

Consultation by the BBC Trust on an application from the BBC Executive to define and promote an IP television standard ('Project Canvas')

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I. Introduction

I.1 Summary

- I.1.1 The Executive has asked the Trust for permission to develop a joint venture proposition that would promote a standards based open environment for internet-connected digital terrestrial and digital satellite television devices (Project Canvas). For consumers this would enable subscription-free access to on-demand television services and other internet-based content, through a new broadband connected digital box.¹
- I.1.2 Having considered the key features of the proposition in the context of its regulatory obligations under the BBC Charter and Agreement the Trust has determined that Canvas is a non-service activity and agreed the process by which it should be evaluated. Further detail on the non-service approval process is set out in section 5.

I.2 The Trust's Role

- I.2.1 The Trust's role is to get the best out of the BBC for licence fee payers and to secure effective promotion of its public purposes. The Charter places specific obligations on the Trust which we will seek to fulfil in our consideration of this proposal. The Trust is required to represent the interests of licence fee payers, assess their views carefully and appropriately, and have regard to the competitive impact of the BBC's activities on the wider market. It must also ensure that the BBC observes high standards of openness and transparency.

I.3 About this Consultation

- I.3.1 The Trust would like your views on Project Canvas. The aim in seeking feedback is to ensure the Trust takes into account the strength and nature of the views of licence fee payers and other parties on whom these proposals may have an effect.
- I.3.2 Views are invited by **17 April 2009**. More information on how to respond to this consultation is set out in sections 3, 4 and 6.

I.4 Timetable

- I.4.1 The Trust has liaised with the Executive regarding process and timetable, as required by the protocol, and determined an appropriate timescale for investigation and consultation, as set out below.

Consultation opens	26 February 2009
Consultation closes	17 April 2009
Consultation on Trust's emerging conclusions opens	8 June 2009
Consultation on Trust's emerging conclusions closes	22 June 2009
Trust publishes final decision	24 July 2009

¹ To access internet content and on-demand services, consumers would need a suitable broadband package.

If there any issues that are not highlighted in this paper that you think the Trust should consider before making a decision on Canvas, it would be helpful if you could draw these to our attention ahead of the main deadline.

2. The Canvas Proposition

2.1 Introduction

- 2.1.1 This section outlines our understanding of the Canvas proposition submitted to the Trust by the Executive. This summary is intended to provide clarity on the scope of the proposal to be assessed by the Trust and should be read together with the application from the Executive, which is published alongside this consultation paper.
- 2.1.2 The Canvas proposition seeks to define and promote a standards based open environment for internet-connected television devices (Project Canvas) that would enable internet (on-demand) functionality for a range of new DTT and DSat digital television devices.
- 2.1.3 The BBC's investment in the development and promotion of these new standards would be funded by the licence fee. The Canvas joint venture would not manufacture, sell or support hardware for consumers. Nor would it create, aggregate or retail content or act as an internet service provider (ISP). Subject to limited requirements on content² and compliance with the minimal technical standards required, the venture will not discriminate between any provider or retailer of content.
- 2.1.4 Before publishing this summary, we have clarified certain details contained in the Executive's application. For the avoidance of doubt, we have agreed with the Executive that the description contained in this section supersedes the description of the proposals for Canvas provided in its application.
- 2.1.5 The details provided here are intended as a guide to the nature of Canvas, as described by the Executive to the Trust, for the purposes of this assessment and are made without prejudice to any final decision on these proposals by the Trust.

2.2 Summary of Proposals

- 2.2.1 The Executive wishes to form a new joint venture partnership to define and promote a standards based open environment for internet-connected television devices, provisionally known as 'Project Canvas'. The aim is to make these standards openly available to device manufacturers, ISPs and content providers to drive the development of new set top boxes and other devices and services that make available linear broadcasts, on-demand audiovisual content (such as BBC iPlayer) and other internet content (including elements of bbc.co.uk) via television sets.
- 2.2.2 If adopted by set top box manufacturers and ISPs, the proposed standards-based approach would allow viewers to access on-demand content on their television set without having to pay a subscription other than for their broadband service.

² For example, offensive material.

What this means for viewers

If approved by the Trust, Canvas would enable viewers who cannot or do not wish to pay for subscription television services to view a range of content on their television sets. This would include on-demand and internet content (such as the BBC iPlayer) from public service and commercial broadcasters. It would also allow access to other internet services (these may include audiovisual content).³

To access content viewers would need to buy a set top box or other device. Viewers could choose between a box or other device which takes its broadcast signal from their aerial (like Freeview) or from a satellite dish (like Freesat).

Although specific configuration is expected to vary by manufacturer, the set top box or other device is expected to include:

- The Canvas standard to allow access to online content
- Local storage, e.g. a personal video recorder
- An Ethernet port for internet connection
- An electronic programme guide

In addition, the ambition is that the equipment would be 'HD-ready' so that as subscription-free HD television services are broadcast on Freeview (some are already available on Freesat) they would be accessible using Canvas equipment.

