youth-focused broadcasters to 'up their game' with Three's reintroduction into the linear TV landscape. Among responses were calls for a BBC Three broadcast channel to be in among the top EPG positions.

Stakeholder feedback

Stakeholder responses were mixed in their reception of the proposal, although most responses raised feedback or concerns around similar areas. These included:

- The return of BBC Three to linear TV, and the suitability of this medium to reach younger audiences
- Representation and Diversity of Voices
- Commitments outside of London
- Acquisitions, Commissioning and Repeats
- The Genre Mix
- Performance Transparency for a new channel
- EPG: Placement and Prominence
- Budgets, Tariffs and Rights
- Changes to CBBC

We here consider responses concerning each of these areas.

Younger Audiences and Linear TV

Many responses from stakeholders saw the 'return' of BBC Three as a cause for celebration: restating their earlier objections to the channel's closure and championing its re-launch on linear. Other respondents – predominantly other broadcasters – saw the proposal as a U-Turn, and as proof of the proposal's flawed concept: asking the BBC to justify what had 'changed' in its rationale since the earlier decision.

A number of respondents (particularly rights organisations, media academics and audience groups) agreed that there continues to be a strong linear habit among 16-34's and that this age group was underserved within the current linear landscape. Among these respondents there was some consensus of the public value in providing BBC Three content on a dedicated broadcast channel in the spirit of universality and accessibility – and in light of the existing digital gaps exacerbated by the pandemic.

Pact acknowledged that a significant proportion of 16-34's continue to watch linear TV and would benefit from the reintroduction of BBC Three on linear. Directors UK similarly recognised the benefits a BBC Three broadcast channel could bring to a an under 35 audience across the whole of the UK – particularly those underserved by the BBC or with a lack of access to digital services.

Professor Patrick Barwise agreed with the public value of a BBC Three broadcast channel in that it would increase overall consumption, but warned against the focus of under 35's at the expense of all other audiences: arguing that content with broad appeal could serve this audience without reducing reach or increasing the cost per user hour.

The Writers Guild of Great Britain (WGGB) focused on the current context of the Covid19 pandemic, which it argued has highlighted the existing digital gap within the UK. Given that the crisis is likely to freeze or widen these access inequalities in the longer term, it agreed a BBC Three broadcast channel may be a means to fill this gap.

The International Broadcasting Trust (IBT) echoed this: agreeing that the more accessible the BBC's content is to its audiences, the better. The Voice of the Listener and Viewer (VLV) also saw the benefit of the proposal to the target audience – agreeing that it was an effective way for the BBC to deliver on its mission in providing content for the whole UK population.

The British Film Institute (BFI) agreed that a 16-34 C2DE audience outside of London continued to have a strong habit on linear TV and that those with less access to digital services could benefit from a dedicated BBC Three broadcast channel, broadening the range of content available to this audience. It also saw the benefit of reaching a 13-15 year old audience pre-watershed. Children's Media Foundation (CMF), Directors UK, and the WGGB also welcomed, in principle, the BBC's ambition to reach a stretch audience of under 16's outlined in the proposal.

In contrast, other respondents – including PSB and Pay TV broadcasters – were more sceptical of a new linear TV strategy as the means to reach younger audiences.

Channel 4 disagreed with the 'unique' offering of BBC Three on linear to the 16-34 audience, arguing that its own portfolio already offers high value, public service, and Pan UK content to the target groups.

A Pay TV respondent echoed these arguments, asking the BBC for proof that its proposal was indeed 'unique' to the market and that the target audience was not already served by Channel 4's portfolio and other youth focused brands (for example, Comedy Central and ITV2). This response also raised concerns that a BBC Three broadcast channel could inadvertently divert older viewers away from other channels.

Channel 4 and other respondents – including the Youth, Media and Culture Network, the Commercial Broadcasters Association (COBA), a Pay TV respondent and Sam Barcroft – questioned the mode of reaching the target audience via a linear channel.

A Pay TV respondent asked for evidence showing that the BBC's 2015 projections of a growing youth audience online were 'incorrect'. Similarly, Channel 4 asked for clarity on the size and scale of the target linear audience, given the multiple dimensions outlined (for example, regional audiences, C2DE, audiences, audiences with a lack of digital access) – questioning if the c3.5M figure outlined was mutually inclusive of these variables, or if these target audiences were discrete.

