



Review of the BBC's Royal Charter

BBC response to *A strong BBC, independent of government*

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Responses to the Green Paper from the National Broadcasting Councils for Scotland, Wales and Northern Ireland and the English National Forum.	

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Introduction

The BBC Governors welcome the Green Paper and its vision of a strong and independent BBC using its creative power for the public's benefit and helping to lead the UK into the digital revolution.

This response represents the considered view of the BBC's Board of Governors. It is dictated by a clear assessment of the needs of licence fee payers who pay for the BBC and whose interests the Governors have a primary duty to represent.

The next Charter will see a transformation of media and audiences. The UK has the opportunity to become a fully digital nation, in which the public's appetite for high quality public service content is met and the benefits of new technologies are available to all.

The switch from analogue to digital television is, however, only one part of this digital transition. Digital radio, digital satellite, high-definition television (HDTV), mobile platforms, pod-casting and on-demand delivery over broadband internet are all technologies that have the potential to transform the relationship the media have with their audiences and create opportunities to build public value in entirely new ways. The BBC believes the Green Paper understates the importance of these other vital digital technologies. If the BBC is to serve ever more diverse and demanding audiences, it must itself evolve and remain fleet of foot.

Creating a digital Britain will require the support of many public and private organisations, but a large part of the responsibility will inevitably rest with the BBC. The BBC is paid for by all and is there to serve all. Only the BBC can ensure that this is a revolution from which no one is excluded.

The BBC will only be able to deliver the expected benefits if it is prepared to undergo radical change itself. That is why the BBC Governors have embraced a programme of radical changes which will enable the BBC to accept the challenges set out in the Green Paper.

The BBC will have to be far clearer about its own remit and responsibilities in this increasingly complex marketplace. It must, in future, focus firmly on the delivery of distinct public purposes and ensure that its programmes and services are rooted in the core values of independence, creativity and quality. With the fragmentation of audiences across new platforms, the BBC's role in sustaining the investment on which high quality UK content depends will increase.

Value for money must remain a key objective for the BBC throughout the next Charter, and it needs to develop better, clearer structures of accountability and engagement with licence fee payers. The Trust must be seen to be deciding what is best for the licence fee payer, not what is best for the institution. The BBC must transform itself into a simpler, smaller organisation that is agile, equitable and flexible in its commissioning, production, and professional services. To be the most creative

organisation in the world, the BBC must do all it can to nurture and develop its workforce and foster a culture of originality and excellence.

This document sets out the Governors' detailed response to the proposals contained in the Green Paper. The Governors would like to highlight the following critical points:

The role of the BBC

- The Governors agree that the BBC's core purposes should be more clearly defined and made explicit in the areas of citizenship, culture, education, serving different communities, playing a global role and, in the next Charter period, building digital Britain. The BBC is committed to raising the bar in the excellence and distinctiveness of its programming and accepts the characteristics set out in the Green Paper.
- The BBC must be judged on its results, and account openly for them. It is developing a clear framework, based on reach, quality and distinctiveness, audience impact and value for money, by which it will assess the success of its services in meeting their public purposes and quality standards, accompanied by regular reporting of outcomes against those purposes.

Funding the BBC

- The Governors welcome the Government's decision to grant a new ten-year Charter and to confirm licence fee funding for the whole of the Charter period. The fundamental strengths of the licence fee will persist in a fully digital world. So while the BBC accepts that a future Government may return to the question of BBC funding, it must also recognise that the licence fee is an integral element of what makes the BBC what it is: independent, universally available and focused on the public interest. Following the extensive debate that has taken place in the context of the current Charter, given the BBC's role in delivering high-quality services and in building digital Britain and the importance of creating stability for the whole sector, the Governors would urge the Government to await the completion of digital switchover before embarking on such a funding review.
- The BBC Governors remain fundamentally opposed to the idea of fragmenting the licence-fee. Contestability or 'top-slicing' would break the direct and clearly understood line of accountability between the BBC and the UK public, at a time when there are demands for stronger links between the BBC and licence fee payers. It would undermine the political independence of the BBC. It would seriously weaken the BBC at a time when the provision of public service content from other public service broadcasters is in doubt.

Governance, regulation and accountability

- The BBC Governors accept the Government's conclusions about how the BBC should be governed. Although it goes further than the Governors' original proposals, the Green Paper model should increase public confidence in the objective oversight and governance of the BBC by creating a clear and structural separation between the management of the BBC and the body charged with

setting its strategy and holding it to account. It will also maintain the BBC's independence. The Governors are satisfied that the model can be implemented so as to match best practice in corporate governance in both private and public sectors.

- In the view of the current Board of Governors, the BBC Trust should probably comprise not more than twelve members. The Trustees should bring a broad range of skills and expertise to the table rather than be chosen strictly on the basis of representation of different interest groups. The Governors believe, however, that an exception should be made in the case of the constituent nations of the UK in the age of devolution. All members of the Trust must operate on the basis of collective decision-making, but a Trustee from each nation, connected to effective accountability structures in each nation, should ensure that the whole UK is heard in the Trust's deliberations.
- The BBC must be more transparent and open, particularly in how it listens to audiences and consults on changes. The Governors have already made sweeping changes to complaints procedures to increase their openness and fairness, but accepts that it can go further. The setting up of the new BBC Trust offers an opportunity to increase the BBC's accountability to licence fee payers, improve processes and structures that deliver openness and transparency, and emulate best practice elsewhere.
- While the Board recognises Ofcom's value in setting and monitoring common standards across broadcasting in matters of competition regulation, spectrum, some editorial standards and complaints and so forth, it agrees with the Government's conclusion that Ofcom should not be given a wider role of oversight or scrutiny in relation to the BBC as a whole. The BBC has a unique mission, the delivery of which should be the sole responsibility of its own unique governance body, the BBC Trust, whose duty is to remain focused on the needs of licence fee payers.

Scale and scope of the BBC

- The Governors accept the Green Paper's proposal that there should be flexibility in the addition or removal of services in response to changing audience expectations and technologies. One of the disadvantages of the current system of new service approval and review is its inflexibility. The BBC is committed to introducing a system of public value tests to ensure that any proposed new services or proposed substantial changes to existing services are subject to rigorous and objective scrutiny by the BBC Trust, both in the light of audience need and of possible market impact.
- The Green Paper challenged the BBC to ensure that its contribution to UK production furthers the economic development of the UK beyond London. The BBC has committed itself to a major shift of production from London to the rest of the UK: by the end of the next Charter, it is predicted that 60% of BBC public service staff will work outside London with a major new broadcast centre in Manchester, large increases to network investment in Scotland, Wales and Northern Ireland, and a new tier of local television services across the UK.

- The Board agrees with the Green Paper's support for a plural content supply market. The Governors believe that the BBC's proposals for a 'window of creative competition' (WOCC) represent the fairest way of opening up BBC commissioning (and the licence fee) to independent producers, while maintaining a strong and sustainable production base within the BBC, with the benefits that brings to the public through the range and diversity of programming and to the wider industry in terms of training and creative heritage. The Governors will review detailed implementation plans from management shortly, which must deliver both structural and behavioural solutions that will create a level playing field and transparency in the way the BBC commissions all output. The voluntary 10% radio quota has recently been extended, releasing another 3,000 hours for independent commissioning. The Governors do not believe that it is either necessary or desirable to make the radio quota mandatory at present.
 - The Green Paper acknowledges that the BBC's commercial activities bring significant financial benefits to licence fee payers. In recent months the BBC has taken practical steps to exit activities that in its view are not related in some way to its core public purposes (for example, disposing of the magazine *Eve*). Commercial return is the primary purpose of the BBC's commercial activities, though it accepts that the other criteria set out in the Green Paper should define the scope and manner in which those activities are undertaken.
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Chapter 1 The BBC in the second phase of digital

“Government recognises the enormous contribution that the BBC has made to British life and culture, both at home and abroad. We also agree with the majority of British people who want to see that contribution maintained into the multi-channel future. And we also agree that the BBC needs to change to adapt itself to the rapidly changing demands of that future.”

Tessa Jowell – Foreword to the Green Paper, pp2–3

The BBC played a leading role in the first phase of the digital revolution. Its new networks encouraged households all over the UK to switch to digital television and radio and provided them with UK programming of real value when they got there. Its support and its high-quality content brought millions to the internet.

The BBC also used the new technologies to fulfil its public purposes in new ways: providing news around the clock and on the move, as well as in the home and office; developing new delivery systems for learning, from interactive media to mobile phones; using its digital portfolios to grow new talent in comedy, music and drama; connecting communities of interest in new ways. The BBC used its services, its open centres and digital buses to bring the revolution to many who otherwise would have been excluded.

Today the UK is at the beginning of a second, even more profound wave of digital change. The cultural, social and civic prizes are even greater – and so are the challenges.

The BBC can once again play the role of leader, enabler and trusted guide, as the Green Paper envisages. But to do that will require what amounts to a new BBC: more responsive, more adaptable, more collaborative.

1.1 The changing media landscape

“The market is delivering a vast array of choice to consumers . . . However, commercial providers will not deliver everything we want from broadcasting as a society.”

Green Paper, para 2.8

Digital technology is changing the structure of the UK broadcast market by transforming the production, distribution and audiences’ consumption of media content. This revolution presents great opportunities and challenges for consumers and citizens alike. But not all the opportunities will be realised by the commercial marketplace alone.

The fundamental change in the market

It is widely accepted that the media landscape is undergoing a rapid and fundamental transformation. Audience adoption of digital technologies has now reached a tipping-point, with digital television and radio in nearly 60%¹ of households and the internet in 57%.² The BBC, through innovation in both technology and content, has been an important driver of this transformation. Globally, the internet and other distribution technologies are opening up new channels of communications and cultural exchange between communities and nations.

As these technologies converge and become ubiquitous, they will transform the relationship the media have with their audiences. People will access content from a range of sources, on a range of devices, and store it cheaply and easily. They will be able to produce their own content, and use the same distribution systems to share it and interact with others.

This new relationship between content providers and consumers presents considerable new opportunities. Both the private and public benefits of broadcasting could be greatly enhanced. However, as the Government notes, the market alone will not guarantee this. The public purposes laid out by the Government place considerable responsibility on the BBC to ensure fulfilment of these public and private benefits.

¹ Ofcom Media Office, ‘Digital television UK household penetration reaches just under 60%.’ Ofcom, 30 March, 2005.

² Ofcom Research, *The Communications market - January 2005 quarterly update*. Ofcom, January 2005. 44.

Why market intervention is needed

1. *To ensure the full benefits of digital are enjoyed by all*

Different people will adopt new and different patterns of media consumption at different speeds. While some will embrace digital enthusiastically, others will stay out for reasons of cost, lack of knowledge, or a perception that there is nothing in it for them. People may fail to recognise the full potential of technologies they already possess: for example, the ability to watch TV news bulletins they may have missed on their PC or to download *GCSE Bitesize Revision* notes on their mobile phone. In this context, the BBC agrees with the Government that the BBC must accept new responsibilities:

- the BBC should actively promote the goal of digital universality in television by 2012;
- the BBC should continue to be a pioneer in developing and launching new broadcast technologies like high-definition television (HDTV) and digital audio broadcasting (DAB), and in promoting the benefits of these technologies to audiences;
- the BBC should increasingly make both current and archival content available on-demand, supporting the roll-out of broadband in the UK by making high-quality audio-visual content available wherever possible;
- the BBC should find new ways for audiences to interact with BBC content and, through the provision of media literacy and creative training as well as editorial guidance and support, help them to generate and share their own content;
- the BBC should give people the tools and the guidance to navigate around the ever-expanding universe of media so that they can find the content that they want; in particular, it should make it far easier for the public to find and enjoy BBC content.

2. *To condition UK broadcasting with a public service ethos*

A vital historic strength of broadcasting in the UK has been competition for quality. Alongside the BBC, commercially funded public service broadcasters (PSBs) have made an essential contribution to plurality in the universal supply of diverse, high-quality content. This should be maintained as far as possible, with proportionate and evolving regulatory intervention.

Large-scale public funding will remain necessary because a wholly commercial market will not deliver the levels of investment in a range of high-quality UK content which UK audiences expect. The UK commercial broadcasting market as a whole is strong and still growing. However, future revenue growth will mainly come from subscription revenues and pay-per-view,³ and experience has shown that innovation

³ BBC Financial and Commercial Strategy. Based on research conducted by ZenithOptimedia, Oliver & Ohlbaum Associates Ltd., (See also: BBC Annual Reports: commercial revenues forecast to grow from £9 billion to £16 billion in real terms between 2002/03 and 2012/13).

in content does not keep pace with innovation in technology. At present, UK subscription channels invest only 3% of their revenues in new UK content, focusing instead on areas like feature films and premium sport which drive revenue per head. Even HBO, the leading US subscription channel, recycles just 10% of gross revenues into new television programming.⁴

The BBC obviously has a crucial role to play in maintaining traditional levels of investment, and this responsibility seems set to increase over time, not decline. But is it practical to expect the commercial public service broadcasters for the foreseeable future to play their role too?

The transition to digital will pose new challenges for the commercial public service broadcasters, but considerable scope exists for self-help. There are strong reasons to believe that it is commercially sustainable for both Channel 4 and ITV1 to continue making a significant contribution to public service broadcasting during the transition to digital (see section 2.2).

However, the long-term prospects for the UK broadcasting market remain turbulent. Fragmentation of channels and audiences, pressures for economies of scale and scope and convergence of media will all tend to concentrate commercial power in the hands of players with few or no public service obligations. Whatever the contribution of the commercial public service broadcasters in the short to medium term, the Government is right to identify the major challenge for the BBC as being to ensure that the traditional values which have underpinned public service broadcasting – universality, quality, originality and diversity – are preserved in the longer term. The licence fee gives the BBC a degree of independence from the economic cycle which allows it to maintain a full public service at the international, national and local levels, irrespective of wider market trends. Moreover, a licence fee funded BBC will continue to provide valued choice for the UK public, not least because it is free of advertising (see section 2.1).

⁴ Oliver & Ohlbaum Associates Ltd., *UK television content in the digital age*. 2003. 4.

1.2 Transforming the BBC

“Our goal, in line with what the public want, is a strong BBC, independent of Government, setting world-class standards . . . But to remain strong the BBC also needs to change.”

Green Paper, p4

“We will introduce five distinctive purposes that all BBC services should aim to fulfil . . . Over the next decade, the BBC should have an additional public purpose – building digital Britain.”

Green Paper, pp5, 47

Q1. Do you think it is helpful to define the BBC’s purposes?

Q2. Are the purposes in the Green Paper the right purposes?

Q4. Do you agree that the BBC should be at the forefront of developments in technology, including digital television?

Green Paper, pp8–9

With its unique funding and unique mission, the BBC has a vitally important role to play in the second phase of digital. It can draw on its traditional strengths, on its core principles of investing in UK creativity, setting standards for quality and serving all audiences, and on the skills and talents of its programme makers. But in other respects the BBC must be transformed.

Fundamental changes in the market and in people’s expectations make it essential that the BBC is transformed over the next Charter period. A BBC which does not change will fail to deliver the benefits that society rightly expects of it. Transformation must go wide and deep, affecting the BBC’s purposes, its programmes and services, its relationship with its audiences, its governance, how it is judged, its organisation and its partnerships.

The BBC must deliver value through clearly defined public purposes

The BBC agrees that its core purposes should be more clearly defined and made explicit, and the BBC must be held to them. The BBC exists to deliver public value through these purposes, and for no other reason. The BBC agrees that its purposes should be:

- sustaining citizenship through news, information and analysis of current events and ideas;
- promoting education and learning, both formal and informal, through accessible content covering a wide range of subjects and issues;

- stimulating creativity and cultural excellence through distinctive, original programming, and by encouraging creativity, talent and cultural engagement;
- reflecting the UK's nations, regions and communities by serving different audiences and by reflecting their diverse cultures to the whole UK;
- bringing the world to the UK and the UK to the world, spreading global understanding and bringing high-quality UK content to world audiences.

The Green Paper makes clear that every service should contribute towards at least one of these, and identifies some key ways in which the BBC should deliver each purpose. The BBC sets out its response to these in the next section.

The BBC must raise its quality threshold

The BBC must have the ambition to deliver standard-setting quality in its programmes and services.

The BBC is already taking action to provide services which respond to the audience's perceptions of quality: reducing repeats in peak time on BBC One, avoiding derivative programming, and taking steps to ensure that it moves on from formats which it originated once they become commonplace. The new governance structures will ensure that the BBC raises its quality threshold.

The BBC will prioritise investment in those areas where it enjoys a reputation for excellence and can deliver greatest added value: news, current affairs, comedy, drama, factual output, music. Its Creative Future programme strategy will examine the creative challenges confronting the BBC over the next five to ten years, to ensure that its drive for quality and to set industry and international benchmarks will be sustained and focused throughout the new Charter period (see section 1.4).

The BBC must be rigorously governed

To ensure that it remains focused on its public purposes and pursues challenging standards of quality, the BBC must be rigorously governed by the BBC Trust, with ongoing scrutiny of the BBC in the interests of those who pay for it, not simply in the interests of the institution.

The Board of Governors believes that the proposed Trust is well placed to deliver the principles set out by Michael Grade – independence, rigorous stewardship of public money, accountability to licence fee payers, clarity of roles and practicality. Responses to the Government's proposals are set out in Chapter 3.

The primary task of the Trust should be to ensure that the BBC fulfils its public purposes and demonstrates this through published plans on how it intends to meet them and regular reporting on their delivery. At the heart of the new governance arrangements will be a service licence for every BBC service, setting out its budget and remit, purpose and contribution to public value.

The Trust will undertake a rolling programme of strategic reviews of the BBC's services, with the intention that all main services will be reviewed within a given five-year period. Each review will be informed by audience research and consultation, and will take account of public value and market impact issues. Any subsequent changes to the remit and conditions of a service licence will require approval from the Trust.

The Governors anticipate that additional reviews will be held of important issues raised by audiences, based on the programme of wide-ranging consultation to be undertaken by the Trust. The Governors have already begun this process: for example, they recently published the findings of a review, led by an independent panel, of the BBC's coverage of the European Union.

The BBC must forge a new relationship with its audiences

For the new governance system to deliver, the BBC and the Trust must face outwards. The public interest must be at the heart of the BBC. It must inform its strategies, define its purposes and direct its governance. The BBC must focus solely on its audiences, not on its short-term interests. The Trust must scrutinise the BBC and hold its management to account on behalf of the public.

The BBC must know what audiences expect of it in the next phase of digital. It must develop its services flexibly in response to them to maximise the value it delivers. Specific ways in which this could drive BBC services in the next Charter period are considered in the next section. In addition to ongoing surveys and ad hoc market research and consultation, the Governors' plan to have a major audience survey involving around 10,000 respondents, every three to five years, to track audience perceptions of the BBC's performance and measure the impact and value of its services and programming.

The BBC and the Trust should also account to audiences for their performance. Ways in which they might do so are explored in section 3.3.

The BBC must be clear as to how it is judged

The BBC must publish the measures by which it should be assessed. It must be judged on its results, and account openly for them.

Service licences being developed for the Governors, and which will subsequently be subject to approval by the Trust, will include a detailed set of conditions and performance targets. These will be underpinned by annual Statements of Programme Policy based around the BBC's purposes. The Trust will assess delivery against the service licences annually and hold the management to account.

The BBC's services and cross-cutting strategies will be assessed for their reach, quality, impact and value for money, and measured against the BBC's public purposes. In reaching judgements, the Trust will research the needs and opinions of audiences. The measures of success must be as objective as possible. The BBC is working with Ofcom and other broadcasters to develop a set of detailed pan-industry

measures. The BBC's system of performance measurement is currently being evaluated by the National Audit Office, commissioned by the Board of Governors.

The BBC must organise itself to spread the benefits of the licence fee widely

The BBC must spread the benefits of its investment of the licence fee more widely – increasing plurality of supply, stimulating creative economies in many parts of the UK and bringing itself closer to the audiences it serves.

Over the past decade, the proportion of network programming made outside London has increased from a fifth to broadly a third. The BBC plans to be more radical in the next Charter period. Its Out of London strategy is about spending the licence fee more equitably and effectively across the UK; about being more reflective of the diversity of all audiences; and about opening doors to new talent and supporting local creative economies. This is explored in more detail in section 4.3.

The BBC wants its activity to have real impact, stimulating economic and creative enterprise across the UK. The plans for new production centres and new services are being developed in parallel with strategies to engage local partners and local creative businesses. A critical part of this is the plan to move a number of whole production departments and services to a major new hub for the North of England in Manchester, to establish a new research and development institute in partnership with regional universities, contribute to media literacy and learning initiatives, and increase the impact of the BBC's presence in the city centre.

The benefits of the BBC's in-house production base, to audiences and to the UK broadcasting ecology, must be balanced with tapping into the best of the independent production sector. The window of creative competition, considered in more detail in section 4.4, will involve a radical shift downwards in the BBC's in-house production capability. Another 25% of production will be opened up to free competition between in-house and independent producers. The best content will make it to air.

The BBC must be open to partners

Building public value recognised that the BBC has at times been viewed as difficult to approach. The BBC must become more open, ready to engage in equal partnerships with others to maximise the value it delivers.

The changing media world and changes in society will mean that the BBC cannot expect to hold the monopoly of wisdom on how to deliver public value through its purposes. To rise to its challenges, the BBC must collaborate with others with something to offer. In some areas, such as learning, working with other bodies is essential. As the BBC's response to the original consultation on Charter Review shows, it has already taken important steps in this regard, and built fruitful partnerships which have taken its impact well 'beyond the broadcast' with audiences, learning organisations, cultural bodies and others.

1.3 How a transformed BBC will deliver its purposes

“The BBC has already developed an impressive range of new services . . . We expect it to take further steps to ensure it remains relevant to all licence fee payers.”

Green Paper, p5

Recognising the challenges in a changing media world, the BBC outlined its initial ideas for the next Charter period in *Building public value*. The BBC has developed these ideas further and believes that they offer a compelling way to meet rapidly changing audience needs.

The transformation of the BBC must play out through each of its public purposes, equipping it to evolve flexibly, remain relevant and deliver each purpose in ways which realise the full potential benefits of the second phase of digital. Increasingly, this will mean delivering greater value through its content, including ensuring that it is available to people whenever and wherever they want to access it.

Many changes are already in train and more developments will follow in the next Charter period. Some of these are explored over the following pages.

Sustaining citizenship

BBC news and current affairs coverage must always aim for the highest standards. The BBC aims to provide the best journalism in the world and aspires to be the world’s most trusted news organisation.

The Neil Report, commissioned last year by the Board of Governors, has emphasised the guiding principles which should always apply to the quality of all BBC journalism: truth and accuracy, serving the public interest, impartiality and diversity of opinion, independence, and accountability.

In a media world in which news and opinion increasingly converge, the very idea of impartiality is under threat. The BBC’s commitment to providing accurate and impartial information which people know they can trust, is central to delivering its public purpose.

An important new vehicle in underpinning standards in BBC journalism is the Journalism Board. Chaired by the Deputy Director-General, this board was established in 2004 to develop an overview of quality across all BBC journalism, local, national and global. The Journalism Board’s work aims thereby to strengthen the practice and reputation of BBC journalism at all levels.

