



# Building public value

Renewing the BBC for a digital world

# CONTENTS

<b>Chairman’s prologue</b>	<b>3</b>
<b>Overview and summary</b>	<b>5</b>
<b>PART I: The BBC’s purpose, role and vision</b>	
<b>1 Why the BBC matters</b>	<b>25</b>
<b>2 Changing media in a changing society</b>	<b>48</b>
<b>3 Building public value in the future</b>	<b>60</b>
<b>4 Demonstrating public value</b>	<b>83</b>
<b>5 The breadth of BBC services</b>	<b>89</b>
<b>6 Renewing the BBC</b>	<b>98</b>
<b>7 Paying for BBC services</b>	<b>112</b>
<b>PART II: Governing the BBC</b>	<b>123</b>
<b>Conclusion</b>	<b>135</b>



# Chairman's prologue

The BBC does not have a monopoly on wisdom about its own future. This is a contribution to the debate over Charter renewal, not the last word. I look to a vigorous and informed public debate to produce the consensus about the future size, shape and mission of the BBC.

This document is itself a consensus, arrived at after a vigorous debate inside the BBC, and represents the considered views of Governors and management. Part II – our proposals on governance – is, of course, entirely the responsibility of the Governors.

At the heart of *Building public value* is a vision of a BBC that maintains the ideals of its founders, but a BBC renewed to deliver those ideals in a digital world. That world contains the potential for limitless individual consumer choice. But it also contains the possibility of broadcasting reduced to just another commodity, with profitability the sole measure of worth. A renewed BBC, placing the public interest before all else, will counterbalance that market-driven drift towards programme-making as a commodity. Only a secure and adequately funded BBC can ensure that broadcasting retains its cultural (in the broadest sense) aspiration.

Although we approach the debate over Charter renewal with an open mind, some key principles cannot be up for negotiation if the BBC is to remain recognisably the BBC. These are that the BBC must be available to everyone, deliver value to everyone and be open to everyone. The public interest must remain at the heart of all the BBC does. It must remain absolutely independent from political and commercial influence. And it must have the ability to invest for the long term, to incubate talent, to innovate and bear the risks that innovation brings.

I hope those who read this document find our ideas refreshing, stimulating and challenging. I look forward to hearing the responses and debating the issues raised.

This is your BBC. Help us renew it.

**Michael Grade, BBC Chairman  
June 2004**



# Overview and summary

The BBC's founders believed that broadcasting could make the world a better place. Public intervention would ensure that its astonishing creative power – to enrich individuals with knowledge, culture and information about their world, to build more cohesive communities, to engage the people of the UK and the whole globe in a new conversation about who we are and where we are going – would be put to work to the sole benefit of the public.

A new broadcasting infrastructure would be built and it would reach every household in the UK. The BBC would be funded and constituted so that it could invest in programmes of every sort. A new kind of cultural institution would be created, open and dynamic, as comfortable with the popular and everyday as with traditional high culture, yet still committed to the highest ideals – excellence, integrity, impartiality, creativity. In all these ways, the BBC would build public value.

Today we are living through advances in technology as momentous as the invention of radio and television. Some argue that these advances mean that the age of public value in broadcasting is over. Instead, they say, we should look forward to an era of private value and individual consumer choice in which a perfect new market in programmes and services will be created by subscription, encryption and other forms of competition and exclusion.

The BBC, however, believes that the potential – and the need – for public value in broadcasting has never been greater. Creating a fully digital Britain is a public challenge which the BBC must help to lead. It is a Britain from which the BBC, and only the BBC, can ensure that no one is excluded. It is a Britain where investment in British talent and British voices and the widest range of quality British content will be more important – and more at risk – than ever. Again only the BBC, with its unique method of funding and its unique mission, can guarantee that this investment will be made.

An economist might conclude from this that the BBC has an important role in preventing various kinds of market failure in the new digital world. Yes – but our vision is far bolder than that suggests. We look forward to a future where the public have access to a treasure-house of digital content, a store of value which spans media and platforms, develops and grows over time, which the public own and can freely use in perpetuity. A future where the historic one-way traffic of content from broadcaster to consumer evolves into a true creative dialogue in which the public are not passive audiences but active, inspired participants.

The digital world and the BBC's vision of its mission within it call for profound changes to the BBC as an organisation. It needs utter clarity about its values and about what its owners, the British public, expect from it. It must apply the test of public value to everything it does – its services, its commercial activities, its scope and scale. The public have a right to expect a very wide breadth of services and content in return for the licence fee, but the BBC's depth of vertical integration and in-house activity should be based on public rather than its own institutional priorities.

The public look to the BBC to provide some of the essentials of their daily lives. But while it must remain a great national institution, it should be as small as its mission allows.

For more than a decade, the BBC has striven with considerable success to reduce its costs and become more efficient. This work must intensify. The transition to a fully digital Britain will require substantial fresh investment – but any consideration of a new licence fee settlement for the BBC must begin with self-help and the extent to which new responsibilities can be funded by the better use of existing resources.

The digital world demands a more open, responsive BBC. A BBC which reflects the whole UK in its output and which significantly shifts its broadcasting, production and other operations out of London and into the rest of the UK. A BBC which embraces partnerships of every kind – with its audience, with the private sector, with other public institutions and interests. A BBC which expresses the diversity of a modern UK, among its audiences and stakeholders, on the air, within its staff. A BBC which meets its public face-to-face, both in more open local, regional and national centres but also in its services – services which, uniquely, can combine personal and local relevance with connectivity to the national and the global.

It also demands a BBC which begins with the premise that the licence payer is right and treats complaints and suggestions with the respect and seriousness they deserve. A BBC whose independence is guaranteed by strong independent governance – but governance which is separated from management and given the power and resource it needs to hold the BBC effectively to account. Historically the BBC has resisted criticism. And of course not all of the BBC's critics are right or even well-intentioned. But a responsive BBC should see itself the way others see it, and where it finds shortcomings put them right. Should it hesitate or fail, a reformed and empowered Board of Governors will make sure that it meets these standards.

If it is to build public value in the emerging digital world, the BBC must combine bold new strategies with enduring values. It must keep faith with existing audiences and their expectations yet discover a new spirit of reform and re-invention. In many ways, the new era calls for a new BBC.

## **The BBC and public value**

Broadcasting is a civic art. It is intrinsically public in ambition and effect. We may experience it individually, but it is never a purely private transaction. To turn on a TV or radio is to enter a communal space and to be constantly aware of and influenced by that fact. This shared experience may itself represent a significant public value – the communal glue which some call *social capital*. But that is only one of many potential wider benefits. A programme may make me more likely to vote, or to look at my neighbour in a new, more positive light. It may encourage both of us to spruce up our houses and improve our neighbourhood. A programme I turn to for pure relaxation may unexpectedly teach me something of real value. In a national emergency, the right broadcast information might save my life.

And there are powerful economic arguments for considering broadcasting as a public resource. Free-to-air broadcasting is what economists call a *public good*. There is no limit to how many people can consume it. One person's consumption does not prevent anyone else consuming it as well. Broadcasting can create collective value in the world precisely because it is a public good. But public goods like broadcasting or national defence or clean air are not handled well by conventional markets. To be delivered efficiently to those who would benefit from them – which, by definition, is the whole population – they require public intervention.

