



# Helping drive growth in the UK creative economy

A Report by the BBC

September 2011

*“No one doubts the economic importance of the creative industries to the UK. At 6.2 per cent of the economy, and growing at twice the rate of other sectors, they are proportionately the largest of any in the world.”*

NESTA 2010

*“The UK has the largest creative sector in Europe, one of the world’s largest music industries and one of its most advanced digital TV and radio markets. If the UK is to rebalance its economy and achieve high growth, the creative sector has a crucial role to play.”*

CBI 2010

*“The BBC is responsible for the fact we have probably the highest quality content in the world”*

Jeremy Hunt 2010

## Contents

<b>Introduction</b>	i
<b>Executive Summary</b>	1
<b>Chapter1: Setting the scene</b>	
1.1 The economic and policy framework	7
1.1.1 <i>Introduction</i>	
1.1.2 <i>The economic theory</i>	
1.1.3 <i>The UK policy framework</i>	
1.2 The importance of the digital and creative industries	9
1.3 The BBC's role in meeting the growth challenge	10
1.4 A framework to describe the BBC's contribution to growth	12
<b>Chapter 2: The BBC's contribution to creative sector growth</b>	
2.1 Adding value to the UK economy	14
2.2 Improving productive potential and stimulating demand and exports in the UK creative sector	
2.2.1 <i>Training and developing UK creative talent</i>	14
2.2.2 <i>Enhancing technological progress through R&amp;D</i>	19
2.2.3 <i>Supporting the UK production sector and the wider creative industries</i>	23
2.2.4 <i>BBC Worldwide: growing exports and inward investment</i>	26
2.2.5 <i>Supporting new technologies and new markets</i>	29
2.2.6 <i>Showcasing the cultural and creative sectors</i>	32
2.3 Making economic growth sustainable: helping to rebalance the UK economy	
2.3.1 <i>A more sustainable creative sector</i>	35
2.3.2 <i>Sectoral rebalancing</i>	36
2.3.3 <i>Geographical rebalancing</i>	39
<b>Chapter 3: The future</b>	43
<i>Annex &amp; Bibliography</i>	45

## Introduction

The policy debate about growth in the UK has been a discussion of both the need to encourage and facilitate growth and the need to make that growth sustainable; to rebalance the economy towards highly skilled, high technology sectors where the UK has a comparative advantage. The government and others have identified the digital and creative sector as an important source of growth.

A BBC of scale and scope with a stable funding mechanism lies at the heart of a successful UK creative economy. The BBC's primary purpose is to deliver great content and services to licence fee payers but in doing so it can also help create the conditions which support economic growth. In this respect, the BBC sits alongside other services, such as higher education and health, which serve a public purpose while also offering growth opportunities.

The BBC's future strategy will focus on core editorial priorities, setting the highest standards and increasing the proportion of its investment on UK content.<sup>1</sup> But the BBC must deliver this strategy – in common with almost every other public institution – within a new, more constrained funding settlement.

The BBC has produced this report to identify those of its activities that have a positive growth impact and to examine how it can help better position the UK creative sector to expand and prosper. Consistent with its public purposes, the BBC is committed to thinking harder about how the licence fee can be spent in ways that better support creative businesses, and about new partnerships that can deliver increased value both for the BBC and for others.

John Tate,  
Director of Policy & Strategy  
Chairman, BBC Studios

---

<sup>1</sup> BBC, *Putting Quality First*, March 2010  
[http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/strategy\\_review.pdf](http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/strategy_review.pdf)

## Executive Summary

Following the economic and financial crisis in 2008, governments across the world have focused on encouraging sustainable, long-term economic growth. The UK government has identified the digital and creative industries as an important building block for the UK's future economic growth. Exports from across the sector, for example, are worth £16 billion annually to the UK economy, over 4% of all goods and services.<sup>2</sup>

Economic growth in the creative sector, as in others, is driven ultimately by commercial companies who have the capital and incentive to build their businesses and employ more people. However, the right policy framework and interventions – for example, in education and skills - help create the conditions conducive to growth.

Sustainable growth is most likely to be found in those sectors which are characterised by competitive markets, product innovation, and a skilled talent base. The success of the UK broadcast sector has been based on competition for quality between a range of public and private providers with access to different sources of funding and with different institutional models.

The BBC's mission is to provide high quality programmes and services that inform, educate and entertain and fulfil its public purposes. It acts as a quality benchmark and ensures an uninterrupted flow of investment into UK content and into the development of the best UK talent. In fulfilling this mission, the BBC also adds significant value to the UK economy overall and the creative sector in particular. Licence fee funding ensures over £2.5bn is spent on content annually with over £1.1bn of that invested outside the BBC. Across all its activities, the BBC added over £8bn of value to the UK economy in 2009/10 - generating over two pounds of economic value for every pound of the licence fee<sup>3</sup>.

As importantly, the BBC's scale and judicious use of public funding help create the right conditions for the UK creative sector, and for private firms within the sector, to grow. First, it enhances the productive potential - the supply-side - of the creative sector by enhancing its key productive inputs, through, for example, investing in skills and technology innovations. Second, it stimulates the demand-side through, for example, the scale and scope of its commissioning of content from the independent production sector and the support it provides for exports of UK content.

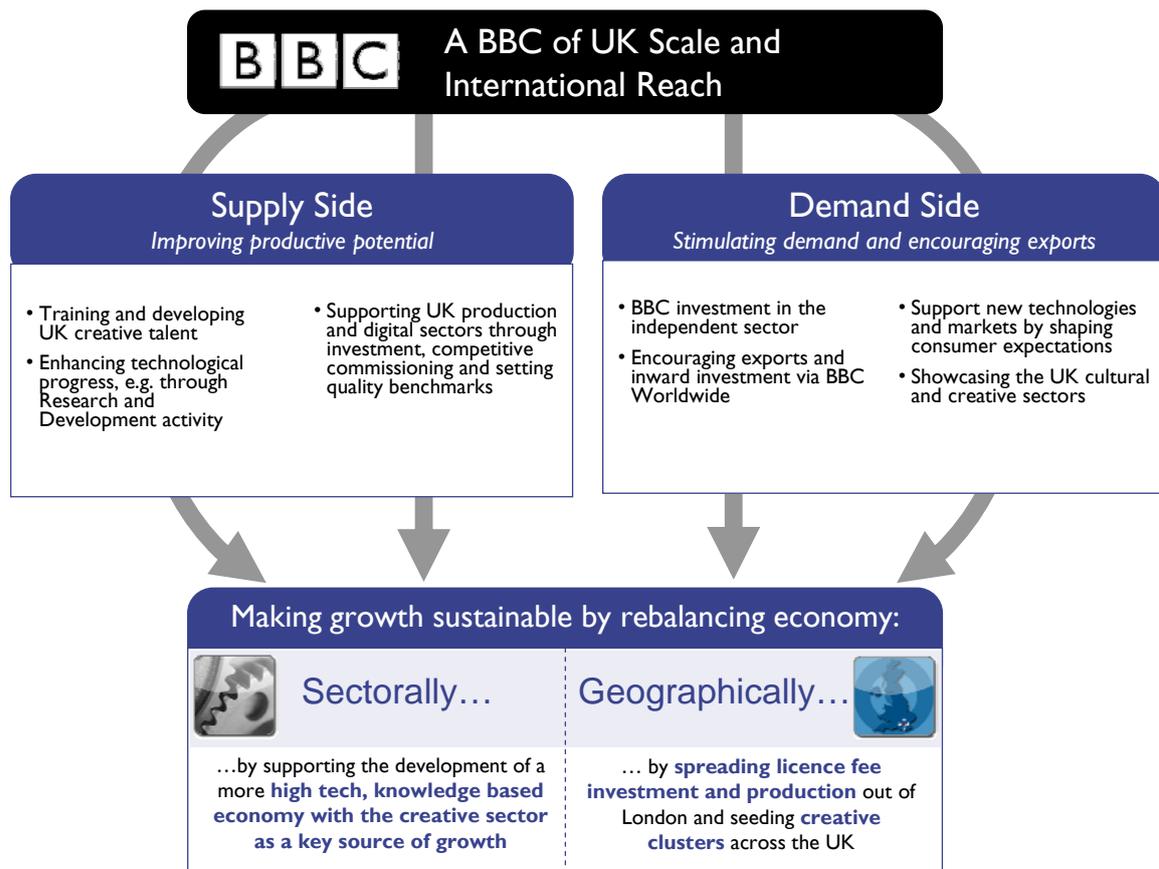
The overall effect of the BBC's activity is to support the rebalancing of the UK economy towards investment in high-tech, knowledge-based sectors and greater exports. The shift in the physical gravity of the BBC – with strong production bases in Glasgow, Cardiff and the North of England – will help to ensure the benefits of growth in the creative sector are shared across the UK, thereby rebalancing the economy geographically. Figure 1 below sets out a framework for describing the BBC's support for economic growth.

---

<sup>2</sup> HM Treasury and BIS (2010), p22

<sup>3</sup> BBC (2011). Gross Value Added ("GVA") is an estimate of value generated for the UK economy as a result of an organisation's activity.

Figure 1: A framework for describing how the BBC helps support economic growth



Through its scale, stable funding and commitment to the highest quality standards, the report outlines how the BBC can enhance the productive potential of the UK creative sector and stimulate demand for its products and services.

**Training and developing creative talent**

The BBC supplies the UK creative sector with a rich pool of highly skilled talent to draw from. This benefits both large and small firms across the sector and also helps the UK attract inward investment from those seeking access to some of the best creative expertise in the world.

£31m invested in training in 2010/11.

Over 3,800 days of training supplied to more than 2,400 non-BBC staff

The BBC has targeted its significant investment in training on reducing skills gaps (including multiplatform and digital), meeting the needs of a fluid, mobile workforce and developing skills across the UK. These aims are often achieved in partnership with industry bodies (such as Skillset and PACT), universities and cultural institutions. The launch of the BBC Academy in 2009 opened-up the BBC's dedicated training centre for journalism, production, leadership and technology to the wider industry.

The BBC has a strong track record of nurturing talent across its TV and radio services, creating opportunities for new presenters, performers, musicians and writers that are not available elsewhere. Its digital TV channels and radio stations are important training slopes

for new creative talent. This talent development role spills over into the wider industry, with many presenters and stars who start life with the BBC transferring to commercial broadcasters and independent production companies.

### ***Driving technology innovations***

The BBC is a leading innovator in a range of digital technologies, helping to create new opportunities for UK firms and developing technologies that increase the productive potential of the sector.

BBC invested over £50m in research and development activity in 2009

Historically, the BBC has been at the forefront of technological innovation amongst UK broadcasters, from surround sound and colour television to High Definition (HD) on digital terrestrial television (DTT). Today, BBC R&D supports both the generation of knowledge and its application through partnerships and licensing arrangements. Its work on a new digital transmission standard (DVB-T2) has enhanced the efficiency of scarce DTT spectrum; twice the number of TV channels can be accommodated, which provides opportunities for commercial broadcasters to make HD channels available on DTT.

Piero - a BBC-developed system to produce 3D graphics - has been sold to 26 clients in 19 countries.

The BBC also supports innovations in programme-making. Its creative work with 3D graphics, for example, has enhanced the viewing enjoyment of millions and been exported around the world.

### ***Supporting the UK production sector***

The flow of BBC investment and the way it does business with external suppliers has helped underpin a dynamic and vibrant commercial production sector. In a period where other sources of revenue for audiovisual content are under pressure, the licence fee provides a stable source of funding for a range of content. The introduction of greater competition between in-house and external suppliers for commissions has incentivised innovation, and the BBC's public service remit has set a high quality threshold for UK content and influenced consumer expectations. Together these factors have helped foster a healthy production sector capable of sustainable growth at home and success in export markets.

In 2010/11 the BBC worked with more than 300 media production companies across the UK, spending over £460m.

Radio 2 pays £22.71 per minute in performing rights payments for the music it plays

In 2010/11, the BBC invested over £1.1bn of its £2.5bn content spend in the UK creative sector, including over £460 million on independent production companies across TV, radio and online and over £300m to contributors. Companies such as Daisybeck Productions (based in Leeds) have developed international businesses on the back of BBC commissions. Analysis has suggested<sup>4</sup> that the absence of a publicly funded BBC would reduce independent sector revenues by over £500 million.

As part of the Government's communications sector review, there are a number of changes to the policy framework that would help maximise the BBC's investment in UK content,

---

<sup>4</sup> Deloitte (2010), p5

including the modernisation of the intellectual property and copyright rules and an end to re-transmission payments to platforms.

### ***BBC Worldwide: growing exports and inward investment***

BBC Worldwide exists primarily to generate and grow commercial income for the BBC's public services. In doing so, it contributes directly to economic growth and has been a key contributor to the global success of the UK's audiovisual sector.

BBC Worldwide does business with over 200 countries and territories, helping UK businesses to use intellectual property to create global brands

We welcome the Government's recognition of BBC Worldwide's contribution to the creative industries.<sup>5</sup>

BBC Worldwide has been a UK success story, with headline sales continuing to rise, reaching £1,158m in 2010/11 (a 7.8% annual increase). As a result, it has been able to invest over £1bn in the past five years into the UK creative industries<sup>6</sup> and generate over £880m in GVA for the UK economy in 2009/10.

As well as encouraging domestic growth, BBC Worldwide is a key player in driving export-led growth, helping creative sector exports increase 9% to £1.337 billion in 2009. It is the largest TV programme distributor in the world outside the US major studios. Selling programmes and formats from the BBC and hundreds of UK independent producers - and operating a global suite of television channels, such as BBC AMERICA (available in over 68.5m homes in the US) – BBC Worldwide offers a vital route to international markets for UK producers. Together with the BBC, BBC Worldwide helped attract over £59m of inward investment into the UK in 2009/10 from overseas.

Over £59m of inward investment attracted to UK in 2009/10

BBC Worldwide also provides spillover benefits to others. It provides smaller production companies with financial and business support and the international distribution platform they need to build successful brands and to expand globally.

### ***Supporting new technologies and new markets***

The UK has some of the highest penetration rates of digital technologies (e.g. digital TV, DAB and broadband) in the world.

The BBC has had a positive impact in terms of encouraging consumers to become familiar with and demand innovative new technologies and services. The BBC's sixth public purpose requires it to '*help deliver to the public the benefit of emerging communications technologies and services*'.

BBC Online is the most popular UK produced website and the only UK site in the top 10

The quality and range of the BBC's content and services has given many people a reason to go online for the first time and the confidence to explore the opportunities that the internet provides. The BBC iPlayer has helped expand the addressable audience for online audiovisual

iPlayer received 141 million requests for TV and radio programmes in April 2011

<sup>5</sup> HM Treasury and BIS (2011). See Annex A.

<sup>6</sup> Including programme investments and dividends paid to the BBC and payments to independent production companies and contributors such as writers and actors.

content to the benefit of other providers, and RadioPlayer has bought around 300 online radio stations together in one place.

The BBC's development and promotion of new platforms and technologies – often in partnership with others - has increased competition and established new markets for commercial companies to exploit. Freeview has become the most popular platform for receiving digital TV with 12.6 million units (IDTVs and set-top boxes) sold. Freesat – the free-to-air digital satellite service – has created a major new retail market approaching £1 billion in sales to date.

In future, it will be compelling content and services – including from the BBC – that will drive demand for new communications networks, such as superfast broadband, and thereby improve the business case for their widespread roll-out. It is, therefore, important that the right incentives remain in place to safeguard the open internet and avoid unfair discriminatory practices that could stifle innovation in content and services.

### ***Showcasing the UK's cultural and creative sectors***

The BBC can stimulate interest in and demand for the arts through its public service activities. Exposure on BBC services through editorial partnerships - such as with the Tate Gallery (*Picture of Britain, Britain from Above*) and the British Museum (*A History of the World in 100 objects*) - has been of considerable benefit to individual institutions.

