Edexcel GCE

Economics and Business

Advanced
Unit 4B: The Wider Economic Environment and Business

January 2011 and June 2011

Paper Reference
6EB04/01

Pre-release material
To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4B question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

Turn over

W37958A

©2011 Edexcel Limited.

1/1/1/

edexcel advancing learning, changing lives

Evidence A

The BBC is the main UK public service broadcaster and is largely funded in the UK by a compulsory annual licence fee, paid by all UK television viewers, which raised the BBC £3.49 bn in 2008/09. This is unlike ITV, Channel 4 and Five that are funded almost entirely by advertising. These channels are all 'free to air'.

Sky and Virgin both offer additional television channel packages, including some from other broadcasters. These companies are financed by monthly fees from subscribers as well as by advertising revenue.

Evidence B

YouTube strikes deal with UK broadcasters to test pre-roll advertisements

Several UK broadcasters have signed up for a trial of pre-roll advertisements (short adverts shown at the start of the clip) on YouTube, with the first adverts on Channel 4 clips. Revenue is shared between YouTube and the broadcasters.

YouTube is to launch the trial with its existing partners Channel 4, BBC Worldwide, National Geographic, ITN and Discovery Networks. ITV scrapped its target of making £150 m a year by 2012 from its online operation, and does not have a partner relationship with the Google-owned YouTube.

Advertisers signed up to run pre-roll campaigns on YouTube include Renault, Nissan, Match.com and Activision. Until now, partners such as Channel 4 have obtained revenues from their YouTube channels via advertisements running alongside the video content, not from pre-roll commercials.

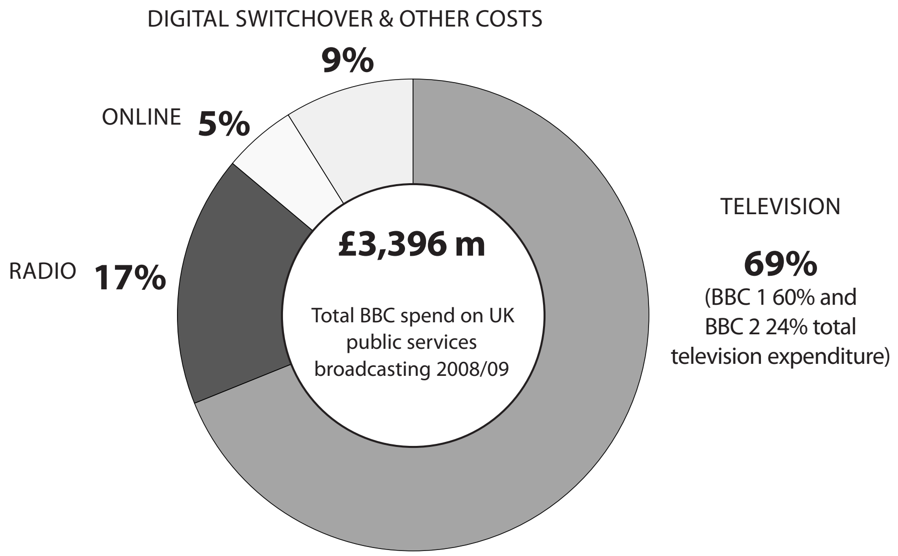
BBC Worldwide and YouTube also renewed their global partnership to make programming including Doctor Who, Top Gear and The Mighty Boosh available on YouTube. BBC Worldwide also plans to launch YouTube channels for comedy, cooking and natural history clips as well as a US-only BBC America branded channel.

'Building communities for fans and developing new opportunities for advertisers is at the heart of our new partnership with YouTube,' said Simon Danker, BBC Worldwide director of digital media global partnerships.

(Source: adapted from Mark Sweney, *The Guardian*, 21 May 2009)

Evidence C

What the BBC licence fee pays for



What the UK licence fee pays for

In the financial year 2008/2009, the UK licence fee was £139.50.

The £11.63 a month, or 39p a day, paid by each household, funded all the BBC's programmes and services on TV, radio and online. The licence fee increased to £142.50 on 1 April 2009.

(Source: adapted from *Media Guardian*, 18 January 2007 and 3 March 2010)

Evidence D

BBC Trust Chair warns on 'blank cheque'

BBC Trust (the BBC's governing body) Chair Sir Michael Lyons has said that any proposals for what to do with a licence fee surplus should be judged against simply returning it to the public. A surplus of £250 m was left over due to lower than expected take up of the Switchover Help Scheme towards the universal provision of broadband service across the UK.

Sir Michael stated: 'Any proposal to spend any of the licence fee has to be judged against the public value it delivers. That's the acid test.'

He was commenting on the suggestion from Ofcom, the media regulator, that some of the surplus be used to top up Channel 4's funding or for the funding of local news consortia to relieve ITV of its obligations to provide regional news on Channel 3.

'Let's not forget whose money we are talking about here. Not the Government's, not political parties', not other regulators' and ultimately not the BBC's. It's the public's money. It's licence fee payers' money. To suddenly tell licence payers that their money is being siphoned off, as some have suggested it should be, would be more than an act of bad faith, it would be tantamount to breaking a contract.'

'We know what the public would like to happen to any surplus. Ofcom's own research shows they'd like their money back. As far as the Trust is concerned, returning any surplus to licence fee payers is the benchmark against which any other proposal should be judged.'