COBA, Channel 4 and the Youth, Media and Culture Network were among the respondents who raised the decreasing linear habit among younger audiences. It was asked whether digital-first alternatives had been considered, with Channel 4 and a Pay TV respondent specifically questioning if counterfactual work had been done by the BBC in assessing a continued iPlayer-only strategy. Questions were raised as to whether supplementary support from the wider BBC linear portfolio, exploitation of secondary rights via Netflix, social media or YouTube and continued investment in iPlayer would better serve this target group's needs than the 'return' of BBC Three to a broadcast channel. An alternative strategy of third-party distribution in place of a broadcast channel was echoed in the response from Sam Barcroft.

Channel 4 urged the BBC to exploit its position as a 'first mover' in the expansion of VOD services, testing and honing the move to digital, paving the way for the commercial market to follow.

Representation and Diversity of Voices

The BFI welcomed the proposal's editorial vision – arguing that as a PSB, BBC Three would have the opportunity to be more representative of the lives across the UK than the global commercial marketplace would allow for. It saw the 'shop window' proposal for the channel as a means to broaden horizons and act as a remedy to the algorithmically focused 'echo chambers' prevalent in digital services.

BFI believed that the diverse range of content outlined by BBC Three in the proposal would encourage wider investment into content for 16-34's by UK linear competitors: improving the quality and range of content available for this audience and so having a 'positive impact' on fair and effective competition. This sentiment was echoed by some of the responses from members of the public, who saw the channel as an incentive for other broadcasters to 'up their game'.

In contrast to this point, Channel 4 argued that the editorial vision and remit of the BBC Three linear offering would be 'disproportionately detrimental' to the Channel 4 portfolio: causing loss of share and price inflation and damaging a fellow PSB without clear audience benefits.

Another PSB TV respondent welcomed the proposal's vision for representation and portrayal of diverse audiences – suggesting that this may be done through the commission of a continuing drama based in the heart of one of the UK's minority communities in one of the UK's nations or regions. However, it raised some concern about the budget available to do so.

Outside of London

BBC Three's aspirations to support and partner with independent producers outside of London, and with the BBC's own counterparts in Nations and Regions, was well received by many respondents.

Directors UK supported the target of two-thirds of commissions outside of London, provided there was not simply a 'lift and shift' strategy for existing talent from the capital. It also called for genuine investments to be made outside of London – in both the support offered as well as around financial renumeration and rights. The WGGB and Pact echoed this need for fair support and renumeration in their responses, with the WGGB calling for the benefit of this pan-UK ambition to fall to writers and creatives from all under-represented groups. Professor Jonathan Hardy echoed this sentiment, warning that a sole focus on C2DE audiences could risk 'cultural majoritarianism' and calling for BBC Three to carefully consider its representation of regional communities and to encompass their complex makeup.

Channel 4 and other PSB respondents took the pan-UK proposal further, calling for 100% of commissions and productions for the BBC Three broadcast channel to be from outside of London, arguing that this should be the commitment if the BBC is 'serious' about representation.

Youth Media and Culture Network suggested inter-BBC partnerships within the Nations and Regions, such as collaborations with *BBC Sesh* in Wales.

Acquisitions, Commissioning and Repeats

The proposed content highlights were broadly welcomed by respondents. Acquisitions, the iPlayer-first commissioning approach, and the volume of repeats were of particular interest among stakeholders.

Channel 4 disagreed that there was a need for any BBC Three acquisitions, given the explicit distancing of the proposed channel from KPI's around ratings and the detrimental effect acquisitions would have on the wider market.

Similarly, another PSB respondent asked BBC Three to commit to having no US acquisitions on a linear channel on the grounds that this could dilute UK cultural touchpoints and exert unnecessary competitive strains on other broadcasters.

Pact and Directors UK called for clearer plans around tariffs, rights windows and royalties for BBC Three in response to the intention to continue an 'iPlayer first commissioning approach'.

Pact asked for assurances from the BBC that there would be no 'backdoor commissioning' into BBC One or Two via BBC Three's iPlayer first tariffs, and that onward transitions of Three's content highlights should be addressed early into negotiations. A PSB echoed the concerns of BBC Three 'premieres' across the wider BBC portfolio as a means to extend reach, asking that the BBC commits to avoid this.

Channel 4 did not understand the high proportion of repeats proposed given the size of BBC Three's budget. Directors UK echoed this concern, noting the volume of repeats proposed and questioning the potential impact this would place on the creation of originations.

Genre mix

Directors UK, Youth Media and Culture Network, BFI and CMF were among those calling for clear, careful and explicit plans around content for the 13-15 year old age group to be included within BBC Three's plans: including more detail on commissioning, budget and weekend provision.