These positive spillover effects can also be seen in other creative and cultural sectors, such as the UK music industry. The BBC plays a valued role both in identifying new British music talent and supporting that talent in reaching a wider audience, through both its radio stations and through initiatives such as *BBC Introducing*. BBC radio stations use consistently more tracks per station than commercial radio and broadcast a greater diversity of tracks<sup>7</sup>. The BBC's support for new music extends across genres: Radio 3 commissioned 39 new pieces of music in 2009/10 and helped make the BBC the most significant commissioner of new music in the world.

In a typical week in November 2010, 37% of the 3,737 different songs identified were played only on a BBC radio station.

*BBC Introducing* has received over 45,000 tracks from more than 20,000 bands.

### **Making growth sustainable by helping to re-balance the UK economy**

Sustainable growth requires a rebalancing of the UK economy towards high-tech, knowledge-based sectors, with economic benefits spread more evenly across the UK. The BBC's strategy can make a positive contribution to this ambition.

In addition to sectoral re-balancing, the BBC's strategy will help to spread the benefits of growth in the creative sector across the UK. By the end of the Charter period, the proportion of the licence fee spent in Scotland, Wales and Northern Ireland and the North West of England will be higher than today, as additional output is commissioned from these areas. By

---

<sup>7</sup> BBC Trust (2011)

2016, half of all BBC TV network commissions will be produced outside the M25 with 17% in Scotland, Wales and Northern Ireland. 40% of radio spend will be outside London by 2016.

The BBC's production centres of excellence across the UK – for example, in Glasgow (Pacific Quay), Cardiff (Roath Lock Studios) and North West of England (MediaCityUK) - are seeding the development of wider clusters of creative and digital firms and talent, with positive effects for the productive capacity of the sector.

Going forward, the BBC intends to build on the strong track record outlined in this report and help the UK creative sector capitalise on its strengths. The BBC's *Putting Quality First* strategy establishes some clear priorities:

- Maximising the proportion of the licence fee dedicated to UK content and creativity
- Spreading the benefits of that investment across the UK and supporting the development of sustainable creative clusters
- Supporting open platforms and technologies that enable new routes to market and business models

Two areas in particular will be at the heart of the BBC's contribution to the creative economy: partnerships and BBC Worldwide.

**Partnership** is now the default model for the BBC on almost any new large-scale issue. Partnership is a way of unlocking the scale, resources and expertise of the BBC in ways which can significantly support other creative sector firms and better serve audiences. YouView – to launch in 2012 - will encourage users to access IP delivered services via their TV sets and create new routes to market for UK content producers.

**BBC Worldwide's** future strategy will see it build on its contribution to growth in the UK creative sector. It will continue to focus on BBC intellectual property and increasingly on international growth, while wherever possible, helping other high quality UK content reach global markets. In the UK, BBC Worldwide will play a significant role investing in the best of UK content from the BBC and independent producers, while exiting non-core businesses like non-BBC branded magazines. BBC Worldwide will expand its existing international TV channel portfolio and launch the Global iPlayer.<sup>8</sup>

As well as enhancing its positive contribution to creative sector growth, the BBC will seek to operate in ways that minimise its negative effects on the market. It will do this by placing clearer and more predictable limits on its activity, and by being more sensitive to how its actions affect others.

---

<sup>8</sup> Full launch is subject to Trust approval

# Chapter 1: Setting the scene

## 1.1 The economic and policy framework

### 1.1.1 Introduction

The world economy went through a deep financial and economic crisis in 2008, with the first signs of recovery beginning to emerge only in late 2009.<sup>9</sup> As a result, governments around the world are focusing on how best to encourage growth to reinvigorate their economies.

The debate about growth in the UK has been a discussion of both the need to facilitate growth and the need to make that growth sustainable; to rebalance the economy towards highly skilled, high technology sectors where the UK has a comparative advantage and away from the traditional focus on commodities and heavy manufacturing. Many commentators have identified the digital and creative sector as an important source of growth for the UK economy. In recognition of this, the UK government has set out a summary of actions for the digital and creative sector within its *Plan for Growth*<sup>10</sup> (see Annex A). The Secretary of State has also issued an open letter<sup>11</sup> to the digital and creative industries, gathering views on which factors are important for its growth.

A BBC of scale and scope with a stable funding mechanism that does not compete with commercial sources (i.e. advertising and subscription), lies at the heart of a successful UK creative economy. The BBC has produced this report to identify those BBC activities that can have a positive growth impact, and examine how it can help better position the creative sector overall - and the private firms within that sector - to expand and prosper. It has been produced in recognition of the challenges set for the digital and creative sector and as an acknowledgement of the strong contribution that the BBC can play.

### 1.1.2 The economic theory

To be able to identify those areas where the BBC can have most impact, one must first examine - albeit briefly - the relevant economic theory. The key focus of the study of economic growth has been on the productive potential of an economy and how that potential can be realised or expanded.

Over time, trade-based theories have evolved into the analysis of comparative advantage and the study of capital and labour productivity has moved from assuming technological development of an economy is fixed exogenously<sup>12</sup> to recognising the importance of endogenous factors that impact on human and physical capital - such as training and innovation through research and development.

---

<sup>9</sup> European Commission (2010)

<sup>10</sup> HM Treasury (2011)

<sup>11</sup> A copy of the letter is available from [http://www.culture.gov.uk/what\\_we\\_do/telecommunications\\_and\\_online/8109.aspx](http://www.culture.gov.uk/what_we_do/telecommunications_and_online/8109.aspx)

<sup>12</sup> Solow (1956) and Swan (1956) separately and concurrently developed similar theories in which the long-run rate of growth was exogenously determined - i.e. determined outside of the model. A common prediction of these models is that an economy will always converge towards a steady state rate of growth, which depends only on the rate of technological progress and the rate of labour force growth.

One can group these growth theories in terms of their focus on the factors that determine the level of output over time:

- growth in human capital (labour supply and skills) and physical capital (through capital investment); and
- the productivity of capital and labour (including the influence of technical progress and innovation, which is now viewed as endogenous to the economy as a result of a process by which research and development (R&D) and investment in human capital translate into higher productivity).

But, ensuring that the productive potential of the economy is maximised may not be enough; a well functioning economy also needs well functioning markets. Economics shows us that markets can sometimes fail and intervention may be required to ensure the most favourable outcomes for the economy. It is generally accepted across the economy as whole, that there are risks of under-supply in two areas key to the productive capability of the economy: training and R&D. Governments and public institutions have a role to play in securing the right level of investment in both areas, and the UK creative sector is no exception. A lack of competition - another economic market failure - can also hinder markets and economic growth.

### 1.1.3 The UK policy framework

Economic theory offers a range of policy levers for governments wishing to promote economic growth. Policies that accelerate innovation or improve skills and so boost productivity can accelerate economic growth and create prosperity - as do policies that boost investment and raise the economy's capital intensity to a higher level. In addition, direct interventions to address key market failures and effective demand side policies that focus on improving net exports and encouraging inward investment can impact positively on GDP.

The UK Government's stated economic policy objective is to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries. In the first phase of its growth review - *The Plan for Growth* - published alongside the 2011 Budget - the government set out its "*plan to put the UK on a path to sustainable, long-term economic growth*".<sup>13</sup> Historically, the UK government has identified the key drivers of economic growth as: skills; enterprise; innovation; investment; employment and competition.<sup>14</sup> These remain valid considerations today and are reflected in more recent policy statements. This government's growth review has identified the key barriers to growth across the economy as a whole as: planning; regulation; trade and inward investment; access to finance; competition and corporate governance. The government has made clear that underpinning every aspect of the government's purpose is the improvement of skills<sup>15</sup> and has announced a review of education skills in the second phase of its growth review.<sup>16</sup>

---

<sup>13</sup> HM Treasury and BIS (2011)

<sup>14</sup> For example, see HM Treasury and DTI (2001)

<sup>15</sup> BIS (2010)

<sup>16</sup> BIS Pres release 9 June 2011 at [http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419858&NewsAreaID=2&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+bis-news+%28BIS+News%29](http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419858&NewsAreaID=2&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+bis-news+%28BIS+News%29)

## 1.2 The importance of the digital and creative industries

Whilst the government has set a growth challenge for the UK economy as a whole, it has set a particular challenge for the digital and creative industries which it has identified as one of the key sectors for growth. It has noted that *“The UK’s creative industries are among the most influential and successful in the world, and UK digital content reaches round the globe. The sector is driven by clusters of interdependent firms both within and outside the creative industries, suppliers and institutions. Exports from across the creative industries are worth £16 billion annually to the UK economy, 4.3 per cent of all goods and services.”*<sup>17</sup>

Many other commentators such as the CBI, Work Foundation and NESTA have also noted the importance of the UK’s creative industries as a significant contributor to economic growth in the UK economy.

No one doubts the economic importance of the creative industries to the UK. At 6.2 per cent of the economy, and growing at twice the rate of other sectors, they are proportionately the largest of any in the world.

NESTA 2010 *Creative clusters and innovation: putting creativity on the map*

The UK has the largest creative sector in Europe, one of the world’s largest music industries and one of its most advanced digital TV and radio markets. If the UK is to rebalance its economy and achieve high growth, the creative sector has a crucial role to play.

CBI 2010 *Creating Growth: A blueprint for the Creative Industries*

Before the recent financial and economic downturn, the creative sector was characterised by strong relative growth. In 2007 the sector made up 7.3 percent of the UK economy and 6.4 percent of UK Gross Value Added - £57bn - and was growing at 5% per annum compared to an average of 3% for the whole economy. The UK creative industries employed around 1.2 million people in 2008, more than financial services and pharmaceuticals combined.<sup>18</sup> The sector also outperforms the creative industries in other OECD nations as a share of GDP.<sup>19</sup> In short, the UK creative sector has had a good track record of strength and growth - but this past success needs to be nurtured and encouraged going forward.

Growth in the UK digital and creative industries will depend on many factors. Commonly cited factors include: effective ‘competition for quality’ between a range of public and private institutions; a flexible and proportionate regulatory framework; providing incentives to encourage investment in UK content - including protecting intellectual property; encouraging technological innovation; developing the talent base; and encouraging exports and inward investment.<sup>20</sup> The right policy framework and smart interventions can help create the conditions conducive to this sectoral growth. There is also evidence that the UK’s

<sup>17</sup> HM Treasury and BIS (2010) page 22

<sup>18</sup> Andari et al. (2007) page 15

<sup>19</sup> Potts & Cunningham (2008)

<sup>20</sup> Foster & Broughton (2011); HMT & BIS (2010, 2011); Ofcom (2005)

creative industries support innovation and growth in other parts of the economy too and the significance of these spillovers has only recently begun to be examined rigorously.<sup>21</sup>

### 1.3 The BBC's role in meeting the growth challenge

The BBC is the largest broadcasting organisation in the world. It is funded by the licence fee, which is used to provide services including 10 national TV channels plus regional programming, 10 national radio stations, 40 local radio stations and an extensive website. BBC World Service<sup>22</sup> broadcasts to the world on radio, on TV and online; providing news and information in 32 languages. The BBC also has a commercial arm, BBC Worldwide, whose profits are returned to the BBC for investment in new programming and services.

The BBC makes a unique contribution to the UK's media sector based on three components, set out originally in *Building Public Value*.<sup>23</sup> This framework allows the BBC to concentrate on its primary purpose whilst also recognising that its activities have important economic consequences and can contribute positively to growth in the creative sector:

- Value to people as individuals: For people as individuals, the BBC aims to provide a wide range of programmes that inform, educate and entertain, that people enjoy and value. 97% of the population use the BBC every week<sup>24</sup> and the UK public switches on - or over to - the BBC 175 million times every day across TV, radio and the web.
- Value to society as a whole: For UK citizens, the BBC seeks to offer wider social and democratic benefits over and above individual value. In line with its public purposes in the Royal Charter, it ensures that *all* UK citizens have access to services and programmes that contribute to the UK's democracy, culture and quality of life<sup>25</sup>. Over three quarters of the UK population use a BBC news service each week, including 34m who watch TV news, 28m on radio and 14m online.<sup>26</sup> Public trust in the BBC is strong and rising: 61% trust the BBC (up from 56% in 2004/05), with 67% believing BBC News is trustworthy (up from 64% in 2007/08).<sup>27</sup>
- Net economic value: The BBC's impact on economic growth and commercial markets. Following Deloitte, the BBC estimated that in 2009/10, it contributing over £8 billion of GVA to the UK economy - over two pounds of value for every pound of licence fee it receives.<sup>28</sup>

---

<sup>21</sup> Foreword to Chapain et al (2010)

<sup>22</sup> BBC World Service is funded currently by a government grant.

<sup>23</sup> BBC (2005)

<sup>24</sup> GfK NOP Media research for BBC

<sup>25</sup> The BBC's six public purposes are: sustaining citizenship and civil society; promoting education and learning; stimulating creativity and cultural excellence; representing the UK, its nations, regions and communities; bringing the UK to the world and the world to the UK and delivering to the public the benefit of emerging communications technologies and services.

<sup>26</sup> BARB, RAJAR, BBC server logs

<sup>27</sup> Source: Kantar Media for BBC

<sup>28</sup> Deloitte (2010) e.g. pages 58-70; BBC (2011)

The BBC's mission although cultural and democratic rather than economic, goes to the heart of the supply side of the economy: fulfilling the BBC's public purposes can contribute directly to economic growth, for instance:

**Promoting education and learning:** The BBC impacts on the education of the current and future UK workforce through its general programming - such as natural history programming and programmes on its children's channels. According to Ofcom<sup>29</sup>, the BBC broadcast 587 hours of specialist factual content in 2010 (65% of all specialist factual output by PSBs) and the importance of factual programming to audiences is growing.<sup>30</sup> The BBC also supports formal education directly - e.g. through Bitesize, which is the most widely used online learning site. When asked for education sites they know, a quarter of 8-19 years olds mentioned Bitesize spontaneously and when asked which sites they use, 47% of primary school children and 69% of secondary school children stated they used it. 38% of primary users and 30% of secondary users use Bitesize at least once a week with 48% and 34% finding it helped them a lot; 57% of secondary school Bitesize users found it helped them a lot with revision specifically.<sup>31</sup>

**Bringing the UK to the world:** The BBC is a globally recognised brand and the BBC's overseas activities can help promote inward investment (e.g. tourism) and exports. The BBC's Global News division - made up of BBC World Service (TV, radio, mobile and online), BBC World News (TV) and BBC.com (online) - has a global audience of over 225m people. Research by BBC World Service found that amongst its consumers, the BBC has an indirect but positive impact on perceptions of the UK. Across the four countries surveyed (Kenya, Egypt, Pakistan and Turkey), 80% of respondents believed that the BBC had a positive impact on their perceptions of the UK and the BBC was believed to have a greater positive impact on views of the UK than both Premier League football and popular British culture.<sup>32</sup> Amongst UK opinion leaders, the World Service is seen as the organisation that does most to serve Britain's interests overseas, mentioned by 74% of respondents - more than mentioned any other UK institution in a recent independent survey.<sup>33</sup> As noted by FutureBrand, a country's brand strength is its ultimate intangible asset; managed properly it can boost the value of exports disproportionately - from people to products to entire corporations.<sup>34</sup>

The BBC ultimately sits alongside other public institutions that similarly serve a public purpose primarily but also have positive economic impacts, such as higher education and the NHS. Both education and the NHS are increasingly being viewed as not only essential public services but also as economic growth opportunities. Higher education has the potential to support growth through generating innovation and commerce - commercialising its fundamental research and bringing it to market - and promoting the export of education to

---

<sup>29</sup> Ofcom 2011

<sup>30</sup> 73% of respondents - up from 69% in 2007 - believe PSBs show interesting programmes about history sciences or the arts and 65% - up from 61% - stated that as a result of watching those programmes they had become more interested in particular subjects. Source: Ofcom 2011

<sup>31</sup> GkF BBC Learning Children's Tracker 2011, Wave 8

<sup>32</sup> Human Capital (2010) BBC Global News: International research report, February 2010, page 53

<sup>33</sup> Chatham House (2011)

<sup>34</sup> FutureBrand 2010

international students. The NHS can support growth via increased private income and productivity gains.<sup>35</sup>

#### **1.4 A framework to describe the BBC's contribution to growth**

In this section, we set out an analytical framework for identifying the BBC's key contributions to economic growth in the digital and creative sector and beyond. It shows how the BBC enhances the productive potential - the supply-side - of the creative sector by enhancing key productive inputs, e.g. through investing in skills and R&D. It can also stimulate the demand-side through its support for new technology and markets as well as by encouraging exports and inward investment through BBC Worldwide.