An initial focus of the Journalism Board has been on the implementation of the Neil report, including enhancing journalism training. More than 13,000 staff have undertaken a new online interactive, editorial training module in the last six months. After completing the module, journalists attend a half-day workshop entitled *Sources, Scoops and Stories*, involving a practical case study, designed to ensure full comprehension of the standards set out in the Neil report. By mid-April, more than 8,500 BBC staff had attended this workshop, representing 94% of the BBC-wide target community in journalism and production. Some 82% of those surveyed two months after attending the course said that they had changed their own working practices, while 77% reported an improvement in their own performance as a direct result of attending the course.

The Journalism Board is now overseeing the establishment of the BBC College of Journalism, which will provide career-long training and development for BBC journalists.

On 21 March 2005, the Director-General announced a package of investment in BBC News to support a new higher-profile role for current affairs and original journalism on BBC One, for other landmark news projects, and for boosting foreign coverage with, for example, the creation of new editorial roles in the Middle East and Europe. He also announced plans for investment in on-demand news (national and local).

The Journalism Board regularly reviews the performance of the BBC's journalism output in terms of trends in reach and audience perceptions of quality (including accuracy, impartiality and trustworthiness). In addition, a system to measure the audience impact of BBC journalism is being developed, that is the extent to which BBC journalism helps members of the public to become better informed citizens.

The BBC agrees with the Government that it should aim to engage the widest possible cross-section of people, through broadcasting a range of targeted services. People are no longer wedded to traditional ways of consuming news and current affairs and particular developments in the next Charter period will include developing on-demand news services and enhancing the BBC's commitment to local and regional news, including through the proposed local television news service.

The recent general election campaign demonstrated that audiences will respond to political coverage which is both innovative and authoritative, across a range of platforms. For the first time ever, all three main party leaders appeared on the same programme, *Question Time*. This was watched by an average audience of 4 million and viewed online over 35,000 times. Three-quarters of those who watched the *Question Time Leaders' Special* felt that the programme helped them to understand the parties' policies better, and over a quarter of the audience claimed that the programme made them think differently about whether or how to vote in the election. In addition, underlining the BBC commitment to serious journalism in prime time, Jeremy Paxman interviewed the three main party leaders on BBC One, while John Humphrys interviewed the leaders on the *Today* programme and Radio 1's *Newsbeat* interviewed the leaders, bringing the election to younger audiences. Party leader specials in Scotland and Wales also complemented the *Question Time* and Paxman programmes.

Throughout the campaign, interactive and digital media were used extensively. The election website was used by over 500,000 unique users each day. An online issues guide helped audiences compare policies on 20 central issues. On election night itself, the complex dynamics were explained to 15 million people by the innovative use of 3D graphics, and the local perspective was covered in more detail online and via interactive television. The day after the election the BBC website recorded a record 50 million page impressions.

The BBC's election coverage also engaged young audiences. Three million adults aged under 35 watched some of the election night coverage, and the majority of young adults thought that the BBC was best for enabling them to understand what the different political parties stood for during the election campaign.

Overall, the majority of viewers felt the BBC provided the best election coverage. Crucially in impact terms, over three quarters believed "reading, watching or listening to news and current affairs programmes from the BBC enables you to become better informed about current events and the issues facing the country", and nearly two-thirds claimed that they were more likely to talk to friends or family about current news and events as a result of the BBC's coverage.

In future, the BBC websites will be a major plank in strategies to reach new audiences. The internet is creating new forums for individuals and communities to engage with each other through social or political expression. Weblogs (or 'blogs'), discussion boards and online communities are an early signal of how content generated by audiences may come to revolutionise media. There are big implications for how the BBC will facilitate debate. Its aim is to be a trusted hub for open, intelligent and independent debate in forums at local, UK-wide and global levels.

An early example is *iCan*, currently undergoing live testing, that will support people in participating in civic life. It helps people take first steps in addressing issues which concern them. It provides in-depth information on how to influence political decision-making in a democratic and lawful way. It also offers an information exchange where people can connect up safely with others who share their concerns.

Over the coming years, the new reinvestments in journalism enabled by the current change programme will ensure the BBC keeps up with the changing consumption habits of all its audiences and brings in new audiences. They will also ensure that the quality and originality of BBC journalism remains high. In addition, the move of Radio Five Live to Manchester will support a new connection with audiences in the North of England.

While aiming to reach new audiences by developing its service offering, the BBC recognises that its scale in this area could have a negative impact on other news organisations. The Graf Review found that it is not possible to prove either way that the BBC has had an adverse impact on the online market, and that it is also unlikely that BBC Online has eliminated effective competition across any large areas of online content.⁵ However, the BBC will in future be more sensitive about its potential market impact. It will also be more open about its intentions so that other

⁵ Philip Graf, *Report of the independent review of BBC Online*. August, 2003.

organisations can plan their own strategies. Developments such as the local television news service will be subjected to the public value test (see section 4.2), including a market impact assessment.

At the heart of sustaining citizenship is the BBC's provision of coverage of the UK's political processes in general and of Parliament in particular. In addition to reporting on politics and Parliament on television, radio and online, the BBC has a dedicated digital channel, BBC Parliament, which provides unmediated live coverage of the House of Commons, and around its proceedings those of the House of Lords, Select Committees, the Scottish Parliament and the devolved Assemblies, and the institutions of the European Union.

The BBC acknowledges that it has not yet realised the full potential of partnerships in promoting democratic debate 'beyond the broadcast'. It intends to work at this objective through future collaborations with suitable partners, for example in the model of *Schools' Question Time*, now in its second year, which was launched in 2004 in partnership with the BT Education Programme and the Institute for Citizenship.

Sustaining citizenship is not solely about the BBC's journalism. It requires a joined-up approach across BBC genres. The Deputy Director-General also sits on the BBC's Creative Board, providing a permanent link at senior management level between the strategic direction of journalism and other programme making.

Promoting education and learning

The BBC believes it can substantially strengthen the delivery of its role in education and learning, with some radical changes in approach which go beyond old notions of 'educational programmes'. It aims to exploit fully new technologies, reach a broader swathe of learners – including those with the greatest needs draw on the industry's best creative skills, and tap into the wealth of the BBC archive to support lifelong learning.

With these aims, the Governors will approve and publish a coherent long-term strategy for the BBC's contribution to learning. In this respect, the management considers its definition of three categories of learning provision – formal, informal but targeted, and informal arising from general programming – as useful, and the Governors will consider them as a framework for the BBC's activities.

The BBC believes that a full broadband service – rather than separate television and audio programmes – will be the best vehicle for its formal learning resources in the years ahead. This offers the greatest flexibility for personalised, interactive, on-demand learning, bringing together high-quality video and audio, with information in other forms such as text and animation. The digital curriculum for 5 to 16 year olds is the starting point and will be instrumental in helping to drive digital/broadband take-up, but the same approach will also be brought to the provision of formal resources for adults. Other emerging (and converging) technologies and mobile platforms will also be used, in order to ensure the widest access and appeal and encourage new forms of learning.

Informal targeted learning will be offered across all mainstream BBC services, channels and media to enable people to develop their skills and interests. Areas of significant social and personal need – such as improving basic skills – will be one particular focus, but opportunities for lifelong learning will also be offered in subjects in which people are passionately interested. The BBC will incorporate the most imaginative applications of interactive technology and will work with external partners to reach out to people in their own communities. The aim will be to encourage active participation and achieve long-lasting results. As with formal learning, clear targets will be set for this type of activity and new measures are already being developed for assessing impact.

The BBC will continue to offer informal learning through general programming to enable audiences to acquire new knowledge and understanding. Playing to the strengths of broadcasting, the BBC will use the power of narrative television and radio to introduce people to new subjects or to familiar subjects presented in an unfamiliar and thought-provoking way. The Director-General has announced a package of investment in BBC factual programming which will increase the amount and range of informal learning broadcast by the BBC, including high-profile landmark series.

Special attention will be paid to bringing in new groups of learners and to building media literacy among less advantaged groups. The BBC will expand its activity in local communities, drawing on the experience gained through experimental projects such as in Hull and Merseyside and through its local radio learning centres and buses.

The market for learning in the UK is around £80 billion per annum, of which £46 billion is public sector investment, £24 billion is by business and £10 billion is private. The BBC is only a small part of this market and it will increasingly need to work closely with a range of external partners if it is to maximise the public value of its services and activities.⁶

Stimulating creativity and cultural excellence

The current Charter and Agreement place the BBC under an obligation to “stimulate, support and reflect in drama, comedy, film, music and the visual arts, the diversity of cultural life in the UK”.

The BBC welcomes the Government’s amplification of this objective, in identifying three elements for the BBC’s cultural purpose:

- showcasing excellence;
- fostering creativity and nurturing talent;
- promoting engagement with and participation in cultural activity.

⁶ Oliver & Ohlbaum research commissioned by the BBC. March 2005.

As the Green Paper acknowledges, the BBC already fulfils this function in many ways, including:

- Providing a range of platforms which showcase work of originality and distinction, most of it specifically commissioned and produced for the BBC; also by hosting performances and events (theatre productions, concerts, opera, popular music events), thereby vastly increasing audiences for and impact of those events.
- Commissioning programmes from a wide range of external producers and sustaining a vibrant in-house production base across the UK with sufficient scale to deliver real value to audiences, the creative community and the wider broadcasting ecology (see section 4.4).
- Nurturing new talent via new programmes on all services and via a broad range of training schemes and bursaries. The BBC is increasingly aware of its responsibility for identifying and supporting fledgling talent, for example on Radio 1 and BBC Three, as well as giving full creative rein to established talent. BBC Talent, along with the network of commissioners and producers across the BBC, strives to make it the most potent crucible for creativity in the UK.
- Encouraging and inspiring audiences to engage in cultural activity. This is an increasingly important goal – helping people explore their potential as writers (through the *Writersroom* initiative), broadening engagement with literature (eg *The Big Read*) and encouraging composition and performance.

Recent new developments include:

- The Creative Future project. Launched in March 2005 under the sponsorship of the Director-General and the Creative Director, this is a major content strategy initiative which will produce a creative blueprint for the BBC's output over the next five to seven years. It will harness ideas and energy from talent inside and outside the BBC and its recommendations will be published in early 2006.
- The Creative Archive. This will offer free public access to segments from the BBC's TV and radio archive over the internet. Users will be able to view and listen to clips and manipulate content to create their own 'derived', non-commercial material which they can share with others. Partnerships with other broadcasters and cultural institutions will be central to the service. It is being piloted this year and will be tested against the public value assessment framework before launch.
- The Creative Board. This board, on which the Directors of each of the BBC's output and production divisions sit, is headed by the Director-General and meets once a month. Amongst its primary responsibilities are promoting creativity and developing major pan-BBC creative and programme-making initiatives, so ensuring that creativity is at the heart of the BBC.
- The role of Creative Director. This post has been created to oversee the creative health of the whole organisation and its output, and to ensure that senior leaders nurture creativity throughout the organisation and make it a magnet for the UK's finest talent.

- The film strategy. Working with partners, the BBC is developing a film strategy, to be published next year, which will provide the public with a clear rationale that underpins the BBC's involvement in, and support for, film in the UK.
- *Music for All*. This initiative is designed to maximise the BBC's existing investment in music-making across the UK by building on the skills and expertise of the BBC's performing groups, expanding their education and audience development work across all musical genres, and developing an integrated set of internal and external partnerships to enable everybody who wants to participate in making music to do so.
- *Sport Action*. In an era of audience fragmentation, live sport remains a prime means of bringing large audiences together for shared experiences. The BBC remains committed to funding the acquisition and production of major sporting events and has also launched *Sport Action* – an umbrella to carry through the nation's enthusiasm for sport, including minority sports, beyond the broadcast to the grass roots, co-ordinating the BBC's sporting community work and developing links with the voluntary sector, governmental and non-governmental projects.

Over the next Charter period the BBC must ensure that it remains a powerful cultural force and a creative powerhouse in a fast-changing media world. Audiences will increasingly expect the BBC to make high-quality creative and cultural content available to them when and where they want it. The BBC will need to provide a new generation of on-demand facilities across a wide range of platforms and devices.

The BBC Governors will consider proposals for a facility whereby audiences would have the ability to download almost all BBC programmes for a seven-day period after they are first broadcast. This would build on the experience of the online Radio Player which has proved highly popular since its launch last year.⁷ The BBC is in the process of launching full trials of its interactive media player (iMP) to make television programming from the last seven days available on-demand via the internet and digital cable television. In the future, the BBC will examine ways to extend this access to its archive content on a public service basis.

Reflecting the UK's nations, regions and communities

The BBC's role in serving communities across the UK stretches right back to its foundation. Since then, the BBC has developed and enhanced its services to audiences around the country, from local radio to regional television, from local websites to its support for Welsh, Irish and Gaelic.

The BBC welcomes the Green Paper's endorsement of its current range of local and regional services, and the recognition that it could expand those services to provide valuable and distinctive output for audiences across the UK. In line with this recommendation, over the next Charter period the BBC will further deepen its commitment to this purpose.

⁷ BBC, *Building public value*. 2004. 63-64.

The Green Paper sets out some challenges in serving the UK's nations, regions and communities. The BBC is confident that it can address those challenges and build greater public value for audiences.

- The BBC accepts that in the past it has failed adequately to connect with particular communities, for example some young ethnic audiences. UK society is becoming increasingly plural and diverse. Between 1991 and 2001, the ethnic population of the UK grew by 54%, compared with 4% for the total UK population; ethnic minorities now represent just under 8% of the overall population and are projected to grow as rapidly over the next decade.⁸ Progress has now been made in addressing these changes through new programmes and services (for example, 1Xtra and BBC Asian Network) and the aim is to build on it further.
- Radio and television schedules will continue to give prominence to religious programming, including acts of worship and important events in the religious calendar, as indicated in the Green Paper. The scheduling of religious programmes will be monitored to ensure the output is placed to serve different faith audiences effectively.
- As the Green Paper notes, Ofcom has made recommendations about the BBC's relationship with S4C. The BBC has made a full response to Ofcom's consultation, setting out a number of new proposals to strengthen and deepen the relationship. This will include a new strategic partnership between S4C and the BBC to cement the relationship at governance level, and which will publicly and transparently demonstrate the BBC's creative, operational and financial support for S4C.
- The BBC welcomes the Government's recommendation that it should play a significant role in the development of a Gaelic channel; the BBC is already in close contact with the Gaelic Media Service and other interested parties over its future role.
- The BBC remains committed to programmes in Irish and Ulster Scots and recognises its responsibility to reflect the richness and diversity of the various languages and identities of Northern Ireland. In recent years, the provision of such programmes and services has been increased and a number of initiatives are under way to continue this development, including a productive partnership with the Irish Language Broadcast Fund.
- The BBC's vision for extending the local radio network focuses on four areas: Bradford, Cheshire, Dorset and Somerset. These are areas that stand out as underserved by the BBC and its speech-based provision which is distinctive from that of local commercial stations. The Green Paper proposes that new local radio launches should be subject to a public value test.
- The Green Paper questions the public purposes of some of the BBC's non-traditional activities, such as BBC buses and open centres. The BBC believes that such activities are warranted because the starting assumption is that they are

⁸ Office of National Statistics, UK Census 2001.

created in partnership with others and the learning they deliver is core to the BBC's purposes. They also markedly increase the accessibility of the BBC's core public services to audiences in general and particularly to hard-to-reach audiences. They help to bridge the digital divide by bringing new technology and training to audiences who need it most. They are also strongly linked to the BBC's broadcasting and online services; for instance, BBC open centres and buses deliver thousands of hours of broadcasting each year to BBC local radio.

The BBC accepts that it will need to take the lead in regional programming, as ITV1's obligations are reduced. New ways of serving diverse audiences will need to be developed, such as the regional inserts in landmark series like *British Isles: A Natural History*. A number of landmark series are currently in development that will make use of similar inserts and stimulate active local involvement by audiences.

However, the Green Paper is right to conclude that the BBC should not simply replace ITV1's lost programming like for like. Changes in technology are creating different ways of serving audiences in the nations and regions, and allow the possibility of new digital services that go beyond the old patterns of regional broadcasting dictated by transmitter sites and topography.

Research suggests that a sense of attachment to local neighbourhoods, cities, towns or villages is increasing; local newspapers continue to thrive, while local radio audiences have remained strong despite extra competition. A digital Britain opens up exciting opportunities for broadcasters who want to satisfy the pent-up demand for a sense of community.

The BBC's vision for developing its local and regional services will be built around the themes of relevance and participation. The central proposition is a new, local television news service for cities and counties across the UK. This will provide up to ten minutes an hour of genuinely relevant local news and information throughout the day. User-generated content will play a vital role, allowing voices from the community a platform for creativity and citizenship. Partnerships will also be critical, to ensure a plurality and a richness of content and to spread the economic and creative benefits of the services as far as possible.

The BBC notes that concern has been expressed about the potential impact on commercial local television. It will be mounting a pilot in the West Midlands through 2005 to enable measurement of both the public value created and the impact on other potential providers. Full roll-out will not be approved until a full public value test has been carried out.

Bringing the world to the UK and the UK to the world

The BBC welcomes the Green Paper's endorsement of the importance of the BBC's global strategy. The Green Paper emphasises that audiences around the world recognise the high value of the BBC's international news role through all three media – BBC World Service radio, BBC World television and the international-facing content of the BBC's website.

However, in the context of the political and broadcasting landscape changing radically in many regions of the world, it is vital that the BBC constantly reviews its service priorities to ensure it responds appropriately to rapidly changing audience need.

Importantly, the BBC is the only international news broadcaster with a significant worldwide presence in all three media – radio, TV and the internet. Its consolidated performance across all three media makes it the world’s leading international broadcaster with the highest international reach – over 190 million people using the BBC’s news services each week.

The BBC remains uniquely placed to provide the most trusted, independent and reliable news service in the world and to enable different people to connect with each other in open debate across boundaries and cultures, thereby bringing substantial credit back to the UK. As audience needs and viewing and listening habits are changing radically in all areas of the world, the BBC will develop an integrated global news strategy, co-ordinating its services across all media to deliver a coherent editorial proposition for relevant audiences, however differently the elements may be funded.

The World Service will ensure it invests its limited grant-in-aid resources where they are most needed, and will recognise the changing patterns of consumption and the increasing importance in important markets of both TV and the internet. The BBC therefore welcomes the opportunity to review the present portfolio of 43 language services with a view to significant change.

The Green Paper also reflects current discussions between the World Service and the Foreign and Commonwealth Office about the potential value of vernacular television services, particularly an Arabic television service, and the degree to which the World Service would need to reprioritise grant-in-aid to fund it. The BBC believes there is an urgent need for an Arabic television service and regrets that the Government decided it would not wholly fund the new service proposed by the BBC in the 2004 spending round. The BBC is currently considering what can be done from within existing resources and looks forward to progressing discussions with the Foreign and Commonwealth Office about the most appropriate delivery methods for content and the range of language services for the future.

The commercially funded television news channel, BBC World, is of growing importance in the delivery of the BBC’s global news strategy, and needs to be put on a stable financial footing. The channel has seen significant audience growth in recent years. Full-time 24-hour distribution has increased by 75% over the last five years (from 72.5 million households to 127 million) and in the last year alone distribution grew by 13%. About 270 million households can now receive BBC World for at least part of the day. It is the fastest-growing international news channel in Europe and the leading international news service channel in India. This growth has been at a time when most other international news channels have seen stagnating or falling audiences. The BBC is working hard further to increase distribution, particularly full-time distribution in the United States.

Editorially the channel has been repositioned, to focus it on strong, authoritative international news reporting and showcase the best of BBC journalism while also improving the look and production values of the channel.

Although advertising revenues have also been increasing – more than 20% year on year in 2004/05 – the channel presently still makes losses. This has limited the opportunities for any significant investment. The channel is currently working to a business plan, approved by the Governors, aiming to break even by the end of this decade. BBC World is open to exploring partnerships with other media companies, where appropriate. It is essential that BBC World is able to build its reach and reputation within the tri-media global news strategy, working alongside radio and the internet to maximise the overall impact of the BBC's journalism with international audiences.

The internet, as a rapidly expanding global medium, is also of crucial importance for the future and the BBC will build on the strong progress it has made in recent years for developing world-class international news sites in key languages. As well as providing news and analysis in convenient and immediate forms, the internet provides a major opportunity for developing a global interactive conversation connecting different audience groups as part of a trusted debating forum.

BBC America is an essential part of BBC Worldwide's plan to increase profits over the next five years. The BBC notes the Green Paper's concern over its profitability. The profitability of a new cable channel is always a long-term process, but BBC America went into profit last year, a year ahead of schedule, and will continue to return a profit to the BBC this year. The channel will be in 45 million homes by the end of this year – half the cable homes in the US.

BBC America offers much more than the Green Paper's description of it as a lifestyle channel. Only one out of seven evenings is given over to lifestyle programming. The majority of prime-time programming is drama, comedy, factual, news and entertainment programming from the BBC and other UK broadcasters.

The channel therefore provides an outstanding showcase for UK talent, and not only for BBC programmes but for programming from UK broadcasters as a whole. For example, BBC America has promoted Helen Mirren (*Prime Suspect*), Clive Owen (*Second Sight*), John Hannah (*Rebus* and *McCallum*), Graham Norton (*So Graham Norton*), Robson Green (*Wire in the Blood*) and Gordon Ramsay (*Ramsay's Kitchen Nightmares* and *Boiling Point*). The channel has won critical acclaim with many awards, including two Golden Globes, making it one of the most critically acclaimed cable channels available in the world's most competitive television market.

The BBC accepts the Green Paper's suggestion that its global purpose should be seen as having a further dimension – that of “making UK audiences aware of international issues and of the different cultures and viewpoints of people living outside the UK”. The BBC already brings foreign news, current affairs and documentary coverage to mainstream audiences in a way which is unrivalled by any other UK broadcaster:

- The investment in international newsgathering means the BBC can bring first-hand reporting from around the world. Increasingly, the expertise of the World Service (eg coverage of the aftermath of the tsunami, and of the election in Ukraine) is becoming a 'global intelligence unit' for the whole BBC.
- Special seasons have been created, such as *China Week* in March 2005, across domestic radio and television services, reflecting life in China. In the summer of 2005, BBC One will take the lead in a major Africa season which covers all aspects of Africa's culture across all of the BBC's media outlets.
- *Crossing Continents* and *From Our Own Correspondent* provide personal expert accounts from around the world to a radio audience, while *Newsnight* and *This World* bring extended reports to BBC Two – from in-depth accounts from one country, such as *Zimbabwe Food Fix*, to themed reports covering many countries, such as *One Day of War: Frontline Stories* and *Coming of Age*. BBC Four has a uniquely global outlook, showing the best in world cinema and international documentaries in peaktime.
- More targeted series include *Holidays in the Danger Zone*, while television series such as *Tribe* present anthropological insight into different disappearing cultures.
- The internationally focused services can also play a significant role in bringing the world back to the UK. Since the World Service in English has been available on digital radio to a UK audience, reach in Britain has grown to 1.3 million listeners a week, indicating a significant appetite among the UK audience for a specialist service of international news.

However, the BBC recognises that the expectations of it are high in this vital area. In line with the Green Paper's recommendation, therefore, the Board of Governors will ask the management to develop a coherent strategy for this important area.