IBT was concerned not to see explicit references to International Current Affairs within the proposed content mix. It highlighted the value of having this mix within a BBC Three linear schedule, arguing that as many of the challenges the UK faces are global in nature (citing climate change and Covid-19), international current affairs has a more important role than ever in engaging the UK public with the wider world, and would also guard against the danger that the UK will become more 'inward looking' following its departure from the EU. VLV also questioned the proposal's lack of provision for international factual or current affairs content – stating that explicit references to this genre in the proposal would be beneficial.

The need for international and current affairs content was reflected in responses from Professor Jonathan Hardy, and some responses from members of the public.

Performance Transparency

A broadcaster respondent called for adequate transparency around channel performance, calling for meaningful data on median age and reach among the young, C2DE and Nations & Regions target audiences.

This was echoed by a Pay TV respondent, who asked for the BBC to show expected reach, viewing hours and viewing share among the target audience to justify its proposal.

Similarly, Channel 4 asked for modelling on the reach and size of this audience within these listed segments: arguing that the BBC's proposed audience for Three broadcast channel was too small to cause positive impacts for the audience to a scale that would outweigh the detrimental effects on the linear TV channels.

EPG: Placement and Prominence

There was a distinct split in responses from stakeholders regarding the EPG placement of a BBC Three broadcast channel. While some stakeholders called for BBC Three to receive prominence within the EPG, other responses brought up particular concern around disruption and market impact to other broadcasters (and to audiences) as a result of any displacements. There were also concerns raised from competitors around the 'swapping' of EPG slots within the BBC portfolio, post launch.

Directors UK was in support of a prominent EPG position for BBC Three on linear, as an important means of 'accessibility and discoverability'. Similarly, IBT, VLV and the WGGB, would like to see a BBC Three broadcast channel given prominence. This was echoed by Professor Jonathan Hardy and among the responses from members of the public.

COBA raised 'serious concerns' about the proposed BBC Three channel's impact on the market with regard to the costs and impact of imposed EPG changes onto smaller broadcasters, particularly following on from the earlier, regulation driven repositioning of the schedule in 2019.

A Pay TV respondent provided the context of 2019's regulatory changes, stating that the period had created additional costs and 'prolonged uncertainty and disruption' for providers, broadcasters and end users – noting the disproportional effect the previous changes had had on elderly and vulnerable viewers. It therefore did not consider it 'reasonable or proportionate' for EPG providers to amend channel listings again to afford BBC Three prominence. It raised concerns around competition, stated that there were no vacant slots within the top 24 positions, and followed that it would not renegotiate channel carriage agreements with broadcasters to accommodate the change. This respondent called the issue 'a problem of the BBC's making' and argued it should be the corporation's own issue to solve within its existing EPG portfolio.

This was echoed by another Pay TV respondent, who added additional issues for providers in giving prominence across the UK – in particular, Scotland and Wales. It similarly called for assessment of the market impact of EPG displacements: with a focus on loss of viewing share and revenue, as well as on the burden of additional spend for providers and other channels.

Channel 4 asked for market impact work to be done around the EPG placement and prominence of BBC Three – particularly on the effects that may come if the BBC were to later switch this channel with another (for example, BBC Four) following launch. Alternatively, Channel 4 called for a guarantee that BBC Three would remain in slot 24 of the EPG. This was echoed by another PSB TV respondent.

Budgets, Tariffs and Rights

COBA questioned the financial justification for a BBC Three linear channel, drawing to attention the 2015 decision to close Three on the grounds of cost cutting and the more recent changes and reductions to the wider BBC portfolio on linear including the move to BBC Four to become archive-only; and the market.

COBA re-emphasised the costs a BBC Three linear channel would impose on other broadcasters, particularly if EPG slots were displaced. Other Providers echoed concerns around costs to providers and broadcasters in regard to the EPG position of a BBC Three channel.

Channel 4 argued that the increased budget for BBC Three would be better spent focusing on the current strategy of originations, an iPlayer focus and with premiered content across the existing BBC linear portfolio, rather than the opening and operating of a linear channel. It continued that a better use of the spend would be to focus solely on high quality originations.

Along a similar vein, Youth Media and Culture Network questioned the mode of investment for BBC Three's increased budget, suggesting that the money would be better spent amending and improving the functionality and usability of iPlayer for the particular benefit of younger audiences.

In comparison, Professor Jonathan Hardy welcomed the budget increase to BBC Three and said that the proposal was strong on economic grounds: arguing that the operating costs would be modest in comparison to the potential public value. However, within this response there was also calls for specific UK targets to be made in relation to the commissioning of original content.