For all these reasons, the politicians and the public decided very early on that broadcasting should be placed in the public sphere of our national life. They believed that everyone has a right to high quality broadcast services, regardless of income, age, sex, race, religion or where they live. This is why the BBC was founded according to three public principles which are common to many other staples of the nation's public life – the UK's public health and education systems, our public parks, our museums and libraries:

- *Universality* – it is for everyone and should be freely available to everyone;
- *Fairness and equity* – because it is held in common it should fairly reflect the needs and interests of all its different users;
- *Accountability* – collective ownership confers on the British public the right of collective accountability and the power to monitor the performance and guide the future of the BBC through their civic institutions.

This is why even today the public, both in the BBC's research and in a recent large-scale survey conducted by Ofcom, continue to define public service broadcasting (PSB) not as a narrow set of particular programme categories which the market may fail to provide, but as a broad and integrated system of programmes and services. To them, PSB includes soaps, drama, sport, comedy and natural history just as much as (and in some cases, even more than) the traditional 'public service' categories of current affairs, arts and religion.

Public intervention in the form of the BBC, its licence fee and the wider system of PSB which includes the licensing and regulation of ITV, Channel 4, five and S4C, has brought considerable and tangible benefits to our society. We invest more per head as a nation on original programming than any other country in the world. Our public broadcasting overwhelmingly reflects and helps shape our life and culture. It supports a portfolio of UK, national and local radio stations with a range and quality of provision which is unequalled anywhere in the world. The system delivers a standard of news provision and a standard of authority and impartiality which is also unmatched around the globe. It makes learning opportunities available to all. And, because it is a universal system, it is able to bring large parts of the UK together at times of public interest, sadness or celebration.

The BBC is the cornerstone of this system. While commercial broadcasters aim to return value to their shareholders or owners, the BBC exists to create *public value*. In other words, it aims to serve its audiences not just as consumers, but as members of a wider society, with programmes and services which, while seeking to inform,

educate and entertain audiences, also serve wider public purposes. Public value is a measure of the BBC's contribution to the quality of life in the UK.

The BBC creates public value in five main ways:

- *Democratic value*: the BBC supports civic life and national debate by providing trusted and impartial news and information that helps citizens make sense of the world and encourages them to engage with it.
- *Cultural and creative value*: the BBC enriches the UK's cultural life by bringing talent and audiences together to break new ground, to celebrate our cultural heritage, to broaden the national conversation.
- *Educational value*: by offering audiences of every age a world of formal and informal educational opportunity in every medium, the BBC helps build a society strong in knowledge and skills.
- *Social and community value*: by enabling the UK's many communities to see what they hold in common and how they differ, the BBC seeks to build social cohesion and tolerance through greater understanding.
- *Global value*: the BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience.

These are the BBC's public purposes. Chapter 1 of our paper, *Why the BBC matters*, explores the BBC's contribution to public value in each of these areas.

We believe that public value is the best yardstick for evaluating the BBC's future contribution. It can be defined in much greater detail than it has been in the past. Moreover, although no single numerical calculation is either possible or desirable, we believe that a number of objective methods of measurement and assessment are feasible. Public value should not be seen as a broad justification for what the BBC does but as a practical test that can be applied by the BBC itself, by its Governors and by the public, to decide what it should do – and how well it does it.

## **The second digital revolution**

We believe that the current review of the BBC's Charter comes at a turning point in the development of British broadcasting. The UK is now entering the second phase of the digital revolution.

The first phase of the digital revolution focused on improved distribution, mobility and wider consumer choice. In many ways it has been a striking success. Over half of the UK population now has access to digital television and a far greater range of channels. More and more are discovering digital radio. Half of all households can surf an almost infinite number of web pages at home. Mobile phones – hardly mentioned when the BBC's Charter was last reviewed – have become an important portal for

text information and increasingly for sound and video as well. The UK is rightly regarded as one of the world's digital leaders.

Yet so far the revolution has left many people untouched. And many of the adopters complain that the quality and range of content has not kept up with the technology or the expansion in spectrum. As a result, the BBC's traditional services on TV and radio – BBC One and Radio 4, for instance – still stand out and receive remarkable loyalty from audiences even in households where there are literally hundreds of alternatives. Proper investment in content means that many of the BBC's new digital services have quickly established strong reputations. The BBC News website is a global success story, the BBC's sports website is Europe's leading sports site, while the BBC's new television channels for children, CBeebies and CBBC, with their high proportion of British programming and lack of advertising, produced an almost audible sigh of relief from many parents.

Now the second phase is beginning. It will be characterised not just by the continued take-up of these basic digital technologies, but by the rapid growth of broadband, bringing with it easy access to a potentially limitless range of programmes, services and content on demand. Interactivity, effortless communication and sophisticated consumer content creation will all become ubiquitous in digitally-enabled homes.

Much of the first phase of the digital revolution was driven by the private sector with business models based on a minority of customers paying substantial subscriptions. Everyone else was excluded – sometimes, in the case of pay-TV, from programmes and sports events they had once been able to watch free-to-air. Because a subscription model depends on pre-sold premium properties, such as major football matches or Hollywood films, most of the investment went to rights-holders rather than into new British production. With a few notable exceptions, for example in sport, innovation in content did not keep pace with innovation in technology.

In the second phase, quality of content and choice of content will be key, and the opportunities to build substantial public value will be many and various. They will include new ways to involve people in civic processes and institutions, personalised learning tools, access to previously closed archives, new ways of connecting communities, more convenient ways to watch and listen to programmes, more localised content, tailored services for minority groups. The switch from analogue to digital television is only one part of this digital transition: creating a digital Britain is about much more than one change in one broadcast technology. But if the full potential of the second phase of the digital revolution is realised, it could transform the lives of everyone in the UK.

That will only happen, however, if the new technologies are available and affordable to all. The danger is that this new wave of technologies will serve the same people in society who have been able to take advantage of the first digital decade – the digital 'haves' – with a group of increasingly isolated digital 'have nots' left further and further behind. There are powerful voices arguing that broadcasting should lose its public status altogether and, through encryption and the exclusion of those who cannot or will not pay, be turned into a private good which can be sold to individual consumers.

If this happens, broadcasting could become a well-spring of division in our society, instead of the source of cohesion it has been until now. And the welfare losses associated with denying large sections of the public the benefit of information, education and entertainment which they could have enjoyed at no additional cost will mount. Digital exclusion is a form of social waste. This is why the BBC will always be on the side of universal provision, open access and unencryption.

There are other risks to the UK's broadcasting system in this next decade. The explosion of new technologies will fragment audiences across an ever wider range of services. That makes it harder for commercially-funded broadcasters to support the concentration of investment on which high-quality UK programme content depends. But while audiences and channels fragment, the media industry itself consolidates and the powerful become more powerful: BSkyB, to take one example, now controls over two-thirds of the UK's pay-TV market. The 2003 Communications Act has made it possible for any UK broadcaster apart from the BBC and Channel 4 to be bought by a foreign company. By 2010, large parts of our media landscape may well be owned by global media giants who take a different view about public value and social and cultural priorities in the UK.