Not only is it important to stimulate growth, it is important also to make economic growth sustainable. The report explores how the BBC helps make growth sustainable by helping to rebalance the economy geographically and supporting moves to refocus on more high tech, knowledge based sectors.

The BBC can only achieve these benefits because of its UK scale and international scope, its long-term funding model and its commitment to the highest quality standards. Without scale (which gives it expertise across a range of media and types of content) and its reputation for excellence, the BBC would be less effective in developing UK creative talent. It is the BBC's scale and scope, expertise and stable funding that allow it to take on research risk that may be unattractive commercially and to commit to world-class research partnerships, and open standards in technology and platforms. It is its range and diversity of its supply base that support the development of innovative programming and innovative services and which makes them available quickly and effectively to a wide audience.

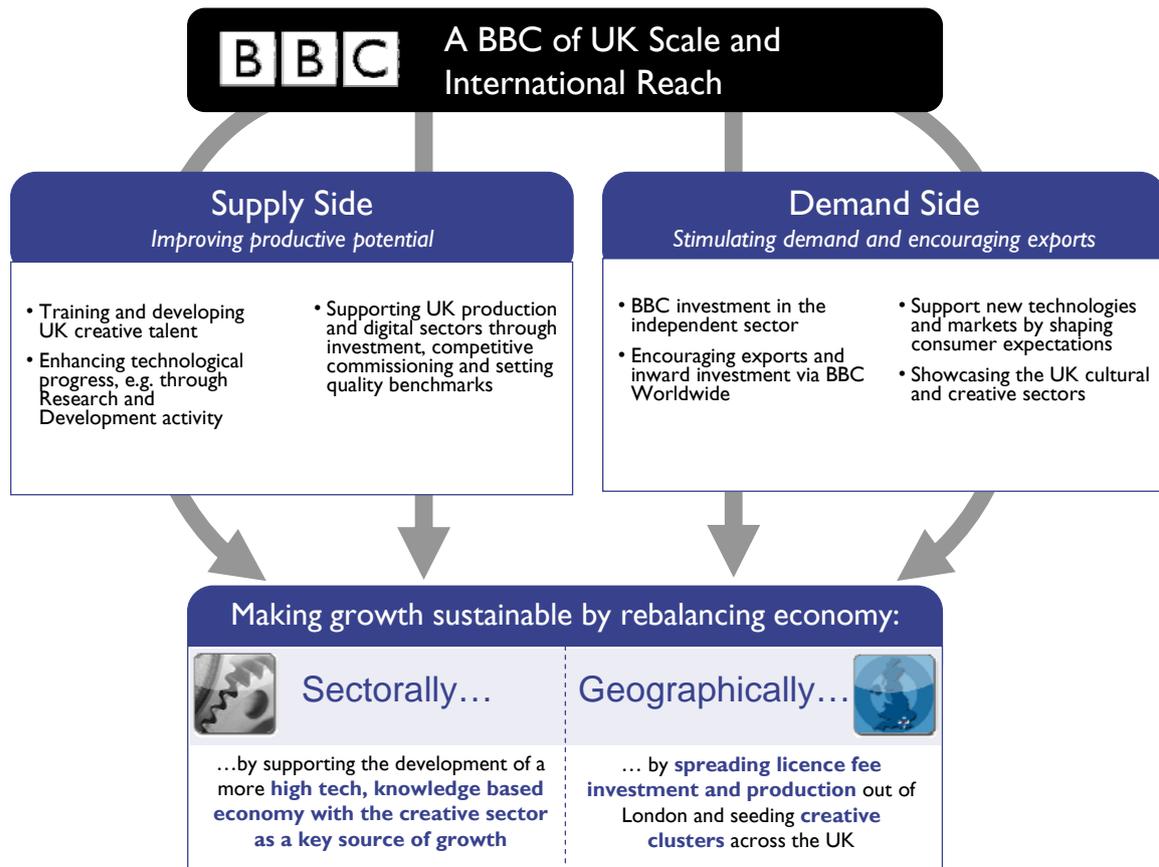
Overall, the BBC's contribution to the UK economy and to growth in the creative sector help reduce many of the key barriers identified by the government (set out in section 1.1.3): training and development maps directly to skills, which underpin all government initiatives; enhancing technological progress promotes innovation and competition; investment (and employment) and access to finance are delivered through providing secure funding to the creative sector and trade and inward investment are supported by, for instance, BBC Worldwide's activities and the BBC's international services.

The contributions described above are set out in a schematic on the next page.

---

<sup>35</sup> McKinsey (2010)

Figure 2: A framework for describing how the BBC helps support growth



## Chapter 2: The BBC's contribution to creative sector growth

In Chapter 1, we examined briefly the various economic growth models and set out a framework for identifying how the BBC helps drive economic growth in the creative sector and beyond. In this chapter we use that framework to describe in detail the BBC's support for creative sector growth in the UK economy, both its direct contribution to growth and the positive growth impacts it induces from others. We present case studies in support of the analysis.

### 2.1 Adding value to the UK economy

The BBC's careful stewardship of the licence fee has been shown to add significant value to the UK economy and to provide an important - and stable - source of funding for the creative sector, investing over £1.1 billion annually. As noted in section 1.3 above, the BBC adds more than £2 of value for every £1 of licence fee it receives, contributing over £8 billion of value added to the UK economy overall in 2009/10.

But the impact of its activities goes beyond the value it adds. Its public service activities, and the way it does business, have a positive (spillover) impact on the creative sector and the UK economy.

### 2.2 Improving productive potential and stimulating demand and exports in the UK creative sector

The BBC can through its actions help to enhance the productive potential - 'the supply-side' - of the economy generally and the creative sector in particular - by helping to enhance its key productive inputs: improving skills, developing talent and supporting research and new, open productive processes and platforms on which other can build businesses. It can also impact indirectly by encouraging private sector investment and innovation, e.g. through its support for the UK production sector and for new markets - thereby helping to better position the creative sector to expand and prosper.

#### 2.2.1 Training and developing UK creative talent

##### *The importance of training and talent development*

Human capital - in particular the levels of skills and education - is a key determinate of the growth potential of an economy. The second stage of the government's growth review is focussing on education and skills as one of its key themes.<sup>36</sup> However, training and developing talent is often cited as an area of potential economic market failure; employers may not be fully incentivised to produce the "socially optimal" amount of training because they do not fully accrue the benefits of their investment. This is because the benefit of their investment, an increase in the skills of a worker, could be lost if the trainee (or talent identified) switches companies.

---

<sup>36</sup> BIS Pres release 9 June 2011 at [http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419858&NewsAreaID=2&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+bis-news+%28BIS+News%29](http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419858&NewsAreaID=2&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+bis-news+%28BIS+News%29)

Furthermore, companies may have incentives to “free ride” on others’ training and development of human capital, by training their own workers less and instead “poaching” skilled workers and talent from other companies. The risk of underinvestment is often greater in sectors with a large number of small firms and extensive use of freelance staff.<sup>37</sup> Similarly, training and developing on-screen talent is a risky and expensive business and prone to free riding issues.

#### *The BBC’s partnerships to develop skills across the broadcast sector*

The BBC plays an important role in supporting the development of skills across the broadcast sector<sup>38</sup> - and has a requirement to do so.<sup>39</sup> This public intervention aims to overcome the market failure problems to the benefit of all in the creative sector.

BBC-funded training increases the productivity of BBC staff but it also benefits the wider creative sector. The BBC invests in training both BBC and non-BBC talent, such as freelancers. This increases sector productivity through increasing the pool of highly trained talent (both freelance and ex-BBC staff) available. The BBC spent over £31m on training in 2010/11.<sup>40</sup> It provided around 50,000 days of face-to-face training to its staff and 57,000 e-learning modules were completed. The BBC Academy also delivered 3,814 days of training to 2,451 non-BBC UK delegates. Deloitte made a conservative estimate that the impact of BBC training on sector productivity was about £59m pa in 2008/09 based on analysis against its counterfactual.<sup>41</sup>

To maximise the benefit it brings to the creative sector, the BBC works in partnership with a range of organisations to identify and deliver the training needs of the sector. For instance, it has a memorandum of understanding and a key relationship with *Skillset*, the sector skills council for creative media. The BBC contributes an annual grant of £838k and is, by some considerable margin, Skillset’s main industry funder.

Together the BBC and Skillset have identified a number of strategic pan-industry training objectives, to:

- focus on the training needs of an increasingly *freelance workforce*. In May 2011, for instance, the BBC hosted a pan industry training day bringing together key training partners to provide freelancers with free training across the full range of TV skills. Partners included private providers VET, Four Corners, DV Talent, Cyfle and Indie

---

<sup>37</sup> TV, like the rest of the creative media industry, is characterised by a much higher proportion of freelance and short-term contract working than the economy as a whole. According to Skillset, anything up to six in ten people working on a production will be in that category.

<sup>38</sup> BBC Trust (2008)

<sup>39</sup> The BBC Agreement - clause 84 - requires the BBC to contribute to the competitiveness and productivity of the audio-visual industry by helping to create and maintain a highly-skilled workforce. It must also use best endeavours to work in partnership with others to deliver this requirement.

<sup>40</sup> It is difficult to place the BBC’s investment in training in context of wider industry spend due to lack of data (broadcasters do not report their training spend) - although we believe it is likely to be substantially more than other UK broadcasters. In 2004, Spectrum estimated that some £31.5m was spent on training by the independent production sector, 83% of which (£26m) was ‘on the job’ training - although it noted that ‘on the job’ training faces problems: it is informal and ad hoc; coaches often have no formal training; quality is variable and it is difficult to monitor.

<sup>41</sup> Deloitte (2010)

Training Fund as well as organisations such as BECTU, Pact, The NFTS, The Collective and Skillset Media Academies. The event reached 350+ freelancers across 72 taster courses.

- target resources and activity towards reducing *key skills gaps*. The current focus is on digital and multi-platforms skills and multi-platform Foundation training is shared with organisations including PACT, BECTU and the Indie Training Fund.
- use *online learning* to increase the provision of high quality training to the freelance community. The BBC has, for instance, shared a suite of 20 Editorial Standards interactive online modules with the wider industry.
- *develop skills out of London* to increase the diversity of the workforce and spread the economic benefits of the creative sector across the whole of the UK. In partnership with PACT, the BBC delivered a series of pan industry workshops, showcasing multiplatform excellence and working practices to a pan-UK audience (approx 250 attendees across London, Bristol, Cardiff, Birmingham, Manchester, Glasgow and Belfast). The BBC has also focused on building creatively sustainable communities outside London e.g. encouraging skills training at new entrant levels in Salford and delivering 20 workshops focused on new innovations, supporting creative innovation across South West England as part of the *Bristol Anchor Partnership* (see below).

The BBC has also joined forces with Arts Council England to help arts organisations create compelling and high quality content using web and broadcast technologies. The ambition is for 750 representatives from arts organisations to participate.

University partnerships are another fruitful area of co-operation: the BBC Academy has a partnership with Bournemouth and Salford Universities to deliver the industry's first ever MA in Production Management, and the BBC's College of Journalism works closely with the Broadcast Journalism Training Council, a number of universities and community partnerships.

Through these partnerships, the BBC has been able to develop and share a variety of resources with the wider industry. Its critically acclaimed College of Journalism website and its sister College of Production website have recently been made available to all free of charge in the UK. Both sites focus on developing editorial and production skills and sharing the knowledge and experience of the best practitioners from the BBC and the wider industry.

#### **Bristol-BBC Anchor partnership**<sup>42</sup>

As part of its drive to work with local agencies to boost creative economies across the UK, the BBC announced its first city partnership in October 2009 when it signed a three-year Memorandum of Understanding (MOU) with a number of key Bristol agencies - including **Bristol City Council**, **South West England's Regional Development Agency**, **South West Screen** and an alliance of creative industries, community organisations and academic institutions in the city including **Bristol Media**, the **University of Bristol**, **UWE** and **Future lab** - to help ensure Bristol and the South West remains at the forefront of digital media production. Together they create an inclusive media community where skills, resources and ideas can be shared to strengthen the region's stake in the industry's global growth.

<sup>42</sup> See <http://bristol-bbc-anchor.org/>

The agreement commits the BBC to partner and work with local agencies in areas such as boosting local TV production and film-making, tackling the 'digital divide', digital skills and media literacy and collaborating on digital and connectivity projects. Partnership initiatives include:

- A drive to boost media and digital production skills in local schools and colleges and find the Sir David Attenboroughs of the future
- A 'school for DJs' with the BBC to open up its studios and local presenters to act as mentors for local young people with a flair for presenting or producing programmes
- A project specifically focused on harder-to-reach communities offering media and digital training to 18 to 25-year-olds keen to pursue a career in media
- A new micro-budget feature film initiative to boost local film-making and develop three full-length feature films developed, shot and premiered in Bristol during 2010 and 2011
- Workshops and seminars to boost local skills. In March 2010, the BBC Academy, in collaboration with key Bristol based organisations hosted a series of workshops and events aimed at local programme-makers and content producers from the world of TV, radio and digital media. The seminars explored how new innovation and technology is revolutionising the broadcast and digital media industry and focussed on how new tools are changing the way we work. Topics debated include: citizen journalism, HD, 3D production, Internet Protocol TV and digital archives.

Further BBC city partnerships are being developed across the UK.

### *The BBC's role in finding and developing off screen talent*

The BBC offers a range of apprenticeship schemes across the UK to encourage new recruits into the industry. For example, the BBC has recently announced the *BBC 2012 - London Apprenticeship Scheme*, building on a successful launch in 2010.<sup>43</sup> It set out to help create a more socially inclusive workforce with the aim of bringing new and diverse thinking to the BBC. The current apprentices are on track to gain a Creative and Digital Media Apprenticeship Level 3 qualification delivered by Westminster Kingsway College and the BBC Academy together with informal development through placements in BBC programme-making departments.

The 2012 London scheme will have new partners - ITV, Talkback Thames, Tiger Aspect, Endemol and Maverick supported by PACT and Skillset, making it an industry-wide scheme. Similar apprenticeship schemes exist in BBC Scotland and BBC North. In the first three to four years, BBC North will offer up to 100 apprenticeships across all the divisions based at MediaCityUK. Many of the apprenticeships will have a specific digital media or technology focus.

As well as these specific apprenticeship initiatives, the BBC operates a range of talent spotting and talent development schemes for entry level off screen talent such as writers, producers and craft skills. The BBC's Production Trainee Scheme finds and grows the potential creative and editorial leaders of the future (within 5 years of graduating from the scheme, 80% of trainees have progressed to producer / director level); the BBC Design Trainee Scheme aims to find and grow the future designers of the BBC and the wider broadcasting industry (90% of trainees gain employment in the industry as soon as they

<sup>43</sup> BBC press notice 10 Feb 2011 - BBC expands London Apprentice Scheme industry-wide - at [http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/02\\_february/10/apprentices.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/02_february/10/apprentices.shtml)

leave the course); the Series Producer Scheme (a partnership with TRC in Glasgow) trains up the best 'Out of London' network producer talent; and the BBC writersroom identifies new, talented writers, helping to get their voice heard and their work produced for BBC film, TV and radio and operating a range of partnerships with theatres and arts organisations.