A Pay TV respondent raised some concerns that an increase to BBC Three's budget could expand the content available on BritBox via preferential treatment and secondary rights windows: threatening other on-demand services.

Pact asked for clarity on commissioning budgets for BBC Three on online and linear. It called for the volume of originations intended for the channel to be outlined in the operating license – with formalised splits, and assurances that the targets would be met. Pact re-emphasised that the Terms of Trade must apply to all commissioning, and asked that new rights packages be offered allowing producers to retain and exploit rights following the primary window. It requested clarity on online-only versus linear tariffs, and on the producer's ability to maintain rights when these windows are extended or changed.

Directors UK welcomed the BBC's discussions with Pact and other rightsholders, and similarly called for fair pay around rights, with particular reference to iPlayer-first commissioning, extended rights windows and royalties. It raised some concerns over BBC Three's budgetary pressures, particularly with the downward pressure this may have on programme makers 'doing more for less'.

The WGGB echoed the need for fair pay and rights usage for creative practitioners. It raised concerns over the subsidised BBC Three budget via a reduction in spend on BBC Two drama commissions, calling this move a 'false economy'.

Changes to CBBC

Outside of some commissioning concerns related to BBC Three's specific provision for the under 16's – covered above – responses were broadly in support of the plans to reduce CBBC's hours to accommodate BBC Three.

BFI, CMF, Directors UK, the WGGB and Youth Media and Culture Network agreed that the pre-watershed ambitions of BBC Three to reach under 16's offered the BBC an opportunity to serve an audience it does not currently reach. There was some consensus that this benefit outweighed the loss of broadcast and viewing to CBBC within the same hours.

Summary of main points raised by respondents

Confidential Stakeholder Responses

A number of industry stakeholders submitted confidential responses to the consultation. A summary of the key points raised in these responses is detailed below, with anonymity of the respondent maintained.

One broadcaster agreed that closing BBC Three on linear in 2016 was a mistake, but raised issues of its reintroduction now that the market has 'readjusted' around its absence. With this in mind, it stated that the onus should be on the BBC to deliver 'distinctive' content with minimal market impact.

This respondent believes there is a significant risk of market impact in the proposed reintroduction of BBC Three to linear. It urged the BBC to commit to specific stipulations to reduce this risk, which it outlined explicitly. The first was a call for BBC Three to commit to no US acquired content, on the grounds that it is not distinctive, dilutes UK cultural touchpoints, and exerts unnecessary competitive pressures on British commercial broadcasters. The second commitment required from the BBC was that there would be no BBC One 'premieres' of BBC Three content as a means to extend share. This is something it raised particular concern over given the BBC's new commissioning structure: claiming that this move would reduce distinctiveness and make the audience less targeted, as well as having a greater market impact. The third stipulation was that – if the BBC is serious about a pan-UK strategy for commissioning and representation on BBC Three – it should commit to 100% 'out of London' productions for the channel.

The respondent welcomed the proposal for representation and portrayal of diverse audiences and suggested that this could be done through a continuing drama based – for example – in the heart of a UK minority community in one of the UK's nations or regions, though with some concern about the budget available to do so.

They also called for adequate transparency around a BBC Three linear channel's performance, calling for meaningful data on median age and reach among the young, C2DE and Nations & Regions target audiences.

Finally, they argued that BBC Three should have the lowest possible EPG prominence needed to deliver on its charter (e.g. position 24) and that the BBC should be held to the commitment that it doesn't 'swap' out the EPG for Three after launch (for example, with BBC Four), given the adverse effect this would have on the market.

Of the Pay TV respondents, there was a call for evidence from the BBC that the proposal to launch a BBC Three linear channel would have public value. A Pay TV respondent asked for proof that this proposal would be 'unique' to the market and not covered in the remit of Channel 4's portfolio and other youth focused brands. It called for the BBC to explain and justify the 'U-Turn' of the 2015 decision to move BBC Three online, given that the projections made at the time – of younger audiences moves to digital – were correct and questioned the regulatory process behind both the 2015 decision and the current proposal. It called on Ofcom to commit to a full Competition Assessment.

The respondent asked for the BBC to provide evidence showing that its 2015 projections around a growing youth audience online were incorrect. It asked for the BBC to show expected reach, viewing hours and viewing share among the target audience to justify the proposal set. It asked for reconciliation of the logic of growing an iPlayer audience with that of reaching audiences without access to digital services. It asked for the BBC to prove that there wasn't a more 'efficient and effective' way of reaching this audience: with examples like BBC Three content on other linear channels or the provision of secondary rights to Netflix, YouTube or other youth-skewing platforms.