To access internet content and on-demand services, consumers would need a suitable broadband package. Equipment might be available through well-known retailers or as part of a broadband subscription package from an ISP. If, as intended, the standards are widely adopted, viewers would not be tied to a limited number of ISPs as the equipment would work with a wide range of broadband packages.

As with existing digital services, viewers would select what they wanted to watch through an electronic programme guide. The difference between Canvas and existing subscription-free options like Freeview and Freesat is that viewers could also access services such as BBC iPlayer. This would enable viewers to watch programmes at a time to suit them (on-demand in other words) rather than when they are scheduled for broadcast.

The programme guide would be designed to allow viewers to move easily between scheduled and on-demand programming and to locate their favourite channels or programmes easily within the large amount of available on-demand content.

Viewers could continue to watch the wide range of channels currently available through Freeview or Freesat. They would also be able to view on-demand services available from the BBC and other public service broadcasters, and a wider range of internet-based content. This may include video clips as well as material from public service bodies such as the NHS or Directgov. Although a wide range of internet material would be available, controls would be in place to prevent access to offensive material. Subject to those controls and technical standards requirements, the joint

³ Canvas will require content providers to meet minimum technical and user experience standards.

venture will not seek to discriminate between those providers or retailers of VOD that wish to provide services through Canvas.

Viewers would make a one-off payment (expected to be initially in the £100-200 range) for the set top box, which would be reasonably simple to connect and set up.

Households with a broadband service may be able to utilise their existing connection. Others may need to upgrade to a faster connection or one which allows more data downloads. Those without a broadband service would need to subscribe in order to access on-demand and other internet content.

- 2.2.3 The Canvas joint venture would not manufacture or sell or support hardware for consumers. It would not create, aggregate or retail content or act as an ISP.
- 2.2.4 An electronic programme guide in the form of a user interface (UI) would be specified as part of the Canvas standard. It would allow users to browse and search for content and services.
- 2.2.5 The Canvas joint venture board would set technical standards that enable content to be accessible through the UI. Linear channel availability would be as per the Freeview and Freesat line ups. The Trust has clarified with the Executive that inclusion in the UI may require the payment of a listing fee by the content provider, most likely on a cost recovery basis, as is currently the case with Freesat. The protocols governing access and prominence on the platform would be based on technology standards and should be transparent for all potential content providers.
- 2.2.6 Canvas is being designed for integration with a range of devices, including new versions of both DSat and DTT digital television set top boxes.

2.3 Platforms

- 2.3.1 Canvas would be available via new or modified internet-connected television set top boxes. However, other devices including gaming platforms, mobile devices and television sets may in time offer Canvas functionality. To take advantage of Canvas, it is envisaged that users would need to purchase new set top boxes which meet the Canvas standard.
- 2.3.2 The Canvas proposals would build on the existing functionality enabled by Freeview and Freesat standards, adding functionality which would allow users to receive broadband delivered content. The proposed standard will include hardware requirements which will enable a range of home connectivity options for consumers (see internet connectivity section below). Any further enhancement of the hardware specification would be a matter for box manufacturers. This might in turn influence the retail price of any new set top box. The Executive expects boxes to retail at between £100 and £200 at launch in 2010.
- 2.3.3 The Executive's proposal does not yet set a mandatory hardware profile for Canvas devices, although it does state that there would be minimum technical specifications,

minimum performance standards, recommended technical specification and certification for Canvas devices.

2.4 Internet Connectivity

2.4.1 Canvas users will require a broadband connection to take advantage of features enabled by internet connectivity (i.e. the on-demand features that distinguish Canvas compliant devices from existing free-to-air digital TV devices). Users would need to:

- Subscribe to a broadband service which usually carries a monthly fee, or
- Utilise their existing broadband connection. It is possible they may need to
 - upgrade their existing broadband packages to a faster connection, or
 - upgrade their existing broadband packages to one which allows greater volumes of data downloads

2.4.2 Current broadband networks are not ideally suited to streaming HD content, and the Executive is exploring ways to mitigate this problem. Off-air recording (Push VOD) will also be explored to help offset content delivery costs both to ISPs and content providers.

2.4.3 The Canvas proposal states that Push VOD may be used purely as a technical delivery solution (to minimise distribution costs and impact on the network) rather than a user selected function (i.e. it may be invisible to the user and might simply provide faster access to content).

2.4.4 The Canvas standard would include a minimum quality threshold (specified in terms of the consumer experience rather than any one technology solution) to enable a good service quality for consumers. The Executive believes that it would be possible to receive standard definition video content through Canvas devices via a broadband connection delivering a download speed of around 1.6Mbps⁴, assuming the right combination of speed, download volume and quality of service. Almost all current home and mobile broadband packages advertise download speeds comfortably above this level.