In Chapter 2, *Changing media in a changing society*, we lay out this analysis in more detail. The challenge of the coming decade will be to harness the undoubted benefits of the next phase of the digital revolution without sacrificing the values and strengths of a broadcasting system which has taken many decades to build and has delivered so much to so many. The public's appetite for public service quality and content may well grow over the next ten years. That means that the challenge for the BBC will grow as well.

## **The BBC's manifesto for the future: building public value**

Public value should be the goal for everything the BBC does. The public value imperative will mean shouldering much of the responsibility for creating a digital Britain – not just for its own services or to its own advantage, but on behalf of the public and the rest of the industry. But public value will also mean full concentration on the BBC's existing services; the BBC must never neglect its immediate audiences and duties in pursuit of the digital future. And, though the BBC should continue to offer a broad range of programmes and services, public value also demands greater distinctiveness and creative conviction in BBC output, rejection of the derivative, a commitment everywhere to the original and the worthwhile. Devices and media will change, but the audiences of the future will look to the BBC for the same qualities audiences have always demanded from it: trustworthiness, impartiality, fair-mindedness, creativity, excellence.

At the same time, the BBC's vision for its future calls for radical changes in attitude and organisation. Again the key is public value: the BBC should put the public and the interests of licence payers first when it considers what size and shape it should be and how it should conduct itself going forward. The BBC should also consider the legitimate interests and anxieties of the rest of the audio-visual sector more carefully than it has in the past. The Corporation is part of a wider ecology, the rest of which

also contributes significant public value as well as private consumer and shareholder benefit.

We have developed these priorities into a practical nine-part manifesto for the future:

## 1. Building Digital Britain

The UK has the opportunity to become a fully digital nation, in which the benefits of the new technologies are available to all. The BBC can help make it happen. Because of the appeal of its content and the trust the public have in its brand, the BBC can play a particularly powerful role in enabling the less affluent and digitally adept to make the most of the new technologies, ensuring no one gets left behind. It can lead a public information campaign with a special focus on the digital have nots. It can be a leader and co-ordinator across the industry. Specifically, we will:

- commit ourselves to the full roll-out of digital terrestrial television (DTT) with a target digital switchover date of 2012;
- work with government and industry to find ways of funding and co-ordinating the DTT build-out for all the public service broadcasters;
- lead and part-fund the large-scale marketing and public information effort which will be required to achieve switchover;
- take a special responsibility for bringing the final cohorts into the digital television universe;
- work with others to create a successful free digital satellite service, offering a broader range of channels and interactivity than DTT can currently support, and able to reach those households who will not be able to receive DTT;
- increase support for the roll-out and take-up of digital radio;
- launch a Creative Archive, a treasure-house of BBC content, available free to all – for learning, for creativity, for pleasure;
- make BBC content available to audiences when and where they want it – the BBC on demand – and help to pioneer open access to video-rich broadband;
- continue to invest in high-quality digital content that drives digital take-up and, whenever it is consistent with the BBC's brand and values, make it available to other digital platforms and providers;
- work with others to make online and broadband more affordable and accessible;
- enable people to find the content they want by developing, with others, easy-to-use, consistent navigational tools based on open standards.

## 2. Programmes and services that build public value

An effective and focused BBC, inspired by its enduring values and enabled by new technology and deeper understanding of its audiences, has a historic opportunity to increase the public value it delivers against each of its principal public purposes. We will:

### Active and informed citizenship

- recapture the full trust of audiences and participants in BBC journalism following the Gilligan/Kelly affair and implement in full the recommendations of the Neil Report; create a new college of journalistic excellence;
- restore the prominence and appeal of serious current affairs and analysis on BBC television – including on BBC One; use schedule-busting events and specials to highlight and explore the major issues of the day;
- use digital technology to launch highly local television news services for up to 60 cities and counties across the UK;
- use new media and some of the BBC's most popular services to attract hard-to-reach groups, young people in particular, to an intelligent news and current affairs agenda;
- create opportunities, especially at local and regional levels, for people to become more active citizens; encourage more open debate and public participation on radio and new media; build on the BBC's successful Open Centres and learning buses to engage people in their local communities;

### British culture and creativity

- dedicate all of the BBC's services to originality and excellence; eliminate derivative programmes and ideas from the schedules; find and then trust the best creative talent and teams;
- maintain the creative revival of drama, focused on originality and challenge, across radio and television, with greater opportunities for single and event drama;
- develop comedy as a unique class- and generation-spanning BBC strength; increase investment in it; build more opportunities for cross-platform development and collaboration;
- focus on innovation and the discovery of new talent and ideas in popular entertainment and sport;
- defy standard programme categories to open up challenging subjects to large audiences – from arts and history to science, religion and music; seek out the

next generation of exceptional, inspiring presenters in each of these disciplines;

- secure the BBC's commitment to our collective cultural heritage by maintaining investment in music-making, arts and documentary coverage on Radios 1, 2 and 3, increasing investment on BBC Four and guaranteeing a more prominent place for culture on BBC One and BBC Two; showcase the glories of our national culture in mainstream settings;
- stimulate the creativity of our audiences, giving them a chance to tell their stories and make their own programmes; use the BBC's educational, new media and local resources to build skills in the arts and creative industries, particularly among young people;

### **A revolution in learning**

- launch and deliver the BBC Digital Curriculum to every school in the UK, working more collaboratively with the rest of the education sector to bring the learning revolution to every British child;
- launch a new generation of landmark educational campaigns across all media;
- work with outside private and public partners to maximise the impact of educational and educative initiatives;
- use the most popular programmes and services to connect hard-to-reach audiences to educational opportunities;
- use [bbc.co.uk](http://bbc.co.uk) and interactive TV to develop new personalised formal and informal learning opportunities for different audience groups;
- take a lead in media literacy and safety on the internet; launch *BBC KidsSafe*, a series of practical tools and initiatives designed to make the internet a safer place for children;
- launch specific campaigns in partnership with others to encourage grass roots participation in sport and music, including *Music For All*, a multimedia project connecting schools and broadband-enabled homes to the full range of the BBC's performance and learning resources to enhance appreciation and understanding of music;

### **Connected communities**

- strengthen core services and create new local services within Scotland, Wales and Northern Ireland; extend the opportunities for national cultural expression especially in mainstream programme forms;
- continue to invest in comprehensive coverage of the devolved institutions;
- reinforce the BBC's commitment to the UK's indigenous languages;