The respondent said there was a risk that BBC Three could inadvertently divert older viewers away from other channels. It raised some concern that an increase in BBC Three's budget could expand the content available on Britbox, via preferential treatment and secondary rights windows – threatening other on-demand services.

One Pay TV respondent asserted that a BBC Three linear channel would take away viewing share of younger audiences from comparable existing channels (e.g. Comedy Central, ITV2). It stated that this issue would be exacerbated if BBC Three was given prominence in the EPG: calling to question the EPG placement across the nations, including Scotland and Wales. It called for an assessment of the market impact of this displacement: with a focus on potential loss of viewing share and revenue alongside the burden of additional spend on providers and other channels.

Another Pay TV respondent outlined that it had no objection to the relaunch of BBC Three as a linear broadcast proposition. It acknowledged that this move could increase choice for viewers, broaden the BBC's appeal, and engage underserved audiences.

However, the respondent raised significant concerns about the potential disruption of BBC Three to the EPG as a result of any requirements affording this new channel particular prominence. It provided context on the recent period of 'prolonged uncertainty and disruption' it had faced following Ofcom's changes to the EPG code of practice. As a result, it raised the existing issues this had caused for EPG providers, broadcasters (who had lost prominence and had to spend increasing costs communicating changes), and to its consumers. In particular, it noted the disproportionate effects the movement of channels had had on elderly and vulnerable viewers and the increased resource it had to give towards customer support during this period.

The respondent therefore did not consider it 'reasonable or proportionate' for EPG providers to amend channel listings again to afford a new BBC Three channel prominence. It raised concerns that this would have a 'significant risk of adverse effects on competition'. It stated that it would not be possible, within its own EPG, to allocate BBC Three a position within the first 24 slots due to lack of vacancies. It followed that it would not be possible to renegotiate channel carriage agreements with third party broadcasters to make this accommodation either.

It also called the question of BBC Three's prominence as a re-instated channel a "problem of the BBC's making" – and so argued that it be the BBC who determine how this should be solved rather than through further mandated requirements from Ofcom. It asked for the BBC to consider how it should best incorporate BBC Three within its existing EPG portfolio. It made suggestions along these lines, including around the re-shuffling of SD and HD variants to regional news coverage, and in reference to changes to BBC Four's archive-focused commissioning.

British Film Institute (BFI)

The BFI is the UK's lead organisation for film, television and the moving image. BFI recognised the potential public value of a new BBC Three broadcast TV channel, and supported the proposal. It agreed that a 16-34, C2DE audience outside of London had a strong TV access and may have a lack of access to digital services, and so could be better served by the BBC via a dedicated broadcast channel, broadening the range of available content available to this audience. It followed that as a public service broadcast channel, Three would have the opportunity to be more representative of lives across UK than the global commercial marketplace otherwise allows.

The BFI saw the benefit of content reaching a 13 to 15 year old audience pre-watershed, and believed this outweighs the loss of broadcast and viewing to CBBC within the same hours – though it called for clear and explicit commissioning plans for the 13-15 age group within BBC Three's plans.

It argued that the intention for BBC Three's offer of 'distinctive' content would deliver significant social and cultural benefit to audiences, and saw the proposal as a remedy to the algorithmically-focused, 'echo chambers' prevalent in digital services. It outlined that a dedicated broadcast channel like BBC Three acting as a 'shop window' would help audiences to engage with content outside of their personal tastes, broadening their horizons.

BFI outlined that the proposed linear channel would have a 'positive impact' on fair and effective competition as it would drive investment into content for 16-34's by competitors, consequentially improving the quality and range of content for this audience. It stated that the same logic was used behind the set up of the Government funded, BFI administered, "Young Audiences Fund" in 2017.

Channel 4

Channel 4 supports the strengthening of the Public Service Broadcasting 'ecology' in the UK and agreed in its response that UK broadcasters face increasing challenges and competition from global forces: particularly SVOD services. It argued that, as the largest player, the BBC should act as a 'first mover' in the expansion of VOD services: testing and honing the move to digital and paving the way for the commercial market to follow. Along this logic, it said that the reintroduction of BBC Three as a linear channel would exacerbate the issues faced by other PSBs without adequately addressing or solving the issue of declining audiences. It argued that a better use of BBC Three's budget would be to focus on the current strategy of an iPlayer focus with some content on BBC One, rather than the opening and operating of a linear channel.