Building digital Britain

The BBC sees the take-up of digital services and digital switchover as offering real, tangible benefits to its audiences. Therefore the BBC agrees that for the next Charter period this should be an additional, sixth, public purpose. The BBC also agrees with the Green Paper's broad assessment of how the BBC should seek to fulfil it over the next decade.

Providing a compelling range of content and services is one part of how the BBC will help to build digital Britain. It also has an important role to play in ensuring that everyone in the UK has access to digital television and radio without a subscription over the next decade. The BBC is not itself an infrastructure provider. However, through its investment in the distribution of its services, and in working with others, the BBC will play a critical role in creating the conditions for the Government's targets for digital switchover to be met:

- DTT build-out: the BBC will build its DTT network to near universality, substantially replicating analogue television coverage. This will increase the reach

of the BBC's digital networks and help to create the conditions for analogue switch-off. It will ensure that DTT becomes a universal platform.

- SwitchCo: this will be an industry-neutral body, reporting directly to Government, responsible for co-ordinating all the activity needed to allow analogue transmissions to be switched off by 2012. The BBC will play an appropriate role in this organisation and will subsequently bear its share of marketing spend and operating costs.
- FreeSat: the BBC is seeking to develop, market and promote a free-to-view digital satellite service. If this can be achieved, then such a service could be a highly cost-effective means of helping to drive digital television.
- National DAB build-out: the BBC will design, commission, build and operate an additional estimated 150 transmitters to extend coverage of the BBC's national DAB multiplex from 85% to 90% of the UK population. There is growing demand for digital radio as manufacturers introduce a wide range of new models and the BBC is receiving growing complaints from people living in areas with poor or patchy reception.
- Internet take-up: the BBC will work in conjunction with partners to ensure that all audiences are able to fully enjoy the benefits of broadband connectivity. This will build on the BBC's work to date in helping drive understanding and take-up of internet services.
- On-demand: unlocking the full public service value of BBC content will require its availability to the public where and when they want to consumer it. The BBC is working closely with other broadcasters and content providers to develop digital on-demand services that will allow audiences to extract even more value from BBC content and services. The BBC will extend access on a public service basis, in a way that complements its commercial activities. It is investigating ways of making distinctive BBC content available on a much broader range of devices, especially portable devices and in public areas.

As well as helping drive take-up, the BBC will also support improvements in the quality and functionality of digital television, radio and online platforms. For example, HDTV, already proving popular in the US and Japan, will become available in the UK from the end of this year and take-up could be rapid, driven by ownership of large TV screens and the desire for better quality pictures and sound. DTT will improve as boxes incorporate new functionality such as storage for hundreds of hours of programming, a return path, greater interactivity and possibly some HDTV. The BBC will help to support these developments, making them widely available and helping people to use and understand them.

Finally, the BBC also acknowledges that it has an important role to play in increasing access for audiences with different needs. Recognising the potential of gatekeepers and layers of complexity emerging between audiences and BBC content, the BBC will work with partners to ensure that easy access and navigation are maintained. The BBC will ensure that its services are increasingly accessible to people who have visual, hearing, motor or cognitive impairments. The amount of the BBC's online

video which is captioned, signed or has audio description will be increased. As new forms of media become more available and sophisticated, the BBC will ensure that it works well with assistive technologies. An accessibility help site will be provided to guide users in customising their computers. The aim is to provide people with the most accessible web experience, not just for bbc.co.uk but for all websites. The BBC will also work with those in the wider accessibility community to support the future development of technologies and the standards that allow all websites to be created to work best with them.

The BBC endorses the Government's ambition for digital switchover but believes it can be achieved only if it is properly financed and managed. The significant new infrastructure investment required cannot be made at the expense of sustaining the creativity and quality content demanded by audiences, which will ultimately drive the adoption of new digital services.

The build-out of transmitters needed to extend digital terrestrial television and DAB coverage will require very significant investment. The cost of financing this new infrastructure will mean that the annual costs of broadcasting all the BBC's services digitally will then be higher than the current costs for simulcasting television services in analogue and digital together, because the financing costs of old analogue transmitters have already been met. New interactive and web-based services will also require an increase in investment, as will the BBC's role in supporting the management, marketing and communication of digital switchover and in helping vulnerable consumers.

1.4 Aiming for excellence

“Programmes should aim to be excellent, distinctive and entertaining . . . of high quality, challenging, original, innovative, engaging.”

Green Paper, p9

Q3. Are these the right characteristics?

Green Paper, p9

The BBC accepts the characteristics set out in the Green Paper and intends to incorporate them into a new template for judging the success of its programmes and services. It welcomes the Green Paper’s emphasis on the need for quality and distinctiveness in public service programmes.

Characteristics

The Green Paper’s adoption of the six characteristics proposed in Ofcom’s public service broadcasting review provides a useful and demanding framework for judging the BBC’s programmes and services.

The Ofcom characteristics were: *widely available, high quality, original, innovative, challenging* and *engaging*. As the Green Paper notes, not every characteristic can be realised by every programme or piece of content, but the BBC accepts that all programmes should display at least one of them.

The Green Paper suggests that these characteristics should be grouped under the two headings of *excellence* and *distinctiveness*. The BBC proposes instead a more detailed set of tests grouped around the four categories of *reach, high quality and distinctiveness, impact* and *value for money*.

- The BBC should aim for its services to *be widely available and widely used*, with every household finding a significant amount of high-quality content to enjoy every month – *reach* therefore is critical in ensuring that services are delivered universally and equitably.
- The BBC should aim for *high quality*. The BBC’s research suggests that *excellence* is a key factor behind audience perceptions of quality, and that this should be one of the critical measures of *high quality*, alongside *original* and *innovative*, rather than being a headline measure on its own. The relentless pursuit of quality should be coupled with ambition to achieve the excellence which is made possible by the BBC’s unique institutional strengths. Excellence implies an attention to detail, the right time and resources, risk-taking, the best use of talent, expertise and experience, personal and collective conviction, institutional

heritage, and the commercial disinterestedness which is the enduring legacy of the licence fee.

- *The BBC should aim for distinctiveness*, both in the sense of offering something different from other broadcasters in *kind* (for example, a broader range of subjects or the inclusion of *genres* which are not offered by others) and in the sense of offering something different in *degree* (for example, documentaries which have had the benefit of longer periods of research and preparation). Distinctiveness also feeds in the public's mind into the question of quality and therefore, the BBC believes, belongs in the same category.
- The BBC should aim to have impact with audiences, with the three constituent parts of this characteristic being that programmes should be challenging, engaging and memorable.
- Finally, licence fee payers should expect high levels of value for money, as well as appropriate mechanisms to ensure that value for money is being delivered.

How the BBC will raise the quality threshold

Phase one of the digital revolution shows that people continue to value a wide range of high-quality content from public service broadcasters.⁹ The Green Paper notes it is something that audiences recognise that the BBC does well, making specific reference to the sustained quality of radio.¹⁰ It is also something the audiences expect the BBC to deliver.¹¹

In terms of public perceptions, evidence shows that the BBC currently sets the benchmark for commercially funded alternatives, particularly in terms of 'quality', being 'informative' and being 'expert'. Figure 1 opposite illustrates the case for the major TV channels in the UK.

However, as audience expectations heighten, the BBC's ability to meet them has been stretched. The Green Paper points to the BBC's responsibility to improve quality in the face of audience perceptions that standards have declined.¹²

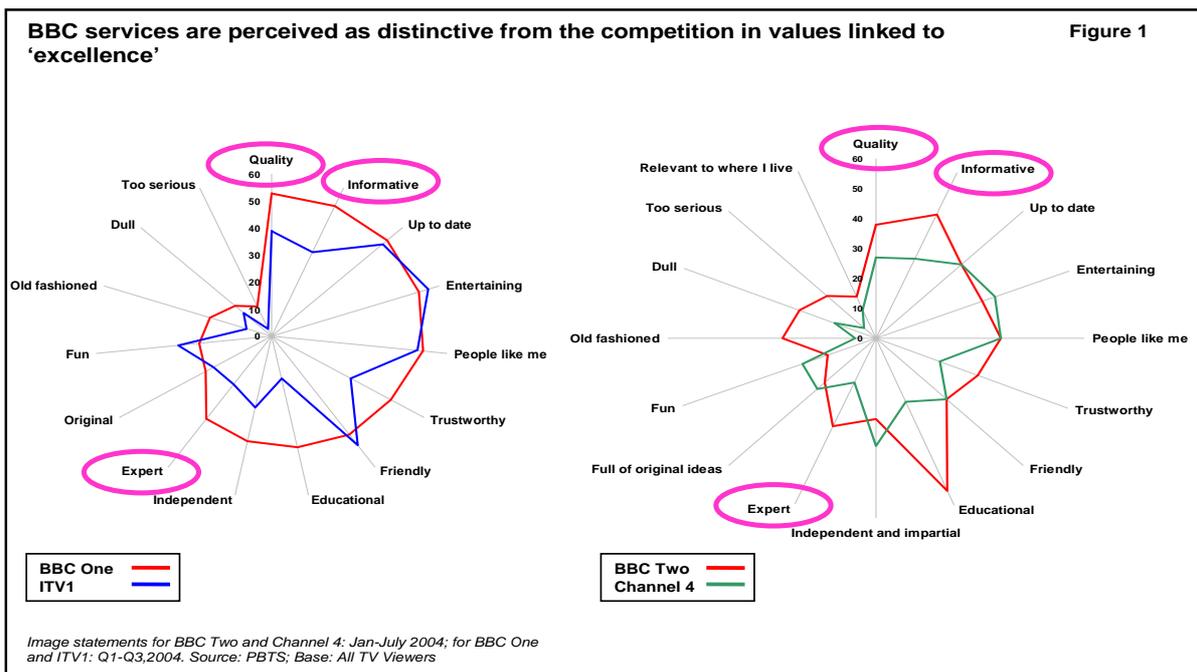
Recent research on quality carried out by the BBC shows that quality perceptions are brought down by repeats, too many reality and makeover shows and the health of popular drama, particularly *EastEnders*, and derivative formats. It also shows that they are improved by strong talent, innovation, landmark drama, UK comedy, news and current affairs, landmark documentaries and knowledge-building programmes, and children's output.

⁹ Ofcom, *Review of public service television broadcasting; Phase 1 – Is television special?* 2004. 48. (See also: DCMS, *Review of the BBC's royal charter: A strong BBC, independent of government*. March 2005. 23.)

¹⁰ DCMS, *A strong BBC, independent of government*. March 2005. 91. ("The most common spontaneous response, when people were asked what they valued about the BBC, was 'high-quality programmes.'" *Ibid.* 24.)

¹¹ "Regardless of the arrival of new technology, the public expects the BBC to be a cornerstone of public service broadcasting, delivering high-quality programmes that set a benchmark for its commercial rivals." *Ibid.* March 2005. 4.

¹² *Ibid.* 29.



The BBC is therefore developing specific plans to raise the bar in the quality, range and ambition of its programmes, especially on the flagship networks, with fewer repeats and by eliminating derivative programmes and ideas. Its Creative Future programme strategy will examine the creative challenges confronting the BBC over the next five to ten years, to ensure that its drive for quality and to set industry and international benchmarks will be sustained and focused throughout the new Charter period. As UK investment comes under pressure elsewhere, the BBC will maintain its commitment to UK programme-making.

Audiences are clear on areas in which they expect the BBC to excel and the BBC therefore plans to prioritise future investment in these genres: news and current affairs, comedy, UK drama, factual output, music, sport and events. This largely fits with what audiences say about the genres which are most important to them as citizens:

- News, current affairs and coverage of national events have long enjoyed a reputation for excellence. For example, the *Ten O'Clock News* on BBC One this year won both the BAFTA and RTS News Programme of the Year awards. This output will be strengthened with an unerring drive for strong, brave, original and reliable journalism backed up with rigorous quality verification processes.
- Comedy is an inherently risky genre but the BBC will build on recent acclaimed programmes such as *Little Britain* and *The Office* with a drive for innovation and distinctiveness. An integrated strategy will be developed involving all channels and services to ensure a range of output from entry-point 'nursery slopes' in radio and new media through to cherished BBC One comedy shows.

- Drama has been re-energised in recent years with greater investment and a richer blend of signature programmes. The ambition is to build a reputation of range and quality across TV and radio, where the BBC's offering is unique.
- In factual output the BBC continues to set standards and break new ground – particularly in terms of the landmark content broadcast on BBC One. Targeted high-impact special programmes being developed across channels and platforms will build on this success.
- The BBC enjoys an outstanding reputation for music, particularly on radio. It will build on that success across all genres and grow and nurture new popular music ventures such as *The Alternative Proms* and *Live and Exclusive* on Radio 2. The BBC's role in music learning with *Music for All*, a strategy designed to encourage a wider degree of participation in music, will also be extended.

At the same time, the BBC will ensure that a range of other genres, including entertainment and sport, continue to play a distinctive role within the overall mix. Excellence will provide a thread through the BBC's best output in every genre.

The impact of the overall programme framework is different for each BBC service, reflecting the different characteristics of TV, radio and online and the BBC's competitive position within each market.

Scheduling

The Green Paper proposes that the BBC should adopt a public service approach to scheduling to produce “a complementary schedule” relative to other terrestrial broadcasters. The BBC supports the formulation that it should “compete on grounds of quality not just share”. Indeed, share is only one part of the system of measurement set out in *Building public value*. The BBC's aim is to extend its reach to ensure its output serves all parts of the audience.

The BBC's management already works with other TV broadcasters on a daily basis to avoid clashes in schedules where possible. Nevertheless, in spending public funding to provide programmes across every genre, the BBC has an obligation to ensure that output reaches the audience for which the investment has been made. This is a healthy reflection of the competition for quality in the UK broadcasting market. In multichannel UK, choice for the audience will inevitably result in competition in the schedules. The BBC is not persuaded that complementary scheduling in its purest sense is practicable or consistent with providing the best possible service to licence fee payers, or even in certain circumstances compatible with the law.

Radio

The BBC welcomes the Green Paper's acknowledgment that Radio 3 and Radio 4 and local and nations radio are distinctive and that external concerns about the market impact of the analogue networks relate mainly to three stations: Radio Five Live and Radio 1 and Radio 2 in peak-time. The Green Paper's conclusion that analysis carried out by management during the course of the Burns Review shows

that the musical output of Radio 1 and Radio 2 is clearly distinct from comparable commercial networks is welcome. The BBC is strongly committed to maintaining this distinctiveness, and in order to ensure that overlap is kept to a minimum through regular checks, Radio 1 has now employed an analyst to provide continuous monitoring of both its output and that of the commercial sector. In addition, both Radio 1 and Radio 2 are externally monitored for a sample week twice a year to assess their continuing distinctiveness.

In granting service licences to the two networks and in monitoring their performance against those licences, the Governors (and subsequently the Trust) will be particularly mindful of the need to maintain and develop their distinctiveness, including in peak time.

The BBC believes that Radio Five Live's unique blend of news, current affairs and sport distinguishes it from commercial competitors. Five Live Sports Extra, launched in 2002, aims to generate greater value for audiences from the sports rights packages negotiated by the BBC, especially in giving coverage to minority sports. The BBC notes that the Secretary of State will consider further Tim Gardam's recommendation that the BBC's strategy with regard to sports rights be reviewed and the BBC looks forward to further discussions with Government in due course. In the meantime, the BBC is currently in discussions with Ofcom in relation to the complaint about FA Cup audio rights made by the Wireless Group.

Purchased programmes and films

The BBC's core commitment is to invest in original UK talent and original UK content. It is accepted that foreign acquisitions are not a part of that purpose. All foreign acquisitions could in theory be left to commercially funded channels. However, research by both the BBC and Ofcom¹³ has shown that films are highly valued by viewers and that high-quality US series such as *24* and *Band of Brothers* are often amongst the BBC's top-rated programmes with high appreciation scores from licence fee payers who value the opportunity to see them free of advertising on free-to-air television.

The BBC's public purposes also require it to bring the world to the UK and make UK audiences "aware of the different cultures and viewpoints of people living outside the UK". Foreign acquisitions are one of the ways the BBC fulfils this purpose – by bringing a range of the best foreign productions to UK audiences. BBC Four, for example, is the only free-to-air channel which presents foreign-language films in regular prime slots. The BBC therefore believes there is a strong case for some foreign acquisitions in its services provided they meet appropriate criteria:

- Quality – all films and purchased programmes must meet some of the characteristics proposed by Ofcom and adopted in the Green Paper.
- Value for money – the cost of acquisitions should be substantially lower than the cost of comparable origination by the BBC, thereby freeing funds for investment in original UK programming.

¹³ Simon Terrington and Caroline Dollar, 'Measuring the value created by the BBC.' *Can the market deliver? Funding public service television in the digital age*. John Libbey: Eastleigh, 2005. 69. (See also: Ofcom, *Phase 1*. 2004. 51-52).

- Complementary content – acquisitions should broaden and enrich the BBC’s schedules, offering licence fee payers content not found elsewhere in UK originations.¹⁴

A selective approach to foreign acquisition can meet these criteria, providing entertainment which introduces innovative formats, new comedy and drama – from World Cinema on BBC Four to ‘blockbusters’, which viewers expect as an important element of family viewing on national holidays, and groundbreaking series such as *24* and *Band of Brothers*.

In terms of the cost per viewer hour (CPVH) in peak time (18.00–22.30) in 2004, acquisitions perform favourably when compared to other genres like drama.¹⁵

Drama		Acquisitions	
Channel	CPVH (pence)	Channel	CPVH (pence)
BBC One	7.25	BBC One	4.86
BBC Two	17.98	BBC Two	3.26

The BBC will not seek bidding wars, but does not believe that it would be practicable or acceptable to co-ordinate bids for foreign acquisitions with other terrestrial broadcasters, and would clearly not engage in any activity which might place the BBC in breach of competition law. The public service obligation on the BBC to ensure quality requires it to offer licence fee payers the best, at the best value. The BBC will inevitably have to compete on occasion with other broadcasters. However, bids will be judged on the basis of the intrinsic quality of the programmes, their contribution to the range of the BBC’s schedules and their value for money for the audience, as well as meeting the public purpose of bringing the world to the UK. These considerations will inform decisions on whether to re-acquire titles if their early success either inflates the price of later series or leads to a sequel which is of lower quality. Value for money considerations led to management’s decision not to buy the later series of *The Simpsons* when the price had risen significantly.

UK films are in a separate category from foreign film acquisitions. The BBC should continue to invest both in the production of UK films and in the acquisition of quality UK films as part of its commitment to investment in UK talent at all levels of drama creation, whether for film, television or radio. The BBC is conducting an analysis of the level and value of its investment in original film production prior to publishing a film strategy which will link investment in UK film to other aspects of BBC strategy and provide a coherent framework for all its film-related activities.

¹⁴ Acquisitions are already subject to Tier 2 regulatory controls stipulating minimum levels of original programming on each of our TV networks.

¹⁵ Cost per viewer hour is one of a series of measures which the BBC uses to assess value for money.

Chapter 2 Funding the BBC

“The BBC should be funded by the TV licence fee for the next ten years.”
Green Paper, p10

The BBC welcomes the Government’s decision that the licence fee should remain the BBC’s main source of funding for the next Charter period. The licence fee will provide the bedrock for a strong, independent and publicly accountable BBC that is able to deliver public value and rise to the challenges of the second phase of digital.

2.1 The licence fee and alternative models

“... there should be a further review of whether there might be a case for other funding methods, particularly subscription, to make a contribution after 2016.”
Green Paper, p10

Q5. Do you support the proposal for a further review of alternative funding methods, before the end of the next Charter period?
Green Paper, p10

The licence fee confers on the BBC a responsibility and obligation to serve the public. It underpins the kind of BBC that audiences want – one that is independent, universally available and equipped to deliver high quality and distinctive services.

While it may make sense to review the BBC’s funding needs after digital switchover is completed, it should be recognised that any change could lead to a fundamental shift in the BBC’s role and its relationship with the public.

In broadcasting, there is a direct connection between the source of funding and the content delivered. The licence fee is a distinctive funding mechanism that underpins the unique identity and mission of the BBC.

Licence fee funding enables the BBC to focus solely on serving the public. It is a universal way of paying for what is essentially universal provision, while at the same time safeguarding the BBC’s independence. The licence fee gives the BBC both the stability and freedom from commercial pressure to invest in a wide range of quality and distinctive UK programming, and a commitment to serve every person in the UK fairly and equally, ensuring they receive programmes they value.

The public understands that the BBC’s distinctive method of funding leads to a distinctive service. Research commissioned by the BBC showed that over 80% of people are willing to pay the current level of the licence fee to continue receiving BBC services and on average, people value the BBC at twice that amount.¹⁶

The fundamental strengths of the licence fee will persist in a fully digital world. While the spread of new technology may make it possible in future to change how the BBC is funded, this does not mean that it would be in the public interest to do so. A BBC funded by subscription or advertising would be an entirely different BBC. The interests of audiences would need to be balanced against the interests of advertisers, or against the need to drive subscription revenues.

¹⁶ BBC and Human Capital, *Measuring the value of the BBC: A report by the BBC and Human Capital*. October 2004. 27.

So while the BBC accepts that a future Government may wish to return to the question of the funding of the BBC, it must also recognise that the licence fee is an integral element in what makes the BBC what it is. Following the extensive debate that has taken place in the context of the current Charter, given the BBC's role in delivering high quality services and in building digital Britain, and the importance of creating stability for the whole sector, the Governors would urge the Government to await completion of digital switchover before embarking on such a funding review.

Judged against the criteria of (i) maximising public value, (ii) safeguarding the BBC's independence, and (iii) delivering economic efficiency, the licence fee will remain the best way of paying for the BBC.

Public value

Licence fee funding confers on the BBC an obligation to treat everyone equally, ensuring they receive high-quality programmes they value. The BBC is an important public service – its programmes are designed to deliver real social, cultural and educational value. Even after digital switchover, the market alone will continue to under-supply programmes with 'merit good' qualities and positive 'externalities'.¹⁷

Advertising funding would create conflicting incentives for the BBC. The BBC would have to balance the requirement to deliver public purposes against the need to generate revenues in the marketplace. Over time, it would broadcast a less rich range and balance of programmes than today. The lack of advertising is felt by the public to be a vital distinguishing characteristic of the BBC. For example, 60% of respondents to the Government's consultation said that advertising would interfere with their enjoyment of BBC programmes.¹⁸

Moving to subscription funding would result in the permanent loss of one of the main sources of the BBC's public value, its universality. Research commissioned by the BBC showed that, as a subscription service, the BBC would need to have charged a price of £13 a month to maximise revenue, which was 30% higher than the licence fee in 2004. As a consequence, it is estimated that a significant number of people, including some low-income viewers and listeners, would be priced out of the market for BBC content that they value. Over and above this, the UK population as a whole would lose £300 million of consumer welfare every year.¹⁹

Regardless of the arrival of new services and technology, the public expects the BBC to be the cornerstone of PSB, delivering quality programmes that set a benchmark for other broadcasters. The licence fee provides a secure and stable source of funding that allows the BBC to take risks, innovate and invest in the widest possible range of original production.

¹⁷ A 'merit good' is one whose value exceeds the value that an individual consumer would place upon it. For example, individuals may not recognise the value to themselves of educational programmes. An 'externality' is a cost or benefit that is not taken into account by individual market participants, because it is borne or accrues to a third party. For example, the consumption of high-quality news has clear benefits to society at large.

