

## OECD Roundtable on Communications Convergence

### Session 6: Regulation in a converging world

3 June 2005

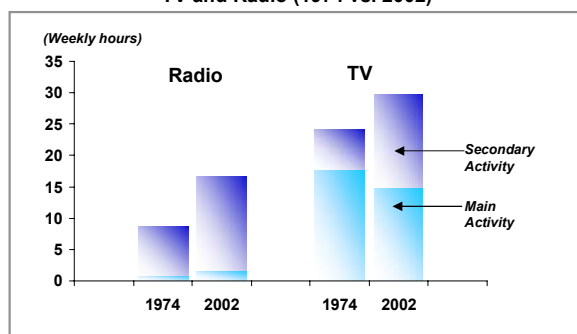
Mark Friend

Controller, BBC Strategy



## Enduring demand for TV & Radio

TV and Radio (1974 vs. 2002)



Source: BBC Daily Live Winter - 2002, People's Activities and Use of Time - Winter 1974



Slide 2

## Reasons for Market Failure in the UK Broadcasting Market

1. Broadcasting remains a public good
2. Broadcasting involves the creation of externalities which are not fully reflected in market prices
3. Informational deficiencies lead to sub-optimal levels of demand for quality products from consumers in the free market
4. Increasing returns to scale lead to the existence of private oligopolies

Barry Diller, founder of the Fox Network in the US:

"Conglomerates buy eyeballs. That's it. They leverage their producing power to drive content, their distribution power to drive new services, and their promotional power to literally obliterate competitors."



Slide 3

## Aims of broadcast regulation

“...two simple aims behind the historic regulation of broadcasters:

- Helping the broadcasting market work more effectively to deliver what consumers want to watch...
- Providing the programming that as citizens we want to be widely available for as many people as possible to watch. Such programming secures the wider social objectives of UK citizens ...”

*Ofcom Review of public service television broadcasting, 2004, p8*



Slide 4

## The BBC is a positive intervention in the UK market

- High quality, distinctive content
  - ♦ Paid for by all
  - ♦ Available freely to all
- Across a broad range of public purposes
  - ♦ **Democratic:** underpinning informed citizenship
  - ♦ **Cultural:** enriching the creative life of the UK
  - ♦ **Educational:** providing learning
  - ♦ **Community:** connecting communities across the UK
  - ♦ **Global:** bringing the UK to the world and the world to the UK
  - ♦ **Digital:** building digital Britain



Slide 5

## The environment is changing rapidly



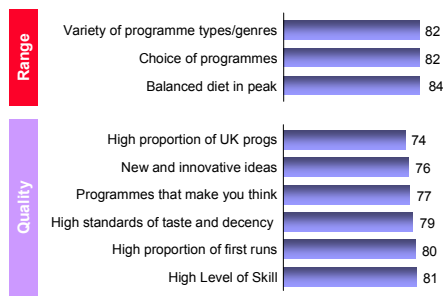
Slide 6

## Rapid changes throughout the value chain



## Enduring demand for quality and range...

% of people who think important for the main terrestrial channels between them to provide the above components

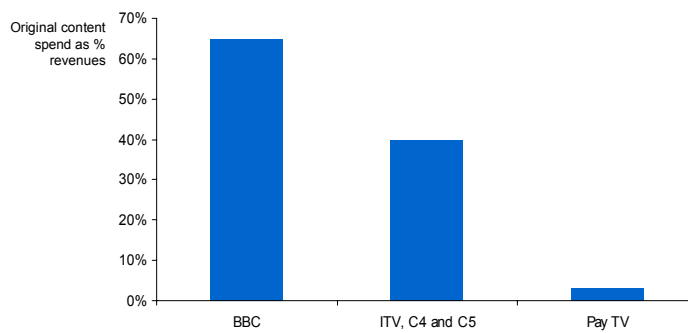


BBC Source: Ofcom, Review of Public Service Broadcasting Phase 1, 2004

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## ...which is not guaranteed by the market

Investment in UK original content by UK television broadcasters

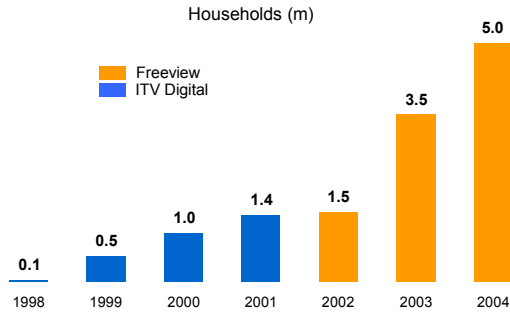


BBC Source: BBC, ITV, Advertising Association, Oliver and Ohlbaum Analysis

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'Free' services help to spread the benefits of digital

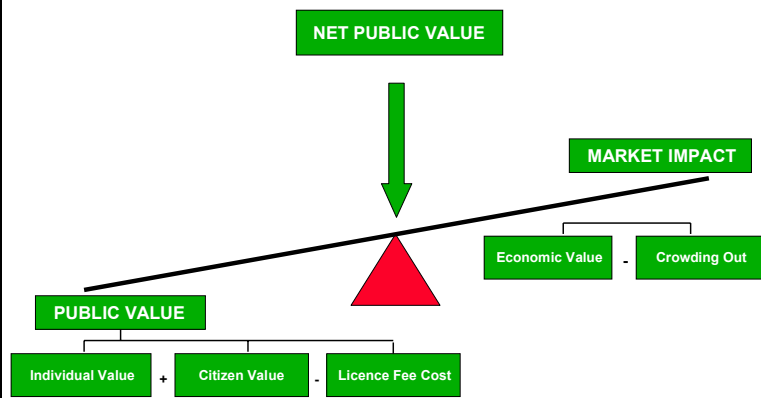
Take-up of digital terrestrial television 1998 to 2003



Households with digital terrestrial television on any set.  
Source: 1998-2002: ZenithOptimedia 'UK Television Forecasts', August 2003, 2003-2004: BBC estimates

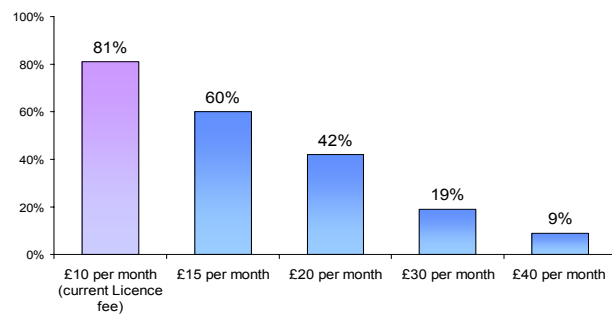


The public value test will be an important accountability tool



The BBC delivers high value for money - over 80% are happy to pay current licence fee

% willing to pay



Source: Martin Hamblin - GFK 2004



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