Channel 4 disagreed that the current UK linear market doesn't cater for the 16-34 audience. It argued that the Channel 4 portfolio already offers high value, public service, Pan-UK content and a linear BBC Three channel would not offer anything unique to this age group. It asked for clarity on the target audience of BBC Three on linear and whether the target audiences outlined (those without digital access; C2DE's, Nations & Regions audiences) were discrete or mutually inclusive. With this in mind, it asked for modelling on the reach and size of this audience within the listed segments – arguing that the BBC's proposed audience was too small to cause positive impact to a scale outweighing the negative effects on the linear market.

Channel 4 asked for BBC modelling or analysis showing how a linear channel could drive iPlayer viewing among the target audience. It asked for evidence showing that the reintroduction of a linear channel would have a greater impact than a Pan-iPlayer first strategy with linear showings on BBC One. Channel 4 asked for proof that this strategy would be better for the audience and show a more efficient use of investment than if the budget was spent solely on originations.

Channel 4 argued that – given the mission statement and remit of the BBC Three linear offering – these plans would be 'disproportionately detrimental' to the Channel 4 portfolio, causing loss of share and price inflation: damaging a fellow PSB without clear audience benefits.

Channel 4 disagreed that there was a need for any BBC Three acquisitions, given the explicit distancing of the proposed channel from KPI's around ratings – and the detrimental effect acquisitions would have n the wider market. It didn't understand the high rate of repeats proposed – given the size of budget.

Channel 4 called for 100% of commissions to be from outside of London if the BBC is 'serious' about representation. It asked for market impact work to be done by the BBC around EPG placement – particularly on the effects that may come in if BBC Three is later switched with another station (for example, BBC Four) following launch. Alternatively, it called for a guarantee that BBC Three would remain in slot 24 of the EPG.

Children's Media Foundation (CMF)

The CMF is a not-for-profit organisation dedicated to ensuring young people in the UK have the best possible media choices. It limited its comments on the proposal to areas which may impact the under 16 audience: namely, the proposed re-allocation of CBBC airtime to Three, and Three's plans to reach an additional audience of 13-15 year olds within these hours (7-9pm).

CMF accepted that the 7-9pm pre watershed slot offered an opportunity to reach under 16's who are not currently specifically served by the BBC outside of Radio 1. It agreed that the loss of CBBC in those hours represented a small proportion of total viewing. They expressed concern however that that the plans as outlined in the consultation document made no reference to commissioning programming specifically aimed at younger teens – an audience currently underserved by broadcast media – and asked for clarity on Three's plans for the 13-15 year old audience, with further information on commissioning, budget and weekend provision.

Commercial Broadcasters Association (COBA)

COBA is an association representing multichannel broadcasters and on-demand services. It raised 'serious concerns' about the BBC Three Proposal's impact on the market, with particular reference to the costs and impact of further potential EPG changes on smaller broadcasters, following an earlier regulator-driven repositioning in 2019.

COBA questioned the financial justification for a BBC Three linear channel against potential audience impact, as it claimed the market and audience trends all point to a move online. It raised questions around the BBC Three proposal's logic in relation to changes in the wider BBC linear portfolio, with reference to the limit of CBBC's broadcast hours and decisions made regarding new commissions to BBC Four. It re-emphasised the market impact of any EPG changes on smaller broadcasters.

Directors UK

Directors UK is the professional association of UK screen directors. It recognised the public value of a the BBC Three linear channel, and recognised the benefits it could bring to a Pan-UK younger audience, particularly those underserved and with a lack of access to digital on-demand services. It called for a 'careful look' at commissioning to the pre-watershed content aimed at a younger audiences that would replace some of CBBC's broadcasting hours.

Directors UK was in favour of the proposal's plans to commission from under-represented and diverse groups, and supported the target of two-thirds of commissions out of London – provided there was not simply a 'lift and shift' strategy for existing talent from the capital. It noted the volume of repeats included in Three's proposed content mix, and questioned the potential impact this would place on the creation of originations.

Directors UK called for fair pay around rights and for use of work on the proposed linear channel, particularly in reference to iPlayer first commissions and extended rights windows and royalties. It called for genuine investment outside of London in commissioners, producers and crew. It welcomed the BBC's discussions with Pact. It raised some concerns over Three's budgetary pressures and the downward pressure this might have on working conditions for programme making teams.

Directors UK was in support of a prominent EPG position for BBC Three on linear, as an important means of 'accessibility and discoverability'.