¹⁸ DCMS, *Review of the BBC's royal charter; What you said about the BBC*. July 2004. 32.

¹⁹ BBC and Human Capital. 2004. 30.

As Ofcom's review of public service television has highlighted, audience fragmentation is changing the economics of broadcasting. There is evidence that the advertising-funded public service broadcasters will, in a fully digital world, find it harder to invest large sums in a range of high-quality UK programming.

It is unlikely that subscription-funded television will fill the gap. There are compelling reasons why the HBO model would not be economically viable in the UK. Analysis undertaken by Ofcom, in conjunction with Mediatique, demonstrates that the UK market is not large enough to support a HBO-style channel focused on high-quality, domestically produced programming. Even if the licence fee did not exist, freeing up some consumer expenditure, and pay-TV penetration rates reached US levels, a UK version of HBO would only generate an estimated £113 million content budget, less than the current budget of Sky One.²⁰ It would not possess the funds needed to make a contribution to public service broadcasting on anything like the scale currently provided by the BBC's television services. In 2003, £774 million was invested in network programming for BBC One alone.

Independence and accountability

Unlike alternative funding methods, the licence fee ensures that the BBC remains independent from political and commercial influences. Its paymasters are neither the Government nor the market, but the licence fee payers. This means that the licence fee provides a direct connection between the BBC and its audiences. One of the most commonly given reasons for the continuation of the licence fee by respondents to the Government's consultation was that it binds all households together as equal stakeholders in the BBC.²¹

The licence fee gives the public its right, and route, to hold the BBC to account. A range of mechanisms currently exist, including the BBC's complaints system, which enable the BBC to engage with audiences' opinions and needs. But the BBC needs to bring itself closer to the public over the next Charter period. Licence fee payers want to know more about how the BBC is run and feel that it needs to be more responsive to the people who pay for it.²² As a priority, new systems of accountability and engagement will be developed by the BBC Trust (see section 4.2).

Economic efficiency

The most efficient price for a 'public good' like broadcasting is to make it free at the point of delivery. Despite the high fixed costs of investing in quality programmes, the additional cost of supplying them to each person is effectively zero. If broadcasting is charged for at the point of consumption, some people will choose not to buy it, despite the zero marginal cost. The impact of this would be a loss of consumer value for society as a whole.²³

²⁰ Mediatique, *Consideration of aspects of the Pay-TV market in the UK in the absence of public service obligations*. August 2004. (See also: Ofcom, *Review of public service television broadcasting; Phase 2 – Meeting the digital challenge*. 2004. 43.)

²¹ DCMS, *What you said about the BBC*. July 2004. 32. (Additionally, research undertaken for the BBC by BMRB shows that 56% of respondents believe that the licence fee means the "BBC belongs to everyone in the UK." February 2005.)

²² *Ibid.* 43.

²³ See essays by Dieter Helm, 'Consumers, citizens and members: public service broadcasting and the BBC', and Andrew Graham, 'It's the ecology, stupid'. *Can the market deliver? Funding public service television in the digital age*. John Libbey: Eastleigh, 2005. 1-21, 78-100.

Licence fee funding for the BBC meets the 'public good' characteristics of broadcasting and ensures a low price and universal availability. The arrival of digital broadcasting does change the equation. In economic terms, the technical ability to exclude people using encryption does not make broadcasting 'rival' or change the fact that the marginal cost is effectively zero. As long as broadcasting is a public good, there will be a case for licence fee funding on efficiency grounds.

2.2 Contestable funding for public service broadcasting

“We . . . propose a review . . . of whether there is a case for public funding, including licence fee income, to be distributed more widely to recipients beyond the BBC.”

Green Paper, para 10.8

Q20. Do you agree that the case for a plurality of publicly-funded broadcasters should be kept under review?

Green Paper, p15

It is realistic to expect the commercial public service broadcasters to make a significant contribution to PSB during the transition to digital. Splitting the licence fee among various PSB providers would be damaging for UK audiences. It would not be an efficient or effective use of public funding, since it would both spread limited resources more thinly, and could increasingly substitute for other sources of investment. Competition for the licence fee could also compromise the BBC’s independence and break the direct accountability link between licence fee payers and the BBC.

Prospects for commercial public service broadcasting

The historic strength of UK broadcasting has been based on ‘competition for quality’ between institutions with complementary revenue streams. This plurality in PSB is worth sustaining if possible. At this stage, it is impossible to predict with certainty how the broadcasting market will develop. The transition to digital is undoubtedly posing new challenges for the commercial PSBs. The timing and scale of the impact is unclear – depending on many variables in the market. The BBC agrees with the Government’s conclusion that there is no immediate need to make available new public funding to the commercial PSBs.

Against the changing background, we need to take a view of the ongoing value and privileges of public service status, and the cost of commercial broadcasters’ public service obligations.

Access to analogue spectrum will inevitably become of less value to ITV1 and Five as digital penetration increases. However, it should be recognised that this is to be offset by a reduction in the payments they make for their licences.

It is not easy to assess the cost of public service requirements. Ofcom attempted this in their public service television review, but analysis by Oliver & Ohlbaum Associates²⁴ suggests that Ofcom may well have overestimated the opportunity

²⁴Mark Oliver, ‘The UK’s public service broadcasting ecology.’ *Can the market deliver? Funding public service television in the digital age.* John Libbey: Eastleigh, 2005.

cost.²⁵ It is argued that, in fact, commercial networks need ‘public service’ mixed schedules to build overall share and reach and to maintain their premium value as mass-market advertising media. Channel 4’s remit to innovate provides a unique source of differentiation among the 16–34 audience valued by advertisers. Moreover, the competitive spur provided by the BBC means that much of the UK content that meets public service purposes on ITV1 and Channel 4 is, in fact, consistent with their commercial interest.²⁶

Clearly, there are some types of programming which, taken in isolation, may become vulnerable if the advertising-funded PSBs apply a purely commercial test to them. Ofcom, for example, recently acceded to a request from ITV1 to reduce its obligations to provide regional non-news programming.

But there is no evidence of an immediate financial crisis in commercial public service television. ITV’s pre-tax profits increased, on a pro forma basis, by 57% to £340 million in 2004. Channel 4’s 2003 annual report showed increased profits and a cash surplus of £80 million providing a ‘safety net’ to support programme investment for some time to come. Future audience fragmentation is unlikely to lead to proportionate revenue fragmentation for ITV1 and Channel 4. Evidence from the US supports this – the main networks still enjoy an advertising price premium despite 80% multichannel penetration.

Both ITV and Channel 4 are seeking to bolster their financial positions through self-help. They are developing integrated portfolios of digital channels and new media services to enable them to maintain reach and impact, as well as develop the scale necessary to remain competitive in the digital world. The BBC is willing to play its part in this process and is currently considering a range of potential areas of collaboration with these and other broadcasters.

Efficiency and effectiveness of contestable funding

Redistributing part of the licence fee to other broadcasters has some superficial attractions. However, there are strong reasons to believe that the outcome in practice would be damaging for UK audiences.

A major drawback with splitting the licence fee is that it would undermine the BBC’s ability to meet the embedded expectations of the public, without guaranteeing additional and better public service broadcasting elsewhere.

Licence fee income would be spread more thinly across the UK television system, potentially leading to a reduction in overall content investment, and in the BBC’s case, to a reduction of services. The fact that commercial broadcasters and the BBC compete for audiences, but not for funding, has given them both the means and incentive to invest heavily in UK content. A reduction in the BBC’s income would reduce the incentives for other broadcasters to invest to win audiences. Economic modelling shows that, for every £1 million taken away from the BBC and given to

²⁵ Ofcom, *Phase 2*, 2004, 23. (Ofcom suggests that the sum total of the ‘opportunity costs’ to ITV1, Channel 4 and Five of their PSB status is around £430 million per annum. This breaks down into £260 million for ITV1, £160 million for Channel 4 and £10 million for Five.)

²⁶ Mark Oliver, 2005, 51-53.

another UK broadcaster, total investment in UK content could decline by up to £500,000.²⁷

Contestable funding would also raise the problem of aligning the social and cultural objectives of PSB with the incentives of commercially-funded broadcasters. There would be considerable potential for ‘game-playing’ by broadcasters focused on maximising audiences and revenues. It would be difficult to ensure that a public subsidy provided additional PSB output and was not simply used to transmit content which could have been broadcast in the absence of subsidy. In addition, for some types of content, public funds would have to be provided not just to finance the programme but to effectively buy out the slot from a more productive commercial use. The ‘deadweight loss’ involved in contestable funding could be significant and there is a real risk that public money would be transferred from audiences to shareholders.

Creating a new body to redistribute public funding for PSB would add bureaucratic complexity and risk undermining creativity. There would be a duplication of many costs, in particular those associated with programme commissioning. Creative decisions about PSB are best made by broadcasters themselves who are in day-to-day touch with audiences and the creative community. As Ofcom’s PSB review highlights, the allocation of public funding to Channel 4 would risk undermining its culture of commercial self-reliance and creating confused incentives.²⁸

Where contestable funding has been introduced, for example in New Zealand and Canada, it has been to address particular problems in their broadcasting markets: poor economies of scale and the inability to stimulate indigenous production. These problems do not apply in the UK. But even in these markets, the impact of contestable funding has been patchy. Last year, New Zealand announced the reinstatement of direct public funding for TVNZ (the state-owned broadcaster). It was felt that contestable funding, while successful in promoting locally produced content, did not effectively ensure the provision of PSB, interpreted more widely.

Public accountability and BBC independence

The second major risk with dividing the licence fee is that it would create blurred lines of public accountability and compromise the BBC’s political independence, at a time when the Green Paper reflects wider demands for stronger links between the BBC and licence fee payers.

The licence fee provides the BBC with a stable funding profile, while keeping it at arm’s length from the political process. It ensures that it is the British people who pay for the BBC, not the Government. As the Culture, Media and Sport Select Committee argued, ‘top-slicing’ the licence fee could lead to uncertainty in planning finances and future budgeting.²⁹ Moreover, regular decisions about how much funding from the licence fee the BBC should receive and how much should be available for other PSB providers could open up the BBC to political interference. Such an outcome would be

²⁷ Oliver & Ohlbaum Associates Ltd., 2003. 32-33.

²⁸ Ofcom, *Review of public service television broadcasting: Phase 3 – Competition for quality*. February, 2005. 66.

²⁹ Culture, Media and Sport Select Committee (House of Commons), *A public BBC: First report of session 2004-05*. 8 December 2004. 33-34.

at odds with public opinion. Respondents to the Government's consultation were clear that the BBC should continue to remain independent of Government interference.³⁰

As argued in the previous section, the licence fee provides a direct link between the BBC and the British public, and a transparent system for holding the BBC to account. Most people know that their licence fee pays for the BBC and they have high demands and expectations as a result.³¹ The BBC, for its part, knows that it has a single purpose – to serve every licence fee payer.

The risk is that accountability to licence fee payers for how their money is spent would be weakened if the licence fee was shared among various broadcasters. The governance arrangements for commercial broadcasters are not designed to ensure the effective stewardship of public money. The sole, or even primary, purpose of ITV, Channel 4 and Five is not to safeguard the interests of the public. It would be necessary for commercial broadcasters to submit themselves to the same level of scrutiny as the BBC in order to justify the allocation of public money to them, including greater accountability to licence fee payers and to Parliament.

Given the significant risks involved in splitting the licence fee, the Government should, if necessary, explore alternative funding sources for sustaining PSB plurality in the period running up to its interim review. In those circumstances, one option that merits further consideration is spectrum revenues. Hypothecating revenues from future spectrum release or pricing would be consistent with the approach that has been used to provide implicit funding for PSB hitherto, in the form of scarce analogue spectrum.

³⁰ DCMS, *What you said about the BBC*. July 2004. 43-45.

³¹ BMRB research shows that 63% of respondents expect more from the BBC than from other broadcasters (25% disagree). February 2005.

2.3 Self-help

“We support the principles of efficiency and value for money and expect them to be sustained over the course of the next Charter.”

Green Paper, para 6.6

“We will re-examine any anomalies in the existing licence fee concessions policy [and] consider whether new technology allows collection to be conducted in a more cost effective way.”

Green Paper, para 4.20

Q6. Do you have a view on any aspect of the operation of the licence fee: concessions, its collection or its enforcement?

Green Paper, p10

The BBC is implementing radical plans to transform its activities and improve overall efficiency, so releasing hundreds of millions of pounds for investment in new programming and services over the next Charter period.

The BBC also agrees with the Government that there is scope for further modernisation of licence fee collection, to ensure that income is maximised while making it easier for people to pay. It will pursue initiatives such as greater use of direct debit in the next Charter period.

Improving value for money from the licence fee

The BBC recognises that the efficiency and value for money of its activities will be an important consideration for the Government in its review of the Corporation’s funding needs for the next Charter, and the BBC welcomes that. The BBC is not immune from the pressures to increase efficiency that affect the rest of the public sector and commercial organisations.

The BBC has a specific responsibility to keep the financial burden on all licence fee payers as low as possible by making its income go as far as possible. Over the last decade, the BBC has funded a large part of its digital investment by achieving efficiency savings across all operations. Improved commercial cash flows from BBC Worldwide have also played a significant part. The BBC is on track to achieve the self-help target of £3.29 billion by 2006/07, which it undertook to meet when the current licence fee settlement was agreed in February 2000.

Going forward, the challenges facing the BBC will be even greater. The fundamental changes in the UK media landscape described in section 1.1 mean that the BBC must transform itself to stay ahead. Following a wide-ranging review of the entire

organisation, the BBC is implementing radical new plans to improve value for money in every part of its operation. The plans will reprioritise investment so as to boost the quality of today's services and build strong services for the future. They are designed to transform the BBC into a state-of-the-art digital broadcaster.

Taken together, the value for money savings will result in a 19% reduction in the BBC's UK public service workforce, or 3,784 posts. By 2008, the savings will make available £355 million of fresh investment each year.

All savings will be phased over the next three years through significantly reducing headcount, harnessing new technologies, simplifying processes and greater prioritisation. Savings in professional services will yield £139 million a year by 2008, and will lead to new ways of working, standardised processes and more outsourcing. In content and output areas, £221 million of savings will be achieved through a combination of modernising production, eradicating duplication and improving the efficiency of procurement.

This complex and long-term process of change will be extremely challenging for the BBC, but it is absolutely necessary. The aim is to restructure the BBC's processes in order to achieve a simpler, smaller BBC that is more agile and flexible in its commissioning, production and professional services. To be the most creative organisation in the world, the BBC needs to evolve constantly to ensure it stays a leader in innovation, creativity and the use of new technology.

The prize for audiences will be a stronger BBC that is able to deliver excellent, distinctive content that meets their expectations now and in the future. As highlighted in sections 1.3 and 1.4, all savings will be reinvested over the next Charter period in the BBC's programming priorities, including news, drama and music, and new service developments in the second phase of digital.

Improving the effectiveness of licence fee collection

The BBC aims to minimise evasion and collection costs, while making the licence fee easier to pay. Considerable progress has been made in reducing the cost of collection and evasion of the licence fee. Since the BBC took over collection of the licence fee in 1992, the combined cost of evasion and collection has been reduced from 18.8% to 11.3% in 2003/04 – an achievement praised by the National Audit Office.³²

The BBC has ambitions to modernise the collection of the licence fee further. Over the life of the next Charter period, the BBC aims to:

- Increase the range of payment methods and the flexibility of the payment schemes offered, particularly electronic fund transfers. These will complement planned increases in the use of direct debit where the BBC has already been highly successful (over 56% of customers used direct debit to pay for their licence fee in 2004/05).

³² National Audit Office (NAO), *The BBC: Collecting the television licence fee. Report by the Comptroller and Auditor General*. 15 May 2002. 16-17.

- Improve customer service through streamlining processes and making it easier for customers to use the internet.
- Migrate to paperless billing and licensing.

These innovations will provide improved customer service and reduce collection costs. In order for them to be achieved, some legislative changes will be required, for example to allow the BBC to create more flexible payment schemes.

The scope of licence fee concessions and the penalties for evasion are matters for Government and Parliament. The BBC welcomes the Government's proposal for a review of the Accommodation for Residential Care (ARC) concession. While this is a valuable concession for customers, it is complex to understand and administration costs exceed the revenue received.

The BBC's success in reducing evasion has only been possible through the application and promotion of the penalties for non-payment of the licence fee. Prosecution for non-payment of the licence fee is a last resort, however, and every effort is made to give people a chance to pay. Custodial sentences, which totalled 20 in 2002/03, are given only to those who fail to pay their fines, and the BBC understands that those imprisoned usually have court fines for other matters outstanding.

Some licence fee payers will only make payment when they are reminded of the legal requirement to be properly licensed and the penalties they might face if they are caught evading paying the licence fee. BBC research³³ shows that nine out of ten people think it is appropriate for TV Licensing to highlight anti-evasion messages. The tone of the BBC's marketing messages is consistent with that used by organisations with similar aims, such as cutting down on road tax evasion and benefit fraud. These messages are balanced by a range of communications to customers which are focused on raising awareness of the availability and ease of payment methods such as direct debit. TV Licensing also has an award-winning community relations programme³⁴ and stakeholder relations programme to provide further support and contact with those customers who may struggle to pay the licence fee.

The BBC acknowledges that the penalties for licence fee evasion could be modernised and management has been in discussions with the Home Office and, more recently, with DCMS on this matter following recommendations made by Lord Justice Auld.³⁵ However, the penalties must still be sufficient to act as a deterrent to those people who would otherwise seek to evade.

The BBC notes the Green Paper's suggestion that changes in technology and consumption habits may mean that the collection of the licence fee based solely on television ownership and use could become difficult to sustain in the longer term. Indeed, the BBC believes that this Charter provides the opportunity to rename the TV Licence to reflect these changes and will develop ideas for discussion in this area.

³³ National Tracker run by TV Licensing. The finding from December 2004 shows that 89% of people in the national sample agreed that it was acceptable to target evaders with the Countdown TV Trail.

³⁴ Winner of a Golden World Award from the International Public Relations Association in 2004.

³⁵ The Right Honourable Lord Justice Auld, *A Review of the Criminal Courts of England and Wales*. September 2001.

The BBC accepts that the definition of a 'television receiver' may need to change to accommodate advances in technology – and the current regulatory framework gives the Secretary of State the scope to do this by Order. It is also worth noting that at present, it is up to TV Licensing to prove that a household has used and installed a television receiver, although around 98% of households do so.

Chapter 3 Governance and accountability

“The public interest must be represented at the heart of the BBC.”
Green Paper, p64

The BBC must be rigorously governed to ensure it remains focused on its public purposes. The BBC endorses the Government’s proposals for future governance, which are well designed to deliver this aim.

3.1 Governance

“The BBC governance system needs to be reformed and reconstituted, in order to provide clear structural separation between the functions of delivery and oversight . . . We propose the creation of a new body that we have called the BBC Trust to take on the oversight role . . . Responsibility for delivery would be delegated to a formally constituted Executive Board.”

Green Paper, p10

Q7. Have we defined the roles of the BBC Trust and the Executive Board sufficiently clearly?

Q8. Have we identified the right way to define the public interest remit of the BBC Trust?

Green Paper, p11

The BBC accepts the Government’s decision on the future governance of the Corporation, and agrees with its broad conclusions on how the new system should operate. The Board of Governors and the BBC’s management will now start work to ensure it delivers the intended benefits.

In *Building public value*, the Board of Governors set out a series of radical steps to modernise BBC governance. These included the creation of a Governance Unit, the introduction of service licences and a rigorous public value test. These behavioural changes – all endorsed by the Green Paper – are being implemented and are already delivering benefits.

The Governors had hoped that these crucial reforms, which delivered increased separation and clarity of roles, greater accountability and independent support, would be allowed time to prove their worth. However, they recognise that the consensus in the public debate has been to move beyond behavioural changes and to buttress them with a new structure.

In this context, the Board of Governors accepts that the Government’s model broadly meets the five principles of governance laid out by Michael Grade, namely independence, rigorous stewardship of public money, accountability to licence fee payers, clarity of roles and practicality.

The governance structure of the BBC is a vital part of ensuring the delivery of the BBC’s remit and vision, and continuing uncertainty could be destabilising. The BBC is therefore pleased that the Government has settled the issue at this stage. The BBC can now move confidently ahead to implement the changes and ensure that the new system is ready to deliver public benefits in the next Charter period.

Main features of the new model

As the BBC understands it, the Government's Trust model is intended to create structural separation between oversight of the BBC and delivery of services. As the Green Paper highlights, it represents a radical change from the traditional model of BBC governance. As explained in the Green Paper, its main features are:

- A new upper board (the Trust) to oversee the BBC on behalf of licence fee payers and to embody the public interest. The Trust will have overarching responsibility for ensuring that the BBC delivers the prescribed purposes laid down through its statutory framework on behalf of licence fee payers. It will act as the sovereign body in relation to the BBC, with ultimate responsibility for ensuring effective delivery of the prescribed requirements for the BBC within the statutory framework set. It will have ultimate fiduciary responsibility for the public funds committed to the BBC. It will have the dual, balancing responsibilities of guaranteeing the independence of the BBC and safeguarding the accuracy and impartiality of its output.
- A second, new, lower board (which the Green Paper terms the 'Executive Board' but which might more properly be called the 'Operating Board', since it will comprise both executive and non-executive members) responsible for delivery.
- A clear separation of responsibilities between the two boards, with the introduction of processes to ensure openness and transparency. Protocols will detail the processes for the interaction between the Trust and the Operating Board, with this aim.

Other new features would include a performance framework underpinned by service licences and a public value test, which are explored in section 4.2.

The responsibilities of the Trust and the Operating Board

The BBC believes that the Green Paper correctly identifies the appropriate broad division of responsibilities between the Trust and the Operating Board and agrees that clarity will be needed and that a formal protocol should establish the relationship between the two bodies. In preparing both the new Charter and this protocol, further detailed attention will need to be given to the relationship and the structures which will support it.

Drawing on the broad allocation of responsibilities outlined in the Green Paper, the three boxes on the following pages provide more detail on how the BBC believes the division of responsibilities and functions would work in practice.

The public interest remit

The BBC agrees that the public interest must be at the heart of the Trust's work, as it should drive the operation of the BBC as a whole. Paragraph 5.49 of the Green Paper suggests what the particular public interest responsibilities of the Trust should be, and these are incorporated into the boxes on the following pages. The BBC agrees that it is sensible to incorporate duties along these lines in the new Charter.

The Trust

Responsibilities

The Trust will have overarching responsibility for ensuring that the BBC delivers the prescribed purposes laid down through its statutory framework on behalf of licence fee payers. The key responsibilities of the Trust in relation to the public interest in the BBC include ensuring that the BBC:

- fulfils its public purposes;
- sets benchmarks for other broadcasters;
- is editorially independent of Government and commercial interests;
- does not unfairly or unduly damage commercial media businesses;
- is efficient and provides value for money to licence fee payers;
- communicates with licence fee payers and takes account of their options.