Recent behind the scenes talent development successes include *Casualty* director Ian Barnes and *Casualty* writer Tom Bidwell, who picked up a coveted Oscar nomination in 2011 for the short film *Wish 143*. Tom Hooper, who won an Oscar for *The King's Speech*, is also an alumnus of the BBC's continuing drama department, having directed *East Enders* in the nineties.

#### *The BBC's role in finding and developing on screen talent*

In a report commissioned by the BBC Trust,<sup>44</sup> Oliver and Ohlbaum ("O&O") described the potential "free-rider" market failure in broadcasting, whereby there is a risk of insufficient investment in talent development. Due to the risk of "free-riding", each commercial channel might find it rational, on an individual basis, to wait for another channel to develop talent and then to poach that talent. In this situation there can be a market shortage as no channel develops enough talent. The BBC's public purposes and its ability to act differently to profit maximising firms help address this potential market failure. The BBC has an excellent track record of nurturing talent across its services; it nurtures and gives opportunities to new presenters, performers, writers and musicians that are rarely available from other broadcasters.<sup>45</sup>

The BBC's digital channels and stations are important training slopes for new talent, while new factual programming such as the *One Show* and *Coast* offer opportunities for prime time exposure. Recent on screen talent development successes include Professor Brian Cox,<sup>46</sup> who was spotted and developed through his work on *Horizon*, and Miranda Hart, whose career developed initially on BBC radio and crossed-over on to television.

The BBC's talent development activities also benefit commercial broadcasters. Recent examples of on screen talent moving from the BBC to commercial broadcasters include Christine Bleakley and Adrian Chiles to ITV's breakfast show *Daybreak*, Laura Kuenssberg to ITN, Matt Frei, Jimmy Doherty, the presenter of *Jimmy's Food Factory* and Lauren Laverne of *Culture Show* have all moved to Channel 4, and Natasha Kaplinsky to Five.

Overall, the BBC's public funding and public purposes provide it with the means and incentives to identify, invest in and develop on-screen and off-screen to the benefit of the whole sector. With its portfolio of services, it can offer and fund a range of development

---

<sup>44</sup> BBC Trust 2008a

<sup>45</sup> BBC Trust (2008a). Lord Patten, Chairman of the BBC Trust, recently argued that new on-screen talent should be nurtured regardless of the risk that they will be poached. "We should not be too fussed about that," he said. Guardian 4 May 2011 "Failing to defend BBC's independence would make me a moron - Lord Patten"

<sup>46</sup> Professor Brian Cox told a recent House of Lords communications committee that the BBC Science Unit strongly encouraged the use of an academic presenter rather than a more established presenter on his breakthrough BBC2 show *The Wonders of the Solar System*. Guardian Media Monkey 23 May 2011 at <http://www.guardian.co.uk/media/mediamonkeyblog/2011/may/23/media-monkey-diary?INTCMP=SRCH>.

opportunities that others find it difficult to match. By creating a deep and rich pool of UK talent, the BBC helps underpin the UK's international success in the creative industries.

## 2.2.2 Enhancing technological progress through R&D

### *The importance of innovation*

Innovation is a key driver of economic growth and can take various forms, from a new product design to a new productive process. Modern growth theories see innovation as endogenous; firms grow the economy by working to gain a competitive advantage, by being the first to develop new products or processes.

R&D activities have an impact on the overall productivity of an economy. The UK has relatively low R&D spend compared to the US or other European countries. For example, in 2008, US R&D spend was 2.77% of GDP, Sweden 3.75%, France 3.49% and the UK's only 1.88%.<sup>47</sup> R&D expenditure also leads to higher output. Research estimates that elasticity of GDP to R&D spend lies in the range of 2% to 5%<sup>48</sup>. Encouraging innovation is therefore a key focus of growth policy and many governments offer direct support for research activities and innovation justified by the positive spillover effects for the economy.

Innovation itself is usually the result of a process, consisting of three distinct phases, with the latter two (distribution, and to some extent application) relying on the effectiveness with which the worlds of education, research, business and training interact effectively:

- The generation of knowledge (which depends on the research capabilities of educational institutions, the R&D activities of enterprises and the level of human capital involved);
- The sharing and distribution of that knowledge among potential users; and
- Application of the new knowledge to product development, whereby it translates into new business activity and economic development.<sup>49</sup>

### *The BBC's role in driving technological progress*

The BBC is required by the BBC Agreement<sup>50</sup> to undertake research and development activity. Historically, the BBC has been at the forefront of technological advancement amongst broadcasters in the UK; it has developed many new technologies and encouraged the take up of a variety of services and technologies, such as the development of colour TV, the development of computer literacy with the BBC Micro and, more recently, introducing high definition on digital terrestrial television.

---

<sup>47</sup> OECD Factbook 2010: R&D Spend as a % of GDP

<sup>48</sup> Congressional Budget Office, R&D and Productivity Growth, June 2005

<sup>49</sup> OECD

<sup>50</sup> The BBC Agreement requires the BBC to:

- Conduct research and development activities geared to the promotion of the BBC's Public Purposes and which aim to maintain the BBC's position as a centre of excellence for research and development in broadcasting and other means for the electronic distribution of audio, visual and audiovisual material, and in related technologies.
- To support the development of "open standards".
- Activities should be conducted both within the BBC and in co-operation with suitable partners, such as university departments and businesses which are active in relevant fields.

It plays an important role in the 'end-to-end' development of broadcast technology across the value chain: from developing technologies and licensing them, to promoting their use; from procuring technological services to setting the standards by which broadcasters operate.<sup>51</sup>

The BBC meets its duty to undertake research and development in large part through BBC R&D, which employs some 130 engineers and 40 operational staff with an operating budget of around £13m per annum. It supports both the generation of knowledge (through its primary research activity) and the sharing, distribution and application of that knowledge through industry and academic partnerships and licensing arrangements. There are, for instance, around 200 openly available BBC R&D White Papers<sup>52</sup> that contribute to academic debate and over 200 patents, which are managed to encourage open standards and facilitate technology licensing arrangements. BBC R&D also generates value for universities through partnership and by attracting additional external funding for its partners. Overall, the BBC invested around £50m<sup>53</sup> in technical research and development in 2009.

The BBC can deliver this level of investment and approach to R&D because of its unique funding arrangement and its public purposes which enable it to make longer term investment in product development, work collaboratively with private firms and universities across the UK and encourage open standards. The BBC's public funding means it has a lower hurdle rate or return on investment than commercial firms which makes it more willing and more able to experiment. Its scale and breadth of activity across the media sector provide it with a range of experiences and expertise unavailable to any other UK media company and help ensure that the BBC remains at the forefront of technological developments. Commercial broadcasters are unlikely to justify similar R&D activity. They are also likely to prefer proprietary research over the development of open technologies and standards that benefit the wider industry.

The BBC's R&D department is currently engaged in around 50 projects across the value chain from production through media management, distribution, and audience experience.<sup>54</sup> It has committed, for instance, to a five year Audio Research Partnership to combine the best expertise of world-leading UK academics with the know-how of BBC R&D engineers in order to invent and develop new possibilities for the application of audio technologies; it will enhance audio capability in the UK and share the benefits of audio research with industry. The research will focus on audio-visual research with Surrey University and acoustics research with Salford University and broad ranging audio research with the Universities of Southampton, QMUL and York.<sup>55</sup>

Owing to the breadth and depth of its activities, it is beyond the scope of this document to undertake an exhaustive examination of BBC R&D's contribution to economic growth. Moreover, the benefits of the fundamental research and cutting edge development activities of BBC R&D often take many years to materialise. We therefore focus on two

---

<sup>51</sup> BBC Trust (2008) page 136

<sup>52</sup> See <http://www.bbc.co.uk/rd/publications/whitepapers.shtml>

<sup>53</sup> European Commission (2010b) pages 73 and 74. European Commission reports BBC R&D spend as €56.39m - which equates to over £50m at an average £ to € exchange rate of 1.12 for 2009 [Source: <http://www.hmrc.gov.uk/exrate/exchangerates-0910.pdf>].

<sup>54</sup> See BBC (2010)

<sup>55</sup> See BBC R&D blog - <http://www.bbc.co.uk/blogs/researchanddevelopment/2011/07/bbc-rd-launches-the-audio-rese.shtml> and Broadcast Magazine *BBC Investigates future of audio* 14 July 2011, page 15.

case studies - one past (Piero) and one more recent (DVB-T2) to illustrate the impact of the BBC's involvement in technological innovation and product development.

#### ***Piero - a partnership with Red Bee Media Ltd***

Piero<sup>56</sup> is a computer-based system for producing 3D graphics, for use by TV presenters and sports pundits to help analyse and explain sports events. It has been a familiar sight to viewers of *Match of the Day* on BBC1 for a number of years,<sup>57</sup> where it is used to highlight and track football players, draw off-side lines on the pitch, and generate a unique 'virtual view' of the action from a viewpoint where a real camera could never be placed.

The roots of the Piero system date back to around 2002, when BBC R&D was carrying out work on a future 3DTV system. It developed a method to build a rough 3D model of a scene by automatically analysing the image from a single TV camera and realised this could be applied to football coverage to allow a match to be recreated as a 3D model. As the role of BBC R&D does not extend to producing, selling and maintaining products, it formed a partnership with, and licensed the core technology to, a commercial organisation: Red Bee Media Ltd. BBC R&D and Red Bee Media have continued to work together to add innovative new features to the system. BBC R&D also disseminated its research widely.<sup>58</sup>

The ground-breaking system won the 2006 IBC Innovation Award for Innovative Application of Technology in Content Creation and the 2006 Cable and Satellite Magazine Award for the Best Outside Broadcast Technology. It was also nominated for a Royal Television Society Innovation Award in 2007 and won a prestigious Queens Award for Enterprise Innovation in 2011.

Piero has been sold to 26 clients in 19 countries

#### ***DVB-T2 : a pan-industry partnership***

The existing digital terrestrial television standard in the UK (DVB-T) used to deliver Freeview has a capacity of either 18 or 24 Mbits/second - insufficient to offer High Definition (HD) terrestrial TV.

Drawing on its experience with the original DVB-T standard as well as with Digital Radio, BBC R&D led the European DVB Group through the development, specification, international standardisation and validation of a new standard - DVB-T2, a state-of-the-art open standard, capable of operating at 40 Mbits/second to allow HD TV on the Terrestrial TV platform - in only three years. This was an outstanding achievement, of both technical development and international co-operation. It began launching across the UK in December 2009 and Freeview HD carries four High Definition television services (BBC One HD, BBC HD, ITV 1 HD and Channel 4 HD) currently.

By increasing significantly the efficiency with which broadcasters utilise scarce radio spectrum, DVB-T2 contributes directly to innovation and growth by ensuring that television viewers can receive HD programming and ensuring that the Digital Dividend in the UK is not eroded. BBC R&D expertise acquired in developing DVB-T2 has also benefited industry - numerous receiver and transmitter manufacturers have licensed BBC R&D source code to reduce development costs and increase speed to market.

<sup>56</sup> See [www.redbeemedia.com/piero/](http://www.redbeemedia.com/piero/)

<sup>57</sup> The system was used for the first time on *Match of the Day* on 25<sup>th</sup> September 2004

<sup>58</sup> See Thomas (2007) and Dawes et al (2009)

### 2.2.3 Supporting the UK production sector and wider creative industries

The BBC has played a key role in helping the UK production sector to expand and reach critical mass. The UK TV content creation sector invests far more per head of population in original production than any comparable country.<sup>59</sup> This high domestic spending on originated programming has largely been driven by a ‘competition for quality’ (not funding) between the BBC and commercial public service broadcasters.

The BBC is an important and significant partner and investor in the creative sector, including independent producers. The BBC issues about 300,000 contributor contracts each year and reports use of 200,000+ items of music each week. It spent £2.55bn on content overall in 2010/11,<sup>60</sup> investing some £1.1billion of that in to the UK creative economy outside the BBC- including £467m to more than 320 independent production companies across TV, radio and online and over £300m to contributors.<sup>61</sup>

#### *Television*

In television, the UK starts from a position of strength, with a broadcast system that delivers high levels of quality, range and consumer choice. It is characterised by a mixed funding model and ‘competition for quality’ between the BBC and private operators at all points in the value chain: outlets, commissioning and programme supply. The main UK PSBs spent some £2.47bn (2010 prices) on first run UK network originations in 2010; £1.33bn of it by the BBC according to Ofcom.<sup>62</sup>

This strong pipeline of content contributed to a very healthy export performance, with export earnings reaching £1,337m in 2009 from programme, format, and licensing and merchandising sales - the UK has the second highest level of TV exports after the US. In this context, the certainty (and diversity) of funding that the licence fee offers compared to other commercial revenue sources is significant. In the absence of a publicly funded BBC, Deloitte calculated that total indie sector UK TV revenues would decrease by £520m in their counterfactual (with the BBC as a commercially funded broadcaster) - from £1,551m to £1,031m. Indie sector UK TV revenues would therefore drop significantly below their level in 2004 (£1,300m), i.e. before the sector started to experience significant growth. 85% of the decrease in the size of the sector would result from reduced UK commissions/co-funding spend; 15% results from reduced revenues from secondary exploitation.

The BBC’s investment has additional indirect benefits for the independent production sector. Deloitte<sup>63</sup> identified and described two key spillovers:

- The BBC acts as a quality leader in the UK broadcast market. In fulfilling its public purposes, the BBC encourages high audience expectations and creates a high quality threshold for UK produced content. This in turn makes a positive contribution to the

---

<sup>59</sup> O&O (2003)

<sup>60</sup> BBC (2011a) page 2-74

<sup>61</sup> BBC (2011a) page 2-3

<sup>62</sup> Ofcom (2011) Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV1, GMTVI, Channel 4 and Five. The analysis does not include S4C or BBC HD. Figures exclude nations/regions programming

<sup>63</sup> Deloitte 2010

ability of UK companies to earn secondary revenue, including from exports of programmes and programme ideas.

- The stability of licence fee funding of independent production companies arguably causes their cost of capital to be lower than it otherwise would be, helping them to compete more effectively at home and abroad. Deloitte suggest that the cost of capital of the indie sector might be some 15% to 20% lower than would otherwise be the case in the absence of the licence fee.

The introduction of the BBC's Window of Creative Competition (WOCC) in 2007 - the portion of BBC commissioning (currently 25% of qualifying TV hours) for which in-house and external suppliers compete head-to-head - has materially increased the number of BBC commissions from independent production companies.<sup>64</sup> This competitive commissioning process has meant that the BBC provides over a quarter of indie sector TV revenues in 2010/11<sup>65</sup> with 72% of qualifying hours in the WOCC won by indies, up from 70% in the previous year.<sup>66</sup> Overall, the BBC commissioned 40% of its television content from over 305 independent TV production companies. This compares favourably with Channel 4 (266 indies<sup>67</sup>), ITV (74) and Five (56).<sup>68</sup>

### **Daisybeck Productions**

Founded in 1998, Daisybeck Productions is an RTS Award winning production company based in Leeds. It produces factual, factual entertainment and event programming. In 2009, Daisybeck won a commission from BBC One to produce a high profile, one-off documentary - *Georgia's Story: 33 Stone At 15* - which achieved critical acclaim and told the story of a Welsh teenager struggling to regain control of her life as her eating habits spiralled out of control. The commission provided Daisybeck with the platform on which to build a thriving business in the UK and overseas.

Daisybeck was able to exploit the shop window that a successful programme on the BBC provides both at home and abroad to negotiate a successful distribution deal for overseas rights to the programme. It also opened the door for Daisybeck in the US market, where it was commissioned by the Style Network to produce an Emmy nominated spin off series - *Too Fat For 15: Fighting Back* - which is now in its second series.