2.4.5 The Executive's application states that connection to the internet would be made as simple as possible for the user. This would include an Ethernet port, allowing users to choose how to connect equipment to their current or new broadband service. The Executive is evaluating different broadband connection options emerging in the market, including wireless and power line, but would expect users to make a decision based on their own preference or existing equipment. ISPs and set top box manufacturers may offer an in-home set up and support option, however, the Canvas joint venture itself is not expecting to provide this service.

2.4.6 Users may still make use of some of the facilities of a Canvas set top box without a broadband connection. However, in this case most on-demand content and IP based services would not be available.

⁴ Based on current compression technology.

2.5 Running Costs for Users

- 2.5.1 ISPs operate in a dynamic market with a range of different cost structures and evolving charging models. Therefore, it is not possible to predict running costs accurately.
- 2.5.2 Home broadband packages (those supplied via a phone or cable connection) are available on a subscription basis typically at a cost in the region of £8-19 a month.⁵ Many of these packages include unlimited downloads, so Canvas users would not be subject to any additional charges for downloading content. However, some packages do have monthly download limits which could lead to some Canvas users incurring additional charges for exceeding their monthly limit.
- 2.5.3 For example, based on an average download size of 675MB per hour⁶, a user downloading an average of one hour of content per day would be using circa 20GB a month. Some home broadband packages have download limits significantly below this.
- 2.5.4 Mobile broadband packages (those supplied via a mobile device plugged into a computer) are also available on a subscription basis, typically at a cost in the region of £10-35 a month.⁷ Most of these mobile broadband packages place a limit on downloads permitted within the standard fee. These limits are typically 3-5GB a month, so Canvas users could be subject to additional charges for exceeding their monthly limit. For example, a user downloading an average of half an hour of content a day would require around 10GB a month.
- 2.5.5 Depending on individual ISP terms and conditions, users wanting to switch to a more suitable broadband package may be required to pay termination or change fees. ISPs may choose to develop service tiers better suited to the delivery of television quality video. This type of broadband package is likely to cost more in order to achieve a higher quality experience.
- 2.5.6 Whilst these estimates illustrate the potential cost implications of accessing content via broadband, it is worth emphasising that the current range of packages (price, download limits and speeds) is likely to change in response to market developments and user requirements over the next few years.

2.6 Availability

- 2.6.1 Subject to Trust approval and depending on manufacturing lead times and marketing plans, the Executive intends to make the Canvas standard available for incorporation in equipment in time for the commencement of free-to-air HD broadcasts on DTT in 2010. Access to services on DTT would be the same as Freeview across the UK. Coverage would improve as regions switch over to digital and DTT transmission strength increases. Access to services on Dsat would be across the UK and would have the same coverage as Sky and Freesat. Access to broadband services would be dependent on third party broadband coverage and would, therefore, be location dependent.

⁵ Advertised terms for home and mobile broadband packages in February 2009

⁶ The current average across a selection of programmes available for download on BBC iPlayer

⁷ Advertised terms for home and mobile broadband packages in February 2009

2.7 Content

- 2.7.1 The proposal aims to allow broadcasters and content providers to make available a wide range of free-to-air television, radio and other online content. Content provision would differ from Freeview and Freesat in that on-demand content and internet-based services that comply with Canvas standards would also be available if a Canvas device is connected to a broadband service. Some of this content may be in HD. The mix of content is yet to be established, but would most likely include:
- Linear free-to-air BBC and other PSB broadcaster content including ‘red button’ content
 - Linear commercial content
 - A variety of PSB and commercial on-demand content, including BBC iPlayer
 - Paid-for content where hardware specifications and user subscriptions allow
 - Re-versioned internet based content including public service content adapted for television
 - Free (including advertising funded) and paid-for interactive services on commercial channels.
- 2.7.2 Canvas would enable services to be offered free at the point of use. However set top box and other device manufacturers may choose to incorporate conditional access functionality to allow access to paid-for television or other services. In these cases additional subscriptions may be required to access paid-for or premium content.
- 2.7.3 As well as payment or subscriptions for premium linear content via conditional access functionality, payment may also be required for internet based on-demand content through a range of payment models.
- 2.7.4 Some channels may carry advertising, but advertisements would not feature alongside BBC content supplied via BBC services, including BBC iPlayer.
- 2.7.5 Existing free-to-air Freesat content would be transmitted unencrypted on satellite. It would continue to be available free and without subscription through Freesat from Sky as well as through PSB Freesat.
- 2.7.6 With so much content potentially available, an easy-to-use interface which enables users to locate channels or programmes easily is essential. The Canvas standard will include requirements for an electronic programme guide to facilitate this. The guide is expected to build on linear EPGs such as those already in use on Freeview and Freesat equipment but with additional features to make movement between linear and on-demand content easy and, through links and search facilities, to make content such as PSB programmes easy to find in the on-demand environment.