The Trust's specific responsibilities include:

- the stewardship of the licence fee with the aim of ensuring that it delivers optimal outcomes and maximum value for licence fee payers;
- setting a strategic framework, derived from the BBC's statutory framework, to secure delivery of the BBC's remit by the Operating Board, and holding the Operating Board to account for its implementation;
- safeguarding the independence of the BBC;
- approval of strategy;
- approval of macro-budgets;
- setting standards for quality of output, including safeguarding impartiality and accuracy;
- enforcing regulatory requirements;
- ensuring the highest standards of fairness and transparency in all complaints procedures, including ultimate responsibility for assessing questions of accuracy and impartiality in BBC output;
- holding the Operating Board to account;
- requiring action from the Operating Board where it has concerns that the remit of the BBC is not being adequately delivered;
- ensuring accountability to the public, communicating effectively with them, capturing their views within decision-making and explaining decisions taken on their behalf to them.

The Trust

Functions

- set objectives and a performance framework;
- hold the Operating Board to account for performance;
- issue service licences and apply the public value test to services where appropriate, monitor service licences, and use other performance-measuring and monitoring tools as appropriate;
- approve, require amendments to, or reject strategies proposed by the Operating Board, including examination of the case for any new services;
- allocate money and determine spending at a macro level, set budgetary limits for services and other major areas of spending, approve the budget proposed by the Operating Board, and assess spending to ensure that both the BBC's remit and the spending framework are being delivered in ways that optimise value for money and accountability to licence fee payers;
- investigate any concerns it might have that the Operating Board is failing effectively to deliver the remit or is in danger of breaching the set framework, or that circumstances have changed significantly since strategy was set, and require action from the Operating Board as necessary to address those issues;
- regulate standards (including sole responsibility for ensuring accuracy and impartiality in BBC output), quotas and other compliance obligations;
- set the framework for complaints handling;
- review financial systems and spending by the Operating Board within the agreed framework, and commission specific value for money assessments as it deems necessary from a range of third parties (including the National Audit Office);
- review the report and accounts prepared by the Operating Board, and publish an assessment of them which it submits to Parliament;
- ensure that the performance of all members of the Operating Board is appraised on an annual basis;
- publish a report and accounts for its own activities (including its own board appraisal) which it submits to Parliament;
- lead a programme of work to ensure that its decisions reflect the public interest and that the Trust is fully accountable to licence fee payers;
- subject strategic decisions to public engagement and objective, evidence-based assessment;
- appoint the Chairman of the Operating Board;
- approve the appointment of non-executive members to the Operating Board;
- set the remuneration for the Chairman of the Operating Board, and have authority in relation to remuneration for other of its members;
- request the regular and ad hoc information regarding both performance and financial issues that it needs to support effective oversight.

The Operating Board

Responsibilities

Specific responsibilities should include:

- delivery of BBC services and other operations in accordance with the statutory framework (the Charter and Agreement), and any more detailed framework developed from that by the Trustees;
- proposal of strategies to the Trustees and, once approved, their implementation;
- expenditure of the funds allocated to it according to the direction of the Trustees and accounting for that spending to the Trustees.

Functions

- deliver the BBC's services within the framework set by the Trustees;
- develop and cost strategies to deliver the BBC's remit and to propose these to The Trust for approval;
- deliver strategies once approved by the Trust;
- put forward service licence applications;
- deliver and demonstrate regulatory and compliance obligations;
- prepare and control detailed budgets for the BBC, in accordance with the boundaries set by the Trust and with a view to delivering value for money;
- prepare and take responsibility for an annual report and accounts for the Corporation, presenting them to the Trust;
- respond effectively to concerns raised by the Trust and to propose ways to address them;
- nominate members of the Operating Board, and propose non-executive members to the Trust for approval.
- have a role in relation to recommending remuneration for members of the Operating Board to the Trust (via a remuneration committee), with the exception of the Board's Chairman, and to oversee remuneration across the rest of the Corporation;
- establish audit, nominations and remuneration committees, and such other committees as it may require;
- provide the Trust with any information it requires in order to fulfil its role.
- oversee the day-to-day management of the BBC and its staff.

3.2 Composition of the BBC Trust and Operating Board

“Between them, Trust members need to be able to reflect the interests of a wide range of different UK communities (including members with the knowledge and expertise to understand and articulate the interests of individual devolved Nations) and they need to have a range of expertise. . .”
Green Paper, p12

Q11. How many members do you think the BBC Trust needs?

Q12. What skills and expertise do you think they need?

Q13. Are there any particular communities or interest groups that you think the Trust members should represent?

Green Paper, p13

The Trust will need to be small enough to function effectively but containing, or having access to, the full range of expertise and experience to equip it to carry out all its responsibilities effectively. All members of the Trust must operate on the basis of collective decision-making, but a Trustee from each nation, connected to effective accountability structures in each nation, should ensure that the whole UK is heard in the Trust’s deliberations.

The Operating Board will benefit from the presence of non-executive members who can provide advice and support drawing on a wide range of experience and expertise.

The Trust

In order to undertake effectively the wide range of responsibilities which the Government has proposed for it, the Trust will need access to a wide range of experience and expertise – especially in broadcasting, editorial, business, finance and legal affairs – reflecting the issues they will deal with and the decisions they will have to make. Some of those areas of expertise might be brought in by the Trust, in the form of independent external advisers or support staff. Others should be reflected within the membership of the Trust itself.

The Trust as a whole must be able to consider policy and strategic issues with an open mind on behalf of licence fee payers. They must be equipped with experience of high-level and objective decision-making in the interests of others and be recognised as such within their field. The Board must comprise individuals able to understand and digest complex issues and draw on independent advice to inform decisions. As representatives of the public interest, the Trust must demonstrate an awareness and understanding of public perceptions of the BBC. Specific requirements might include:

- financial, legal and corporate expertise appropriate to overseeing a large and complex business which spends significant sums of public money;
- media expertise which can bring understanding to the range of broadcasting areas in which the BBC is active, and its performance within them;
- the ability to represent the public interest in broadcasting, including the interests of people in different parts of the UK and of the diverse cultures of the UK;
- expertise or experience in public accountability, consumer research and communications;
- demonstrate political independence.

As with the Board of Governors at present, Trustees should be appointed through a process of public advertising, in line with Nolan principles, by the Crown. The appointments policy will need to be realistic about the very considerable responsibilities and consequent time demands on the new Trust members and how they will be required to meet them.

In the view of the current Board of Governors, the number of Trustees must be conducive to effective decision-making and should probably not exceed twelve.

In general, representing the interests of the public as a whole argues against providing for specific representatives of particular communities or interests. It is impossible within a small group of Trust members to begin to reflect the full diversity of the UK, and any attempt to do so would inevitably skew the perceptions of the Trust.

The one exception the BBC would make to this is in relation to the constituent nations of the UK. The system of national Governors for each of the four nations, supported by dedicated consultative and accountability arrangements in each nation, as well as a Governor with particular responsibility for international activities, has served the BBC and its audiences well. They are increasingly able to play a role in reflecting the diversity which exists across the various communities represented within their nations. In an age of devolution, the BBC would argue strongly for the retention of such representatives, though they should as now have a remit to exercise all the roles of a member of the Trust, not solely to represent their own 'constituencies'.

The Operating Board

The BBC agrees that the Operating Board should comprise a mixture of executive and non-executive members.

Consistent with the Green Paper's proposals, Michael Grade has said that the Director-General will be appointed to chair the Operating Board. In the view of the current Board of Governors, this will ensure the proper balance of executive-led delivery and non-executive-led oversight across the two Boards taken together.

Decisions about executive membership of the Operating Board should remain at the discretion of its Chairman, within a broad framework which provides, for example, that there should be a significant minority of non-executives on the Board, and non-executive appointments approved by the Trust.

The respective roles of the Chairman of the Operating Board and of the Trust in respect of the appointment of non-executive members should be spelled out in the proposed protocols. The role of non-executive members should also be formally established by protocol. In broad terms, they are not representatives of the licence fee payer (unlike the Trust), but should draw on their skills to act as objective advisers to executive members of the Operating Board, and to expand the range of skills and insights informing responsibilities at the Operating Board level. They should be appointed after public advertising, in line with Nolan principles.

3.3 Accountability

“All public services should be accountable. The BBC is no exception . . . The BBC Trust must be open and transparent in everything that it does . . . An important part of the accountability framework for the BBC is its complaints handling process.”

Green Paper, para 5.53, p12, para 5.59

Q9. How many of the Green Paper’s options to ensure this would you like to see adopted in the Trust’s statement of promises? Are there any other options that you would like to see considered?

Q10. Have you any views about how the BBC Trust should handle complaints?
Green Paper, p12

The BBC welcomes the description of the BBC Trust’s role as outward-facing, representing the public’s interests. The Governors look forward to building upon the reforms already being introduced to ensure that public opinion comes into the heart of BBC decision-making. The BBC agrees that it can go further. It can be more transparent and open, particularly in how it listens to audiences and consults on changes.

As highlighted earlier, the unique method of funding for the BBC creates a direct relationship between the public and the BBC’s decision makers. The BBC must recognise this and act upon it. It therefore welcomes the emphasis throughout the Green Paper on the licence fee payer, and the defining purpose of the Trust as upholding the public interest. The BBC also recognises that the public mood has changed. Most people want to see a strong BBC continue to be funded by the licence fee, but many are also looking for greater transparency and openness. People have become used to publicly funded organisations and successful commercial organisations being far more open to customer and consumer involvement, and the BBC recognises it can learn from this.

Current enhancements of accountability

The Governors recognised in *Building public value* that accountability and transparency needed urgent and radical attention. Some steps have already been implemented:

- The Governors now regularly commission research independently of management. As part of their review of BBC coverage of the European Union, the Governors commissioned independent qualitative research from MORI (November 2004). Similarly, independent research was commissioned from

blinc.tv as part of the Governors' review of television current affairs (January 2005).

- The Chairman regularly engages in phone-ins with the public as part of the Charter Review consultation.
- National Governors engage in a full programme of open, consultative meetings with licence fee payers.

Plans are also well advanced for other significant accountability initiatives:

- A website for the Governors will be launched in May. The public will be able to find out more about who the Governors are and what they do, and to download specific documents (the annual report, minutes, Governor-commissioned reviews and research projects). Over time, the website will become an increasingly important focal point for explaining performance and activity, and a place both to launch consultations with the public and for the public to interact with the Governors.
- In the summer following the launch of the annual report, there will be an 'AGM'. Held over several sites around the UK, and involving both direct and virtual interaction between the Governors and the public, it will be a chance for the public to question the Governors, comment on performance and have their say.
- Plans are in hand to publish Governors' minutes.
- Service licences will be underpinned by a fuller understanding of audience expectations. The BBC accepts that, where major decisions are taken, deliberative research has an important role.
- The BBC is committed to publishing all research commissioned by the Governors.

Broadcasting Councils and English National Forum

A valuable accountability mechanism already exists in the form of the Broadcasting Councils for Scotland, Wales and Northern Ireland, and the English National Forum (ENF). Their importance is perhaps understated in the Green Paper. The Broadcasting Councils' primary existing role is to advise the Governors on the extent to which BBC services meet the needs and interest of audiences in their respective nation or local English region. The ENF is also supported by an accountability network of around 500 members of the public on local and regional advisory councils. These bodies are a direct channel of public opinion into the BBC, albeit on a relatively narrow remit. (Responses to the Green Paper from the Broadcasting Councils and the ENF are included in the Appendices.)

The BBC agrees that this accountability mechanism can be built upon. Following discussion with the Broadcasting Councils and the ENF, the BBC believes the impact can be strengthened in the following ways:

- The BBC can do more to explain the work of these bodies and ensure that local licence fee payers know how to get involved and contribute.
- The remit can be broadened to consider all aspects of BBC programming.
- It is important to retain the national and regional dimension, particularly in the context of devolution, but there is scope for building into the terms of reference responsibility for championing the diversity of licence fee payer characteristics and interests.
- The BBC will ensure that the Councils and the ENF are consulted by the Trust in major strategic developments and changes.

The BBC will need to review the composition of the ENF, in particular to ensure it can carry out this broader remit, since the Local Advisory Councils are currently structured around local radio stations.

The BBC Governors agree with the points made by the Broadcasting Councils that elections would not be an appropriate mechanism for selecting their members.

What more can be done?

The BBC does not have a monopoly on wisdom where accountability is concerned. It knows it can go further, and is looking forward to hearing what respondents to the Green Paper consultation have to say about alternative methods of direct accountability and increased transparency.

The BBC will therefore conduct further work over the summer in response to new ideas, and listen to the public about what would work for them. Its aim is to learn from the experience of others and emulate the best.

In assessing proposals for accountability mechanisms, the BBC will bear in mind a number of principles which it believes such mechanisms should deliver:

- They should be consumer-led. Accountability mechanisms must be ones the public themselves want to use, and must reflect the type of relationship people want to have with the BBC.
- They should improve representation. New accountability mechanisms should increase the range of voices heard, and ensure that the Trust hears the full diversity of views among different communities of interest. Mechanisms must also resist capture by particular groups.
- They should increase overall reach. The BBC must aim high, and substantially increase the overall number of licence fee payers involved in accountability mechanisms. It must focus in particular on giving a voice to those who feel most alienated from or underserved by the BBC.
- They must enhance business effectiveness. Accountability mechanisms must reflect and enhance decision-making processes.

- Finally, of course, they must be practical.

The BBC will be keen to consider and develop ideas of its own, including:

- Publishing a regular tracking study of licence fee payer 'key performance indicators' based on attitudes such as value for money of the licence fee, perceptions of quality and innovation, and satisfaction as a BBC customer. The measures would be developed against a succinct statement of the public interest regarding the BBC. This has the power to be truly transformational, allowing the Trust to understand how well the BBC is doing among different sections of the public, and ensuring that management focuses attention accordingly.
- Regular Trustee 'question time' sessions. The AGM must be part of a regular contact programme between Trustees and licence fee payers.
- Developing compelling ways of using the BBC's own airwaves for accountability programmes. In the past, such programmes have felt rather constrained and formal, but the Governors are convinced that the BBC's creative power could make this work well.
- Focusing harder on explaining why decisions have been taken, particularly following consultations with the audience. If the Trust takes decisions which appear contrary to public opinion, it should clearly explain why.
- Holding Trustee meetings out of London regularly.
- Increasing dialogue with groups representing different interest communities.

The public's expectations of accountability, and the practices of public bodies generally, are not static. No matter what improvements are introduced now, new, better methods are likely to emerge over a ten-year period. It is important therefore that the Charter sets a clear framework for the Trust's responsibility to consult, listen to and involve licence fee payers, but that it leaves the detail of how this is delivered for the Trust to determine and keep under review. It is therefore proposed that each year the Trust will report on its activities in consulting and accounting to licence fee payers over the previous year and on its plans for the future. Publishing such an account is in itself a major accountability mechanism.

The Trust will also want to ensure that the mechanisms sit well with management's own processes for listening to audiences – the Trust will not and should not have an exclusive relationship with the licence fee payer. The BBC's management and programme makers will continue to want and need a rich relationship with audiences.

Handling complaints

How it handles complaints about its output is one of the most important demonstrations of the BBC's commitment to serving the public interest. Complainants should have fair and equal access to a transparent, objective process, with the Trust acting in difficult cases as final arbiters on compliance with the BBC's

editorial guidelines. The BBC should show that it is willing to admit mistakes and put things right.

Recognising previous failings, the BBC has already undertaken a fundamental review of its editorial complaints processes, with the result that a wholly transformed system was launched in February 2005.

- The BBC has made it much easier for the public to know how to complain – through a new Code of Practice, improved publicity material and through the development of a dedicated complaints website, bbc.co.uk/complaints. The Code of Practice sets out the BBC's procedures and promises. The BBC promises to respond as speedily as possible and certainly within ten working days.
- In streamlining the procedures, there are now just two routes for complaints to be sent to the BBC in the first instance. Complainants may direct their complaint to BBC Information or, if they prefer, to the relevant BBC division. All complainants are now treated equally.
- There is now a three-stage procedure for handling complaints:
 - handling at point of initial contact;
 - appeal to the Editorial Complaints Unit (ECU);
 - appeal to the Governors' Programme Complaints Committee (GPCC).
- The BBC will aim to resolve all complaints at stage one. However, after two exchanges of correspondence, a complainant on an editorial matter is offered the option of appealing to the Editorial Complaints Unit for independent investigation of the complaint. Very serious complaints (for example, from parties directly concerned) will be 'red-flagged', and after two exchanges the divisions themselves will consult the ECU about referral.
- The Programme Complaints Unit has been renamed the Editorial Complaints Unit. It investigates complaints independently from programme makers and its findings are now binding on divisions.
- Complaints guidelines have been introduced for all BBC areas, setting out guiding principles (easy access, clear complaints routes, speedy, fair, effective and accountable), service standards and procedures for handling complaints.
- There is a greater willingness to admit mistakes, and learn from them where appropriate. In particular, the BBC is now using its online presence to provide proper reporting to the public on complaints it has received and remedial action it has taken, and to publish corrections.
- On each divisional board there is a nominated complaints co-ordinator responsible for the proper handling and reporting of complaints in their area and for ensuring that any lessons to be learned are fed back into editorial and managerial processes.

- A new Complaints Management Board, chaired by the Deputy Director-General, has been established to oversee complaints handling within the management and ensure best practice, and to ensure that the lessons are shared at Executive Board, BBC Editorial Policy, divisional board and production area levels across the BBC.

The Governors' Programme Complaints Committee is also currently considering proposals to incorporate best practice on complaints handling and ensure an even-handed and consistent approach. Other proposals are likely to include:

- tracking attitudes among complainants about their experiences, and consulting the wider general public on its attitudes (for example, do they believe it is worth complaining?);
- provision for greater complainant involvement in the most serious complaints.

The GPCC will consult the public on its proposals in the coming months.

It will be for the new Trust to satisfy itself that these new complaints handling arrangements meet their obligations to licence fee payers.

3.4 Ensuring fair trading

“All commercial businesses should be rigorously and transparently regulated.”
Green Paper, p14

Q19. Is the existing Fair Trading Commitment a useful addition to the arrangements regulating the BBC’s commercial services? If not, what option would you prefer?
Green Paper, p14

The BBC is confident that it trades fairly, and that this is properly underpinned by its Fair Trading Commitment. However, the creation of the BBC Trust provides an opportunity to bring greater transparency into the process and so enhance public confidence in it.

The BBC has always recognised that its commercial activities must trade fairly, without cross-subsidy from the licence fee. Over recent years improvements have been introduced to the BBC’s fair trading arrangements, many of which respond directly to concerns expressed by others.

The BBC’s Governors and Fair Trading Compliance Committee (FTCC) are convinced that the existing regime provides a robust and proven structure for ensuring compliance with all aspects of UK and EU competition law. Since the introduction of this regime, the external competition regulators – Ofcom, the Office of Fair Trading (OFT) and the European Commission – have never judged the BBC to be in breach of competition law.

However, the BBC recognises that, rightly or wrongly, there is still a perception outside the BBC that the fair trading regime is insufficiently objective. The general reforms of governance which the BBC has embraced are designed to demonstrate objectivity, increase transparency and improve accountability. The BBC believes that these objectives could also be delivered in relation to the fair trading regime, and so increase confidence in it.

The Governors have therefore commissioned an independent consultant to prepare advice for them on the systems in the context of the work of the new Trust, including a revised complaints process. They will seek proposals which meet the following criteria: legal compliance, fairness, objectivity, transparency, effectiveness and practicality. The Governors’ conclusions will be published later this year.

In particular, the Governors believe that there could be more clarity about the respective regulatory responsibilities of the Secretary of State (setting the framework), Ofcom (setting and policing general standards), the BBC Trust

(approving BBC activities within the framework, setting internal requirements and ensuring compliance) and BBC management.

Ahead of the detailed review of the system commissioned by the Governors, their view is that this greater clarity might be achieved by amongst other things:

- Including in the new agreement between the BBC and the Secretary of State the key objectives which the BBC's fair trading regime is designed to deliver, in much greater detail than at present. The Governors would propose to hold a consultation on the provisions of the commitment in advance of discussions on the terms of the agreement. In addition, since the new agreement would not come into force until approved by Parliament, there would be an opportunity for public and Parliamentary debate on the headline provisions of the Fair Trading Commitment.
- Underpinning and amplifying these headline requirements on fair trading in a new set of published Fair Trading Guidelines. As now, these would be drawn up by the BBC's Head of Fair Trading, for approval by the Trust, and their purpose would be to advise BBC staff on how in practice they should conduct their activities in order to stay within the requirements of competition law and the Fair Trading Commitment.
- Making it clear in the Commitment and the Guidelines that although the BBC Trust has responsibility for considering whether the BBC's activities have complied with the Fair Trading Commitment, it is not a competition authority. Where the subject of the complaint is a competition law issue over which Ofcom has legal responsibility, it should be made explicit to complainants that they can (as now) apply to Ofcom.
- Retaining within the Guidelines a section on the requirements of the BBC with respect to competition law, as recommended by the OFT.

Action should also be taken to increase the transparency of the fair trading processes. These should include publishing:

- as much written detail of the FTCC's findings as compatible with commercial confidentiality;
- information about who is responsible for what in regulating fair trading details of the fair trading complaints process and how aggrieved parties can pursue their complaint;
- information on commercial rights that have been placed externally;
- a more detailed version of the annual fair trading audit.

3.5 Ofcom

“We do not think Ofcom should be given a role of oversight or scrutiny in relation to the BBC as a whole.”

Green Paper, p69

It is right that, where the BBC has to apply common standards or deliver common objectives, these should continue to be monitored and regulated by Ofcom. But the BBC agrees with the Government that that which is unique about the BBC – the delivery of its own public purposes through its remit – must be the sole responsibility of the BBC Trust.

When Ofcom was created by the Communications Act 2003 as the unified regulator for the media, communications and broadcasting markets, the Government decided that the BBC should be subject to Ofcom’s regulatory oversight in areas where the BBC was expected to operate to wholly equivalent rules and standards as other broadcasters, to ensure a level playing field. Thus the BBC is subject to Ofcom oversight in:

- the application of Ofcom’s codes covering harm, offence, privacy and fair treatment in programmes;
- the application of statutory quotas, particularly the 25% independent television production quota;
- a new set of quotas to be agreed for each public service broadcaster, concerning levels of news and current affairs programmes and programmes for audiences in different parts of the UK, levels of original productions and productions outside the M25.

Ofcom also:

- considers the BBC’s output in its annual survey of the communications market as a whole and in its periodical review of public service television;
- shares with the OFT responsibility for applying competition law in broadcasting markets, including policing the BBC’s compliance with the law;
- licenses and manages the BBC’s use of radio spectrum.

The BBC agrees that, where it is subject to the same detailed rules as other broadcasters, it should be subject to Ofcom oversight, albeit in a way which reflects the particular legal responsibilities on the BBC and on its governance structures.

The BBC agrees with the Government that in other areas, where the BBC is delivering obligations which are unique or central to its own remit and purposes, it should be subject to the oversight of a dedicated governance structure focused on the public interest in meeting the BBC's remit. These include:

- Approving strategies and objectives for the delivery of the BBC's public purposes.
- Ensuring accuracy and impartiality in all BBC programmes. As the Government's Communications White Paper of December 2000 stated, judging such matters is "so closely bound up with the Governors' overriding role of ensuring the BBC's editorial independence" that the responsibility should not be transferred to another body.
- The application of higher standards to the BBC than apply to other broadcasters. While Ofcom considers whether the BBC has complied with its Programme Codes, the Board of Governors alone is responsible for approving and applying the requirements of the BBC's own Producers' Guidelines, which in many cases go further, reflecting the special circumstances and values of the BBC.