Daisybeck has also been part of the BBC's XM25 scheme, designed to encourage profitable relationships between BBC commissioners and producers outside the M25.

Daisybeck now has an annual turnover of around £5m and employs up to 60 people at any one time.

Additional content investment is also attracted to the sector because of the BBC. Together the BBC and BBC Worldwide attracted over £59m from overseas broadcasters in 2009/10 to

---

<sup>64</sup> Ofcom (2010)

<sup>65</sup> UK production sector turnover = £1.74bn in 2011 [Source: Broadcast 2011, page 4]. BBC spent £467m = 26.8% of £1.74bn.

<sup>66</sup> BBC Press release 30 June 2011

<sup>67</sup> Channel 4 Annual report 2010, page 18

<sup>68</sup> Broadcast (2011)

be invested into the UK creative sector.<sup>69</sup> This is particularly significant given the importance of co-productions to fund UK commissions.

BBC Worldwide also provides funding directly to independent production companies - its total funding to indies approached £80m in 2010/11. This was in return for rights and net profits from programme distribution.

The BBC has also acted as a key catalyst to facilitate the development of digital production across the industry for the benefit of all.

### *Digital Production Partnership*

The BBC is a key player in the Digital Production Partnership (DPP), an initiative that aims to help producers and broadcasters maximise the potential benefits of digital production and facilitate the development of digital production across the industry.

Funded and led by BBC, ITV and Channel 4, with active participation from Channel Five, Sky, S4C and the Independent Production sector, the DPP has unveiled the UK's first common TV Programme delivery standards for tape delivery of HD and SD TV programmes. As a result, producers will have a single set of guidelines that cover Technical Specifications, Picture and Sound Quality for Delivery to the BBC, Channel 4, Channel 5, ITV, S4C and Sky rather than the multiple sets they faced previously.

Forming the contractual basis between broadcasters and producers for all new commissions, the standards also aim to provide clarity around HD deliveries for the production community. These standards do not prescribe the suitability of particular cameras, or post-production technologies, as these can vary from production to production and will remain subject to discussion between producer and broadcaster.

The partnership will make announcements on other guidelines over the coming months, including metadata standards for delivered programmes, HD File based delivery specification and, later this year, plans to publish a 'Producers Guide' covering best practice acquisition and post-production techniques.

### *Radio*

The independent radio production sector is a relatively small, but culturally significant, part of the UK media sector. The sector's outputs are valued for their creativity, having won many awards, both at home and overseas. There are between 150 to 200 businesses in the sector, varying in size from sole traders to multi-million pound media enterprises. The sector has a turnover of around £20m per annum and the BBC purchases more than 90% of its output (other customers are mainly commercial radio, publishers and corporate clients). BBC commissions not only provide the majority of the sector's revenues, but it is also the only broadcaster in several significant radio programmes genres, such as comedy, documentary and drama.<sup>70</sup>

<sup>69</sup> Inward investment is made in return for rights. Many deals cover a range of rights across media and, critically, across territories. Where the BBC has secured investments for global rights - i.e. including the UK - we have used proxy analysis of other deals to estimate the proportion attributable to the UK and to the rest of the world. This figure is therefore indicative.

<sup>70</sup> Goddard (2010) page 77

BBC Network Radio has pledged that at least 10% of eligible hours on its national analogue and digital radio networks would be made by independent producers. In 2010/11, all BBC UK-wide network radio services together broadcast 13% of eligible output from independent producers. The BBC is introducing an additional Radio WoCC to promote further competition between BBC in-house production and the external radio supply market for a further 10% of broadcast hours on top of the existing 10% commitment. This will be in place in time for the 2012/13 financial year.

### *Online*

The BBC introduced a voluntary independent quota in 2004 following the Graf Report<sup>71</sup> and a requirement to use external suppliers was later added to the BBC Online service licence. In 2010/11, 27% of eligible BBC Online spend was sourced externally.<sup>72</sup>

#### ***The Th\_nk Agency and BBC @North initiative***

In November 2009 the BBC launched a pilot project - the @North digital initiative - designed to encourage and support the development and delivery of interactive content for CBBC and CBeebies from digital agencies from across the UK. The project also represented a new model of how the BBC engages with independent companies and digital agencies across the north of England as well as with the regional screen agencies - Northern Film and Media, Screen Yorkshire and Vision+Media (North West). A total of £500,000 was earmarked for commissioning in the pilot of @North.

One of the successful companies in the first wave of commissions was Th\_nk from Newcastle. Others included - Numiko and Brass from Leeds, The Workshop from Sheffield and Amaze from Manchester. Th\_nk pitched and won a commission around a theatre of jokes for 6-12 year olds that allowed users to rate the jokes, which is now up and running at CBBC Crack a Joke (<http://www.bbc.co.uk/cbbc/shows/cbbc-jokes>). Th\_nk were subsequently asked to join the BBC's online advisory group. They also succeeded in joining the BBC's design roster.

Winning a BBC commission became a valuable asset for the agency and a signal to others that it could meet high quality standards, including for a young audience. Being able to include the BBC in its client portfolio added weight and credibility and has contributed to its success in attracting other clients such as BUPA, Blackberry and winning other commissions such as the Pottermore site announced recently by JK Rowling.

At the time of its BBC success, Th\_nk was considered a Newcastle based agency with a London presence. Building on the BBC relationship, the agency has since doubled its turnover - to over £11m pa - and is now considered a national agency in size and scale.

#### **2.2.4 BBC Worldwide: growing exports and inward investment**

BBC Worldwide is the main commercial arm and a wholly owned subsidiary of the BBC. It exists primarily to generate and grow commercial income for BBC public services. In 2010/11 it returned over £180m to assist the BBC in meeting its financial challenges. As well as supporting the BBC, BBC Worldwide operates as one of the engines for the UK's wider

---

<sup>71</sup> Graf (2004)

<sup>72</sup> BBC (2011a) *Performance against public commitments 2011*, page S22

creative economy. It has been a key contributor to the global success of the UK audiovisual sector.

#### *BBC Worldwide: Growing organically*

As a commercial organisation, BBC Worldwide contributes directly to UK growth through its own performance. Its headline revenue in 2010/11 grew nearly 8% to £1,158m; 55.5% being international sales, which increased by 9.6% to £642.9m in 2010/11 (£586.8m in 2009/10). Headline profit grew over 10% to £160m - an impressive performance in a challenging commercial climate.

This is in part driven by its investments in the UK. Its part-owned business, UKTV, extends the window of availability of high-quality programmes to UK audiences, and has delivered growth for three consecutive years. BBC Worldwide delivers further opportunities to expand consumers' enjoyment of media brands, such as via its Queen's Award winning global DVD business, Zentertain, and its rapidly growing digital businesses, such as its download-to-own offers.

BBC Worldwide is the largest TV programme distributor in the world, outside the US major studios. On the distribution side it sells programmes and formats produced by the BBC and by hundreds of UK independent producers to the rest of the world. As a channel owner, it operates a global suite of television channels. BBC AMERICA, for instance, is a well established cable channel available in 68.5m homes in the US - a strong platform offering the best of British programming from the BBC and independent producers to the US market.

BBC Worldwide does business with over 200 countries and territories and builds global multimedia brands out of intellectual property. It invests in BBC and independent productions and works with both BBC talent and hundreds of UK independent producers; it has invested over £1bn<sup>73</sup> in the UK's creative sector in the past five years.

#### *Supporting growth in the wider creative sector*

High growth firms face obstacles in accessing finance and business skills.<sup>74</sup> This is particularly true in the creative sector, which is characterised by a small number of large companies - e.g. the broadcasters and major indies - and a large number of small firms. BBC Worldwide works in partnership with UK independent production companies and provides both direct funding and mentoring for smaller production companies.

It provides British talent (both on and off screen talent) with the support needed to set up successful production businesses - including seed capital, facilities, platforms to reach buyers and co-production partners, international distribution and digital expertise. BBC Worldwide is, for example, the largest funding partner of ITV's Primeval, in partnership with Impossible Pictures Limited, ITV, UKTV, ProSieben and BBC AMERICA. It also has equity stakes in UK production companies such as Left Bank Pictures.

---

<sup>73</sup> Including programme investments and dividends paid to the BBC and payments to independent production companies and contributors such as writers and actors.

<sup>74</sup> Levy et al 2011

### ***Left Bank Pictures***

In June 2007, BBC Worldwide invested in start-up independent producer: Left Bank Pictures. Left Bank was founded by Andy Harries, former Head of Drama for Granada Productions along with fellow ITV colleagues, Marigo Kehoe and Francis Hopkinson, to produce feature films, television dramas and comedies. Andy Harries had produced films such as *The Queen* and many successful TV shows such as *Cold Feet*.

BBC Worldwide invested £1m in Left Bank in return for a 25% shareholding and exclusive access to new Left Bank TV productions for a period of 5 years, funding key UK creative talent and bolstering BBCW's access to high end drama content. In addition to providing equity financing BBC Worldwide also agreed to provide a £750k loan facility.

With the help of BBC Worldwide, Left Bank has gone on to great success, being the fifth largest drama producer in 2010 and the fifth largest 'true independent' by turnover.<sup>75</sup> It has secured an impressive 16 commissions in 4 years, reporting revenues in excess of £21m in 2010. Left Bank's first production, *Wallander*, was received with critical acclaim in the industry winning a total of 7 BAFTA's. Left Bank won "Best Independent Production Company" at the Broadcast Awards 2011, with the panel describing their productions as 'fresh and ambitious'.

Equity deals such as this benefit both BBC Worldwide and the independent producer. For instance, in addition to the cash injection to set up the business and fund the development of new programming, BBC Worldwide was able to help ensure that Left Bank's owners:

- Secured a UK-based partner with a business culture and creative aspirations which are aligned with their own. (Apart from BBC Worldwide, most investment in UK indies comes from non-UK media conglomerates.)
- Were able to partner with a successful global distribution business, giving them the best opportunity to earn extra revenues from the sale of their shows and from DVD, and
- Gained additional financing of individual TV projects on a case by case basis when full programme budgets were not met by broadcasters (often the case with high-end drama commissions). BBC Worldwide has invested a further £10m in Left Bank projects (which it recoups from international TV sales and DVD releases).

This has also been a very profitable investment for BBC Worldwide, adding 66 hours into its catalogue for international distribution, including *Wallander*, *Father & Son*, *Married Single Other*, *DCI Banks*, *Zen*, *School of Comedy* and *Mad Dogs*. This has provided financial benefits in terms of sales commission, profit share and dividend payments. By taking a calculated risk on the potential of key UK talent, BBC Worldwide has helped to support the growth of a new business, and has delivered significant profits for re-investment in the BBC.

### ***Growing exports and inward investment***

Exports and inward investment are a key component of a nation's national income and an important driver of economic growth. The digital and creative sector performs exceptionally well on a global basis; the UK is second only to the US in its export success. A recent report by Foster & Broughton<sup>76</sup> illustrates how the UK punches above its weight: it is the single largest exporter of TV formats in the world - now worth almost £120m - and the second

---

<sup>75</sup> Broadcast (2011)

<sup>76</sup> Foster & Broughton (2011)

largest (after the US) exporter of finished TV programming; relative to the size of its television industry, the UK is the largest exporter of TV content.

BBC Worldwide has made a significant contribution to this success. It is Britain's largest international television company and exports the best of British creative content to the world. It has been successful at supporting exports from, and inward investment into, the UK creative sector. It helped total UK TV exports grow 9% to £1.337bn in 2009.<sup>77</sup>

As well as content from the BBC, programmes and formats from more than 300 UK independent producers were distributed by BBC Worldwide in 2010/11. Of the 74,000 hours of high-quality UK programming sold to over 690 customers from the USA to Indonesia in 2010/11, 40% (c. 30,000 hours) were indie produced (including both BBC and non-BBC commissions). For example, the BBC Worldwide format *Dancing with the Stars* (known as *Strictly Come Dancing* in the UK) entered the Guinness Book of Records as the world's most successful reality TV format and the latest US series was the most-watched ever.

Together the BBC and BBC Worldwide helped to attract over £59m<sup>78</sup> of co-production funding into the UK in 2009/10 from overseas broadcasters, supporting investment in the UK production sector.

Each year, BBC Worldwide puts on BBC Showcase, the world's biggest programme trade fair organised by a single distributor. It provides the launch pad for top quality UK programmes to reach much wider audiences across the globe. This year, more than 560 international buyers attended BBC Showcase - a 12% increase on 2010. BBC Worldwide is now also running BBC Showcase in Latin America, South Korea and China.

#### *Future strategy*

BBC Worldwide will continue to mainly focus on BBC intellectual property and increasingly on international growth, while wherever possible, helping other high quality UK intellectual property reach global markets. In the UK, BBC Worldwide will continue to play a significant role investing in the best of content from the BBC and indies, while it exits non-core businesses like non-BBC branded magazines. It will grow its international presence, with a target to have two thirds of its revenues coming from international markets by 2012 (although given strong growth in the UK also, it expects to take a further year to reach its target - it is currently at 55%). It intends to grow first in the US, expand its share of the Australian market and will develop strategies for growth in EMEA, Asia and Latin America.

It has recently launched a pilot of a video-on-demand global BBC iPlayer to showcase the best of British content from the past to the present day.<sup>79</sup> This is part of a wider commitment to increase the share of BBC Worldwide revenue derived from digital activities from 1% in 2006/07 to 10% by 2012/13 – helping ensure that UK content can compete against US and other global competition online as it can on TV.

---

<sup>77</sup> Source: UK Television Exports 2009, TRP for UKTI/PACT

<sup>78</sup> Inward investment is made in return for rights. Many deals cover a range of rights across media and, critically, across territories. Where the BBC has secured investments for global rights - i.e. including the UK - we have used proxy analysis of other deals to estimate the proportion attributable to the UK and to the rest of the world. This figure is therefore indicative.

<sup>79</sup> Full launch is subject to final approval

BBC Worldwide also intends to expand and grow its international content distribution activities. It will expand its existing channel portfolio with localised and HD launches of existing channels in new territories and is looking into launching a branded channel internationally for *BBC Earth* - the umbrella brand for a flagship natural history channel.

As part of its aim to export more of the best of British creativity around the world, BBC Worldwide has announced a major international TV season - *London Calling* - which will provide a month of programming across genres on BBC branded international channels in the run up to the Olympic Games. This season will highlight the UK as a centre of creativity and celebrating the people, music, art, culture and history of the UK with a wide range of programming.

In the UK, BBC Worldwide will continue to play a significant role investing in the best of British content from the BBC and indies, while it exits non-core businesses like non-BBC branded magazines. It will continue to consider how it could work more closely with other UK broadcasters and producers. It will act as a source of finance and distribution expertise for UK producers and aim to strike long-term talent deals to create new intellectual property.

### **2.2.5 Supporting new technologies and new markets**

Through its sixth purpose the BBC helps deliver to the public the benefits of emerging communications technologies. It has an impressive track record of introducing and promoting new innovative services and supporting new technologies, helping the UK public to access and use them effectively. Although undertaken primarily to better serve UK audiences, these innovations also help to establish new markets for commercial companies to exploit.