2.8 Reach

- 2.8.1 The Executive expects Canvas to appeal mainly to existing Freeview and Freesat customers with broadband access. However, the proposal also aims to drive take-up of broadband services in Freeview or Freesat households which do not currently have a broadband

connection. The proposal may also be attractive to analogue households that have yet to make their switchover choice.

- 2.8.2 The Executive's proposals indicate that the Canvas proposition will conform to best practice in terms of accessibility.
- 2.8.3 The Executive has included in its proposals an initial forecast for the reach of the Canvas proposition. Based on an independent model commissioned for the purpose, it estimates an initial take up of 3.3 million set top boxes by the end of year 3 (2012)⁸. This is the point by which all UK analogue broadcast services are scheduled to complete a switch over to digital transmissions.
- 2.8.4 This estimate assumes competition from paid for services, such as Sky's Picnic proposals which are currently being assessed by Ofcom. The Executive has clarified that its forecasts for take up of Canvas were developed in the summer of 2008 and may change subject to the availability of HD services and the overall economic climate. It has subsequently clarified that not all 3.3m set top boxes will necessarily be connected to the internet.

2.9 Funding and Management

- 2.9.1 The Executive plans to bring Canvas to market using a new brand and joint venture arrangement, distinct from the existing Freeview brand and management arrangements. ITV plc and BT Plc have signalled their intention to join the BBC in a joint venture to develop and promote Canvas. Over time, the Executive hopes the number of partners will increase and would also include ISPs which would be represented on the Canvas management board, subject to qualifying criteria (such as sharing some of the costs of the joint venture).
- 2.9.2 The Executive has advised the Trust that its ambition is, subject to existing approvals and any further regulatory constraints, to include the existing Freesat brand and management in the new Canvas joint venture. In this event the BBC would continue to meet the existing obligations required of the existing Freesat venture, including the provision of free-to-air digital television and radio services to those areas without DTT coverage and offering capabilities currently unavailable via DTT – specifically HD.
- 2.9.3 The Executive has estimated a total cost in terms of licence fee funds for developing and bringing Canvas proposals to the market. These figures assume that for reasons of operational efficiency, the BBC and partners have included Freesat in the new venture as described above. The likely combined operational costs of such a venture would be around £16.6m over the next five years. The proposed additional costs to the BBC over this period are around £6m, as investment in the Freesat venture is already provided for within existing BBC funding. These figures assume cost sharing with three additional Canvas JV partners on an equal basis.

⁸ This is based on the low case scenario described in section 7 of the BBC Executive's submission and is made up primarily of existing Freeview homes with broadband. The numbers assume that there are competitor responses.

2.10 Television licensing requirements

- 2.10.1 Television licensing requirements would not be affected – a licence being required for the reception of broadcast television services and the viewing of concurrent broadcast streams online (including watching live television broadcasts over the internet). A television licence is not currently required for the use of catch up television services, such as BBC iPlayer, or video on-demand content on a PC.

2.11 Regulation

- 2.11.1 The provision of BBC content accessed via Canvas would be subject to the existing permissions and ongoing regulation by the Trust. Non-BBC content provided on Canvas would be the responsibility of the individual content providers.
- 2.11.2 Ultimate responsibility for editorial standards for BBC content would remain with the Director-General of the BBC.

2.12 Timescales

- 2.12.1 The Executive wishes to develop Canvas in conjunction with the planned launch of HD services on the DTT platform.
- 2.12.2 The digital switchover timetable is also an important consideration. Joint venture partners wish to minimise the risk that consumers invest in new equipment for switchover which is then overtaken by Canvas. Such equipment would not be obsolete, but users might wish that the Canvas option with its extra features had been available at the point of switchover.
- 2.12.3 Subject to Trust approval, it is expected that the Canvas proposition would launch at some point in 2010.

2.13 Wider BBC Strategy

- 2.13.1 The Executive considers these proposals would enable licence fee payers to continue to enjoy the existing benefits of free to air standard and HD services, and in addition would facilitate access to the BBC's existing on-demand (e.g. BBC iPlayer) services via a standard or HD ready television set. Internet-connected television platforms would also allow the BBC to make available internet content on bbc.co.uk (as is currently done for mobile phones and red button interactive) for the television screen. It would also enable access to similar services from other broadcasters and content providers. The BBC would continue to syndicate its content and services.
- 2.13.2 The Executive stresses the importance of Canvas to keep the functionality of the UK's free-to-air platforms consistent with other platforms. It suggests that without the creation and promotion of the Canvas standards, those licence fee payers who are unable or unwilling to pay for subscription television services would have a limited choice of audiovisual services and would not be able to access the full range of BBC content 'on-demand'.