International Broadcasting Trust (IBT)

IBT is a charity that works with the media to ensure audiences engage with global issues. It welcomed proposals for a linear BBC Three channel and supported the 'reversal' of the 2015 decision to move Three to become a digital only service. It saw the value in a twin strategy focusing both on serving younger audiences on linear, and supporting iPlayer growth. It agreed a linear channel will make content available to a wider range of audiences, particularly those with a lack of access to digital services. In line with the BBC's public service remit, it agreed that the more accessible the BBC's content was to its audiences, the better.

Commending BBC Three's track record in the provision of innovative and distinctive international current affairs content, it expressed concern not to see explicit references to such content in the consultation document, suggesting this omission diminished the public value of the proposition. Referencing the public purposes laid out in the BBC Charter, and research highlighting the public value of current affairs content to younger audiences, t called on the BBC to include international current affairs in the channel's remit, arguing that as many of the challenges the UK faces (citing Covid-19 and climate change) are global in nature, international current affairs has a more important role to play than ever in engaging the UK public with the wider world. It would also guard against the UK becoming more inward looking since its departure from the EU.

IBT did not believe there will be an adverse impact on fair and effective competition as a result of Three's return to linear. It welcomed representation through commissioning outside of London. It would like to see a BBC Three channel given prominence on the EPG.

Pact

Pact is the UK trade association representing and promoting the commercial interests of independent media companies. It was pleased with the proposed changes to BBC Three's remit, and argued that a re-instated channel would restore the 'high quality commissioning' needed to retain and grow younger audiences. It agreed that a significant proportion of 16-34's continue to watch linear TV and that a large portion of the existing audience would benefit from the reintroduction of BBC Three on linear.

Pact recognised that the reintroduction of BBC Three on linear may have an impact further up the value chain in relation to content rights. It asked for clarity on commissioning budgets for online and linear. It called for the volume of originations intended for BBC Three to be outlined in the operating license – with formalised splits and assurances that targets will be met.

Pact re-emphasised that Terms of Trade must apply to all commissioning. It asked that new rights packages should be offered, allowing producers to retain and exploit rights following the primary window, and that there were means in place to enable external producers to control the IP rights of their content. It called for clarity on online-only versus linear tariffs, and on the ability for producers to maintain rights if these windows are extended, and for onward rights exploitations for Indies if these changes occur.

Pact called for assurances from the BBC that there would be no 'backdoor commissioning' into BBC One or BBC Two via BBC Three's tariffs, and that any onward transmissions to these channels should be registered in an uplift to the original commissioning tariff.

Professor Patrick Barwise

Professor Patrick Barwise is the Emeritus Professor of Management and Marketing at London Business School. Professor Barwise agreed that the relaunch of BBC Three as a broadcast channel would increase public value as consumption of the content would increase: with more content watched by more people for more hours.

Professor Barwise called for a delicate balance in content and audience targeting between serving under 35-year-olds and appealing to other audiences, to keep the reach of the channel higher and to reduce the cost per user hour.

Professor Barwise responded that a BBC Three broadcast channel would contribute to British Society and Culture, as well as more broadly positively impact the creative industries and wider economy. Along this vein, the response outlined that the market impact of a BBC Three broadcast channel would be 'minimal' – following the logic that BBC Three would be a relatively tiny player within a global content market.

Professor Jonathan Hardy

Professor Jonathan Hardy is the Professor of Communications and Media at the University of the Arts London. In Professor Hardy's response, there were reflections on students' reactions at the time the closure of BBC Three as a broadcast channel: the enduring feeling being that the 'voices and needs of young people were being ignored or relegated' in favour of policy decisions and resources that would serve an ageing electorate. In this context, Professor Hardy called the re-establishment of BBC Three on a broadcast platform a 'welcome and appropriate' part of the BBC's youth strategy.

Within the response, Professor Hardy welcomed the budget increase to BBC Three: arguing that the value case for broadcasting BBC Three was strong on economic grounds as the 'modest' operating costs could easily be offset by the potential public value. Professor Hardy also welcomed the proposal to commission and broadcast over 300 hours of first run programming – though asked for UK specific targets within this.

In relation to the target C2DE and 'out of London' audience, Professor Hardy welcomed the proposal with the caveat that this audience should be served 'in consort and not at the expense of' genuine, intersecting engagement with the ethnic diversity of UK communities. Warning against the risk of 'cultural majoritarianism', Professor Hardy argued that it was important for the BBC to recognise the complex makeup of the UK's nations and regions.