The BBC was an early entrant into the online space, launching [bbc.co.uk](http://bbc.co.uk) in 1997. BBC Online is now the 5th most popular web destination for UK users, the most popular UK produced content site by far and the only UK based site in the top 10 websites. The BBC's online activities and the quality and range of content it provides have given many people a reason to go online for the first time and the confidence to explore and exploit the opportunities that the internet provides.<sup>80</sup>

A good example of an innovative BBC service that has had wide spillover effects is BBC iPlayer. BBC iPlayer was not first to market. However, it has become the most popular on-demand video catch-up service in the UK, receiving 141 million requests for TV and radio programmes across all platforms in April 2011. It is now available on over 250 third party platforms and TV devices including games consoles and connected TVs.<sup>81</sup> Its wide range of high quality content and user-friendly experience has made it popular with audiences: 37% of respondents in a recent survey agreed that BBC iPlayer was one of the reasons they like having broadband at home and 6% agreed that BBC iPlayer was one of the reasons they got

---

<sup>80</sup> TNS survey for BBC, December 2007  
"MORI research, conducted for the BBC, found that 7% of UK users were encouraged to go online specifically by the BBC" Graf (2004)

<sup>81</sup> For up to date information on the availability of iPlayer see  
[http://iplayerhelp.external.bbc.co.uk/help/where\\_to\\_get\\_iplayer/television/](http://iplayerhelp.external.bbc.co.uk/help/where_to_get_iplayer/television/)

broadband at home in the first place.<sup>82</sup> Indeed, when iPlayer first launched 4OD also reported an increase in its own usage.<sup>83</sup> The availability of high quality services like the iPlayer help to explain why the UK is ahead of other countries, such as France, Germany and the US, in the take-up of online TV.<sup>84</sup>

A more recent innovation, RadioPlayer, developed in collaboration with the commercial radio sector hopes to do for internet radio what iPlayer has done for catch-up TV online. RadioPlayer Ltd. was incorporated in July 2010 and launched on 31<sup>st</sup> March 2011 attracting 5.7m monthly unique users in May. The product went live with 157 partner stations<sup>85</sup> and has since added 93 non-partner stations (including 10 community/ student stations); another 50 stations are preparing players. Eventually around 300 online radio stations will be brought together in one place online.

The BBC's development of, and support for, open platforms and technologies - often in partnership with others - has encouraged digital take-up and sales of reception equipment as well as providing new and innovative routes to market for content producers. For example:

- The BBC has invested in a portfolio of digital only television channels and via **Freeview** works with a range of broadcast industry partners to promote digital terrestrial television. Freeview is the most popular platform for receiving digital television; the number of homes claiming that DTT was their primary means of digital TV reception stood at 10.1 million in Q1 2011 (39.6% of all homes) and in the year to the end of Q1 2011, 12.6 million DTT units (IDTVs and set-top boxes) were sold.<sup>86</sup>
- In partnership with ITV, the BBC has also invested in Freesat - a fee-to-air digital satellite service with over 160 channels and services to some 2 million customers who have purchased Freesat products.<sup>87</sup>

The success of DTT and Freesat has created new opportunities for broadcasters to reach UK viewers and supported significant investment in new receiving equipment. Freesat, for instance, has created a major new retail market approaching £1 billion in gross sales to date.<sup>88</sup>

By facilitating digital switchover in TV by 2012, BBC investment in Freeview and Freesat has also ensured that UK plc can benefit from the 'digital dividend' - the release of scarce terrestrial spectrum to other uses. Deloitte has estimated the benefit of the BBC bringing digital switchover forward through its involvement in Freeview and found that for financial year 2008/09, the spillover effects from the BBC's contribution to accelerating switchover was in the range of £94.8m to £262.6m.<sup>89</sup>

---

<sup>82</sup> 2609 adults from BBC online survey in week of 24 April 2011.

<sup>83</sup> Source: Nielson/Netratings

<sup>84</sup> Foster and Broughton (2011) page 20

<sup>85</sup> RadioPlayer partners are BBC, Global, GMG, Absolute and RadioCentre.

<sup>86</sup> Ofcom (2011)

<sup>87</sup> *ibid*

<sup>88</sup> Calculations based on Gfk sales data for Freesat IDTVs and STB's since May 2008

<sup>89</sup> Deloitte (2010) section 9.2.1

Following its approach to digital television, the BBC's investment in digital-only radio stations has encouraged the take-up of digital radio. Those digital-exclusive stations have been an important influence on sales of DAB digital radios, with BBC7 (now Radio 4 Extra) the top radio station listeners cited for buying DAB radios.<sup>90</sup>

The BBC has also entered into a partnership with a range of other companies to create YouView.<sup>91</sup> YouView – set for launch in 2012 - will encourage users to access IP delivered services via their TV sets and create new and innovative options for content producers to combine interactivity with the broadcast signal.

Going forward, it is high quality services and content from the BBC and others that will encourage consumers to adopt superfast broadband and incentivise investment in the underlying infrastructure. Ofcom suggests<sup>92</sup> - and DCMS reiterates<sup>93</sup> - that video streaming could provide the 'tipping point' from current generation broadband to the take-up of superfast services and that the transition to internet-ready television would require higher bandwidths that only superfast broadband connections can provide.

## 2.2.6 Showcasing the cultural and creative sectors

In meeting its public purposes, the BBC can have a positive economic impact on the UK arts and can stimulate demand across the sector. Exposure on the BBC through editorial partnerships for instance - such as with the Tate (*Picture of Britain*,<sup>94</sup> *Britain from Above*) and the British Museum (*A History of the World in 100 objects*<sup>95</sup>) - can be of considerable benefit to individual institutions as well as to the licence fee payer.

### *UK Music*

Another important example of the BBC's public service activities having a positive and beneficial impact is its relationship with the UK music industry. Music is one of the UK's most successful creative industries, performing well overseas. Britain remains the second largest source of repertoire in the United States market after home-grown US artists themselves. British artists accounted for 9.8% of artist albums sold in the US in 2010, up from 9.6% in 2009, and for 6.7% of US single sales in 2010, slightly up on 2009's share of 6.6%.<sup>96</sup>

---

<sup>90</sup> DRDB Online Survey (Oct 07) found;

<sup>91</sup> YouView is a partnership between the BBC, ITV, Channel 4, Channel 5, BT, Talk Talk and Arqiva. See BBC Trust (2010) and [www.youview.com](http://www.youview.com)

<sup>92</sup> Ofcom (2010) page 290

<sup>93</sup> BIS & DCMS (2010)

<sup>94</sup> For more details see <http://www.tate.org.uk/britain/exhibitions/apictureofbritain/>

<sup>95</sup> For more detail of the BBC/British Museum partnership see [http://www.britishmuseum.org/the\\_museum/news\\_and\\_press\\_releases/press\\_releases/2009/a\\_history\\_of\\_the\\_world.aspx](http://www.britishmuseum.org/the_museum/news_and_press_releases/press_releases/2009/a_history_of_the_world.aspx)

<sup>96</sup> Source: BPI Press Release <http://www.bpi.co.uk/press-area/news-amp3b-press-release/article/british-artists-increase-share-of-us-music-market-in-2010.aspx>

### *A History of the World in 100 objects*

*A History of the World in 100 objects* (“AHOW”) - a long running project from January 2010 until the end of October 2010 - was created from a partnership between the British Museum and the BBC. Although initially a partnership with the British Museum for a Radio 4 series, it brought together many key players across the BBC and the museum sector nationally. The pan UK nature of the project - over 550 museums participated - was a vital editorial component of AHOW creating a focus on the permanent collections of museums UK wide and not just at a London based national institution.

The BBC’s portfolio of services across TV, radio and online meant it was uniquely placed to deliver on the project and to represent it across the UK. On radio, the programme was a critical success and the number of downloads - now over 22 million worldwide, over 11.5m in UK - has never before been achieved for a BBC speech radio programme.

On TV, content connected to AHOW was made within programme strands such as *Antiques Roadshow* and *The Culture Show*. *Inside Out* and English Regions landmark commissions for BBC 1 were key in building reach to content linked to museums around the UK.

The British Museum estimated that it saw an increase of over 250 000 visitors as a result of the initiative. In addition, over 550 other museums participated, with 174 Relic trails nationwide; 126 events took place across 103 venues with an estimated minimum attendance of 145,245 across the UK. A BBC survey of over 500 participating museums found 90% said they would do it again, 64% judged it a success and more than one in four museums saw a footfall increase attributable to the programme.

Reflecting on the series, Neil MacGregor, Director British Museum observed that:<sup>97</sup>

*“The linking up of the web TV Nations and regions with radio enabled the country to rediscover museums as a civic space that we share equally and for free.”*

*“I came to understand that it is more valuable to listen to an object than to see it... Museums have not thought about this before. Looking is passive - listening requires the listener to participate engage and own it... museums always think about image and label and very little through voice. A museum collection of objects should be a house of stories. ... we should use voices as people confront the objects. What is interesting is voices and stories not objects per say...”*

As a result of the partnership, the British Museum won the £100,000 Art Fund Prize for Museum of the Year 2011, the first time a national museum has won the prize.

The BBC invests hugely in the UK music scene through its rights payments alone. Radio 2, for instance, pays £22.71 per minute in performing rights payments for the music it plays.

More importantly, the BBC has a history of identifying new British talent and making that talent available to a wide audience; from John Peel from the 70s and 80s onwards to Zane Lowe and *BBC Introducing* today, the BBC regularly brings new music to the attention of the UK listener. According to the PRS, BBC Radio stations use consistently more tracks per station than commercial radio and broadcast a greater diversity of tracks (as measured by

<sup>97</sup> Statement made at an evaluation workshop, 11th February 2011

the number of its featured tracks not played elsewhere across the UK radio network); the BBC massively outperforms commercial radio on this latter measure.<sup>98</sup>

Content analysis undertaken as part of the BBC Trust's service licence review of Radio 2 and 6 Music showed that there is very little overlap between songs played on Radio 2, 6 Music, and Radio 1 in a typical week. In particular, they found that there is very little overlap between the playlists of Radio 2 and 6 Music and their nearest commercial radio station rival in peak time (i.e. daytime), breakfast and drivetime as well as the week as a whole. For Radio 2 it was 10% across the week and only 8% for 6 Music.<sup>99</sup>

The BBC runs a twice yearly survey of new music which monitors the daytime<sup>100</sup> output of four BBC stations (R1, R2, 1X and 6 Music) and 10 key commercial stations (including Capital, Absolute, Magic and XFM). The last survey was undertaken in one week in November 2010. It found that 37% (1,375) of the 3,737 different songs identified were played only on a BBC radio station, receiving no play on any of the commercial stations that week. Across the 14 stations monitored, 352 new songs<sup>101</sup> were identified with 207 (59%) only played by a BBC network that week and not featured on any commercial station. So, in that week you had to be listening to the BBC to hear 60% of the new music played in daytime.

All the BBC's popular music networks share a commitment to help support and promote new music, especially new music from UK artists and the breadth of specialist musical genres covered is staggering - from big band music on Radio 2 to grime and dubstep on 1Xtra. But, the BBC's support for new music extends beyond popular music, encompassing genres such as classical and world music (Radio 3) and British Asian music (Asian Network).

### **Radio 3**

Radio 3 promotes the creation of new content and supports new composers. Its service licence requires it to commission 30 pieces of new music a year; in 2009/10 it commissioned 39.<sup>102</sup> It helps make the BBC the most significant commissioner of new music in the World.

In a typical year, Radio 3:

- Broadcasts 250 BBC originated concerts
- Broadcasts 360 concerts from BBC performing groups
- Broadcasts 460 concerts originating outside the BBC
- Reports on over 800 events
- Organises learning events (120 in 2008/09 attended by 80,000 people).

<sup>98</sup> PRS (2010) *Economic Insight 18: A songwriter's perspective on 6 Music* Issue 18, 20/05/10 at [www.prsformusic.com/economics](http://www.prsformusic.com/economics)

<sup>99</sup> BBC Trust (2011) *Service Review: BBC Radio 3, BBC Radio 4 and BBC Radio 7* February 2011

<sup>100</sup> The survey concentrates on daytime to avoid the BBC's huge range of specialist music shows in the evening skewing the comparisons.

<sup>101</sup> New songs were defined as music pre-release or less than a month since (physical) release

<sup>102</sup> *ibid*

Not only does the BBC play new music, it also plays a valuable role in identifying new, unsigned British talent and offering that talent an opportunity to reach a wider audience and be discovered by the music industry.

### ***BBC Introducing***

*BBC Introducing* aims to discover new music makers at grass roots levels - many of who are unsigned and have had very little previous exposure in the media; few will ever feature on the bigger commercial stations unless or until they start to crossover to mainstream audiences. It is a multi-platform initiative across BBC Radio 1, 6 Music, BBC Radio 1Xtra, BBC Asian Network, over 35 BBC Local Radio stations and at [bbc.co.uk/introducing](http://bbc.co.uk/introducing). They all work together to provide an internal network dedicated to showcasing the best new talent from across the UK.

Having launched at Glastonbury in 2007, the BBC Introducing Stage is now present at key UK music festivals throughout the year, including Glastonbury, Reading, 'T In The Park' and Leeds. Over 500 bands have been showcased on a *BBC Introducing* festival stage since it began.

Musicians can upload their music at [bbc.co.uk/introducing](http://bbc.co.uk/introducing) for the possible opportunity of being broadcast on BBC Radio, which could lead to a slot on one of the BBC Introducing stages. The *BBC Introducing* website also offers a hub of practical advice and information for new artists wanting to take the next step in the industry, including over 100 videos featuring established and upcoming artists, BBC talent, industry experts including agents and managers, publishers and promoters.

By April 2010, 20,000 artists have submitted more than 45,000 tracks of music to the BBC Introducing website.<sup>103</sup> Artists that have benefitted from being identified and promoted first on the BBC include The Klaxons, Florence and the Machine and Chipmunk.

## **2.3 Making growth sustainable: helping to rebalance the UK economy**

In its Plan for Growth, the government placed an emphasis on the desire for sustainable growth. It said:<sup>104</sup>

*“Sustainable growth requires a rebalancing of the UK economy away from a reliance on a narrow range of sectors and regions, to one built on investment and exports, with strong growth more fairly shared across the UK.”*

The BBC can, and is, making a positive contribution to this ambition.

### **2.3.1 A more sustainable creative sector**

As we have seen already, the UK broadcast sector is one of the most dynamic and competitive media markets in the world, making a substantial contribution to the UK economy in terms of output, exports and jobs. As well as its own direct impact, it helps

---

<sup>103</sup> BBC blog at [http://www.bbc.co.uk/blogs/bbcmusic/2010/04/bbc\\_introducing\\_passes\\_20000.html](http://www.bbc.co.uk/blogs/bbcmusic/2010/04/bbc_introducing_passes_20000.html)

<sup>104</sup> HM Treasury BIS (2011), page 28

support a wider critical mass of technical, production and artistic expertise, which underpins the UK's thriving creative economy.<sup>105</sup>

This success hasn't happened by accident. The UK broadcast sector benefits from a combination of a strong cultural tradition, exceptional creative talent, a supportive policy framework and a healthy broadcast ecology. Uniquely in world markets, the UK has inherited a rich combination of public and private media which together help the UK perform better than most of its rivals and the combination of public and private activity in the UK creative sector has worked well to deliver more than the sum of its parts. The BBC on its own would mean a loss of commercial dynamism and entrepreneurial spirit; the commercial sector on its own – given a smaller domestic market than, say, the US – would not have the capacity to build the scale necessary to compete as effectively on a global stage.

The presence of a publicly funded BBC is therefore helping to make the creative sector more sustainable. Its role is particularly important in: addressing economic and wider market failures, setting quality benchmarks, encouraging competition for quality and for providing investment in the UK creative sector. These have all been addressed earlier in this report.

Together, the mixed ecology supports space for innovation, a skilled talent base and the free flow of people and ideas. For instance, it is 'competition for quality' between the publicly-funded BBC and private operators at all points in the value chain - outlets, commissioning and programme supply – that has allowed the UK to invest far more per head of population in original production than any comparable country.<sup>106</sup>

The imperative for sustainable growth in the UK media sector, therefore, is to secure these benefits for the future as the world changes and new opportunities arise. The prospects for further innovation and choice look positive as the market evolves but effective public interventions such as the BBC will remain necessary to ensure all citizens have access to services and content of wider social value<sup>107</sup>, and that quality – fundamental to the international success of the sector – remains one of the main dimensions of competition.