- 2.13.3 The Executive's stated ambition is to work with partners to deliver the Canvas proposal. It is therefore an important element of the BBC's broader 'Power of Partnership' proposals as set out in the BBC's response to the second part of Ofcom's PSB review. Canvas is also seen by the Executive as making a significant contribution to delivery of the BBC's public purposes, in particular supporting specific commitments to building Digital Britain, creating public value and providing a stimulus for wider broadband adoption and the use of new digital technologies.
- 2.13.4 The Executive also notes the recommendations of the Digital Britain Review, in particular Action 20 which states: 'We are inviting the BBC to play a leading role, just as it has in digital broadcast, through: marketing, cross-promotion and provision of content to drive interest in taking up broadband. With other public service organisations, the BBC can drive the development of platforms with open standards available to all content providers and device manufacturers alike.'
- 2.13.5 The Executive hopes that Canvas will build upon the contributions the BBC has made to the take-up of digital television in the UK, particularly through its leading role in Freeview and to the take-up of on-demand audiovisual consumption through BBC iPlayer. Its stated ambition is to maintain a direct link with licence fee payers by providing the BBC's content via BBC iPlayer to the television on a zero contract, free-to-air platform.

3. Assessing Public Value

3.1 Approach

3.1.1 As part of its assessment, the Trust aims to establish the likely public value of the Canvas proposals. As a starting point for its assessment, the Trust considers the strategic objectives underpinning proposals. It then considers whether the proposals fit with the BBC's public purposes. It is a prerequisite of any approval that a proposed service or offering should further the public purposes in some way. In making its assessment, the Trust will seek to establish a view on the following:

Table 3.1: *assessing the proposal's fit with the drivers of public value*

Criteria	Proposal's fit with the drivers of public value
Reach	How far will the proposal extend the reach and usage of BBC services?
Quality & Distinctiveness	Is the proposal of high quality and distinctive to the licence fee payer?
Impact	Will the proposal create consumer and citizen benefits, for individual licence fee payers and for society as a whole and what value would they place on the proposal once implemented?
Cost and Value for Money and risk	How much will the proposal cost? Does it represent value for money and is it an appropriate use of licence fee funds? What are the financial, operational and reputational risks attached to the proposal?

3.2 Trust consultation questions about public value

3.2.1 In seeking representations on the public value assessment of the proposal for Canvas, the Trust is interested in your responses to the following questions. You may complete the questions in full or in part. It would be helpful if you would take the time to explain your reasoning when answering.⁹

1. Do you think the Executive's proposal for Canvas is attractive from a consumer point of view? Do you think Canvas would be a good use of licence fee money?
2. How important is it that the BBC improves access to its on-demand and online video content in the run-up to digital switchover and the launch of terrestrial HD television? Do you think the proposals for Canvas will help to achieve this?
3. In what ways do you believe these proposals are different from other services or facilities available (or anticipated soon to be available) in the wider market?

⁹ A confidentiality statement can be found at page 23.

4. What effect, if any, do you think Canvas will have on consumption of on-demand television and radio content (including content that is currently only available through subscription based or paid-for services)?
5. Is Canvas likely to be valuable, attractive and accessible to all licence fee payers? Does Canvas have a particular appeal to certain groups of people? Are there any groups who are likely to be excluded from enjoying any benefits of Canvas?
6. One of the stated objectives of Canvas is to drive take-up of broadband services in households with Freeview or Freesat which do not currently subscribe to a broadband connection. To what extent do you believe the proposal will achieve this objective?
7. The BBC's role is defined by six 'public purposes', these are:
 1. Representing the UK's nations, regions and communities
 2. Sustaining citizenship and civil society
 3. Promoting education and learning
 4. Stimulating creativity and cultural excellence
 5. Bringing the UK to the world and the world to the UK
 6. Helping to deliver digital Britain.

The Canvas proposal aims to make a significant contribution to the delivery of the sixth purpose, which includes:

Making engaging digital content and services available on a wide range of digital platforms and devices: the BBC will offer interesting and enjoyable programmes and services that can be received through many different devices such as digital television, digital radio, mobile phones and the internet.

To what extent do you believe the proposal, as outlined, will contribute to this public purpose?

8. Are there any other issues regarding the public value assessment of the Canvas proposals you would like the Trust to consider?

4. Assessing Market Impact

4.1 Approach

- 4.1.1 This section of the consultation document is aimed at people and businesses with an interest in the potential market effects of the Canvas proposals.
- 4.1.2 In addition to looking at public value considerations, the Trust will undertake a detailed examination of the likely impact of the Canvas proposition on markets in which it will be implemented, as well as related markets. In undertaking such an assessment we will examine both the potential positive and negative impacts created by the investment in Canvas in these markets.
- 4.1.3 The Trust's assessment of the likely impact of Canvas will be based on a number of interrelated work streams. These will include:
- Discussions with stakeholders
 - Written submissions from stakeholders
 - Consumer research carried out by independent consultants
 - Desk research
 - Research by independent consultants
 - Forecast modelling of the key markets impacted

We would like to understand your views on what would be the likely positive and negative impacts of the BBC's investment in Canvas on the markets in which you operate, as well as your operations in those markets.