The same rationale should continue to apply to the allocation of responsibility for competition issues, considered in more detail in section 3.4. Ofcom certainly must police the BBC's compliance with competition law, which applies equally to the BBC as to other broadcasters. But to the extent that the BBC's Fair Trading Commitment and Guidelines set tougher requirements for the BBC than for the rest of the market, then those tougher requirements, applied within the BBC, should be policed by the BBC's own governance system.

In this regard, the BBC agrees with the Government's conclusion that Ofcom should not be given additional, open-ended 'ex ante' competition powers over the BBC. While it is not clear what circumstances Ofcom had in mind when it proposed wide-ranging ex ante powers in relation to the BBC in its Phase 3 Review of Public Service Broadcasting, such powers could in practice be used to require the BBC to clear any strategic or business decisions with Ofcom prior to taking them. Clearly this would undermine the Trust's responsibility for ensuring delivery of the BBC's remit, giving Ofcom the power to second-guess any decision it chose.

Chapter 4 Scale and scope of the BBC

“The BBC should remain a cultural institution of real scale and ambition.”
Green Paper, p80

The BBC welcomes the Green Paper’s support for a broad-based BBC with sufficient size and scope to achieve public service broadcasting impact and sustain its contribution to the UK creative economy.

4.1 The BBC's UK public services

“The BBC’s current range of services has broad support [but] there should be sufficient flexibility in the system for the BBC to add and remove services in response to changing technologies and market conditions.”

Green Paper, pp13–14

Q.16 Do you agree the BBC should be able to propose changes to its range of services over the course of the next ten years?

Q.17 Do you agree with our proposals for handling new services?

Green Paper, p14

The BBC’s focus in the first phase of digital has been on developing a portfolio of services which improve the way it serves different audiences, provides enhanced value for the licence fee, and drives digital take-up. The BBC’s continuing relevance in the second phase of digital – a period of continuing and accelerating change – depends upon retaining the flexibility for its portfolio of services to evolve and to be enhanced.

The UK public services

The BBC welcomes the Green Paper’s strong support for the current portfolio of services. While some have been at the heart of the delivery of the BBC’s remit for decades, a significant number have in fact been in operation for less than three years. The new digital services are already making their mark in providing a distinctive additional dimension to the delivery of the BBC’s public purposes and in serving the widest range of audience needs and interests.

The BBC has no plans to expand the current range of linear broadcasting services. However, as the Green Paper acknowledges, one of the major strengths of the BBC over the last few decades has been the ability to respond flexibly to changing circumstances – changes in the market, new technological developments, evolving audience demands – and so ensure that its services have remained relevant and of high value to those who use them.

Without such flexibility built within the current Charter framework, the BBC would not have been able to launch its online services or its digital television and radio services when it did, and so could not have played such an important a role in driving internet and digital take-up, nor have served audiences as well as it has over the last Charter period.

This flexibility will be as important in the next Charter period, and possibly even more so than before. By the end of the next Charter period, the switchover to digital

television will have been completed in line with Government plans. The broadcasting environment will have changed fundamentally and people's expectations of broadcasters – including the BBC – will have altered accordingly. The only certainty is change. The BBC must be equipped to respond to that change if it is to continue to deliver public value in the fully digital age.

New services

The BBC therefore agrees with the Government that the new Charter should permit the launch of new BBC public services, but that any proposals to do so should be subjected to rigorous scrutiny before approval to launch to ensure that the public value created outweighs the potential negative impact on commercial operators. This underlies the proposal in *Building public value* that all BBC public services should have to pass a public value test.

The operation of the public value test is currently under review by the BBC Governors. Once this review is complete, the BBC will consult further with government and Ofcom on the methodology, which is in line with the 'net public value' approach adopted by the Independent Review of the BBC's Digital Television Services led by Professor Barwise.³⁶ In short, it would involve an examination of the individual and citizen value created and its overall economic impact.

The extent to which a new service delivers value to individuals and citizens will be based on an assessment of its quality, reach, impact and value for money, measured against the BBC's public purposes. In addition to its cost effectiveness, an assessment of overall economic impact would consider both the potentially negative market impact of a new service and its potentially positive economic value, such as the impact on digital take-up. This is considered further in the next section.

Decisions on new services will need to be grounded in a careful assessment of audience perceptions and needs. The BBC will also ensure that commercial interests have a formal route of consultation.

The BBC supports the Green Paper's proposal that decisions on approving or rejecting new BBC services will be taken by the Trust, with the Secretary of State's role focused on ensuring the fair operation of the agreed assessment processes. The BBC also believes that its plans for a cycle of transparent and rigorous reviews of the performance of BBC services should obviate the need for Government-led reviews of future BBC services.

³⁶ Patrick Barwise, *Independent review of the BBC's digital television services*. October, 2004. 19.

4.2 The BBC and the marketplace

“... while we want a strong BBC we also need to sustain a flourishing commercial sector. The BBC needs to be vigilant about its potential to have a negative effect on commercial competitors.”

Green Paper, para 8.46

The BBC’s activities inevitably impact on the rest of the market – in positive ways as well as negative. For example, the BBC’s investment in training and research benefits the whole industry. However, in launching and operating public services, the BBC must consider the legitimate interests of the rest of the audio-visual sector more carefully than it has in the past.

While the BBC’s investment in the industry brings many benefits, some of which are explored at the end of this section, the BBC has in the past been insufficiently sensitive to its potential negative impact on the wider marketplace.

The BBC is committed to improving its record in this area and has set out, in *Building public value*, proposals for ensuring that all new services pass tests of their public value and are subject to clearly defined remits, published in their service licences. The BBC welcomes the Green Paper’s support for this approach and looks forward to further discussions with Government, Ofcom and others on developing the ideas further.

Public value tests and market impact assessment

Net public value is the best yardstick for evaluating the BBC’s contribution to society, and the appropriate scope of its services. The concept can be defined in much greater detail than it has been in the past, and is based around the three components of individual and citizen value and overall economic impact.

As set out in the last section, in future any proposed new BBC service or significant change to an existing service will be subjected to a public value test. No such development will be allowed unless the public value outweighs any negative impact on the marketplace.

A vital part of the test will therefore be an assessment of the potential impact on the wider broadcasting market. The BBC is currently working with Ofcom to agree a standard methodology for assessing market impact and notes the Green Paper’s proposal that Ofcom itself should undertake the market impact assessment in the case of a new service. The BBC has serious concerns about this proposal, as Ofcom may have a conflict of interest, or be perceived to have, in relation to the sectors it regulates. Instead, the BBC proposes that Ofcom and the BBC Trust should jointly

commission the market impact assessment from a third party. In the BBC's view, this would maximise support for the outcome as well as ensuring that the independence of the assessment is beyond doubt.

The BBC notes the Green Paper's suggestion that the test might set a threshold beyond which the market impact of a service might be deemed completely unacceptable. The BBC will consider this idea further as it develops and consults on its proposals for the test. While the aim of the test is to put more rigour and evidence into the evaluation of BBC services, the BBC is not yet convinced that it is either possible or desirable to introduce a hard and fast formula. The BBC will publish the public value test framework and in doing so will offer guidance on how the Trust will balance public value and market impact in making its judgements.

The BBC will publish the results of the public value test, together with the relevant analysis on which it was based.

Performance measurement

In addition to the public value test, the BBC's new performance measurement framework is designed to give commercial operators greater assurance that the BBC's services will stay focused on their core public purposes. In particular, the proposals for new service licences will delineate the scope and objectives of BBC services more explicitly than in the past. This will have the beneficial effect of making the BBC's plans for current and future services more transparent and predictable from the perspective of other players in the marketplace.

As the market develops, it may be appropriate for the BBC to do less of some things and more of other things. Over the next Charter period, the BBC's programme strategy will prioritise investment in those genres where the BBC can add most value, including comedy, drama, music and original journalism. The rolling programme of performance reviews, undertaken by the Trust, will monitor the BBC's approach. If aspects of services can no longer be justified on public value grounds, the BBC should withdraw from them. The current Board of Governors has already endorsed alterations to bbc.co.uk in light of the conclusions of the Graf Review. These include a revised remit for the service that is more closely aligned to the BBC's core public purposes and increased vigilance about the impact of BBC activity on the commercial market.

Cross-promotion

The Green Paper acknowledges that there is clear value in informing audiences of content and services, and notes the concern that some of the BBC's competitors (especially those in the commercial radio sector) have raised about the market impact of cross-promotion.

The BBC supports the proposal for more research to be conducted in this area, but it is worth reiterating that on-air promotional activity is a vital means of delivering the BBC's mission.

Promotional activity builds awareness of BBC services, giving audiences clear information about what is available to them. As a publicly-funded broadcaster, the BBC has deeper responsibilities than just the day-to-day business of highlighting forthcoming programmes as other broadcasters would. Licence fee payers fund a range of services from the BBC, and they pay for them whether they choose to consume them or not. It is important, therefore, for the BBC to help audiences understand what those services are and extract the maximum value for their licence fees.

In addition to its role in building awareness, on-air promotion guides users through the increasingly complex world of media services. Some promotional activity is aimed at pointing existing audiences in the direction of content and services that they might find of interest, given the content or service they have just used – such as a trail after *Panorama* for a Radio Five Live phone-in on the same subject. But promotions also have a role in helping users to find new, unfamiliar and potentially challenging content that they might not otherwise find. Through clever use of promotions, new subjects can be made accessible to new audiences.

Finally, promotional activity drives impact of the BBC's services, helping licence fee payers to experience and appreciate the full range of the BBC's output. It ensures that as many people as possible use and appreciate the services that they have paid for through their licence fee. Impact can also mean creating a sense of 'event' around coverage of, for example, the D-Day commemorations, significant sporting experiences such as the Olympics, and events central to the democratic and public life of the UK, such as elections. The BBC can create the same effect with its own programming, such as *Restoration* or *The Big Read*.

The Green Paper also notes the importance of promotion in building digital Britain – tasking the BBC with continuing to promote the benefits of digital television and drive take-up. Promotions have helped to 'demystify' the whole area of digital radio and digital television, have had a dramatic impact in increasing awareness and digital take-up, and were a requirement of the Secretary of State's terms of approval for the new BBC services. The BBC will maintain its focus in this area as the Green Paper proposes.

Training

Effective training and development are vital as the BBC implements radical and transformational change. In 2003/04, the BBC spent £40 million on training for BBC staff and freelancers attached to BBC projects to support radio, television and new media. A further £13.4 million was spent on training to support other areas such as leadership, IT systems and health and safety. The BBC is also at the forefront of new methods to deliver training – as well as 68,000 days of face-to-face training, the BBC's investment delivered over 75,000 hours of online training.

The BBC's responsibilities go wider than equipping itself for the challenges ahead. The BBC's commitment to the rest of the industry remains strong, particularly through its work with Skillset (Sector Skills Council for the audio-visual industries). A substantial role for training and development is envisaged. The BBC will work with the wider industry to give as many people as possible in the audio-visual sector,

including interactive media, access to world-class learning and skills development opportunities either face-to-face or online.

The BBC's specific objective is to remain in the upper quartile of all UK companies in terms of investment in training, and to be a clear leader in the media industry.

In future, the BBC also plans to build value by engaging the wider population in media training through initiatives that will support media literacy and develop creative skills. This will be done, wherever possible, in partnership with other organisations and institutions.

The BBC has roles in attracting talent into the industry, and in offering opportunities for organisations and individuals as co-creators of content with the BBC. Its work in the field of media literacy could encourage more people to develop their creative skills and produce their own content. It is intended that the best of this, generated through initiatives such as the Creative Archive, should find its way on to BBC platforms.

Research

The BBC's commitment to research and innovation has never been stronger. Over many decades, as the Green Paper notes, the BBC has played a leading role in developing standards and technologies associated with the production and delivery of services to audiences. This will remain an important focus as switchover approaches. Much of the research and development associated with the technical process of switchover has already been completed – the main task is to support its implementation.

The BBC expects to maintain influence in the development of international standards, as the Green Paper suggests. This represents an investment on behalf of the whole industry and, as such, should form part of the BBC's core funding through the licence fee.

The BBC's attention is now focused on emerging technologies – such as broadband, peer-to-peer networks and mobile services – where technology is developing hand in hand with content, and where the BBC can make a significant contribution to public value. This kind of technology will act to stimulate the creation of digital Britain, giving people access to new kinds of content through a wide variety of devices, and will ensure that public service content can thrive in the digital free-for-all.

The BBC believes that this new research and innovation activity is best served by partnering with others, rather than by adopting a wholly commercial approach. In future, the BBC would expect to devise new funding arrangements to supplement the BBC's core commitment, such as partnership arrangements with universities and research institutes.

It is unlikely that the process of digital switchover will give rise to new intellectual property that can be exploited commercially. Greater value will be created through involvement in developing content-driven technology in partnership with others, to the extent that this is compatible with the BBC's public purposes.

4.3 Programme production outside London

“ . . . the BBC should . . . make sure its contribution to UK production furthers the economic development of the UK beyond London.”
Green Paper, para 7.8

The BBC is committed to building public value throughout the UK. Significant steps have been taken over the last Charter period to spread the economic benefit of programme spend around the UK, and this process will accelerate over the next Charter period.

The Green Paper is correct to highlight the many benefits that can arise from producing programming throughout the UK. It is also an aspect of the broadcasting ecology in which there is a strong likelihood of market failure, in that the commercial market will, left to its own devices, tend toward consolidation of production in relatively few parts of the UK. This trend has been seen alongside the consolidation of ITV, and without direct regulatory intervention might already have gone further.

Over the past decade, the BBC has made substantial moves to shift investment and jobs from the South-East of England to the rest of the UK. The level of network production spend outside London has increased by 76% (£130 million) since 1998 and now totals more than ITV1. The BBC has built a strong geographic spread of production across the devolved nations and English regions, which distinguishes it from ITV.³⁷ In local (opt-out) programming, the BBC has increased investment by nearly 40% (£55 million) since 1998 and currently spends significantly more than ITV.

Out of London strategy

Over the next Charter period, the BBC intends to further deepen its commitment to the nations and regions, ensuring that the BBC's presence delivers real and sustainable benefits to those regions and cities in which it is based. The BBC's Out of London strategy is driven by a desire to spend the licence fee more equitably and effectively across the UK, reflect more accurately the diversity of its audiences, and open doors to new talent. To build public value in the nations and English regions, the BBC will pay attention to more than just production quotas. It must strive to create real impact with its activity and stimulate local creative economies. The plans for new production centres and new services will involve engaging with local partners and creative businesses.

³⁷ Ofcom, *Phase 3*. 2005. 45. (“The level of ITV1 network production in the devolved nations has declined every year since 2000. By 2003, just 2% of total network programme spend went to the three nations combined.”) By contrast, around 12% of BBC network spend went to the nations combined.

Manchester and the North of England

The centrepiece of the BBC's Out of London strategy is the plan to move a number of production departments and services to a major new hub in Manchester, and to strengthen the departments already based there. Subject to a satisfactory licence fee settlement, the BBC proposes to commit substantial relocation funding to deliver its regional ambitions in the North of England. The move will increase the BBC's network spend per capita in that region eightfold.

Manchester is the focus of the strategy because analysis shows that the BBC underperforms in the North of England in terms of the reach, share and approval of its services. Building up the base in Manchester will spread the impact of the investment much wider throughout the North of England. The overall strategy is ambitious, incorporating plans to stimulate and create a new hub for independent production in the North of England, establish a new research and development institute with academic and commercial partners, and develop partnerships to deliver a range of other initiatives.

The nations and other English regions

In addition to the Manchester plans, the BBC intends to increase network production in Scotland, Wales and Northern Ireland by a further 50% over the next Charter period, and is already working to increase the BBC's proportion of spend on network television drama produced out of London to 50%.

The BBC will also encourage greater regional diversity in the independent sector across the UK. This strategy will be supported by the relocation of commissioning power to Bristol (factual), Birmingham (daytime) and Glasgow (comedy) and by the recently introduced 'independent development fund'.

The BBC is also committed to reflect and support the identity of local and regional communities more fully, including by developing new local services within Scotland, Wales and Northern Ireland, and by creating a local television news service for around 60 areas across the UK (see section 1.3).

Value for money

While there may be cost savings in the long term, these initiatives are primarily focused on making the BBC more representative, and ensuring that the licence fee acts as venture capital for the creative economy throughout the UK.

Wherever possible, the BBC's plans are being drawn up in ways that reduce the financial risks. For example, the new broadcasting centre in Manchester is likely to be financed with external capital over a long timescale, as with the other major property developments in Glasgow and in central London.

It is in this context that value for money should be judged. Rigorous cost-benefit analysis will be conducted before the Manchester plans, in particular, are approved by the Board of Governors and implemented. Final decisions about that relocation will, of course, be dependent on the licence fee settlement for the next Charter.

The pace of change

Ofcom's PSB review has proposed that the BBC's Out of London production quota should be increased to 50%, in line with ITV1's. Significant growth in this direction will be achieved by the Manchester relocation and the planned expansion of network production in the nations. The BBC estimates that these initiatives will result in its quantum of network spend outside London exceeding the current spend of ITV1, Channel 4 and Five combined. The programme will, however, be challenging to deliver, particularly when combined with the BBC's plans to drive up efficiency savings across all its output divisions and increase access for external producers under the window of creative competition (WOCC). It is important that the pace of change and extent of investment is carefully reviewed on an ongoing basis.

ITV1's current network quota is, in large part, a legacy of its regionally constituted structure. Its network production outside London is concentrated in a few locations in the North of England and nearly a quarter of it is accounted for by just two programmes: *Coronation Street* and *Emmerdale*.³⁸

The BBC's out of London investment is more widely dispersed across the devolved nations and English regions and covers a broad range of productions. The BBC's strategy is designed to embed creative centres across the UK that are focused on the public service values of quality, originality and innovation. At the same time, it is vital that the BBC maintains a critical mass of production in London with its unrivalled pool of creative talent and skills. A balance must be achieved between maintaining the quality of output for licence fee payers and meeting the BBC's ambitions for greater regional diversity in production. Attempting to increase the scale and pace of the BBC's planned changes by imposing a 50% quota for the sake of parity with ITV1 would put this at risk.

³⁸ Ofcom, *Phase 3*. 2005. 45.

4.4 In-house and independent production

“The BBC needs to sustain a significant base of in-house production . . . and to give the independent sector the chance to compete.”

Green Paper, paras 7.11 & 7.12

Q.14 Do you think a ‘window of creative competition’ can be made to work? If not, do you support a raised quota for independent production in BBC television?

Q.15 Do you think a voluntary 10% quota for radio is sufficient? Or should the quota be increased or made mandatory?

Green Paper, p13

The BBC welcomes the Green Paper’s support for a plural content supply market. It believes that the interests of UK audiences are best served by a mixed production base that combines the particular strengths of strong in-house capacity and independent production. The BBC’s proposals for a ‘window of creative competition’ must ensure greater access for external producers, and open up further space for creative competition between in-house production and external suppliers. This increased competitive space will go hand in hand with the BBC maintaining a vibrant in-house production base with sufficient scale to deliver real value to audiences and the wider broadcasting ecology.

Introduction

The BBC agrees that creative competition tends to deliver the best programmes for audiences. However, the BBC believes that only a mixed production economy will allow audiences to be served effectively both as consumers and as citizens. That is the balance the BBC seeks to strike; reaping the creative benefits of greater competition between in-house production teams and independent producers, while preserving the values of public service broadcasting.

The UK market for content supply is changing rapidly, and the BBC must adapt to ensure that these changes benefit audiences. In the digital world, the BBC will need to commission high-quality content across a range of platforms in order to meet changing audience expectations. To maintain reach and impact in a more fragmented environment, the BBC will need to harness the complementary strengths that each element of a mixed production base brings.

A strong and sustainable production base within the BBC brings unique benefits to the public and the wider industry in terms of training, range and diversity in public service content, creative heritage, and critical mass.

The BBC and the independent sector

The BBC has sometimes been slow in the past to acknowledge that the contributions of independent producers have immeasurably enriched the BBC's service to its audiences. Independent producers have injected fresh ideas and innovative formats into many genres, with programmes such as *Test the Nation*, *Have I Got News for You*, *Spooks*, *Monkey Dust* and *Restoration*.

Such programmes are evidence of a strengthening relationship between the BBC and independents in recent years. In 2004, the BBC spent over £329 million with qualifying and non-qualifying independent producers across the UK. This represents an increase of over 36% since 2000/01. The BBC now accounts for about a third of the independent sector's revenue – and according to its own figures, in 2004 the BBC commissioned over 30% of eligible output from qualifying independent producers, comfortably exceeding the statutory 25%.

Market context

Prospects for independents have never been stronger, reflecting their creative success and the significant effect of the new terms of trade negotiated with broadcasters. More and more independent companies are now consolidating, securing venture capital or seeking stock market flotation in their own right. At the same time, the independent sector is expanding its horizons and focusing on developing content with strong international appeal. Oliver & Ohlbaum's analysis for the BBC suggests that independents will increase their share of the UK production market, with profitability in the sector likely to double between 2003 and 2014.

The BBC welcomes this creative strength and wishes to continue sourcing programme ideas from the areas where independent companies are particularly successful. At the same time, the BBC must ensure that the entire range of public service output continues to be delivered to its audiences. Demand from other UK broadcasters for certain core public service genres (such as arts, religion, single documentaries and current affairs), is set to decline. Against that background there will be increased pressure on the BBC – both in terms of in-house production and independent supply – to maintain the full range and diversity of output for licence fee payers.

In-house television production

The BBC's in-house television production capability makes a unique contribution to the UK's broadcasting ecology, and the BBC welcomes the Government's affirmation of its continuing importance. In-house production contributes to the delivery of the BBC's public purposes by:

- Protecting range and diversity in programming. Market imperatives are encouraging independent production companies to concentrate on serving a wider group of customers with a narrower mix of commercially attractive programming. In contrast, BBC in-house production departments are uniquely focused on satisfying the broad needs of the BBC's own channels and licence fee payers rather than shareholders – they do not make programmes for anyone

else. In-house production gives the BBC the security it needs to maintain the level of breadth across all its television output and ensures that the BBC can access high-quality production in genres that might otherwise suffer from market failure.