### **2.3.2 Sectoral rebalancing**

The BBC helps to support the sectoral rebalancing of the UK economy towards high technology industries that build on the its comparative advantages.

As a result of the BBC's support for the creative sector - including for new technologies and new markets - outlined above, the BBC helps encourage consumers to become digitally literate and the UK workforce to gain digital skills. Through its sixth public purpose, for instance, the BBC seeks to help everyone in the UK get the best from new and emerging communications technologies by encouraging take-up and by providing services that encourage investment in digital infrastructure. It has a strong track record:

---

<sup>105</sup> Foster & Broughton (2011) page 7

<sup>106</sup> Oliver and Ohlbaum Associates (2003)

<sup>107</sup> In economic terms, the existence of externalities and merit goods in broadcasting means that the market will under-supply content that yields wider social and democratic benefits.

- Open standards: BBC R&D has created standards and technologies made open and shared widely with industry, from the standards on which UK analogue radio and TV were based, as well as PAL, Teletext, NICAM, Freeview, Freesat & DVB-T2.
- Digital terrestrial TV (“DTT”): Ofcom concluded that *“the BBC’s new services have certainly pushed DTT take up much faster than if they were not there.”*<sup>108</sup> The success of services and platforms such as Freesat and Freeview has helped the UK become one of the leading adopters of digital TV at 91.3% of households.<sup>109</sup>
- Digital Radio: the BBC’s digital services have played a significant role in driving DAB radio sales. More recently, the BBC and the commercial radio sector working in partnership have developed and launched RadioPlayer - which has brought around 300 online radio stations together in one place.
- BBC Online: The BBC was an early entrant into the online space, launching bbc.co.uk in 1997. Research shows that bbc.co.uk played an important role in getting a significant proportion of UK users online.<sup>110</sup>
- iPlayer: BBC iPlayer has helped make audiences comfortable with accessing audio visual content on demand and online. Usage of legal long-form A/V online overall was very limited when iPlayer launched, however iPlayer now receives more than 140m programme requests each month.<sup>111</sup>
- YouView: estimated to drive broadband uptake by c.500,000 new homes<sup>112</sup> and will promote the best “access” technology for disabled audiences in future.

In addition, the BBC takes direct action to support and encourage the digital literacy of the UK population. The BBC does this by supporting and encouraging media literacy, by developing new accessibility technologies and setting the standard for accessibility in both broadcasting and online.

- Media literacy: *First Click* is a major BBC media literacy initiative to encourage people online for the first time.
- Accessibility: Internationally, the BBC is a leader in setting the standard for accessibility for linear broadcast and online, sharing its standards widely.

Together these two initiatives – encouraging technological adoption and encouraging improvements in digital literacy - improve citizen engagement with new technology and help create a more digitally literate UK population and workforce.

---

<sup>108</sup> Ofcom, 2004 referring to a BBC/TNS survey of 977 households that purchased Freeview (Mar '03) showing the top two reasons for purchase were i) greater choice, ii) to get 8 BBC digital channels

<sup>109</sup> Foster & Broughton (2011) and Ofcom (2011)

<sup>110</sup> TNS, December 2007; *“MORI research, conducted for the BBC, found that 7% of UK users were encouraged to go online specifically by the BBC”* Graf 2004

<sup>111</sup> BBC server logs

<sup>112</sup> BBC Trust NSA on “Project Canvas” (now YouView)



First Click was launched in October 2010 with the aim of encouraging the estimated 9.2 million people in the UK (Source: ONS, August 2010) who were then offline to take their first step online. The BBC's First Click media literacy campaign is being run in partnership with Race Online 2012, UK online centres, Age UK, the Post Office, libraries and community partners.

The initial campaign was supported across the BBC's TV and radio output with programmes - such as BBC Breakfast, Today, Sir Terry Wogan on The One Show, Peggy Woolley going online in The Archers - and activity to explain to audiences the benefits of using the internet. The BBC also offered a dedicated website ([bbc.co.uk/connect](http://bbc.co.uk/connect)) and an online tool, MyDisplay, to help people with accessibility needs have a better experience online. MyDisplay allows users to customise the colour, font and size of text by setting preferences for use across the BBC website, depending on their needs.

Thousands of people have already successfully completed First Click beginners' courses. Across the UK venues, including local libraries and community centres, are running courses to help people learn how to use computers to access the internet. In the first three weeks alone, through leaflets, editorial coverage and working with partners, the scheme generated 41,000 calls and 12,000 people booked beginners computer courses. Marketing reached over c30m adults, including 5.6m 55+, C2DEs, the core target audience. It is thought that more than 100,000 people went online for the first time as a result of the first stage of the campaign.

A second initiative - First Click Friends - was launched in May 2011 to mobilise and support the millions already using the internet to help others get online. The campaign aims to encourage the thousands of online "digital champions" across the UK to become a First Click Friend by helping a relative, neighbour or friend get online and enjoy the benefits of the internet. At its heart is new web content, [bbc.co.uk/firstclickfriends](http://bbc.co.uk/firstclickfriends), which will showcase a series of inspirational films in which popular TV presenters demonstrate how they use the internet to pursue their interests and hobbies to enhance their lives.

## **Accessibility**

Internationally, the BBC is a leader in the research and production of access services for linear broadcast. It has developed standards for the user experience, which it disseminates widely. It has also developed technologies and supported businesses - such as Red Bee Media - that now offer subtitling and audio description to the wider broadcast, DVD and film industries. The BBC was also the first major broadcaster in the world to look beyond linear services and deliver an accessible video on demand service - BBC iPlayer. To support access to iPlayer content, the BBC has developed and published online accessibility standards. These are currently being extended to cover mobile and online games accessibility also.

Accessibility is a core requirement for YouView and the BBC Trust identified accessibility and usability features as “a factor necessary to safeguard and optimize public value”.<sup>113</sup> YouView has worked with charities like the RNIB, RNID and Mencap to look at the different needs of various audiences, and how to support them. Through its role in the YouView joint venture, the BBC is helping to establish a framework that for the first time allows assistive technology developers to produce middleware for accessible network-ready devices such as PCs, iPhones, Android phones or Tablets and provide users of assistive technology full access to digital TV and interactive TV content. The BBC has published the standard to enable other home media device manufacturers to integrate the API and benefit from the improvement to accessibility that will be developed by the YouView joint venture partnership.

The BBC’s expertise produces positive spillovers into the market place: the natural turnover of its designers and developers disseminates these skills into the wider sector; and the BBC works closely with its suppliers to improve their skills in delivering accessible content for the BBC and for others.

### **2.3.3 Geographical rebalancing: seeding creative clusters**

By moving licence fee investment and production out of London and by seeding sustainable creative clusters of sufficient scale and focus across the UK, the BBC can contribute positively to the geographical rebalancing of the creative sector - and the wider economy.

The BBC plays a unique role in supporting the creative industries across the UK. A shift in the physical gravity of the BBC is underway, with a major new centre being developed in the north of England (MediaCityUK) to complement existing production centres in Bristol, Glasgow, Cardiff and Belfast. By the end of the Charter period, the proportion of the licence fee spent in Scotland, Wales and Northern Ireland and the North West of England will be higher than today, as additional output is commissioned from these areas. By 2016 half of all TV network commissions will be produced outside the M25 (17% from Scotland, Wales and Northern Ireland) compared with broadly a fifth in the early 1990s. Similarly, the BBC is committed to increase the proportion of network radio commissioned outside of London to 38% from 2012.

However, it would not have been effective or efficient to just spread the licence fee across the country indiscriminately. To achieve its ambitions, the BBC has identified key geographical locations in which to concentrate its commissioning and production activities; locations that allow it to develop centres of excellence for particular genres ensuring critical mass and a sustainable production base. These creative centres of excellence will in turn

---

<sup>113</sup> BBC Trust (2010) page 34

help to improve the way the BBC reflects different parts of the UK on-screen. In this way, the BBC's strategy has, and will, help to seed new sustainable creative clusters across the UK, thereby helping to rebalance the economy geographically.

### *The benefits of clusters*

The potential positive externalities associated with clusters<sup>114</sup> have long been recognised. By clustering together - by grouping themselves in a common location - firms with similar needs can reap economic benefits. Clusters make it easier and cheaper for firms to communicate and trade with their customers and their suppliers. Sector-specific infrastructure investment can be undertaken more easily. Knowledge spillovers arising from the opportunity for easier and more substantial networks between employees and employers across the sector result in more rapid innovation and technological take-up. The combination of these effects should lower barriers to entry, attract companies and result in a deeper and more specialised labour pool. These factors can provide static productivity benefits to the members of the cluster as well as longer term dynamic benefits in terms of higher economic growth more generally.<sup>115</sup>

In its recent report on clusters,<sup>116</sup> NESTA explores the role that creative industries play in local and regional innovation systems using the concept of creative clusters as a starting point. Not only are there positive externalities between firms in the same industry, the report's findings suggest the existence of complementarities between some creative sectors and innovative businesses in other parts of the economy. These can arise because of complementary demands for similar infrastructure or labour flows across industries or, in some cases, through the 'urban buzz' generated by creative industries that can attract skilled workers and encourage collaboration.

Hollywood, Mumbai ('Bollywood') and Silicon Valley are three of the most well known clusters in the digital and creative industries. Successful examples closer to home include post-production in Soho, video games in Dundee, technology firms in Silicon Fen, and the new 'Tech City' in Shoreditch, East London.<sup>117</sup>

### *The impact of the BBC on creative clusters*

The BBC has a strong track-record of working in partnership with local authorities and creative firms to encourage the development of creative clusters (sustainable centres of excellence) across the UK; from the Natural History Unit in Bristol to Pacific Quay in Glasgow, from MediaCityUK in Salford to plans to develop a drama production village in Cardiff.

---

<sup>114</sup> Porter (1990) defines clusters as "...geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated organisations (such as universities, standard agencies, trade associations) in a particular field linked by commonalities and complementarities. There is competition as well as cooperation."

<sup>115</sup> Deloitte (2010)

<sup>116</sup> Chapain et al (2010) examines four case studies, including Soho (post-productions) and media production (including Radio and TV and digital media) in Cardiff.

<sup>117</sup> Cisco Systems has recently announced a \$500m investment in East London (see <http://www.information-age.com/channels/comms-and-networking/company-analysis/1635558/how-cisco-plans-to-spend-and36500m-in-east-london.shtml>)

Deloitte examined the specific impact of the BBC on cluster creation in Cardiff and estimated that the BBC's presence generated higher employment (1,763, equivalent to 0.6% of GVA in the Cardiff city-region). Deloitte also estimated the BBC impact on two other clusters - Bristol and Glasgow - and found that the BBC's presence led to more jobs and higher value added (Bristol, 1684 jobs and 0.5% GVA; Glasgow, 3457 jobs and 0.8% GVA impact).<sup>118</sup>

### Salford Quays

The BBC's commitment to move production and commissioning to Salford is helping to create another significant media cluster in the UK. The BBC will be relocating three UK networks outside London for the first time in its history, including BBC Sport, Radio 5 Live (the BBC's news and sport radio network) and the two children's TV networks, CBeebies and CBBC. When the BBC's choice of Salford was announced, Bryan Gray, Chairman of the Northwest Regional Development Agency recognised that the BBC's presence could help to seed a new creative cluster in Salford. He said:

*"It's up to us now to move swiftly to deliver this innovative project, build on the BBC's presence and encourage other creative and digital talent to Salford Quays."<sup>119</sup>*

*"The development of a strengthened BBC presence in the Northwest is hugely important to the region's economy. The creation of a successful creative and digital business sector has the potential to create up to 10,000 jobs and add £170 million a year to the regional economy, with additional benefits throughout the North of England and beyond."<sup>120</sup>*

The BBC's presence has helped attract small and large media companies - including ITV (and the production facilities for Coronation Street) - and institutions with media interests such as the University of Salford. Companies in the cluster benefit from sharing first class resources - studios and post production facilities - knowledge and expertise with other local creative organisations.

The BBC is in regular discussions on a range of initiatives based around MediaCityUK with local organisations such as **Northwest Vision and Media** and **Salford University**. Its apprenticeships scheme underlines its long-term commitment to employment and training across the region and aims to give talented people from a diverse range of backgrounds the skills and knowledge to benefit from the new creative cluster.<sup>121</sup>

The BBC's investment in sustainable television production centres benefits local production and craft skills companies also. A *Doctor Who* adventure takes place in a different time zone or world each week and the BBC invests its production budget to create those worlds, both on locations and in building studio sets: Millennium FX build our monsters; Real FX provide visual effects and The Mill provide CGI. There is a great deal of cross fertilization with suppliers who work successfully on *Doctor Who* and it opens doors on other shows. For instance, Real FX has also worked on *Sherlock* and Millennium FX work on *Being Human*.

<sup>118</sup> Deloitte (2010) page 78

<sup>119</sup> North West Regional Development Agency press release. See <http://www.nwda.co.uk/news--events/press-releases/200701/bbc-confirm-move-to-salford.aspx>

<sup>120</sup> Salford Council press release 4 July 2006 <http://www.salford.gov.uk/16412.htm>

<sup>121</sup> How to become a BBC Apprentice (see <http://www.bbc.co.uk/jobs/north/apprenticeships/>)

### Roath Lock Studios - Cardiff

The regeneration of *Doctor Who* in 2005 as a BBC Cymru Wales production transformed the perception of Wales as a TV production base and as a creative centre of excellence. The creative sector in Wales provides for more than 30,000 jobs in over 4,300 enterprises and generates £1.8bn annual turnover, according to the Welsh Assembly Government.<sup>122</sup> It has been identified as one of six sectors to drive economic renewal of the nation.<sup>123</sup>

The BBC is a vital component of the creative sector in Wales<sup>124</sup> and its partnership approach is establishing Wales as a creative centre of excellence and supporting its increasing production needs- from academic courses to apprenticeships, craft specialists to caterers. The development of a 'drama village' in Cardiff - Roath Lock studios - is a living example of what the BBC's partnership approach can achieve. Working in conjunction with the Welsh Government, property developer igloo, Vinci construction and Cardiff Council, the initiative has resulted in the last area of derelict industrial land in Cardiff Bay being developed. It has generated great interest in relocating to the area to create a "creative hub" for the industry in Wales from other creative organisations, ranging from facility houses and independent companies to the universities teaching the creative leaders of the future.

When *Doctor Who* and its spinoffs - *Torchwood* and *The Sarah Jane Adventures* - were filming at an old car parts factory outside of Cardiff, over 400 people worked on site. Roath Lock will create a new drama production powerhouse, providing first class production facilities for *Doctor Who*, *Upstairs Downstairs*, *Pobol y Cwm* and *Casualty* - and the 600 staff that will work on the productions.

Former Minister for Heritage (Welsh Assembly Government), Alun Ffred Jones, said "*This a great step ahead for the creative industries of Wales and the regeneration of Cardiff Bay. The Creative Industries are crucial for 21st century Wales and we want to ensure businesses capitalise on the multi-million-pound opportunities of the digital age. I hope this development [Roath Lock] will ensure the creative industries in Wales continue to thrive.*"<sup>125</sup>

Cardiff Council Leader Rodney Berman said: "*...this is another example of everyone pulling together for the good of the city and Wales and is going to be the focal point of a dynamic creative industries hub that will play a vital role in the future regeneration of Cardiff and the city region.*"<sup>126</sup>

Yet the success of production in Wales isn't confined to Roath Lock studios, the BBC's in-house productions or just drama. Some of the UK's most popular programmes are made by the independent sector in Wales - including *Sherlock* (Hartstwood Films), *Merlin* (Shine), *The Indian Doctor* (Rondo), *Being Human* (Touchpaper Wales) and *Bruce Parry's Arctic* (Indus Films).