- create a full new BBC region in central England, based in Milton Keynes;
- offer all local radio services on digital platforms and enhance the BBC's existing local websites in ways which maximise distinctiveness and minimise any adverse market impact;
- extend the network of BBC Open Centres and BBC multimedia learning buses across the UK where local partnerships allow, focusing on cities and regions where audience need is highest;
- in network services on TV and radio, seek to foster greater audience understanding of cultural differences across the UK population – in ethnicity, faith, sexuality, ability/disability and age; show particular sensitivity in reporting issues and events which may be socially divisive;
- faithfully reflect modern Britain's diversity in mainstream as well as specialist programmes; set new targets for the on-air portrayal of ethnic minorities, those with disabilities and those from other minorities; monitor usage of, and attitudes to, the BBC by the UK's minorities, listen to their concerns and priorities, and reflect those concerns in the future development of services;
- ensure that as an employer and partner with the UK's creative community, the BBC is open to talent from every group in society;
- continue to invest in the major sporting and public events – from Euro 2004 to D-Day – which bring large sections of UK society together, using the BBC's breadth of media at local, regional, UK and global levels to bring new perspectives;
- develop more new BBC events like *The Big Read* or *Great Britons* which draw disparate groups into a shared experience;

### **The UK's voice in the world**

- in a world of instability and mistrust, build the BBC's reputation as the world's most trusted broadcaster of news and information through BBC World Service, BBC World and the BBC's global online services;
- use a multimedia strategy, especially the internet, to turn global broadcasting into a true global conversation;
- work to establish a firmer financial foundation for BBC World and guarantee its delivery to global audiences in the long term;
- extend the BBC's existing strategic joint ventures, for example with Discovery Communications, to offer better access to international markets for British talent and British culture and to return better value to the licence payer;

- use the BBC's global presence to bring a richer international dimension to domestic programmes and to help connect the people of a multicultural UK to their international roots.

Chapter 3, *Building public value in the future*, describes these ideas in more detail.

### 3. A new test of public value

The public, the Government, the broadcast industry as a whole and the BBC's many other stakeholders all have a right to expect that public value should mean just that, and that the benefits of any existing or proposed new service should outweigh any disbenefits there may be, including potential negative market impact. The BBC therefore proposes to commit itself to a new system for assessing new services and monitoring the performance of existing ones, based on objectivity, rigour and transparency. This system, set out in Chapter 4, *Demonstrating public value*, will give licence payers greater assurance that the BBC's services will deliver against their wider public purposes. And, because it will delineate the scope and objectives of BBC services more explicitly than in the past, the system will also make the BBC's current and future services more predictable from the perspective of other players in the media market.

- The BBC's Board of Governors will subject every new service – or major proposed development or expansion of an existing one – to a public value test before approving its launch, including an independent evaluation of its likely market impact.
- Every BBC channel and service will be granted a Service Licence by the Board of Governors, setting out its remit, conditions and objectives. Significant variations to the licence would require agreement from the Board.
- Every three to five years, the Governors will commission an independent public value survey of 10,000 licence payers. This survey will form the core of a comprehensive audience-based assessment of the impact, value and effectiveness of the BBC's services. The Governors will publish the results of the survey.
- A new performance measurement framework will be adopted, based around four overall criteria: reach, quality, impact and value for money. The framework will consider public value delivered against each of the BBC's five principal public purposes. Reach – the proportion of people who use the BBC's services – will be a headline indicator of success. Audience share and volume will continue to be considered as measures of programme or service impact, but only as two among several.

### 4. The right scale and scope

The BBC will use public value to drive all its decisions about the scale and scope of what the organisation does. It will be applied both to the *breadth* of the BBC –

that is, the multimedia scope of the BBC and its range of services – and its *depth* – in the form of wholly-owned commercial subsidiaries or the vertical integration represented by owned-and-operated production and resource bases.

### **Breadth of BBC services**

Licence payers rightly demand a very wide range of services from the BBC. A more sensitive and detailed appreciation of the specific needs of different audience groups, combined with the potential of new technologies to meet individual needs, mean that the breadth of the BBC's offering should continue to develop flexibly over the next decade. The multimedia scope of the BBC, which brings synergies and linkages for users and creators alike, will be one of its greatest public strengths.

- However, the transformation of the BBC's range of linear radio and television channels for the digital world is now complete, and we have no plans for further channel launches.
- As the second point in our service manifesto makes clear, the BBC will be looking first and foremost for creativity and ambition *within* the content of its existing television and radio services over the next ten years.
- It will seek, however, to make its programmes and content as widely available and accessible as possible, using new platforms and technologies, and in partnership wherever it can, to tailor that content to the needs of groups, families and individuals.
- No new service will be proposed without widespread consultation and no new service will be approved unless it meets the exacting conditions and controls set out in the previous section.

Chapter 5, *The breadth of BBC services*, sets out our analysis and future plans for the BBC's service range in more detail.

### **Depth and vertical integration of the BBC**

The question of the BBC's depth must also be driven only by interests of the licence payer. How do licence payers benefit from a particular activity being carried out inside the BBC as opposed to being supplied from outside, for example by a commercial partner or an independent producer? In fact, there are many powerful reasons why in-house provision may make sense: security of supply and quality; critical mass; training and the development of a long-term creative tradition; greater efficiency; greater ease of developing flexible cross-media products and services. The BBC has an extraordinary wealth of creative talent in its production departments and an exceptional heritage of excellence. As a result, it is certain that the BBC will wish to retain extensive in-house operations in many areas. But a test of public value should be applied throughout the organisation and, where it makes more sense to source a given requirement from an external partner, a change should be made. We have identified two immediate

priorities for review: the BBC's in-house and independent production base, and its commercial activities.

#### **i In-house and independent production**

- This summer the Director-General will initiate a comprehensive review of the BBC's commissioning needs and production base in all media. The BBC will consult with independent producers, the freelance sector and other external stakeholders as well as with the BBC's own production community. The review will report in autumn 2004 and will set out a new supply strategy for the BBC.
- The BBC wants the licence fee to be invested in the best ideas and the best talent whether they come from inside or outside the BBC. It will commit itself to a fully level playing-field for in-house and independent programme makers and will ensure that independents can benefit from their risk-taking and investment in line with the new Code of Practice and terms of trade.
- From now on the BBC will ensure that it always exceeds its statutory quota for independent production in television. In the light of its commissioning and production review, it may set voluntary targets in some programme areas which are higher than the statutory quota. In radio, the BBC will commit to continue to exceed the current voluntary target of 10% of network radio production from the independent sector, and, as part of the review, will agree and then publish a voluntary quota for the nations' radio services. A new voluntary quota for internet and broadband production will be announced shortly.

#### **ii Commercial activities**

- The BBC has a duty to extract the maximum value from the licence fee – as a result, successive Governments have asked the BBC to develop its commercial activities and revenues. The result has been significant additional investment into public service programmes, reduced resourcing costs, greater access to global markets for UK talent and culture, and an enhancement of the worldwide reputation of the BBC brand. However, the BBC is now committed to clarifying the scope of its commercial activities.
- The Director-General will launch a comprehensive review of the BBC's commercial activities which will report by the end of 2004. It will involve wide consultation with external stakeholders and alternative partners as well as within the BBC. It will set out a new commercial strategy for the BBC, addressing issues of scope, ownership and fair trading.

The Director-General will present the recommendations of both reviews to the Board of Governors, who will then assess and agree any changes with the management before they are published and implemented. Chapter 6, *Renewing the BBC*, sets out these plans in more detail.