- Underpinning risk-taking and innovation. The licence fee allows the BBC to develop public service content which is high-risk editorially, has long production lead times, delivers lower secondary value, and which can be maintained in spite of downward trends in the international co-production market. With sufficient scale in in-house production, the BBC can spread risk across a range of projects, deliver unique public service broadcasting content and buck the trends of the international market.
- Providing the foundation for industry training. In preparing and maintaining a highly skilled workforce, the BBC's training activity makes a significant contribution to its public purpose of stimulating creativity. The UK's highly skilled media workforce is a product of a 'learning culture' throughout the industry of which the BBC remains the cornerstone. The whole industry benefits from the BBC's commitment to raising employment standards, establishing suitable apprenticeships, and investing in individuals' training needs. In 2003/04, the BBC spent £40 million on training to support programme-making across radio, television and new media. No other industry player comes close to this strategic investment. The independent production sector, for example, makes its own valuable contribution, but the vast majority is in the form of 'on the job' coaching rather than structured training. According to PACT's own training report conducted by Spectrum Strategy Consultants, formal training accounted for £2.3 million – just 7.4% of the independent sector's total expenditure on training (£31.5 million).³⁹
- Sustaining a diverse production base in the nations and regions. The BBC recognises that it is vitally important to audiences to bring different regional flavours to programming. Its plans to increase production in the nations and regions can only be delivered and sustained if the BBC can commit to sufficient levels of investment and maintain a critical mass in many parts of the UK. In-house production activity of significant scope and scale also acts as a magnet for other creative companies. This 'clustering' effect is visible, for example, in Glasgow and Bristol, where the effect of strong in-house departments has been to attract independent production companies to those cities. Other companies in the television supply chain – such as facility houses – are also thriving. A BBC with a markedly smaller in-house production capability would put at risk its existing UK-wide production capability, and potentially diminish the effectiveness of the proposals for the nations, and for Manchester and the North of England.
- Creating a 'treasure chest' of content for the nation. In-house production is an important enabling force to help create this national resource. In a multimedia environment, audiences will expect the BBC to supply content to them whenever, wherever and however they want to access it. That will place a premium on

³⁹ Spectrum Strategy Consultants for the Independent Production Training Fund, *Quantifying training investment in the independent production sector*. July 2004.

ensuring that the BBC has a core of the highest-quality content that can be made available across a multitude of different delivery platforms.

- Securing value for money for the licence fee payer. In-house production allows the BBC to own and control a range of programme rights that can be exploited easily and cost-effectively, without the need for substantial additional payments. A strong in-house production base affords the BBC a measure of protection from inflationary pressures in the production market, allows us to drive efficiency, and benefit from knowledge of best practice.

Striking the balance – the Content Supply Review

The 2004 Content Supply Review (CSR) aimed to redefine the BBC's approach to sourcing content from in-house and external suppliers across television, radio and new media.

In December 2004, the Governors approved a number of proposals arising from that review, which aim to harness creative competition for the benefit of audiences, embrace the best ideas from the independent sector, and preserve the capacity of the BBC's in-house departments to continue developing content of the highest quality for viewers, listeners and online users.

Following that first stage approval, the management was asked to develop the detailed implementation plans to deliver these objectives. Over the summer, the Governors will review the detailed plans, which will only be approved if they deliver both structural and behavioural solutions that increase meritocracy and transparency in the way that the BBC commissions all output.

The centrepiece of the December proposals approved by the Governors is a new approach to sourcing the BBC's television programming. The BBC is proposing to open up a further 25% of commissioning beyond the existing statutory 25% minimum independent quota for full creative competition between in-house and all external suppliers, the window of creative competition (WOCC). This will allow audiences to benefit from more intense creative competition. The remaining 50% of commissioned output will be sourced from the BBC's own in-house production departments.

The Green Paper describes the WOCC as a behavioural change, rather than a structural one. The Governors believe that the Content Supply Review proposals includes both structural and behavioural reforms. Together they must fundamentally alter the way in which the BBC works with all producers – and the Governors will not approve any detailed proposals that fail to meet the key principles of fairness and meritocracy.

The three key elements of the television reforms that have been approved are as follows:

- In order to create space for the WOCC, fixed in-house staffing levels of those on continuing contracts, after the recently announced job reductions, will fall to an overall level below the in-house output guarantee (ie below 50%).
- The BBC will retain the critical mass of staffing necessary to fulfil its public service remits, particularly in the nations and regions, and to meet its output guarantee of 50%.
- The BBC should establish a transparent and meritocratic commissioning system designed to ensure that licence fee payers benefit from an increased space for creative competition. Commissioners will not be obliged to sustain anything over and above the 50% in-house output guarantee, thus ensuring a level playing field for the very best ideas.

The Board of Governors will not approve the structure and operation of the WOCC system until it has satisfied itself that the commissioning systems will be fair to both sides – in-house and independents.

The Green Paper asks four questions about the BBC's Content Supply Review:

- how the 50% figure for in-house production has been calculated;
- how the WOCC will work in practice;
- how the BBC will achieve an effective separation of commissioners and in-house producers;
- how it will be regulated with sufficient transparency to satisfy all parties that there is fair and robust competition.

These questions go to the heart of how the principles underpinning fairness and meritocracy that the Governors seek will actually be delivered. Governors have asked BBC management to address these issues as they plan the implementation of the Content Supply Review proposals, and will be reviewing these proposals over the course of the summer.

Maintaining a critical mass of in-house production

The public service benefits of in-house production are entirely dependent on the maintenance of a critical mass. The issue for the BBC is to determine how small that in-house base should be, while protecting the public service benefits that a strong in-house production base brings.

To help answer this question the BBC considered two issues:

- the BBC's role in delivering to audiences its public service remits in a multimedia environment;
- the changing shape of the UK production supply market.

The conclusion was that the benefits of in-house production (see pages 78–80) would be endangered if commissioned output across the range of genres dropped below 50%.

BBC Management Proposals

Under these proposals, each in-house genre will be guaranteed a level of output appropriate to their contribution to the key benefits of in-house production the BBC needs to sustain – amounting to 50% of total output across all genres.

The 50% figure is based on an analysis of how different types of production activity contribute to the benefits of in-house production; such as their contribution to offering a continuing range and diversity of programming; a critical mass of production in the nations and regions; production skills training for the industry as a whole; or protect unique production capability that would be unlikely to survive without the BBC’s continuing presence. Based on these criteria, together with the BBC’s role in delivering its public service remit in a multimedia environment, an assessment was made of the critical mass of production required. This varied by genre: in areas such as specialist factual or long-running drama it was very high, whereas in some other areas it was lower. Taking into account all the variations by genre, the overall work pointed to the need for the critical mass of BBC in-house production across the UK to be 50%, in order to sustain a strong, creative production base. This work has been shared with PACT.

The 50% guarantee will represent a broad spread of productions within a range of prices and a range of production locations (in London, and in the nations and regions), and will focus on the critical mass required.

How the window of creative competition will work

The window of creative competition (WOCC) will open up 25% of qualifying commissioning hours for head-to-head competition between in-house and all external suppliers. It offers the potential for a dramatic increase in the amount of production that the BBC commissions from external producers – both qualifying independents, and non-qualifying companies. The table below illustrates the opportunities available had the WOCC been in place during the last calendar year, and draws a comparison with data for 2001/02.

Total output commissioned from external producers by the BBC	2001/02	2004	Additional output available to external producers to compete for if the WOCC had been in operation in 2004
Hours <i>increase over 2001/02</i>	1,899 –	2,721 43.3%	+ 1,170 <i>43% increase on 2004 hours</i>
Spend <i>increase over 2001/02</i>	£241m –	£329m 36.2%	+ £200m <i>60.8% increase on 2004 spend</i>

Making room for the WOCC entails a substantial, one-off structural reduction in the BBC’s production capacity. In BBC Factual & Learning alone, headcount reductions of 21% are being made to create more space for this competition.

The Governors have asked the management to explain in detail how the WOCC will be structured and operated. Only once Governors agree that the structure and operation of the WOCC will deliver a true meritocracy in commissioning will its implementation be approved.

If that detail is approved by the Governors, it will be fully implemented by the beginning of the next Charter period.

BBC Management Proposals

The shape and size of the WOCC in each genre is defined in relation to minimum commitments in the in-house guarantee, and in relation to the minimum commitment to the independent sector as a whole. The key issue for management is to satisfy the Governors – and key external supply stakeholders – that the WOCC represents a broad range and diversity of programming. The BBC is committed to ensuring that the programming that is open to free and fair competition between in-house and external suppliers in the WOCC is representative of its overall output in terms of genre and value. Each genre guarantee will be filled before ideas are considered as part of the WOCC.

Meritocratic commissioning

The Governors expect the management to implement changes to the current television commissioning system that will make it as meritocratic and transparent as possible. All suppliers – internal and external – must have total confidence that the licence fee is being directed to finance the best ideas, regardless of their source.

BBC Management Proposals

In order to make the WOCC fully meritocratic and transparent, the detailed process of commissioning has been addressed. BBC Television has already begun to introduce a new streamlined commissioning structure to give producers access to people with real power to take decisions, and to ensure that the same individuals commission from both in-house and independent suppliers. It has also consulted widely with independent and in-house producers to come up with a range of proposals which will make the commissioning process faster and more flexible. The new commissioning system will:

- ensure effective, purposeful dialogue with producers – focused on strategy, audience insights and performance, not just individual programme ideas;
- provide for increased rolling development of programme ideas – targeted at the needs that the commissioners identify;
- empower commissioners to take faster decisions;
- ensure more effective communication about why ideas were commissioned or rejected;
- allow for more year-round commissioning where appropriate, rather than just at fixed points in the year.

These principles are as applicable to the BBC's in-house producers as they are to independent suppliers.

The management has also explored the best way of commanding the confidence of the industry that the business of commissioning is as meritocratic and transparent as possible. Following consultation with PACT, BBC Television has committed to co-locate the key genre commissioners in London into a single 'Network Centre' in Television Centre before the end of 2005. The commissioning area will be distinct and separate from any in-house production.

Monitoring and regulating the WOCC

Finally, the Green Paper asks how the BBC's proposals will be regulated with sufficient transparency to satisfy all parties that there is fair and robust competition. It is vital that the monitoring and regulation of the BBC's commissioning arrangements also build trust. Transparency will be necessary both in the way the system is operated, and in the external scrutiny which is brought to bear on it.

The Governors note the regime that already exists to regulate dealings between independent producers and the BBC:

- Ofcom, as part of its regulation of the BBC on quotas, monitors range and diversity across the range of qualifying independent supply, not merely the statutory 25% quota. Effectively, therefore, Ofcom will be monitoring the range and diversity of output won by the independent sector in the WOCC.
- The BBC has also introduced, as part of its commitments under the Code of Practice, a complaints process agreed with PACT for independents, and which reports to Ofcom on a quarterly basis.
- The commissioning Code of Practice itself is already reviewed biennially, with the BBC reporting annually to Ofcom about how it has been applied.

However, the Governors believe that – due to the particular sensitivity of this issue – the BBC Trust should assume a specific role in ensuring that the WOCC is operating in a way that delivers fairness for both in-house and external suppliers, and that a true commissioning meritocracy is being delivered. The BBC is determined to ensure that its content supply systems command the confidence of the wider industry, and that any system of monitoring and regulation takes account of the views of in-house and independent producers.

BBC Management Proposals

The management has proposed to the Governors that the BBC Trust should conduct a review of the operation of the WOCC every two years starting in 2007, assessing whether its structure and processes are designed to deliver a commissioning meritocracy. The Trust should draw on external independent expertise and scrutiny, wide-ranging consultation with producers, and should publish a report outlining their conclusions.

The level of the statutory independent quota

The BBC has aimed to take an imaginative approach to the challenges of striking the right balance between in-house and independent production, and one which is based on clear principles and objectives. Such an approach, in the BBC's view, is better for audiences than simply increasing the statutory quota.

A higher quota would not – in itself – deliver benefits for audiences. Simple quota-filling does little to foster creativity or competition. The BBC believes that increasing direct competition between in-house and external suppliers will encourage genuine creative competition in a way that an extension to the quota would not. It also does not discriminate against external producers who, for whatever reason, do not qualify for independent status. As such, the 25% WOCC is open to creative input from every source, opening the BBC up to an even greater plurality of suppliers.

The BBC strongly believes that the future of the production sector is best secured through effective creative competition, rather than through stronger regulation. The 25% statutory quota will remain an important feature of the landscape for some time to come, but the efforts of the entire industry should be aimed at stimulating a strong and healthy production market that, in time, can thrive without the need for a quota. This approach is a contribution to that effort.

Radio production

The BBC welcomes the Green Paper's endorsement of the BBC's plans for greater competition in the supply of radio programmes. As the Green Paper notes, the BBC's own review agreed that greater competition could benefit listeners.

However, while many of the principles underpinning in-house television production apply equally to radio, there are considerable differences between the two media which lie behind the different approach taken by BBC Radio and BBC Television. Because of the nature of the radio market and the unique character of much of the BBC's radio output, many genres are almost entirely supported by the BBC, radio drama being one obvious example. Television relies heavily on recorded 'built' programmes while the vast majority of radio output is live. This in itself does not preclude independent production companies from making live 'streamed' programmes for radio (and there are many examples where they do), but these two factors taken together mean that it is not practical to aim for as high a proportion of independent productions for radio as for television.

As part of the Content Supply Review, the Governors have approved an extension of the amount of output eligible for the voluntary 10% quota. This will result in around 3,000 more hours of independent production across the BBC's networks.

The independent radio production industry is still in its infancy. While there are several larger companies which do not rely entirely on the BBC, there are many others which are very small and for which the BBC, and Radio 4 in particular, represents their entire market. During the course of the negotiations for the new terms of trade it has become clear that, as technology and regulation change, the BBC is going to have to work very closely with the industry to ensure that it is able to take advantage of this developing market.

In 1991, the BBC announced its intention to reach a voluntary target of 10% by 1996, a target it has always met and generally exceeded. Commissioning currently runs at 13.3% of eligible hours. Because of this, the BBC does not believe that a mandatory quota is an appropriate way of stimulating the independent sector at this time. The voluntary approach that the BBC has taken thus far has helped create the conditions for a stronger sector.

BBC Management Proposals

BBC Radio greatly values its relationship with the independent sector and the management recently announced a range of developments which it hopes will help build on that relationship still further:

- new terms of trade will soon be announced, which will be much more beneficial to the independent sector than has historically been the case;
- a research and development fund for independents has been launched;
- the commissioning process for Radio 4 is under review, with the intention of making it simpler. At the same time Radio 4 has formalised its 'open slots' structure which will apply to programmes to be broadcast from 2006/07 onwards;
- radio management will create a central contact point for independents to work with on compliance issues, and join forces with television to extend the online information available to independent companies wishing to work with the BBC.

Management has requested that the BBC includes independent production as one of the targets to be set in the new regime of service licences for the BBC's radio networks and that the BBC Trust keeps these targets under review as the independent radio sector matures.

4.5 Commercial activities

“The BBC should be encouraged, as now, to generate income from commercial activity . . . related in some way to the BBC’s public purposes.”

Green Paper, p14

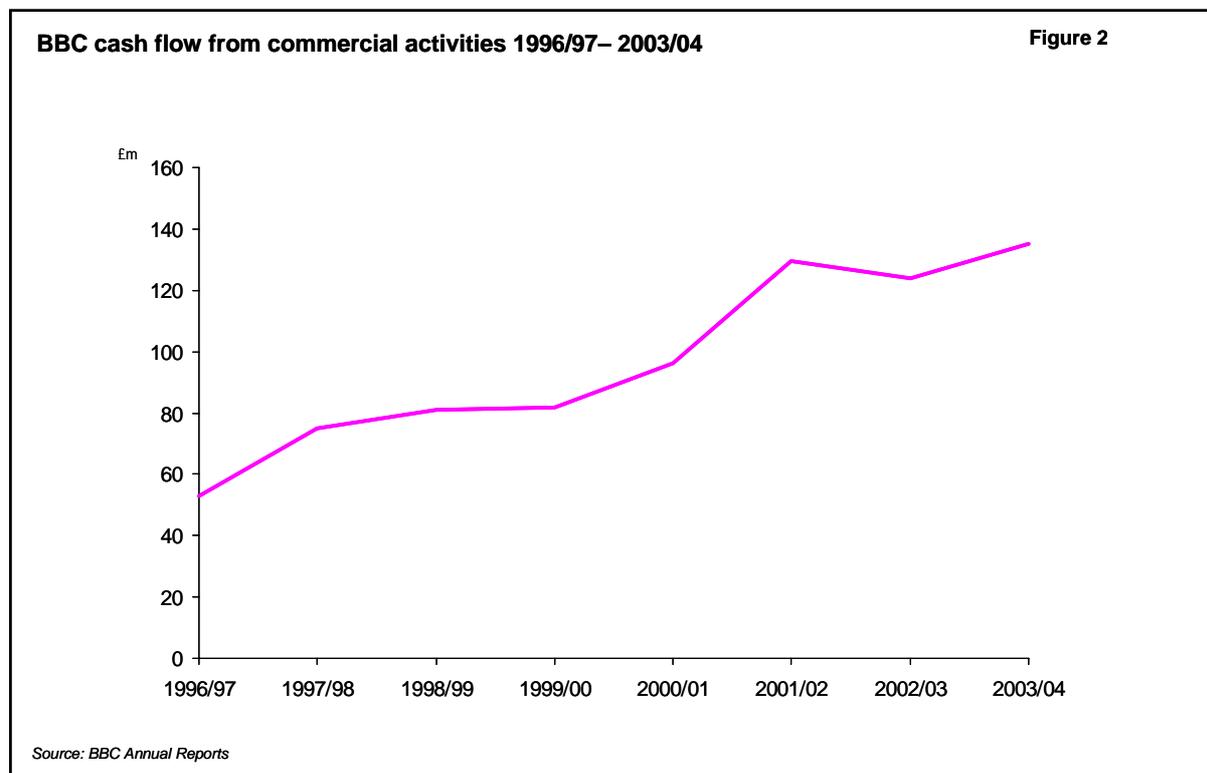
Q.18 How strictly should the BBC’s commercial services be restricted to those businesses that are linked to public purposes and public services?

Green Paper, p14

The BBC welcomes the Government’s encouragement for its commercial activities and agrees that they must be consistent with its core purposes. The BBC agrees that there should be explicit criteria for its activities.

The scope of commercial activities

As the Green Paper acknowledges, the BBC’s commercial activities bring significant financial benefits to the BBC and hence to licence fee payers. Over the last eight years the cash-flow benefit from commercial activities has risen from £53 million in 1996/7 to £135 million in 2003/04.



The BBC's commercial activities, particularly international channels and television programme sales, play a key role in showcasing British culture and creativity abroad. In addition, they are also enjoyed and appreciated within the UK – for example, the UKTV channels are among the most popular channels in digital homes, and sales of BBC DVDs, videos and tapes remain high.

The BBC recognises, however, that it would be helpful to establish clearer criteria for its commercial activities and, as suggested in *Building public value*, it is proposed that the BBC's position should be clarified in three areas: the scope of its commercial activities, its ownership policy and fair trading.

In the Green Paper, the Government proposes that each commercial activity should be assessed against four criteria:

- Fit with PSB purposes – does the activity either support or relate to PSB purposes?
- Commercial efficiency – does BBC ownership offer best value for money for the licence fee payer?
- BBC brand protection – is it compatible with the BBC's brand and values?
- Market distortion – are BBC commercial services being sold or structured in a way that might give them an unfair advantage over the competition?

The BBC agrees that these are the right criteria, though the last one might more accurately be termed 'trading fairly' and be defined as 'complying with UK and EU competition law and the BBC's Fair Trading Commitment'. It should of course be remembered that commercial efficiency and securing a proper return for licence fee payers' investment is the primary purpose of the BBC's commercial activities and the other criteria should be viewed primarily as ways of clarifying the scope and manner in which those activities are conducted.

However, the BBC agrees that for the sake of transparency and certainty, it should commit to ensuring that all its commercial activities meet these four criteria. The BBC suggests that they are included in the new agreement between the BBC and the Secretary of State as demonstrating some of the key principles which the BBC's Fair Trading Commitment is designed to deliver.

The BBC welcomes the Government's support for the conclusions of its recent review of commercial activities, in particular for the sale of BBC Broadcast Ltd and sale or joint venturing of BBC Resources.

The BBC also welcomes the Green Paper's suggestion that, since they do not use public money, its commercial services should no longer require the approval of the Secretary of State. The BBC agrees that it should aim to improve the financial performance of BBC World (see section 1.3) and look to form sales partnerships with other broadcasters. The Governors also agree that the BBC Trust should conduct a further review of the financial performance of each business against their targets midway through the next Charter.

Magazines

The Green Paper raised questions over the BBC's magazines business. In the BBC's view, this business fits clearly within the four criteria set out in the Green Paper, though the BBC does take on board some of the criticisms which have been levelled and has taken action to address them.

- Fit with public purposes: BBC Magazines' core editorial remit is to extend readers' appreciation and enjoyment of both the BBC's broadcast output and genres in which the BBC has a recognised expertise, such as gardening, history, food and children's content. BBC magazines provide readers with an opportunity to follow up on their enjoyment of programmes and, in many cases, translate this into participation in individual pastimes and community involvement. The BBC believes that its genre-based magazines, such as *BBC Good Food* and *BBC History*, reflect the range of BBC output in their genre, rather than any single programme. Overall, BBC magazines support the BBC's distinctive public purposes by:
 - promoting active and informed citizenship;
 - contributing to lifelong learning;
 - displaying originality and excellence and stimulating creativity;
 - connecting with audiences and supporting a range of interests and communities;
 - through international growth, promoting UK talent and the BBC brand to the wider world.

As part of its review of its commercial activities, the BBC analysed the activities of its magazines and concluded that a number of titles, such as *Eve*, *Your Hair* and *Cross Stitch Crazy*, did not fit with the core editorial remit of BBC Magazines. The decision was taken to dispose of these titles, a process that is either complete or under way. The BBC does not believe that any further disposals of current BBC titles are now required in order to ensure a proper fit with the BBC's public purposes and editorial remit. Conversely, there may well be opportunities to launch some new titles connected to the BBC's purposes and broadcast output which will enhance the service provided by BBC Magazines. However, going forward, the BBC recognises the need to provide clarity on the remit of its magazines and it is proposed that BBC Worldwide's annual review will report on the magazines division's performance against the four criteria set out in the Green Paper.

- Commercial efficiency: BBC Magazines is run for profit and value creation. Based on its analysis, the BBC can demonstrate that the magazines business is commercially successful by all the usual objective measures (financial performance, market-leading titles and innovation) and that the current ownership structure delivers the best value to licence fee payers. Alternative ownership or operating models may actually take out value, particularly when factoring in the need for mechanisms to ensure brand protection (see below). That said, the BBC is committed to improving further the financial performance of BBC Magazines. BBC Worldwide's commitment to enhance the transparency of its accounts,

starting this year, will enable licence fee payers and other stakeholders to better understand and assess the performance of the magazines division.

- **BBC brand protection:** BBC Worldwide's ownership of BBC Magazines plays an important role in both promoting and protecting the BBC's brand and editorial standards. BBC magazines are subject to the BBC's Editorial Guidelines and have been at the forefront of the industry in areas such as food, environmental issues and children's educational policies. Independent research shows that readers strongly agree that BBC magazines reflect the values of quality, accuracy and accessibility which they associate with the BBC. If the BBC were to sell or license part or all of BBC Magazines, they might either have to remove the BBC brand or be subjected to detailed editorial guidelines and approvals, reducing their commercial value.
- **Market distortion:** BBC Magazines competes effectively and fairly in the consumer magazines market in the UK. BBC Magazines has either played a significant role in creating new markets for consumers (for example food, gardening, children's content, television listings) or has expanded existing markets (for example, history), and complies fully with the Fair Trading Guidelines. However, the review identified on-air trailing as one potential perceived distortion of the market and the Governors decided that this should end immediately.

Commercial access to the radio archive

The Gardam Review of the BBC's digital radio networks recommended that the BBC's radio archive should be made available to commercial purchasers.⁴⁰ Since publication of that review BBC management has been actively considering how best to achieve this. A question to this effect was also included in the recent Ofcom consultation on the future of radio, though respondents were divided as to the relative merits of the proposal.