(Source: adapted from www.digitalspy.co.uk, 20 May 2009)

Evidence E

Annual % shares of viewing figures

	Channel						
	BBC1	BBC2	ITV 1	Channel 4	Channel 4 +1	Five	Sky and Virgin (Satellite and Cable)
1997	30.8	11.6	32.9	10.6	–	2.3	11.8
2001	26.9	11.1	26.7	10	–	5.8	19.5
2003	25.6	11	23.7	9.6	–	6.5	23.6
2005	23.3	9.4	21.5	9.7	–	6.4	29.7
2008	21.8	7.8	18.4	7.5	0.7	5	38.8

(Source: adapted from www.barb.co.uk)

Evidence F

Project Kangaroo blocked by Competition Commission

Project Kangaroo, the online TV joint venture between ITV, Channel 4 and BBC Worldwide, has been blocked by the Competition Commission (CC). The plan was for a shared video-on-demand (VoD) system similar to BBC's iPlayer.

The venture was considered to be too much of a threat to competition in the emerging UK VoD market. Up to 50 jobs will be lost following the decision. The project's backers are thought unlikely to appeal against the ruling.

An interim CC report had looked at remedies, including stopping the partners joint-selling prime catch-up TV content, and ruled that none of these went far enough. 'After careful consideration, we decided that it would be too much of a threat to competition in this developing market and has to be stopped,' said the chairman of the CC in his final report. 'BBC Worldwide, ITV and Channel 4 together control the vast majority of UK-originated content, which puts them in a very strong position as wholesalers of TV content to restrict competition from other providers of VoD to UK viewers,' said Freeman. 'We thought viewers would benefit from better VoD services if the parties – possibly in conjunction with other new and/or already established providers of VoD – competed with each other.'

Michael Grade, the ITV chairman, said: 'We are surprised by the decision because we believed that Kangaroo, competing against dominant global brands, was an attractive UK consumer proposition, free at the point of use.' A statement from all three partners expressed 'disappointment' at the decision. 'While this is unwelcome for the shareholders, the real losers from this decision are UK consumers. This is a disproportionate remedy and a missed opportunity in the development of British broadcasting.'

The CC may have been swayed by the lobby against Kangaroo including Sky and Virgin. This is bad news for the consumer. The ruling will mean that programmes will be less accessible and available in fewer places. There is also something peculiarly anachronistic about the idea of a group including Channel 4 and ITV being considered 'too powerful' for anything. These businesses, by the admission of their own managements, find themselves in deep trouble owing to the combination of technological change and sharp economic downturn.

(Source: adapted from *The Guardian*, 4 February 2009 and 8 December 2008)

Evidence G

EU reviews public TV funding as France abolishes advertisements

As France moves towards advertisement-free public TV, a revision of state-funding rules for public broadcasters is under way at the European Commission (EC). French TV viewers are able to enjoy programmes on the main state-owned channels without the interruption of advertising breaks. The development is the result of reforms by French President Nicolas Sarkozy.

Deprived of advertising revenue, public TV in France will be heavily dependent on state financing. Sarkozy plans to make up the loss of funds by taxing commercial television advertising revenue and introducing a tax on internet and telephone providers, resulting in €450 m (£406 m) of funding for 2009. The French TV licence for 2010 is €121 (£109). M. Sarkozy's critics allege that his true motive is to transfer part of the shrinking pot of advertising revenue to the privately owned television channels.

Last November, EU Competition Commissioner Neelie Kroes launched a consultation to review EU state funding rules for public television. The EC is convinced that current legislation has many shortfalls and allows for public TV channels which are sometimes subsidised more heavily than necessary.

The Commission also complains of cross-subsidisation, where state-funded broadcasters use public money to launch services which differ from their remit, potentially violating competition rules.

(Source: adapted from http://www.euractiv.com 6 January 2009)

Evidence H

Selected EU colour TV licence fees 2009 (euro equivalent)			
Country	**Licence fee**	**Advertising accepted on state channels**	**Government grant**
Austria	€ 276.72	Yes	No
Cyprus	€ 0.00	Yes	No
Czech Republic	€ 56.90	Yes	No
Denmark	€ 288.00	No	No
Finland	€ 232.20	No	Yes
France	€ 116.00	No	No
Germany	€ 204.36	Yes	No
Greece	€ 51.60	Yes	No
Hungary	€ 0.00	No	Yes
Ireland	€ 160.00	Yes	No
Italy	€ 106.00	Yes	No
Malta	€ 34.40	Yes	No
Poland	€ 53.00	Yes	No
Spain	€ 0.00	No	Yes
United Kingdom	€ 176.00	No	No

(Source: adapted from http://en.wikipedia.org/wiki/Television_licence)

Evidence I

The role of television advertising

Academic research confirms that hours spent in television viewing correlate with measures of poor diet, poor health and obesity among both children and adults. Three explanations for this have been offered:

- television viewing is a sedentary activity that reduces metabolic rates and displaces physical exercise
- television viewing is associated with frequent snacking, pre-prepared meals and/or fast food consumption
- television viewing includes exposure to advertisements for HFSS (high in fat, salt and sugar) food products.

(Source: http://www.ofcom.org.uk/research/tv/reports/food_ads)

BLANK PAGE