## 5. Unlocking the power of partnerships

From *Restoration* to UKTV to Comic Relief to *GCSE Bitesize*, many of the BBC's greatest successes in recent years have been based on teamwork and joint ventures with outside partners. The results can be spectacular. BBC Children in Need, a network of charity partnerships, has raised £325m to date. Cultural partnerships like *Painting the Weather* with the National Gallery and many other galleries around the UK have inspired and motivated audiences far more powerfully than any of the parties could have done on their own. These achievements show how much more the BBC can contribute when it faces outwards rather than inwards. We no longer want to leave the creation of such relationships to chance, but will put the idea of partnership at the centre of the BBC's strategy and ensure that every part of the organisation understands what it takes to become a good partner.

- By the end of the year the BBC will publish a *partnership contract* setting out the principles and standards which the BBC will bring to any partnership; what any potential partner can expect from us; and how we will measure partnership performance.
- We will also post a partner's guide to the BBC on the web, creating new doorways into the organisation, establishing clear points of contact for potential partners, and encouraging them to see the BBC as an open creative resource.
- One of the BBC's most powerful creative tools is its cross-media programming and marketing capability – seen to such great effect in projects like *The Big Read* and *Hitting Home*. The BBC will seek to share this capability more widely with partners who can collaborate with it to fulfil both parties' broader public purposes, especially in the cultural and educational fields.
- The BBC will also explore new models of partnership with both public and private sectors. Ideas include the creation of joint venture *public interest companies* and the creation of media villages around the UK, where the BBC provides space and infrastructure for independent production companies.
- Other priority areas include broadband, media literacy, new media learning and the overall objective of achieving digital television switchover.

## 6. From London to the whole UK

The BBC is paid for by licence payers across the UK. Its programmes should reflect the life and experience of the whole UK. In its investment, employment and the geographical spread of its broadcasting, production and other operations, it should be more fully representative of the people it serves. 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. We now want to go further.

- The BBC is currently considering a range of options for moving a significant number of services and production departments from London to Manchester, building the BBC's centre there into a major multimedia broadcast and production centre for the future. It will announce detailed proposals later in 2004.
- In its review of production capacity, the BBC will ensure that any reduction in in-house capacity does not reduce network programme-making in the nations or regions. On the contrary, it expects the opportunities for nationally and regionally based programme makers, both in-house and independent, to continue to grow.
- By the end of the next Charter period, half of all the BBC's public service staff will be based outside London. The BBC will spend more than £1bn a year on programmes outside London – over a third more than today.

## 7. A more open BBC

Despite the aspirations of its founders and its remarkable emotional bond with the British public, the BBC has historically been rather closed as an institution. It has quite rightly sought to safeguard its editorial independence, but one of the side effects has been a record in listening and responding to external criticism that has been uneven at best. Modern audiences, contemporary public standards and the challenges of the next decade all demand a more open, responsive BBC. It should already be clear from earlier proposals that we intend to build a far more open climate within the BBC, with improved access for independent and regional programme-makers, commercial partners and other colleagues and co-workers from across the public and private sectors. But the BBC should also be more open to the public themselves – as citizens, consumers and most important of all, as owners. This implies a profound cultural change within the BBC.

- Audiences should be at the centre of everything we do. The BBC will research licence payer priorities carefully before proposing any new service or major adjustment to an existing service.
- We will use our BBC multimedia learning buses, Open Centres, BBC Talent, work experience and other work and training opportunities to offer as many people as possible a chance to work inside the organisation and to consider a career in the broadcasting and creative sectors.
- We will make special efforts to connect with the UK's ethnic, disabled and other minorities and to encourage members of these minorities to offer their talent and energy to BBC programmes and services.
- Last year, BBC Information handled nearly two million calls, letters and e-mails (of which less than 8% were complaints). We will work to improve the responsiveness and helpfulness of these services further and to raise customer satisfaction above its current 85%.

- We will improve and broaden the information available about the BBC on [bbc.co.uk/info](http://bbc.co.uk/info). We will implement new guidelines for responding to all contacts at all levels in the BBC within published timescales and we will publicly measure our performance against these guidelines.
- The BBC will shortly announce a new system for dealing with complaints from licence payers with stronger safeguards to ensure objectivity, fairness and transparency, including a new Head of Complaints reporting directly to the Board of Governors.
- The BBC will feature comments and complaints about its programmes much more prominently across all media. We will launch a new multimedia initiative spanning BBC One, Radio 4 and [bbc.co.uk](http://bbc.co.uk), as well as a live and interactive 'right to reply' programme on BBC News 24.

## 8. Self-help and a modernised licence fee

The licence fee remains the best way of paying for the services which the BBC offers the public. It is a universal means of paying for what is essentially universal provision. It is clearly understood by the public and, despite the great changes that have already taken place in broadcasting, retains widespread acceptance. Its separation from general taxation and the Exchequer reinforces the BBC's independence. And it keeps the BBC focused on serving the public as a whole.

### Alternative funding methods

Subscription, which is advocated by some, would undermine the principle of universality upon which the BBC was founded and which can be achieved again once Britain becomes fully digital. It would exclude some, both from the digital opportunity and from programmes and services which are currently free-to-air, leading to serious welfare losses. And it would turn the BBC into an essentially commercial operation with an inevitable incentive to concentrate on services most likely to maximise subscription revenue.

Advertising would similarly change the character and motivation of BBC services. It would also reduce the amount of advertising revenue available to fund other public service broadcasters like ITV, Channel 4, and five and also commercial radio. Lower revenues would cut the total amount available to invest in distinctive and original UK content.

Direct government grant would reduce the financial independence on which the BBC's editorial independence partly rests. It would also leave the funding of BBC services more exposed and more vulnerable to abrupt fluctuation than does the licence fee.

Some people argue that, although the licence fee should be retained, it should be 'top-sliced', or diluted, with a proportion going, under one model, to the other public service broadcasters like Channel 4, or, in another model, to anyone who proposes to offer programmes of public value. It is seen by some as a way of

securing the long-term financial stability of other public service broadcasters (PSBs).

Though these ideas have some superficial attractions – they seem fair, and perhaps an easy way of dealing with concerns about the BBC’s scale – the BBC does not believe that fragmenting the licence fee is a desirable solution to the issue of funding public service broadcasting as a whole. Our reasons are set out in Chapter 7, *Paying for BBC services*, of which four stand out as the most serious:

- Fragmenting the licence fee between different PSBs would break the clarity of the public’s understanding of what the licence fee is and what it pays for.
- It would lead to institutional fragmentation of the BBC (and potentially the other PSBs) and so to an irreversible dismantling of the structural fabric of our public service broadcasting system.
- Adding a new intermediate funding body would create bureaucratic complexity and would itself require the full apparatus of civic accountability.
- Commercial imperatives for commercially funded broadcasters mean that licence fee value could find its way to shareholders, rather than to licence payers.

We believe there are better ways to address the issue of PSB funding in the coming years. The BBC believes that strong public service broadcasting requires more than a properly funded BBC: a strong Channel 4 with its own powerful tradition of innovation and diversity is an essential part of the system. Essential too are strong PSB contributions from ITV and five, especially in key categories like news. Securing the long-term financial supply of PSB programmes from other broadcasters must be a priority both for Government and for Ofcom, and the BBC is more than willing to play its part in finding solutions. It is prepared, for example, to work with Government to find ways in which the BBC can help ease the financial burden on the other PSBs of the transition from analogue to digital terrestrial television, and will actively explore other partnerships and collaborations which enable Channel 4 and the other commercially funded PSBs to continue to offer outstanding public service content in a sustainable way.

### **Transforming the licence fee**

Although the BBC believes that the licence fee remains the fairest and most effective way of funding its services, it does not believe that the licence fee should stand still. Since it took over responsibility for collecting the fee in 1992, it has reduced costs from 18.8% to 11.3% – an achievement praised by the National Audit Office. Now, we want to go further and transform the licence fee as a means of payment. We believe that savings could be as high as £50m a year. Specifically, we propose to:

- increase the number of people paying the licence fee by direct debit from 55% today to 80–90%. This would reduce collection costs further;

- migrate to paperless licensing with at least half of all households paying, renewing and updating their details online;
- remove the requirement for people over 75 to renew their free licences annually;
- enter into a dialogue with Government and other stakeholders to explore ways of making the licence fee more affordable to the least well-off in society.

### **Self-help as the starting point**

The BBC has a responsibility to keep the financial burden on all licence payers as low as possible. This is why every discussion about the future level of the licence fee should begin with the question of self-help. The BBC will aim to keep the licence fee as low as possible by ensuring that as high a proportion is spent on programmes and services as possible. In fact, the BBC has funded a large part of its digital investment over the past decade through self-help, comprising both efficiency savings across all its operations and improved commercial cashflows. Now the BBC intends to set itself further testing targets for self-help. It will:

- make value for money a key criterion for investment and funding decisions at every level of the organisation, from the Board of Governors down;
- seek substantial reductions in programme production costs through advances in broadcast and information technology and multiskilling, with the aim of building an integrated system of digital content production that is indisputably world class;
- reduce overheads further from 12% to 10% of expenditure by early in the next Charter period through further procurement improvements, system enhancements and supplier partnerships;
- examine the potential for savings by moving some administrative and other operations out of London;
- continue to build commercial revenues from intellectual property and other broadcast assets.

Chapter 7 sets out these proposals in more detail.

## **9. Reforming BBC governance**

The BBC is owned by the British public. The essential objective of its constitution and system of governance should be to ensure that the BBC acts solely in their interests and that it pursues the public goals they set for it with energy and effectiveness.

For the past 80 years, the BBC's current constitution, based on a Royal Charter and with an independent Board of Governors at its heart, has enabled the Corporation to

become an essential part of the UK's national life, trusted for its independence both from political interference and from commercial interest, for its impartiality and authority and for its commitment to excellence. The system has worked in both war and peace and has coped successfully with numerous difficult decisions and the unforeseen crises which any major institution must encounter. However, public expectations of scrutiny and accountability are greater today than in the past and the BBC recognises that its system of governance must change significantly if it is to retain full public confidence over the next Charter period.

The ultimate decision about how the BBC should be constituted and governed rests with its owners, the public, and their elected representatives in Parliament and Government. The BBC's Governors would submit, however, that the BBC's distinct and independent role in British public life depends and will continue to depend on distinct and independent governance. Secure and transparent protection from political interference or from commercial influences will continue to be critical. So too will be an effective and objective system of scrutiny of existing and proposed future BBC services so that licence payers can be certain that their money is being well spent and their interests best served by the BBC.

Part II of this paper, *Governing the BBC*, sets out the Board of Governors' plans for change. It is the only section of the paper that comes solely from the Governors, as reform of the BBC's system of governance is properly an issue for the BBC's Board of Governors rather than for the BBC's management. In the future, the Governors will:

- ensure clear and indisputable independence of the Board of Governors from the management of the BBC, including the creation of a distinct and adequately-resourced Governance Unit to provide independent expertise to the Board;
- introduce a new framework of transparent scrutiny of the BBC's activities by the Board of Governors, using the tools of the public value test, the new Service Licences, the regular large-scale public value survey and the new performance measurement approach set out above;
- apply a more rigorous approach to the consideration and approval of proposed new services, based on the public value test, to include an independent assessment of potential market impact;
- launch a package of measures to make the BBC more responsive and accountable to the British public, including a stronger role for the BBC's network of advisory bodies, more effective use of new technologies to consult directly with licence payers, an improved and more objective process for handling complaints as highlighted in the previous section;
- publish an Annual Report owned solely by the Board of Governors, based not just on BBC management's account of their progress against objectives but also on consultation with the public and other stakeholders;

- ensure greater collaboration between the Governors and other regulatory agencies, in particular Ofcom, on whose expertise – especially in the field of market impact – the Governors would wish to draw. Here, as in other areas, there should be a stronger emphasis on partnerships.

Many of these changes can and will be implemented immediately. A properly resourced and empowered Board of Governors should be able to take more responsibility than at present for the regulation of the BBC – for example, conducting the reviews of new services currently carried out by the Secretary of State. They should be able to work more effectively with Ofcom to ensure that the BBC and its services play a proportionate and complementary role within the wider PSB system. Above all, they will have the power to ensure that the BBC puts the public first in everything it does.

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The digital future is an exciting one. The public can look forward to a time of unrivalled consumer choice. New devices and communication channels will compete to deliver the right content to the right customer, whenever and wherever he or she wants it. All this is good for individual consumers, for our society and for the wider UK economy. The BBC will play its part in building the infrastructure and content on which this new digital world will be built.

But the BBC believes that broadcasting will always be about more than the purely private. The new technology will open up not just individual consumer pathways but new civic avenues and town squares, public places where we can share experiences and learn from each other, places where we can celebrate, debate and reflect. In this paper, *Building public value*, we try to show how an independently and effectively governed BBC, focused on its vision and its values – yet open to new ideas, to justified criticism, above all to the views and priorities of its audiences – could play a decisive role in creating public value in this new digital world.

But, while the BBC has a duty to contribute its ideas to the debate, it also knows that the question of its future is not one that it itself can or should decide. That decision rests firmly with its owners, the British public.

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# PART I: Purpose, role and vision

## Chapter 1: Why the BBC matters

The BBC is a unique institution. Owned by the British people and independent of political and commercial interests, it exists to serve everyone, regardless of age, income, sex, race or religion. Its purpose, largely unchanged in 80 years, is to enrich the life of every person in the UK with programmes that inform, educate and entertain.

People care about the BBC. They feel they have a stake in it, and mind if it lets them down. People turn to the BBC first at moments of national importance, celebration and sadness. It is widely admired around the world – for the impartiality of its journalism, for the quality of its drama and entertainment, for the ambition of its factual programmes. As even its critics would acknowledge, the BBC is a British success story.

Yet in today's changing media market, some of the traditional arguments for public service broadcasting are beginning to age. Now that commercial companies can offer a growing number of broadcast services, a modern, and in some ways, new case has to be made for the relevance of public service broadcasting – and particularly for the retention of a large, publicly funded organisation with a single-minded public mission. This chapter sets out the BBC's contribution to that debate.

### 1.1 What is public service broadcasting?

Different countries have very different definitions of public service broadcasting. In the US, for example, public service broadcasting is quite simply what the commercial market will not do. This is why PBS, the sole American public service television broadcaster, is a marginal broadcaster showing minority programmes in which commercial television has no interest. It achieves a primetime viewing share of less than 2%<sup>1</sup>. US television is essentially commercial, funded either by advertising or by subscription.

The UK has taken a different approach from the beginning. Very early on, politicians and the British public decided that broadcasting should be placed in the public sphere of our national lives. They believed that everyone has the right to high-quality broadcast services, whoever they are and wherever they live. This has been achieved by ensuring that broadcasting is delivered according to public principles – the same principles that drive our decisions about many other aspects of the nation's public life, including healthcare, education, our public parks and museums. These principles are universality, equity and accountability to the British public. The point of

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<sup>1</sup> PBS website, *Corporate Facts*, 2004

the BBC is to bring these principles into the realm of broadcasting. They are embodied in its Royal Charter.

The Charter requires the BBC to make its programmes and services universal, meaning that everyone must be able to access them as cheaply as possible. It also requires the BBC to treat people equitably and fairly, which means providing programmes and services that, through their originality, range and creative ambition, offer something of value to every individual in the land.

The third public principle is accountability to the British public. The BBC's governance system was deliberately created to bring accountability to a much wider constituency than just the government of the day. The BBC is accountable to the people who pay for it through its Board of Governors, which acts as trustee of the public interest and ensures the BBC's independence. Independence from all interests, political and commercial, is the foundation stone of the BBC. It must be non-negotiable in any decisions about the BBC's future.

The UK's decision to place broadcasting in the public realm of our national life has at heart been a cultural one. It is rooted in the importance of broadcasting to people's lives. We each spend an average of over 50 hours every week watching television, listening to the radio and using the internet, compared with only 30 minutes reading books and 50 minutes reading newspapers and magazines<sup>2</sup>. Sixty-five per cent of people rely on television as their main source of news<sup>3</sup>. Broadcasting has the power to shape our views and values, provide opportunities to learn, connect communities and create shared experiences in ways that few other activities can.

As a result of these choices, the UK's definition of public service broadcasting is very different from that in the US. It is a system, rather than a particular genre of programmes. It can perhaps best be defined as a range of high-quality programmes and services whose only aim is to serve the public interest, be universally available, and treat people equitably and fairly. Not every public service broadcasting programme will be completely different from the commercial market – that would be the American model. Nor will every programme suit the tastes of all viewers and listeners – a universal service cannot achieve that. But every programme should aim to carry a hallmark of quality and ambition.

This definition of broad-based public service broadcasting corresponds closely to what British audiences say they most value. An independent survey conducted for the BBC in 2004<sup>4</sup> asked people what types of television programme were most important for public service broadcasters to provide. The top eight were news, regional news, wildlife, current affairs, soaps, consumer programmes, education and British comedy (Figure 1) – a broad range of programmes that goes well beyond any narrow 'high ground' definition of public service broadcasting. These findings are supported by similar research recently conducted by Ofcom<sup>5</sup>.

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<sup>2</sup> BBC, *Daily Life survey*, 2002/03; Nielsen Net Ratings/Oftel/Forrester, 2003; Screen Digest, *The Media File to 2010*, 2001

<sup>3</sup> ITC/BSC, *New News, Old News*, 2002

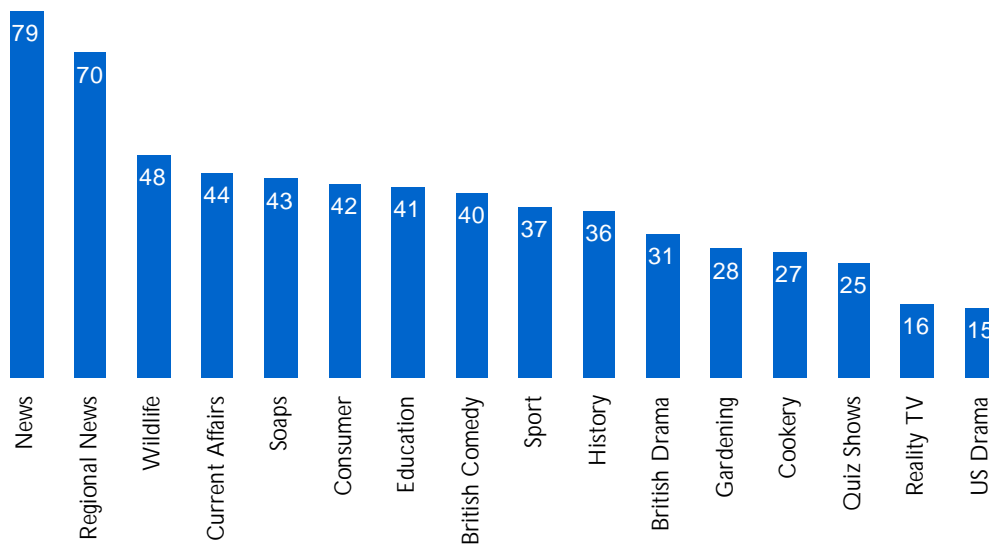
<sup>4</sup> Human Capital/Martin Hamblin GfK, *A study measuring the value of the BBC*, 2004

<sup>5</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?*, Figure 33, 2004

## How people value different types of programme in terms of their importance to the country as a whole

Figure 1

% ranking as important



Source: Martin Hamblin GfK, 2004

16 genres selected from list of 38

While their purpose is not solely to act in the public interest, the UK's commercially funded public service broadcasters – ITV, Channel 4 and five – are very much part of our public service broadcasting system and have made a substantial and lasting contribution to its success. Since commercial public service broadcasting was first created in 1955, there has been healthy competition in high-quality UK-made programmes. A recent report into the UK content market shows that ITV and Channel 4 both invest substantially more in domestic programmes than their European counterparts<sup>6</sup>, and more than they are required to do by law. This is in significant measure because of the existence of the BBC and the way it is funded. In order to attract audiences in competition with the BBC, commercial broadcasters too must invest in high-quality, British-made programmes. In turn, the commercial sector keeps the BBC on its toes.