BBC management has agreed a number of ways in which the BBC radio archive could be made available more widely both to the commercial radio sector and to listeners, both through the BBC and through third parties. It is, however, proposed that the BBC should consult with the rest of the industry and with audiences to ensure that there is widespread agreement as to the way forward, and also to commission a market impact assessment.

⁴⁰ Tim Gardam, *Independent review of the BBC's digital radio services*. October 2004. 87, 111.

Chapter 5 Conclusions

“I believe that these proposals will deliver to the nation the BBC that they want. A broadcaster of quality, driving up standards across the whole industry. A BBC that is strong, well funded, independent of Government and responsive to the public.”

Tessa Jowell – Foreword to Green Paper, pp2–3

The Green Paper identifies considerable responsibilities for the BBC in the second phase of digital, and places great trust in the BBC’s ability to deliver.

The BBC does not take this trust for granted, accept the responsibilities lightly or underestimate the challenges ahead.

Increasingly, in a changing marketplace, it will be for the BBC to maintain and set benchmarks for quality. But competition in that marketplace will be intense, and the BBC needs to maintain its relevance to audiences, raise the creative bar and deliver greater public benefits.

Changes in technology will bring both challenges and opportunities. The BBC will need to ensure that everyone can receive its services, and that those services deliver to audiences the enhanced experiences which they will come to expect.

The BBC can only rise to these challenges if it places audiences at the heart of the BBC, their interests driving its purposes, the quality of output, its governance, its accountability.

The BBC is privileged to be able to draw on its historic strengths and the skills and creativity of its programme makers in facing up to its responsibilities in the future. But it must build on these strengths, not rest on them.

The BBC must do no less than transform itself to meet people’s higher expectations and forge a new relationship with its audiences. It is determined to do so.

Appendices:

Responses to the Green Paper from the National Broadcasting Councils for Scotland, Wales and Northern Ireland and the English National Forum

Broadcasting Council for Scotland

Introduction and overview

The Broadcasting Council for Scotland strongly welcomes the emphasis placed within the Green Paper on the importance of the BBC's public purposes, particularly those which highlight its responsibilities to represent the UK, its nations, regions and communities, and to bring the world to the UK and the UK to the world.

If the BBC is to reflect the whole of UK society, a significant amount of production must take place out of London. This chimes with the proposals contained within the BBC's own *Building public value* document, and the Broadcasting Council for Scotland strongly supports the intention significantly to increase the spend on in-house and independent network production from the nations and regions. Further to this proposal, investment in local television will play an important part in extending the opportunity to connect more directly with audiences across Scotland.

The Council also notes its accord with the proposal that emphasis be placed on the BBC's role in supporting digital development across the country. It is foreseen that the Council will play a pivotal role in monitoring this process and eliciting views from licence fee payers who will be directly affected by such changes.

The BBC in Scotland has been at the heart of Gaelic broadcasting for over 80 years. The Council welcomes the suggestion within the Green Paper that BBC Scotland should continue to play a key role in supporting and developing Gaelic broadcasting across several platforms.

The role and remit of the Broadcasting Council for Scotland

With important links formed with audiences and opinion-formers across the country, the Broadcasting Council for Scotland is able to provide advice and direction for the work of BBC Scotland and reflect the views of Scottish licence fee payers to the BBC's Board of Governors. Broadcasting is currently undergoing rapid and radical evolutionary change and the Council strongly believes that its role and responsibilities have never been more crucial in linking the organisation with those who pay for its programmes and services.

The Council notes that, unfortunately, the Green Paper offers limited recognition of the particular impact of devolution, in all its forms, in Scotland. In such a devolved nation, the existence of a body that understands and is in touch with the broad spectrum of Scottish life – social, political, cultural, educational and economic – remains a primary requisite of the BBC's overall accountability model. In considering the future role and function of the Broadcasting Councils, it is crucial that no single prescriptive solution should be sought to fit all parts of the BBC's operation across the UK: on the contrary, it would be essential that any revisions to the BBC's

accountability mechanisms and processes take full account of the need to allow local solutions to be found for local issues.

Scotland is a nation of regions with a range of audience voices. In recognition of that fact, members of the Council participate each year in numerous large- and small-scale public meetings across the country. Within BBC Scotland, senior managers acknowledge the significant value which the Council adds to the decision-making processes and to identifying clear objectives for future development of the organisation. However, against this backdrop, the overall profile of the Broadcasting Council and general public awareness of its role and functions remain relatively low. To counter this, we believe it to be essential that the Council's public accountability functions should continue to be strengthened and developed. A successful style and format for public meetings has been developed which allows direct and meaningful interaction with members of the public. The Council foresees that use of the internet to collect views and opinions of licence fee payers would help to widen its influence and knowledge of its role, as would further work with particular audience groups and organisations. Its ability to relate to and interact with such individuals and organisations at a local level, and to link their responses back to the proposed BBC Trust, is a function of the Council that no central organisational group could undertake with the degree of success enjoyed by the Council.

Policy-making is the responsibility of BBC Scotland management and the scrutiny of its delivery, in terms of programme and services, the responsibility of the Broadcasting Council. The Council feels there to be far greater scope for involvement in the development stages of such policy and strategy construction. Increased Council involvement in consultation and research activities would provide a sound basis for involvement in this area of work and would help to ensure that the annual performance objectives which the Council sets are firmly based on information collected by the Council. Allied to this, it would be appropriate that the Council would, at the behest of the Trust, play a key role in the monitoring of the proposed service licences as they impact on BBC Scotland and, in turn, on Scottish licence fee payers.

Composition of the Council

The Council believes its current size and the methods of recruitment to be appropriate – to reform recruitment by introducing elections would open the Council to possible capture by well-organised pressure groups, would be costly and would offer no discernible advantages over the current model, which, in advertising vacancies and appointing members, adheres closely to the Nolan principles. The involvement of the independent Scottish Appointments Panel within this process further ensures transparency and fairness.

Where reform is recommended is in the need to offer the Broadcasting Councils statutory status, thus allowing members the right to claim time off from their daily employment to attend meetings and undertake Council business. Consideration should also be given to offering payment to members to undertake such duties. Reform of this nature could encourage a wider demographic to apply for Council membership. Additionally, the Council would seek to be able to co-opt individuals

onto the Council for specific purposes and for specific periods of time. Such appointments would also be required to adhere to Nolan principles.

The relationship with the BBC Trust and with the Executive Board

The Council firmly believes that its role should continue to be that of a distinctive, empowered body that is able to reflect and articulate the views of Scottish licence fee payers on the provision of all programmes and services, including all digital services, distributed in Scotland by the BBC. The role of the Council should also be to provide advice to the proposed BBC Trust and the Council proposes that the Trust should be obliged to consult with and consider advice from the Broadcasting Council. Such consultation should cover all services and programmes broadcast in or provided for Scotland. In this respect, the Council believes it to be inconceivable that there would not be dedicated representation for Scotland on the Trust. In the appointment of non-executive directors to the Executive Board, the Broadcasting Council would fully expect members to be selected from across the UK, based on their skills and experience.

The relationship with BBC management in Scotland

The Council recognises that BBC Scotland management works positively with it to ensure that licence fee payers benefit from its advisory functions. The Council also recognises the benefits of strengthening its accountability role. Such a move would naturally align with greater responsibility for the Council in the developmental stages of policy construction and in monitoring performance against objectives and service licence requirements.

The relationship with BBC Scotland's Advisory Committees

The Council finds its links with the BBC Scotland Advisory Committees to be an invaluable aid in connecting with key communities across Scotland and would wish, at the very least, that the current arrangements maintain. The introduction this year of BBC seminars involving key individuals and organisations from the education sector, Scotland's faith communities, the agricultural and rural sector, the Gaelic community and the voluntary and charity sector, is welcomed, as is the participation of members of Council in specific Advisory Committee meetings.

Support for the work of the Council

The Broadcasting Council welcomes the proposal contained within *Building public value* that additional support be offered from the recently established central BBC Governance Unit. However, it is felt that, in order to be more representative and improve accountability for viewers and listeners in Scotland, access to additional resources, in terms of staffing and funding for activities, would be essential.

Broadcasting Council for Wales

Role and purposes of the BBC

The purposes outlined in the Green Paper reflect the essential role which the BBC plays in the life of Wales. Its contribution to making our democracy function, fostering cultural excellence, connecting Wales with the rest of the world and in sustaining citizenship, is unique. BBC Wales plays a critical role in bringing the world to Wales from a Welsh perspective in both English and Welsh through all its services.

A BBC for all

In a devolved, multi-ethnic and multi-faith UK, the role of the BBC in representing the different nations, regions and communities to each other and to themselves is indispensable. If the BBC is to reflect the cultural and geographical diversity of the UK, it is necessary for it to move substantial elements of its work out of London and to support production centres across the UK. It is essential that the Government provides a licence fee settlement that allows the BBC to achieve this aim.

The BBC has a duty to ensure that its investment in production plays a crucial part in fostering and developing talent across the UK as well as ensuring that all parts of the UK, and all communities within the UK, are represented both in the production process and on screen.

The need to increase network commissioning from BBC Nations & Regions and the need to commission more work from independent production companies is important. These two trends should be complementary. In-house commissions from BBC Nations & Regions must also increase, as well as commissions from independent companies outside London.

Phase 3 of the Ofcom review of public service television broadcasting illustrates the way in which communities are demanding more and more local services. We believe that the BBC, alongside its current local radio and online services, should rise to the challenge of developing local television. Providing platforms for local debate, empowering people to be active citizens and releasing people's creative potential are powerful and exciting possibilities for local television.

S4C

We welcome the proposal to address the relationship between S4C and the BBC in the interest of Welsh-speaking audiences. Ways of delivering greater benefits for Welsh-speaking audiences across the range of services that both S4C and the BBC offer in Welsh should be sought jointly by the two broadcasters. We believe that a renewed partnership should be deeper and broader. Options for an increased commitment in the provision of services by the BBC to S4C should be explored and the managements of the two broadcasters should consider practical ways in which co-operation might be achieved across various aspects of their work. Any additional provision for S4C by the BBC must be adequately funded and must not be at the expense of other services provided by BBC Cymru Wales in Welsh or in English.

Building a digital Britain

A fundamental principle of the BBC is universal access to all its services and this must be true of its digital television and digital radio services also. Wales already leads the UK and Europe in terms of digital take-up but access to BBC services is unacceptably limited. It is estimated that 57% of the population of Wales cannot receive Radio Cymru or Radio Wales on DAB. Of even greater concern is that 70% of Welsh speakers cannot access Radio Cymru on DAB. The situation of digital terrestrial television (DTT) is equally concerning. Only about half the households in Wales will have access to the full Freeview service on DTT with analogue switch-off. The other half will be confined to the 'public service' channels. By contrast, 79% of UK homes already have access to all Freeview channels. The BBC must play a key role in ensuring that all its digital services are made available to every licence fee payer. Priority must be given to the development of a free digital satellite service that would address many of the problems that the BBC and its audiences are likely to encounter in the face of digital switchover.

Governance, accountability and management

We welcome very strongly the suggestions made in the Green Paper for enhancing the accountability of the BBC, and welcome the suggestion that Broadcasting Councils be given a formal role in advising the BBC Trust. This role must be defined by the Trust and agreed by the Councils. The enormous value which Councils have in reflecting the views of audiences across the UK should be harnessed by the Trust. The relationship which has evolved over recent years between the Broadcasting Council for Wales and audiences in Wales gives a solid base for such a development. Currently, independent research and diverse accountability events held across the country provide the Council with powerful insights into the views of a broad range of audiences. Councils should be further empowered and better resourced in order to build on this work, providing an even more robust mechanism for accountability and a powerful medium for the relationship between the Trust, BBC management and audiences. Such changes would allow Councils to be even more effective in their representation of as diverse a section of the audiences as possible. We believe that such changes would be far more effective in achieving the aim of making them more representative than would enlarging or reconstituting Councils. The Broadcasting Council for Wales would have some serious concerns about the election of Council members by local licence fee payers and how this could be operated in a way which did not allow pressure groups or sectional interests to gain a foothold on Councils, resulting in them failing to represent all licence fee payers. The constituency of all members of all Broadcasting Councils should be the whole audience, and elections would endanger this relationship. They should continue to be appointed in an open and transparent manner.

It is essential that the Trust includes, as the Board of Governors currently does, and as the Green Paper states, individuals who represent each of the devolved nations of the UK.

Consideration should also be given to ensuring that BBC Nations & Regions has a place on the Executive Board.

Broadcasting Council for Northern Ireland

The Council welcomes the Government's commitment (in the Green Paper) to the BBC's continued role as a mass audience PSB with clearly defined purposes and characteristics and to its independence from political, commercial and sectional considerations. It believes that the BBC plays a critically important role in the cultural, social and economic life of Northern Ireland and that the range and distinctiveness of its activities should be maintained over the next Charter period. It is supportive of the BBC's role in assisting digital switchover and agrees that the new licence fee settlement should include provision to facilitate the achievement of this objective. The Council commends DCMS's extensive consultation exercise on Charter Review and has undertaken a widespread programme of public meetings to inform its views on licence fee payers' priorities for the BBC over the next ten years. In summary, the Broadcasting Council believes that:

- The BBC's structure, programme-making activity and output should reflect the diversity of the UK, and the volume of programming produced in Northern Ireland for local and network audiences should be increased over the next Charter period, consistent with the objectives detailed in *Building public value* and the Green Paper, and taking account of relativities with BBC Scotland and BBC Wales.
- The BBC should be encouraged to expedite its commitment to increasing the volume of network output that is produced in its nations and regions, and its target figure of a 50% increase in such programming should represent a baseline and not a maximum level of output/activity.
- Programmes and services for local audiences should be adequately resourced so as to maintain the quality, breadth and extent of existing services and to facilitate the development of same, taking account of changing audience needs, new technologies and developments elsewhere within the BBC.
- The Charter should provide a clearly defined and enabling context for the development of indigenous language programming by BBCNI, consistent with the BBC's existing and planned commitments to Welsh and Scots Gaelic output, and to include fully additional funding to facilitate the enhancement of programmes and services in this area.
- The BBC's audiences in Northern Ireland should have full and equitable access to new technologies and services and the phasing and implementation of analogue switch-off should take proper account of issues specific to the region.
- Audience size is a necessary but insufficient measure of the value and effectiveness of BBC output and it will be important for the BBC Trust to develop more sophisticated metrics of success, to include an assessment of the extent to which programmes and services have been/are consistent with the BBC's core purposes and characteristics.

Governance and accountability

The Broadcasting Council for Northern Ireland believes that the BBC must be fully and effectively accountable to its audiences and that the Green Paper's proposals have the potential to deepen and extend the Corporation's relationship with licence fee payers and to introduce greater clarity to its decision-making, regulatory and accountability processes. New arrangements in this area should seek to safeguard and build upon the best elements of existing practice. It will be essential to ensure that the structure, composition and activities of the Trust are properly reflective of the diversity of the UK and for its membership to include full and mandatory Northern Ireland representation. Such provisions should be complemented by an effective programme of engagement with local licence fee payers. Council believes that:

- The Green Paper's wording on nations' representation on the Trust is ambiguous and requires urgent clarification.
- Nations' representation on the Trust is an important expression of the representative principle and will be critical to the effectiveness and credibility of its work and the Board's ability to both reflect and understand the UK's diversity.
- Any diminution in Northern Ireland representation on the BBC's governing body would represent a retrograde, wholly inappropriate and unacceptable development.
- The Charter should make explicit provision for Northern Ireland representation on the Trust and any other such bodies as may be established on a UK-wide basis to direct and evaluate the Corporation's activities and/or to assist its relationship with, and accountability to, licence fee payers.
- Consideration should be given to whether it would be appropriate to require nations' representation in non-executive appointments to the BBC's Executive Board or whether the selection criteria for such appointments should include candidates' awareness of the distinctive needs and characteristics of the UK's nations and regions.
- Current provisions in respect of the authority and responsibilities of the Broadcasting Council for Northern Ireland (as detailed in Articles 7 and 12) should be retained as a minimum and mandatory requirement on the BBC in the new Charter period and the Council's activities should be adequately resourced, consistent with the Green Paper's ambitions for increased audience accountability and to include the retention of its discretionary authority in relation to research, appointments and activities at local level and its consultation rights on substantive service or financial adjustments affecting BBC activities and audiences within the region.
- The Broadcasting Council for Northern Ireland should remain a shared resource for both management and the Trust on issues affecting BBC audiences in Northern Ireland, and should have a formal and clearly defined role in assessing the extent to which network output is matched against the

needs of local licence fee payers and in assisting the Trust with its establishment of the BBC's UK-wide strategic priorities and objectives and the review of performance against same.

- The BBC should work to develop the role and effectiveness of its Broadcasting Councils in assisting and evaluating the Corporation's two-way relationship with audiences at local and network level and should seek to more clearly evidence, and promote awareness of, the contribution of their activities to its work.
- The Broadcasting Council for Northern Ireland should continue to have access to information, research and performance data sufficient to allow it to make informed decisions and assessments about the BBC's programmes and services and to establish whether, how and with what success its decisions, or BBC commitments, are being implemented.

The Council is not convinced that the appointment of its members by an electoral process would enhance the effectiveness of its work on licence fee payers' behalf. It believes that the use of a publicly advertised recruitment process using established appointments, guidelines will facilitate the creation of an advisory body which reflects the diversity of local society in all its different aspects. It cautions against any Charter provisions which might lead to the overt or perceived politicisation of its activities. It suggests that an electoral contest for Council membership may not provide meaningful accountability benefits for the BBC or its audiences and that careful consideration should be given to the practical and wider policy implications of any decision to abandon established OCPA processes in appointing individuals to public bodies.

English National Forum

The role of the BBC

The BBC's five public purposes are a useful and welcome articulation of the role of the public service broadcaster in a democracy, expressing many of the views felt by core audiences and setting out what is implicit in the BBC's unique funding. The BBC's leadership role in UK culture might usefully be added.

It is not enough to say that BBC content should be excellent and distinctive. Balance, impartiality and accuracy, particularly in relation to news reporting, must head the list of characteristics; and content should be educative and informative.

The Forum also recognises the importance of reflecting our multicultural society through rich and engaging content based on authentic local voices, and supports the increasing localness of BBC services in England.

In the digital era, it is right and proper for the BBC to lead developments in broadcasting and to raise public awareness of new technologies, subject to appropriate funding. It also needs to ensure that the public is fully informed of its public service contribution and how it achieves value for money.

The principle of universal access has to be safeguarded, taking into account the 'digital have-nots'. The market alone will not deliver equitable services, especially for those with reduced spending power. While alternative funding methods should be explored, the principle of a universal contribution in return for universal access underpins the whole idea of public service broadcasting; this is not upheld by subscription.

An obvious and often made point is that the misnomer of the Television Licence needs to be corrected; it pays for much more.

The BBC Trust and Executive Board

Profit-led models of corporate governance have limited applicability to a large public service-focused organisation such as the BBC.

Having noted the role of the Executive Board as described in the Green Paper, the Forum believes it is important to clarify its powers and duties to ensure that the significant function the Executive Board has in developing strategy remains subject to Trust approval. An honest description of the two bodies' distinct responsibilities is therefore essential if mistakes of the past are not to be repeated and the Trust empowered to meet its public interest remit as set out in the Green Paper.

Transparency is important but so is an explicit recognition of the iterative nature of strategic development in a cultural organisation such as the BBC; the two activities of holding a continuous discussion with senior BBC producers/managers and taking the 'helicopter vision' of the trustees are not incompatible. Audience views should be a formal part of this process, to include survey and focus group data as well as the more distinctive role of the advisory councils.

The representation on the Trust of communities and interest groups is at least as important as skills and expertise. The Trust must be able to reflect the whole of the UK with its members drawn from a wide geographical area to overcompensate for the inevitable London- and urban-centric perspective of the Executive Board and management.

A balance has to be struck between ‘demystifying’ the work of the Trust and making its job well-nigh impossible by constraining discussion through too much openness. Accessible trustees and advisory council members, the publication of meaningful minutes and public meetings leading to outcomes – all these would help promote confidence without inhibiting a rigorous and robust internal dialogue.

Governance and accountability

It is important to maintain and strengthen the independent role of the 50 existing advisory bodies in offering advice to the Trust and thereby reflecting the widest possible range of audience views from across the UK.

The BBC’s commitment in *Building public value* to give the English National Forum equal status with the three National Broadcasting Councils is welcomed, and the Forum hopes to see this enshrined in the new Charter.

The sheer size of the accountability structure in BBC English Regions and the necessity to summarise feedback militates against its achieving the sharpness of focus and national cohesion which characterises the National Broadcasting Councils, who together represent 16% of the UK population. The Forum’s aim is to achieve a greater authenticity of views from England in order to reflect developing audience needs within a fast-changing broadcasting environment.

Diversity, differentiation and dialogue are the keys to the effectiveness of the BBC’s accountability in England: a diversity of membership; a differentiation or keeping apart from management; and a continuing dialogue between audiences and the Trust, and to a lesser degree with senior managers without becoming too close as is the danger with the Local Advisory Councils (LACs). Additional funding to support the LACs would help safeguard their independence.

The public value test has proved a helpful tool in carrying out this year’s performance reviews, but greater support for council outreach would help members in their scrutiny of services, as well as gathering evidence from current and potential audiences including the underserved and the 7% that claim not to use the BBC at all.

There is little desire and little extra capacity for new responsibilities such as allocation of funding to be added to the duties of unpaid volunteers, but meetings could be more frequent.

The councils are at their most effective when reviewing English Regions’ output but they should not be confined to the purely local. There is value in having the advisory councils review specific network services from an audience perspective as an added dimension to formal audience research.

The present three-tiered system works well in terms of interaction and dialogue but less well as a representative reflection of country-wide audiences; it can be overly bureaucratic. Inevitably the LAC membership is skewed towards the core BBC local radio audience with feedback on network television being less representative, while local radio can be overlooked at the Regional Advisory Council level.

The Forum believes that electing members would be no fairer nor more representative than the current selection and recruitment process which works to Nolan principles, attracts many hundreds of applicants and achieves a good diversity across the 84% of the UK's population that lives in England. It would also be cumbersome and costly. Further, in an age of voter apathy, one has to ask who would be bothered to vote apart from special interest or lobbying groups.

As we move towards digital switchover and services become accessible beyond geopolitical boundaries, the accountability structure may need to be reviewed to take account of factors other than local loyalties and identities, to include communities of interest and culture.

The wider broadcasting environment

The ENF would have concerns at increases in the 25% and 10% independent quotas for BBC television and radio in certain areas, since this could be damaging to services in the English regions where the majority of the output is news and factual and where there are few network commissions.

It is important that the BBC has the flexibility to change services as the industry and technologies evolve, subject always to the public value test and agreement over the market impact methodology. This will be one of the most significant responsibilities for the Trust.

Generating additional income through commercial activities to supplement the licence fee is to be encouraged, providing the BBC brand and reputation are protected and the principles of fair competition observed. There was one preference for a supply chain code of ethics in place of the existing Fair Trading Commitment which would consider the impact of procurement on the sustainability of resources and people.

The case for a plurality of publicly funded broadcasters should be reviewed periodically, but there is a danger that top-slicing the licence fee without a corresponding increase could limit the scope of the BBC without any measurable gains in excellence, distinctiveness or accountability to audiences.