To support these growing firms, it is vital that a strong workforce, with the necessary skills and expertise, is developed to ensure the future success of Wales. An apprenticeship scheme and trainee opportunities have been created by BBC Wales in partnership with Skillset Cymru that will allow twelve apprentices and six trainees each year to learn, develop and prepare themselves for a career in television production in areas ranging from design to set construction and from make-up to lighting and sound.

<sup>122</sup> Welsh Assembly Government Website  
<http://wales.gov.uk/topics/businessandconomy/help/economicrenewal/sectors/creativesector/?lang=en>

<sup>123</sup> Welsh Assembly Government (2010) page 36 et al

<sup>124</sup> Hargreaves (2010)

<sup>125</sup> [http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/01\\_january/20/roath\\_lock.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/01_january/20/roath_lock.shtml)

<sup>126</sup> [http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/01\\_january/20/roath\\_lock.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2011/01_january/20/roath_lock.shtml)

## Chapter 3: The future

The BBC hopes that this report demonstrates the strong contribution that it makes to the creative sector and to UK economic growth. The key for the future is a BBC working alongside the commercial sector in a mutually reinforcing way.

The BBC intends to build on the strong track record outlined in this report and help the UK creative sector capitalise on its strengths. The BBC's *Putting Quality First* strategy establishes some clear priorities:

- Maximising the proportion of the licence fee spent dedicated to content - providing continued investment in the UK creative sector and promoting exports and innovation
- Spreading the benefits of that investment across the UK and supporting the development of creative clusters – to promote sustainable economic activity and growth
- Supporting open platforms and technologies that enable new routes to market and business models

Two areas in particular will be at the heart of the BBC's contribution to the creative economy: partnerships and of BBC Worldwide.

**Partnership** is now the default model for the BBC on almost any new large-scale issue. Partnership is a way of unlocking the scale, resources and expertise of the BBC in ways which can reduce market barriers and support other creative sector firms. Many of the BBC's current partnership proposals have gained widespread support from across the media industry, including the RadioPlayer and the Bristol City Partnership, where the BBC is working with a range of local partners to develop a city-wide digital production hub. YouView – set for launch in 2012 - will help encourage users to access IP delivered services via their TV sets and create new routes to market for content producers.

**BBC Worldwide's** future strategy will see it build on its contribution to growth in the UK creative sector. It will continue to focus on BBC intellectual property and increasingly on international growth, while wherever possible, helping other high quality UK content reach global markets. In the UK, BBC Worldwide will play a significant role investing in the best of UK content from the BBC and independent producers, while exiting non-core businesses like non-BBC branded magazines. BBC Worldwide will expand its existing international TV channel portfolio and launch the Global iPlayer.<sup>127</sup>

Consistent with its public purposes, the BBC is committed to thinking harder about how the licence fee can be spent in ways that better support creative businesses, and about new partnerships that can create increased value both for the BBC and for others.

As well as enhancing its positive contribution to creative sector growth, the BBC must also operate in ways that minimise negative effects on the market. It can do this by placing clearer and more predictable limits on its activity particularly in areas of market sensitivity. *Putting Quality First* made commitments to:

---

<sup>127</sup> Full launch is subject to Trust approval

- Leaving room for local newspapers and others to develop in a digital world by keeping the BBC's current pattern of local services, and not launching new services in England at any more local a level than today.
- A 25% reduction in the BBC Online budget, together with a focus on core editorial priorities, and excluding whole categories of online activity such as web search, communications and non-content related social networking.
- The disposal of BBC Worldwide's magazine business.

In addition, the BBC must be sensitive to how its actions affect others. In addition to the BBC Trust's regulatory obligations to consider the BBC's market impact (for instance, during Public Value Tests), the BBC's Fair Trading rules are a key feature of this regime and incorporate—amongst other guidelines—an explicit obligation on the BBC to have regard to its competitive impact. This is given effect through the implementation of the Competitive Impact Principle (CIP). The CIP is a critical factor for public service activity and involves consideration of how an activity fulfils the BBC's public purposes, its impact on competition on the wider market in which it operates and how any negative impacts can be minimised.

The BBC Trust has recently announced that it will improve the transparency of the processes it uses to assess proposals from the BBC for new services or activities. In particular, it will make greater use of Ofcom's market expertise and understanding in assessing the impact of proposals.

In conclusion, this report demonstrates what the BBC does in terms of driving growth in the UK creative sector. Although economic growth in the creative sector is driven ultimately by private sector enterprises, the right policy framework and smart interventions can help create conditions conducive to growth. The BBC has an important role to play in this mix. While public purposes remain at the heart of the BBC's strategy, it recognises its a responsibility to meet those purposes in ways that can also help support economic growth in the creative sector and beyond.

**Summary of Digital and Creative Industries Review actions from *Plan for Growth***

1. The Government will deliver a package to support the UK's broadband digital infrastructure.
2. In response to the Hargreaves recommendations, due in April 2011, the Government will consider simplifying payments for copyright materials and freeing up orphan works. The Government commits to no further broad reviews of the IP rights regime during the lifetime of this parliament.
3. The Government's Intellectual Property Office (IPO) will improve the range of products and services available to support UK businesses, particularly SMEs, on issues relating to IP. The IPO will also establish a network of attachés covering the key global markets, including China, East Asia and India.
4. The Government will publish a guide to public sector IP procurement policy, so that industry exploits opportunities for IP to remain with the private sector provider for reuse.
5. The Government will substantially reduce the burden placed on business by the communications and media regulatory framework.
6. The Government will reduce the requirements for live music to be licensed.
7. The Government will reduce the proposed extension of legal deposit requirements to online publications
8. The Government will re-notify film tax relief to the European Commission.
9. The Government recognises BBC Worldwide's contribution to UK creative exports and would welcome exploration by the BBC of how BBC Worldwide may act as a source of finance and distribution expertise for UK D&CI firms with global ambitions.
10. The Government will support the establishment by industry of a Creative Industries Council, which can provide a voice for the sector with the financial community and coordinate action on barriers to growth.
11. A marketing plan will be developed by UKTI to promote opportunities for investment in the UK Digital and Creative Industries sector.
12. The Government will improve the stock of skills in the digital and creative industries.

## Bibliography

- Andari et al. (2007)** *Staying Ahead: the economic performance of the UK Creative and Cultural Industries*  
The Work Foundation / DCMS
- BBC (2005)** Building Public Value  
Available at  
<http://downloads.bbc.co.uk/aboutthebbc/policies/pdf/bpv.pdf>
- BBC (2010)** *BBC Research and Development: 2009/10 at a glance*  
Available at [http://downloads.bbc.co.uk/rd/pubs/annual-review/bbc\\_rd\\_annual\\_review\\_2009-2010.pdf](http://downloads.bbc.co.uk/rd/pubs/annual-review/bbc_rd_annual_review_2009-2010.pdf)
- BBC (2011)** *The Economic Impact of the BBC: 2009/10. An update by the BBC.*  
Available at  
[http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/economic\\_report0910.pdf](http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/economic_report0910.pdf)
- BBC. (2011a)** *BBC Report and Accounts 2010/11*  
Available at <http://www.bbc.co.uk/annualreport/>
- BBC Trust (2008)** *THE BBC TRUST CONCLUSIONS: The economic impact of the BBC on the UK creative and broadcasting sector (including an independent assessment and report by PricewaterhouseCoopers - PwC)*  
BBC Trust July 2008
- BBC Trust (2008a)** *The BBC Trust Report: On-Screen and On-Air Talent (including an independent assessment and report by Oliver & Ohlbaum Associates)*  
BBC Trust May 2008
- BBC Trust (2010)** *Canvas proposals: Final conclusions*  
BBC Trust June 2010 at  
[http://www.bbc.co.uk/bbctrust/assets/files/pdf/our\\_work/canvas/canvas\\_conclusions.pdf](http://www.bbc.co.uk/bbctrust/assets/files/pdf/our_work/canvas/canvas_conclusions.pdf)
- BBC Trust (2011)** *Service Review: BBC Radio 3, BBC Radio 4& BBC Radio 7*  
BBC Trust February 2011 at  
[http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/service\\_licences/service\\_reviews/radio\\_347/radio\\_347\\_final.pdf](http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/radio_347/radio_347_final.pdf)
- BBC Worldwide (2011)** *Annual Review 2010/11: Entertaining the world*  
Downloaded from <http://www.bbcworldwide.com/annual-review/annual-review-2011.aspx>
- BIS (2010)** *Skills for Sustainable Growth: strategy document*  
November 2010
- BIS & DCMS (2010)** *Britain's superfast broadband future*  
December 2010
- Broadcast (2011)** *Indies: The annual survey of the UK's independent TV producers 2011*

- A Broadcast magazine supplement 2011
- CBI (2010)** *Creating Growth: A blueprint for the Creative Industries* (accessed 25/5/2011 from <http://www.cbi.org.uk/pdf/20100723-cbi-creating-growth.pdf>)
- Channel 4 (2011)** *Annual Report 2010*  
Available at  
[http://www.channel4.com/media/documents/corporate/annual-reports/Ch4\\_Annual\\_Report\\_2010\\_FINAL.pdf](http://www.channel4.com/media/documents/corporate/annual-reports/Ch4_Annual_Report_2010_FINAL.pdf)
- Chapain et al (2010)** *Creative clusters and innovation: putting creativity on the map*  
NESTA November 2010
- Chatham House (2011)** *British Attitudes Towards the UK's International Priorities, July 2011*  
[http://www.chathamhouse.org/sites/default/files/0711ch\\_yougov\\_analysis.pdf](http://www.chathamhouse.org/sites/default/files/0711ch_yougov_analysis.pdf)
- Dawes, Chandaria and Thomas (2009)** 'Image-based Camera Tracking for Athletics.'  
*Proceedings of the IEEE International Symposium on Broadband Multimedia Systems and Broadcasting (BMSB 2009)*, Bilbao, May 13-15 2009.  
Available as BBCR&D White Paper 181.  
<http://www.bbc.co.uk/rd/publications/whitepaper181.shtml>
- DCMS (2006)** *BBC Charter*  
HMSO Cm 6925, October 2006
- DCMS (2010)** *Creative Industry Economic Estimates*  
[http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/reference\\_library/publications/6622.aspx](http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/reference_library/publications/6622.aspx)
- Deloitte (2010)** *The economic impact of the BBC: 2008/09 - a report for the BBC*  
Available at  
[http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/acc\\_economic\\_report.pdf](http://downloads.bbc.co.uk/aboutthebbc/reports/pdf/acc_economic_report.pdf)
- European Commission (2010a)** *European Competitiveness Report 2010*  
SEC(2010) 1276 final 28.10.2010
- European Commission (2010b)** The 2010 EU Industrial R&D Investment SCOREBOARD  
<http://ftp.jrc.es/EURdoc/JRC61230.pdf>
- Foster & Broughton (2011)** *Creative UK: the audiovisual sector and economic success*  
Communications Chambers  
Available at <http://www.commcham.com/publications/creative-uk>
- FutureBrand (2010)** *2010 Country Brand index*
- Goddard (2010)** *Independent radio productions commissioned by the BBC*  
BBC Trust July 2010 at  
[http://www.bbc.co.uk/bbctrust/assets/files/pdf/our\\_work/radio\\_supply/independent\\_report.pdf](http://www.bbc.co.uk/bbctrust/assets/files/pdf/our_work/radio_supply/independent_report.pdf)
- Graf (2004)** *Report of the Independent Review of BBC Online*  
At

	<a href="http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/05_07_04_graf.pdf">http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/05_07_04_graf.pdf</a>
<b>Hargreaves (2010)</b>	<i>The Heart of Digital Wales: a review of creative industries for the Welsh Assembly Government</i> , March 2010 see: <a href="http://wales.gov.uk/docs/det/publications/100324creativeindustri esrpten.pdf">http://wales.gov.uk/docs/det/publications/100324creativeindustri esrpten.pdf</a>
<b>HM Treasury (2011)</b>	<i>What is Growth</i> Webpage dated 23 March 2011 (accessed on 27/5/11 at <a href="http://www.hm-treasury.gov.uk/ukecon_growth_whatishgrowth.htm">http://www.hm-treasury.gov.uk/ukecon_growth_whatishgrowth.htm</a> )
<b>HM Treasury and BIS (2010)</b>	<i>The path to strong, sustainable and balanced growth</i> November 2010
<b>HM Treasury and BIS (2011)</b>	<i>The Plan for Growth</i> , March 2011 (at <a href="http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf">http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf</a> )
<b>HM Treasury and DTI (2001)</b>	<i>Productivity in the UK: 3 - The Regional Dimension</i> , November 2001
<b>Human Capital (2010)</b>	BBC Global News: International Research report.
<b>Levy, Lee &amp; Peate (2011)</b>	<i>Ready, Steady, Grow? How the government can support the development of more high growth firms. A joint Cities 2020 and Knowledge Economy Programme report.</i> Work Foundation March 2011. Available at: <a href="http://www.theworkfoundation.com/assets/docs/publications/285_high_growth_firmsFINAL%20FROM%20ANN.pdf">http://www.theworkfoundation.com/assets/docs/publications/285_high_growth_firmsFINAL%20FROM%20ANN.pdf</a>
<b>Mark Thomson (2010)</b>	<i>Putting Quality First</i> Blog 2 March 2010 (accessed 03/06/11 from <a href="http://www.bbc.co.uk/blogs/aboutthebbc/2010/03/putting-quality-first.shtml">http://www.bbc.co.uk/blogs/aboutthebbc/2010/03/putting-quality-first.shtml</a> )
<b>McKinsey (2010)</b>	<i>From austerity to prosperity: Seven priorities for the long term</i>
<b>Meadway, J. and Mateos-Garcia, J. (2009)</b>	<i>Demanding Growth</i> NESTA Available at <a href="http://www.nesta.org.uk/library/documents/PP%2001%20-%20Demanding%20Growth%20print.pdf">http://www.nesta.org.uk/library/documents/PP%2001%20-%20Demanding%20Growth%20print.pdf</a>
<b>O'Brien (2010)</b>	<i>Measuring the value of culture: a report to the Department for Culture, Media and Sport</i> Available at <a href="http://www.culture.gov.uk/images/publications/measuring-the-value-culture-report.pdf">http://www.culture.gov.uk/images/publications/measuring-the-value-culture-report.pdf</a>
<b>OECD (2010)</b>	<i>OECD Factbook 2010</i>
<b>Ofcom (2005)</b>	<i>PSB Review Phase 3: Competition for Quality</i>
<b>Ofcom (2010)</b>	<i>Communications market Report 2010</i>
<b>Ofcom (2011)</b>	<i>Public Service Broadcasting Annual Report 2010</i>
<b>Oliver &amp; Ohlbaum Associates (2003)</b>	<i>UK TV Content in the Digital Age - a report for the BBC</i>

- Potts and Cunningham (2008)** 'Four models of the creative industries'  
*International Journal of Cultural Policy*, 14, No. 3, 233-47
- Reid et al (2010)** *A creative block? The future of the UK creative industries*  
The Work Foundation December 2010
- Ricardo (1817)** *On the principles of Political Economy and Taxation*  
London
- Solow (1956).** "A Contribution to the Theory of Economic Growth".  
*Quarterly Journal of Economics* 70 (1): 65-94.
- Swan (1956)** "Economic Growth and Capital Accumulation"  
*Economic Record*, Vol. 32 (2), p.334-61
- Thomas (2007)** 'Real-Time Camera Tracking using Sports Pitch Markings.'  
*Journal of Real Time Image Processing*, Vol. 2, No. 2-3, November 2007, pp. 117-132.  
Available as BBC R&D White Paper 168.  
<http://www.bbc.co.uk/rd/publications/whitepaper168.shtml>
- Welsh Assembly Government (2010)** *Economic Renewal: A new direction*, July 2010; at  
<http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf>