



**Mobile Broadband Group
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The BBC Trust's consultation on the Public Value Test for the BBC's on-demand proposals

Response from the Mobile Broadband Group

1. The Mobile Broadband Group ("MBG", whose members are O2, Orange, T-Mobile, Virgin Mobile, Vodafone and 3) welcomes the opportunity to respond to the BBC Trust's consultation the Public Value Test for the BBC's on-demand proposals.
2. The MBG also welcomes the prospect of the BBC's on-demand services. We believe that there is a significant demand for on-demand content and that the availability of high quality BBC content will play a crucial role in developing the market for the consumption of 'non-linear' content on the new media platforms, as well as the existing ones such as cable.
3. However, we are disappointed that the BBC's proposals do not take proper account of the mobile platform.
4. This is particularly so when we read in the BBC's annual report for 2006 that "*Younger viewers have been lost in disproportionately large numbers – when they switch from analogue to digital they show an increased tendency also to switch away from television. We are reassured by the Director-General's clear focus on winning back younger audiences as a priority for the coming period*".
5. In its review of the Communications Market 2006, Ofcom made the following observation: "*In 2005, we noticed a further shift in communications consumption patterns among the young (16-24)..... Younger people have embraced the multitude of new technologies and means of communication, to the detriment of traditional platforms and services. For example, in a multi-channel TV world, younger viewers now watch less public service broadcasting than ever before...*"
6. Ofcom also stated that the mobile sector has been '*the key driver for growth of the UK telecoms industry between 2001 and 2005*'¹.
7. It seems to us that it is not credible for the BBC to put forward proposals for new media 'non-linear' content without having a clear strategy for mobile. In particular, arrangements for making BBC audio-visual content available on the portals of the mobile operators must be developed. With very high mobile penetration, mobile offers a highly effective route to re-connecting younger viewers with BBC TV content.

¹ Ofcom: The Communications Market 2006, paras. 3.3.6 & 16

Background

8. In the UK, there are 66.2 million active mobile subscriptions, with an increasing number of people maintaining more than one device. Up to now the vast majority of revenues from mobile have been derived from basic voice calls and text messaging (£13.1 billion annually in 2006).
9. The first twenty years of mobile have seen it develop into a sophisticated and ubiquitous communications device. The next phase will see the mobile evolve into a complete multi-media communications, transaction processing and entertainment device. The mobile market affords a significant and vibrant opportunity for the creative economy.
10. Revenue streams from mobile other than voice and text will continue to grow strongly. In the last five years, consumer spending on mobile content (primarily premium rate services) has risen fast to about £1 billion pounds per annum.
11. In July 2006, 13.2 million subscribers used their mobile phones for downloads and browsing the Internet. By November, this figure had risen to 14.86 million². Mobile operators now have a significant share of the music download market. Comedy clips, sports clips, chat and search are also other popular categories.
12. At present, most content is supplied in a non-linear 'on demand' format. And though the business model is not yet proven, mobile operators are also increasingly supplying linear TV services via 3G streaming.
13. The MBG is confident that there is a significant market for BBC content on the mobile platform.
14. Furthermore, the mobile is an absolutely key channel through which to reach the predominant early adopter segment of 16-24 year olds. In excess of 90% of this group have mobile phones and, as Ofcom notes, they are the most inclined to exploit possibilities of new media platforms to their fullest capacity. For example, they will use the communications function on mobiles to spread the word about BBC content that catches their imagination.
15. Perhaps more importantly, they will use the camera function to submit news reports to the BBC. As the Director General reflected on the 7th July incidents *"Interestingly what the public most wanted to access that day was not the BBC's own professional reports but shaky images of tube tunnels and shattered bus captured on mobile phones"*³. The relationship between broadcaster and the public is increasingly symbiotic and if the BBC is to remain relevant and in the forefront of young people's minds, it is vital that its content is present on all the major new media platforms, including mobile.

Seven day catch up over the Internet and cable

16. The MBG notes that the seven day catch up service is being offered on a wholesale basis to the ntl/telewest cable service (now Virgin Media). We are

² The Mobile Data Association – Press release Nov 2006.

³ Director General's report, BBC Annual report and accounts 2005/6

concerned that this is effectively discriminatory and would like to see a similar offer being made to other platforms, including mobile.

17. The mobile sector, with its customer base of 66.2m, offers an enormously effective mechanism through which to distribute content to individuals on the move, at times that they would not otherwise have access to it. Research is revealing that mobile TV is complementary to domestic TV (which the BBC Trust acknowledges on page 75 of its consultation document). It thus presents the BBC with a huge opportunity for additional reach and to address the youth market that is increasingly diverting more time to activities other than TV.
18. The version of the 'catch-up' service on the Internet in the proposal is essentially a retail offering, where the customer has to do the entire search and the mobile operator does not have the opportunity to add any value to the customer's experience in terms of ease of access. The BBC states (on page 75) that *"stakeholders in the mobile industry informed us that.... the large data files involved in accessing full programmes mean catch-up TV is unlikely to drive significant usage via mobile over the forecast period."*
19. This is not an official view that has come from the mobile operators, who have been consistently requesting more content from the BBC.
20. The consultation document notes that PwC have advised that mobile devices *"could soon provide faster internet access than normal PC broadband in the home today"*. With the upgrade of 3G networks HSDPA⁴, this is a fair assessment and the MBG feels strongly that the catch-up content should be offered to all digital TV platforms, including the mobile operators in the form of an unbundled⁵ wholesale offering. This should be for both the download and the unicast facilities.
21. The BBC's measurement of 'reach' is *"percentage of TV households who use at least 15 minutes of the service in a week"*. It does not seem plausible that greater value for money and extended reach can be obtained by making this service available to 50,000 Home Choice subscribers but not 66.2 million mobile subscribers (of whom roughly 60% have Internet enabled phones and over 200,000 of whom already take a some form of mobile TV service).
22. The MBG agrees with the BBC's assessment (on page 21) that demand for content on mobile will be routed through operators' gateways rather than accessed directly at bbc.co.uk. But we would challenge the implicit assumption that demand for the longer content will remain too small.
23. With a wholesale feed to the operator's gateway, mobile operators are able to make considerable improvements to the customer's viewing experience, in terms of ease of search, customer preferences and technical optimisation between the mobile network and the customer's handset⁶.