4.2 Trust Consultation Questions about Market Impact

- 4.2.1 To inform its market impact assessment of the proposed investment in Canvas, the Trust invites submissions about the proposal's effects on other stakeholders' (planned or current) products and services. These effects might be existing or potential, positive or negative.
- 4.2.2 To guide your response we have set out a range of questions below but we would welcome additional information where you feel such information would be relevant and helpful. We have included the following material to assist you:
- A questionnaire
 - The Executive's preliminary market impact assessment
- 4.2.3 It is very important that you substantiate your comments with available supporting evidence whenever this is possible. Relevant evidence could include business plans or other internal papers, consumer surveys or other relevant analysis of the markets you believe would be impacted.
- 4.2.4 A confidentiality statement can be found at page 23.

The markets or sectors in which you operate

1. Please provide a brief assessment of how you see the markets or sectors in which you operate – and which may be impacted by Project Canvas - evolving over the next five years. What do you believe are likely to be the most important trends in terms of technological development and/or consumer demand?
2. Please explain whether you believe the BBC's planned investment in Canvas would impact how these markets will evolve (either positively or negatively). For example, do you believe Canvas would create barriers to entry in any of those markets? Do you believe Canvas would have positive or negative impacts in any of those markets?
3. What do you think would be the impact of Canvas on demand for television and radio services?

Impact on current plans

4. Which of your organisation's existing products or services are likely to be impacted by the launch of Canvas? Please set out the reasons for your response.

For each product or service you believe would be impacted by Canvas please set out:

- A brief description of the product or service
 - The customer base
 - The date of launch (if within the last five years)
 - The platform(s) on which the product or service are provided
 - Take-up since launch
 - Projected take-up for the next five years absent the investment in Canvas
 - A description of the economics of each product and service to include, where possible, revenues, direct costs and net margins. Please quantify these economics where possible
 - An explanation of how the economics of the product or service have evolved since launch and how they are expected to continue to evolve absent the launch of Canvas
 - Current investment plans for the product or service
5. Please explain whether and how the proposed investment in Canvas has already had any impact on your products or services.
 6. Please set out how you believe the launch of Canvas would impact the current or future operation of each product or service described in question (3) above over the next five years.

Impact on future plans

7. Please specify whether any of your organisation's planned investments in new products or services are likely to be impacted by the launch of Canvas? Please set out the reasons for your response.

For each proposed new product or service you believe will be impacted by Canvas please set out:

- A brief description of the product or service
 - The intended customer base
 - The proposed launch date
 - The platform(s) on which the product or service will be provided
 - Projected take-up for the next five years absent the investment in Canvas
 - The business case for each product or service to include, where possible, revenues, direct costs and anticipated margins. Please quantify these economics where possible
8. Please set out how you believe the investment in Canvas has already impacted or will impact these planned investments.

Cost base and potential investment

9. Please explain how the BBC's investment in Canvas would affect your business model.
10. Please explain how the BBC's investment in Canvas would impact the overall existing cost base of your business not covered by your answers to the above questions.
11. Please identify and explain how the BBC's investment in Canvas may impact any potential investment plans which you have identified but have not yet planned.

Mitigation of impacts

12. Please explain whether any potential negative impacts identified as a result of the investment in Canvas can be addressed and/or mitigated by:
- a. Your organisation
 - b. Other stakeholders
 - c. The BBC through changes and safeguards put in place.

4.3 The Executive's Preliminary Market Impact Assessment

- 4.3.1 As part of its application the Executive included a preliminary market impact assessment. This is attached in the following section.
- 4.3.2 The preliminary market impact assessment analyses the impact of Canvas on potentially affected sectors over the next five years. This includes an assumed counterfactual, or a view as to how that market would develop absent the investment in Canvas. It also includes a number of scenarios around how the market may develop if Canvas were to be launched.
- 4.3.3 Whilst the Executive's preliminary market assessment is informative, the Trust will carry out its own independent market impact assessment. It should, however, be noted that the Executive's assessment of market impact includes a number of assumptions which will be relevant to any analysis undertaken by the Trust.

Therefore, we welcome your views on the following:

- a. The Executive's discussion of counterfactual scenarios
- b. The approach to analysis taken by the Executive and its use of scenarios, as well as any additional scenarios you believe to be most relevant to scoping out the range of possible impacts in this market
- c. Whether you agree with the positive and negative impacts identified in the Executive's analysis.