Professor Hardy recognised the potentially positive impact a BBC Three broadcast channel would have on the wider market in relation to the wider creative industry. The response also outlined that the BBC Three channel would operate creatively under different terms and values than competitor channels and would be uninhibited by outside forces in ways that ad-funded or commercial broadcasters and platforms could not be. He also noted that there was scope to add a wider role in commissioning and showcasing creative work by young people themselves, and work by a wider range of content makers, including those supported by community arts, education at all levels, youth services, disability services and other resources and networks.

Professor Hardy agreed that a BBC Three broadcast channel should sit within the top 24 EPG slots.

Sam Barcroft

Sam Barcroft is a television producer and the founder of Barcroft Studios. Sam Barcroft welcomed the BBC's investment in original content for young adults and agreed that this audience needed top quality programming that is 'relevant and culturally inspiring.'

However, Sam Barcroft argued that a linear strategy would not be sufficiently significant at providing value to younger audiences. The response suggested instead that the BBC make 'bold decisions' to focus on content in a studio led approach, with clever third party distribution of BBC Three content via and Social and SVOD platforms: "proactively taking the content to the audience."

Voice of the Listener and Viewer (VLV)

VLV is an independent charity in support of high quality broadcasting maintaining the democratic and cultural traditions of the UK. It welcomed the proposal to return BBC Three to linear, stating that it would deliver "greater public value" through these means than as an online service alone, and highlighting the public value of universality in doing so.

VLV could see the benefit of this proposal to the target audience, particularly younger people with a lack of digital access. It agreed that – through the linear BBC Three channel – the BBC could deliver on its mission to provide content to the whole population. While it broadly welcomed the plans, it raised some questions around the proposal's lack of plans for international factual or current affairs content. It felt that explicit references to this genre in the proposal would be beneficial.

VLV did not have any concerns around the proposal's effects on fair and effective competition.

VLV said it would like to see a BBC Three channel within the first 24 EPG slots.

Writers Guild of Great Britain (WGGB)

WGGB is a trade union representing professional writers across media. It welcomed the BBC's proposal for BBC Three to become a linear channel, and commented on the timing of the proposal among the wider societal context. It said that the current Covid-19 pandemic and subsequent lockdowns have highlighted the digital gap within the UK, and agreed this meant many won't currently have access to BBC Three on iPlayer. It argued that longer term effects of the pandemic on unemployment and inequality meant this digital gap will likely freeze or widen in the coming years. To this end, it argued that the particularly importance of the BBC providing BBC Three content via a linear channel so that it is available to all.

WGGB agreed that 16-35's are currently underserved in linear broadcasting, and saw BBC Three's proposal as a means to fill that gap. It also welcomed the 'stretch audience' of 13-15 year olds pre-watershed. It argued that the current gap by linear in serving these audiences meant it was unlikely that the proposed channel would have a negative market impact on fair and effective competition.

WGGB supported the proposed reduction in CBBC broadcast hours, and agreed that this would be mitigated by BBC Three's serving of some of this audience through other content. It raised concerns over the subsidised BBC Three budget via a reduction in spend on BBC Two drama commissions, calling this a 'false economy'.

WGGB called for the proper representation and fair pay of writers across the UK. It welcomed the portrayal of all aspects of life in the UK and hoped writers from under-represented communities would benefit from this aim. It asked for programmes commissioned outside of London and the South East to be afforded the same 'support and investment' as those made in these areas. It called for writers and creative practitioners to be fairly remunerated for the creation of content and its ongoing use.

WGGB were in agreement that a BBC Three channel should be within the top 24 EPG positions.

Youth Media and Culture Network (YMCN)

YMCN is an international academic collaborative network of universities, public service media and young people aged 12-16. It welcomed the BBC's proposal insofar as it focused on a young audience, but raised concern that BBC Three's return to linear would be a 'simplistic' and 'outmoded' way to reach this demographic.

YMCN welcomed the outlined pre-watershed content aimed at 13-15 year olds. It asked for clarity on specific plans and commissions by BBC Three to reach this particular audience. Again, it questioned whether a linear channel was the correct mode to reach or serve this group. Among its concerns, it focused on evidence that younger demographics' engagement sits with brand ecosystems above channels. It questioned if particular brands already within the BBC ecosystem – including Ru Paul, or the development of Nations and Regions content for young audiences like *BBC Sesh* in Wales – would be adapted and expanded via this channel.

YMCN raised issues with the functionality and usability of iPlayer, such as the confusing layout or function of the recommendations algorithm. It suggested that investment would be better spent amending and improving this platform, in particular for the benefit of younger audiences.

YouView

YouView supported the BBC's proposal to launch a BBC Three linear channel, in line with its own principles.