⁴ High Speed Downlink Packet Access (an upgrade on 3G networks)

⁶ Furthermore, mobile operators, because of their content code are also able to exercise some control over the availability of post watershed type material to customers under the age of 18. The BBC, in its memorandum, does not set out how it will deal with this aspect of offering on-demand content on-line. (Refers to: UK Code of Practice for the self regulation of new forms on content on mobile (published January 2004 and available at www.mobilebroadbandgroup.com/social.htm)

The advantages of a wholesale feed can be summarised as follows:

24. The service would be included within the mobile operator's portal. Mobile phones have more limited navigation and input functions than a PC. Portals are focused on delivering fast navigation to and within the portal.
25. With more handsets being Internet enabled, the mobile operators are investing in technologies that enhance the browsing experience⁷. If the BBC adopts a technology that is widely deployed by networks and works with them, the viewer experience will be much enhanced.
26. The mobile operator can optimise a service within the portal for the formats, size and features of each phone. The user does not have to worry about the technological implementation to access a service.
27. It is interesting to note (on page 43) that, while not completely a like for like analogy, customers served through a wholesale agreement gave a much more favourable rating than the Internet based triallists. 76% of triallists that were served through the seven day catch-up service over cable (i.e. the service offered via a wholesale agreement) gave an 'excellent' rating, whereas only 37% gave an 'excellent' rating to the Internet catch-up service.
28. The proposed BBC catch up service would have a much more positive effect if it could be offered within the mobile portal and we fear this is a missed opportunity. The BBC's content is widely demanded and is generally considered to be central to a TV content offering (imagine a TV package on any platform without any BBC channels). The availability of BBC content would encourage mobile customers to equip themselves with more capable devices and increasingly consume content on the move, thus creating a virtuous circle for market development.
29. The MBG notes (on page 103) "*There is intrinsic public value in BBC content*" and that "*it follows from this that expanding opportunities to access content would enhance the public value delivered by it.*"
30. This is a very important statement, with which the MBG completely agrees. The BBC is a very significant creator and provider of content within the UK market and there is a risk of the market being distorted if wholesale deals are offered to some parties but not to others.
31. The MBG further notes (on page 104) that "*although not a service condition, in light of the potential further public value in syndication we recommend the consideration of syndication and suggest the creation of a code of guidelines for syndication without the need for further PVTs as a matter of course.*"
32. We welcome the clarification that further third party syndication [wholesale] deals can be done without further PVTs. However, we would urge the Trust to make a much stronger statement about the need for the BBC management to bring forward syndication proposals for the mobile operators' platforms in the short term.

⁷ [For example, Opera Mini \(www.opera.com/products/mobile/mini\)](http://www.opera.com/products/mobile/mini)

33. The MBG would also urge the BBC to progress quickly with publishing a draft of the principles that might govern the future arrangements for making further syndication deals. These should include terms that are fair, reasonable and non-discriminatory

Simulcast TV over the Internet

34. The MBG's comments on the simulcast aspect of the BBC's proposals are similar to those made above for the catch up service.
35. The MBG would expect the availability of a simulcast BBC offering to have a positive effect on the market for mobile TV (although, as we highlight elsewhere, there is a missed opportunity because of the lack of a wholesale mobile offer and the requirement for multicast platforms).
36. Linear (i.e. real time) mobile TV offers an exciting opportunity for the BBC to extend the reach of its content distribution into mobile and thus derive greater value for money from the licence payers' investment in new content.
37. Evidence from current mobile TV services and trials indicates that mobile TV viewing is complementary to domestic TV, with many people catching up on missed programming while they are on the move.
38. The memorandum is short on technical detail but seems to indicate (on page 24) that only multicast streaming will be used, perhaps for reasons of cost. However multicast mobile is only now being developed and there can be no certainty that it will be economic to implement it in networks, particularly when 3G networks, in the near future, will be enhanced with HSDPA⁸.
39. Mobile TV over current 3G technology is proven, and the specification of multicast will delay the service unnecessarily. The BBC should offer streamed content in a standard mobile format such as 3GP available to standard media players that are on all 3G devices. Restricting the offering to multicasting technology does not simplify the situation or serve the consumer interest.
40. The BBC should push forward with its simulcast offering by exploiting the existing opportunities in mobile and thus give itself access to a much wider mobile customer base.
41. As with the catch-up service, the MBG would urge the BBC to offer a wholesale service to the mobile operators, so that the customer experience can be optimised.
42. The mobile market has considerable potential, with the right mix of content and technical delivery. The BBC could considerably enhance the public value of these proposals to licence fee payers by making a serious attempt to address the mobile market. If the BBC Trust would like to discuss further any of the points raised in this document, we would be very happy to meet.

⁸ High Speed Downlink Packet Access