The Executive's view is that its proposals conform to applicable competition law (including state aid law). The Trust will seek its own verification of this during the approval process by, for example, obtaining independent legal advice but would welcome any comments from stakeholders on these issues.

5. The Non-Service Assessment Process

- 5.1 As a non-service activity Canvas must be assessed by the Trust according to the principles set out at Clause 22 of the Framework Agreement and the accompanying protocol on procedures and clearances for non-service activities¹⁰ (as well as in the context of its broader responsibilities under the Charter and Framework Agreement).
- 5.2 The Trust will seek to ensure that the principles which underlie the treatment of services are, where relevant, applied to non-service activities in a way which the Trust considers appropriate to the circumstances. The Trust has accordingly considered the nature and potential significance of Canvas in order to determine the appropriate principles that should be applied and process that should be adopted when evaluating the proposal.
- 5.3 On the basis of the information provided to the Trust by the Executive, the Trust considers Canvas, as a new proposal for distribution of services, to be a non-service proposal of significance that warrants detailed evidence-based assessment by the Trust and consultation with stakeholders. Whilst the Trust considers that it is appropriate to apply the principles underlying the treatment of services with rigour, it does not consider that a full PVT is required or necessary in this instance. Further, as noted in the protocol on non-services, the Trust will take account of the following considerations in deciding whether to grant an approval:
 - a. Public value
 - b. Value for money
 - c. Interests and perspective of the licence fee payer
 - d. Market impact
 - e. Risk (financial, operational, reputational)
 - f. Compliance with the law and with BBC and Trust policies
- 5.4 We have set out above the way in which the Trust might approach the evaluation of these criteria in this context. The Trust will also consider whether, if approved, the Canvas joint venture should be subject to any ongoing terms or conditions. The purpose of any such terms or conditions might be to enhance public value and/or, as noted below, take account of any potential negative market impact.
- 5.5 In relation to a joint venture partnership, the Executive must use its best endeavours to ensure that the activities of the joint venture comply with the Trust's Fair Trading Policy. The Trust will form a view as to how the Canvas proposition fits with these requirements.

¹⁰ http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/protocols/d7_non_service_approvals.pdf

6. Responding to this Consultation

6.1 Introduction

6.1.1 The Trust welcomes views from the public and other stakeholders on all elements of the Executive's proposals for Canvas. We have set out in this document a number of questions to which we are specifically seeking your thoughts but also welcome more general comments on these proposals.

6.1.2 You may submit your response in the following ways:

At the Trust's website: www.bbc.co.uk/bbctrust

By email to: canvasconsultation@bbc.co.uk

By post to:

Canvas Consultation
BBC Trust
35 Marylebone High Street
London W1U 4AA

Please note that your submissions as part of this consultation may be published unless you tell us you would like your views to be treated in confidence. Typically, we will aim to publish responses from organisations, but provide only a summary of individual responses.

Audio and Braille versions of this document are available upon request by calling the BBC Trust Consultation line on 0800 068 0116 or text phone 0870 010 0212.

The first stage of the consultation will close on **17 April 2009**.

6.1.3 The Executive's application and supporting evidence are published on the Trust's website,¹¹ subject to certain redactions for reasons of commercial sensitivity. The Trust is committed to making the non-service approval process as open and transparent as possible and has tried accordingly to keep these redactions to a minimum.

6.2 How the Trust will use your Response

6.2.1 A summary of responses to this consultation will be published on the Trust website (bbc.co.uk/bbctrust) after the consultation has closed. Comments will be used by the Trust, where appropriate, in reaching its final decision on the Canvas proposals.

6.2.2 Names and/or addresses of individual respondents will not be published on the Trust website. The Trust will publish details of organisational responses. Please copy or sign the declaration below to signal that you are prepared for some or all of your response to be

¹¹ www.bbc.co.uk/bbctrust

made public. Otherwise the assumption is that some or all of your response may be made public. If you would prefer that all or part of your response be treated as confidential, please make this clear in your submission.

Confidentiality Statement

PLEASE PRINT AND SIGN THIS DECLARATION IF YOU ARE SENDING A HARD COPY OF YOUR RESPONSE. IF YOU ARE SENDING AN ELECTRONIC RESPONSE, PLEASE COPY THIS STATEMENT INTO THE RESPONSE AND COMPLETE IT.

If you would prefer that all or part of your response be treated as confidential, please complete the confidentiality section below.

What do you want the BBC Trust to keep confidential?

Nothing	
Whole response	
Part of it	
Which part? (Please indicate)	

Name
Position/job title (if applicable)
Organisation (if applicable)
Address
Telephone
Email address

The BBC Trust will retain and use your name, address, email address and the organisation you work for (if applicable) for the purposes of administering the online public consultations held on this website. You will have the option of deciding whether you want your response and, if responding on behalf of an organisation, its name displayed on this website (all other personal information will be withheld from display). Your personal details will not be passed to any third parties for marketing purposes.

The BBC complies with the Data Protection Act 1998. For more information on BBC's Privacy Policy please refer to <http://www.bbc.co.uk/privacy/>.

The BBC is listed as a public body in Part VI of Schedule 1 to the Freedom of Information Act 2000; this means that, subject to certain restrictions, the BBC may be required to disclose information it holds to individuals and organisations making a valid request to be supplied with that information under the Act.

If you have requested that all or part of your response should be kept confidential, the BBC will take reasonable steps to maintain confidentiality of that information if a request for its disclosure is received under the Act. Please note, however, that in the event the BBC is able to withhold information under the Act, this decision may be overturned by the Information Commissioner, the Information Tribunal or the courts.

Please note that we may still refer to the contents of responses in general terms, without disclosing specific information that is confidential. We will exercise due regard to the confidentiality of information supplied.

DECLARATION

I confirm that the information I have submitted is a formal consultation response. It can be published in full on the BBC Trust's website, unless otherwise specified, and I authorise the BBC Trust to make use of the information in this response to meet its legal requirements. If I have sent my response by email, the BBC can disregard any standard email text about not disclosing email contents and attachments.

Name

Signed (if hard copy)

7. Glossary of Terms

Broadband	Always on, high-speed connection to the internet, capable of supporting high bandwidth services, such as video
DSat	Digital satellite television. This is a system of digital television using a system of communication satellites and satellite dishes. Typically, broadcasts are received by a small satellite dish aligned with the correct satellite cluster and typically decoded using a digital set top box or idTV promoted by Sky or Freesat.
DTT	Digital terrestrial television. This is a system of digital television received using a standard or upgraded rooftop aerial and typically decoded by a digital set top box or idTV promoted by Freeview.
EPG	Electronic programme guide. This is a digital, on-screen guide to scheduled broadcasts and other content typically navigated via a set top box remote control handset.
HD	High definition.
idTV	Integrated digital television. A television set with a built-in digital tuner.
IP	Internet protocol. A method by which data (e.g. email, video) are sent from one computer to another on the internet.
IPTV	Internet protocol television. Digital television delivered over a 'closed' IP network infrastructure and engineered to provide a high quality service to the subscriber. In this context, Canvas will not employ a closed IPTV network but will use the open internet to deliver content.
ISP	Internet service provider. A provider of broadband services, usually offered via a monthly subscription
JV	Joint venture. The cooperation of two or more individuals, businesses or organisations – each agreeing to share profit, loss and control – in a specific enterprise
Linear content	Refers to scheduled broadcast television content.
MIA	Market impact assessment, undertaken to assess the market impact of new BBC proposals.

Multiplex	A digital stream or service capable of simultaneously carrying multiple signals as a single, complex signal on a single carrier. The separate signals are recovered at the receiving end. In broadcasting, multiplex refers to a set of up to half a dozen compressed digital channels typically occupying the same bandwidth as a single analogue service. A set top box is required to unmix and select a channel for viewing.
NSA	Non-service approval. The mechanism by which the BBC Trust assesses applications from the BBC Executive for activities which do not have the nature of a service and are therefore outside the scope of many of the Trust's formal requirements as expressed in the Charter and Agreement (such as the system of service licences and the detailed requirements about the Public Value Test and market impact assessments)
On-demand	Feature that allows users to select and view film, radio and television programmes and other content, usually within a certain timeframe.
PSB	Either 'public service broadcast' or 'public service broadcaster'.
Push VOD	A push VOD system uses local storage such as a personal video recorder (PVR) to automatically record a selection of programmes either off-air or transmitted overnight using spare capacity. Users can then watch the downloaded programmes at a time of their choosing. As content occupies space on the PVR hard drive, downloaded content is usually overwritten after about a week to make way for new programmes.
PVA	Public value assessment, undertaken by the Trust to assess the value of BBC proposals, including value to licence fee payers, value for money and wider societal value.
PVR	Personal Video Recorder. The main component of which in this context is a hard disk drive which stores digital audiovisual content. The use of this device is sometime referred to as 'time-shifting'.
SD	Standard definition
Standards based open environment	Canvas will offer a standards based open environment i.e. it is open to all entrants (content publishers, device manufacturers etc.) who adopt and use Canvas specifications. These specifications will be substantially based on standards used within the internet and broadcast industries.

STB	Set top box. A hardware device typically connected to both an external receiver, such as an aerial or satellite dish and a domestic television set (in the case of an IDTV, similar technology is incorporated within the television itself) which decodes digital multiplexed broadcasts into constituent channels for viewing.
Switchover	The digital TV switchover is the process of turning off the UK's analogue TV signal and replacing it with a digital signal.
VOD	Video on-demand – see 'on-demand' above.