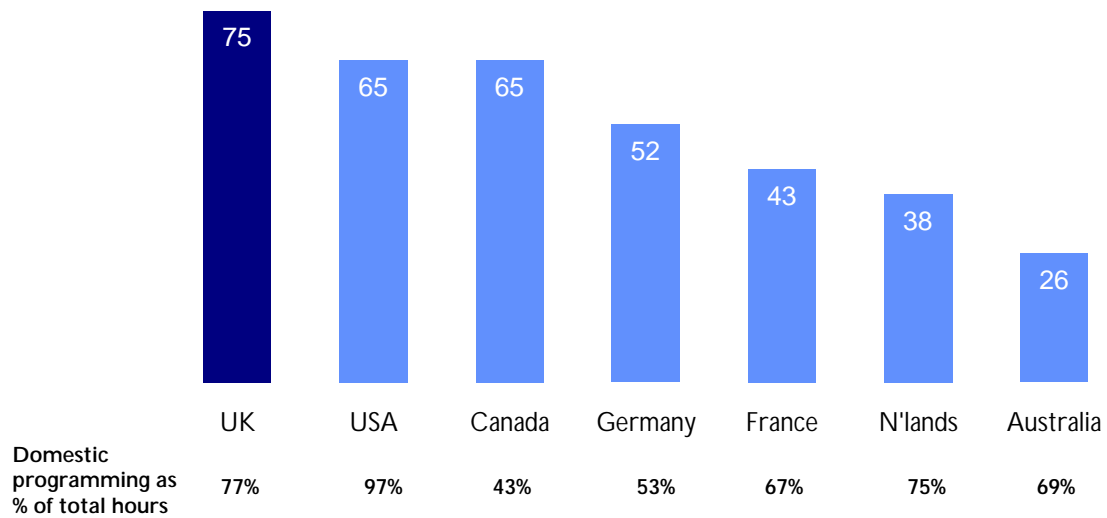
The end result is that, by international standards, our broadcasting system carries an exceptionally rich mix of original home-grown programmes. We as a nation spend more per head on original television programming than any other country in the world, and have the lowest level of imported programming outside the US (Figure 2). As a consequence, through UK-made drama, comedy, sport, factual, arts and entertainment programmes, our broadcasting system strongly reflects the culture, values and tastes of our society.

<sup>6</sup> Oliver & Ohlbaum Associates, *UK Television Content in the Digital Age*, 2003

## The UK has the highest spend per head on original domestic programmes in the world

Figure 2

2001/02 revenue per head in \$US



Source: PWC, OBS, Company Accounts, CNC, Oliver & Ohlbaum Associates

## 1.2 The public value of the BBC

Because the BBC is a public organisation, it is able to make a unique contribution to the UK's broadcasting system. While commercial broadcasters aim to create shareholder value, the BBC exists solely to create *public value*.

The BBC creates public value by serving people both as individuals and as citizens. For people as individuals, the BBC aims to provide a range of programmes that inform, educate and entertain, that people enjoy and value for what they are.

For people in their role as citizens, the BBC seeks to offer additional benefits over and above individual value. It aims to contribute to the wider well-being of society, through its contribution to the UK's democracy, culture and quality of life. So, in the case of news programmes, someone may benefit not only from the programme, but also from its wide availability and consumption by others, helping to create a more informed society based on shared understanding.

The citizen value of a broadcast programme is greatest when it is offered universally and equitably. The educational value of, say, *Child of our Time* or *Seven Wonders of the Industrial World* is greater if it is freely available to all and designed to attract people of all ages and backgrounds than if it is offered as a pay service, or with a narrow target audience in mind. The BBC's commitment to universality and equity therefore helps to maximise the public value of broadcasting.

Individual and citizen value are really two sides of the same coin. It will be a rare programme that delivers no individual value but high citizen value. The most successful public service programmes are those that do both.

There is a third component of public value that needs to be considered, and that is the economic value of the BBC. The BBC is capable of creating substantial positive economic value, for example through its stimulation of the UK's creative economy. Of course, parts of the BBC's economic impact can be negative – for example, where it may reduce audiences for a rival commercial service. The economic value of the BBC therefore needs to be a net calculation.

The sum total of the BBC's individual value, citizen value and economic value is the public value of the BBC – a measure of its contribution to the quality of life in the UK.

## Defining public value

All public organisations aim to deliver not only value for individuals, but also value for people as citizens. This is their public value – the difference they make to the quality of life in the UK.

The public value of a public service has three components:

- Value to people as *individuals*. A public park aims to bring enjoyment by offering a personal space to those who use it. The NHS provides people with consultation and treatment that can prevent and heal sickness. The BBC aims to inform, educate and entertain.
- Value to society as a whole – to people as *citizens* – by contributing to the wider well-being of society. Citizen value often rests on the availability of a service to all on equal terms. A public park brings social benefits to its local community. The NHS helps to make the UK a healthier society. The BBC aims to contribute to the wider social, democratic and cultural health of the UK through the range and quality of its broadcasting.
- Impact on the performance of the wider commercial market – its *net economic value*. A public park can increase custom for local shops and businesses. The NHS can help to ensure healthy and productive employees. The BBC's market impact can have a positive element, such as through its impact on training and creative investment, and also a negative element in cases where it reduces demand for commercial products.

Public value is the sum of these three elements. Public value is being increasingly acknowledged as a useful way of assessing the contribution of not-for-profit organisations to society<sup>7</sup>.

Part of the BBC's public value is indirect. Through its relationships with other organisations, the BBC can have a 'multiplier' impact on society. For example, the BBC's recent *Big Read* collaboration with libraries and book publishers reawakened interest in reading. Working with charities and talent from across the UK, Comic Relief, an annual evening of comedy on BBC One, raised over £65m for good causes in 2003. In the next year, the BBC will work with the NHS and other health

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<sup>7</sup> Barry Bozeman, *Public Value Failure: When Efficient Markets May Not Do*, 2002; Gavin Kelly & Steven Muers, *Creating Public Value: An Analytical Framework for Public Service Reform*, 2002; Mark Moore, *Creating Public Value: Strategic Management in Government*, 1997

organisations to raise awareness of the problems of obesity. One of the exciting features of the digital world is the potential for greater multiplier benefits through partnerships – Chapter 6 sets out our developing ideas in this area.

We believe public value is the best way of thinking about the future contribution of the BBC. In this respect, we welcome Ofcom's recent report on the public service television market<sup>8</sup>, which also redefines public service broadcasting in terms of its purposes rather than particular genres of programme.

The BBC contributes to public value in five main ways:

- *Democratic value*: the BBC supports civic life and national debate by providing trusted and impartial news and information that helps citizens make sense of the world and encourages them to engage with it.
- *Cultural and creative value*: the BBC enriches the UK's cultural life by bringing talent and audiences together to break new ground, to celebrate our cultural heritage, to broaden the national conversation.
- *Educational value*: by offering audiences of every age a world of formal and informal educational opportunity in every medium, the BBC helps build a society strong in knowledge and skills.
- *Social and community value*: by enabling the UK's many communities to see what they hold in common and how they differ, the BBC seeks to build social cohesion and tolerance through greater understanding.
- *Global value*: the BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience.

These are the public purposes of the BBC. In the next few pages, we explore the contribution that the BBC makes in each area – to people as individuals, as citizens and to the wider UK economy.

### **1.3 The BBC's democratic value: supporting informed citizenship**

One of the BBC's most important contributions to public value is to provide trusted, independent and impartial news and information for everyone, with a strong commitment to context-setting and analysis. It helps to deliver a fundamental component of British democracy: truthful and reliable news, rigorous analysis and wide-ranging, intelligent debate that allow citizens to formulate their own opinions and exercise their votes.

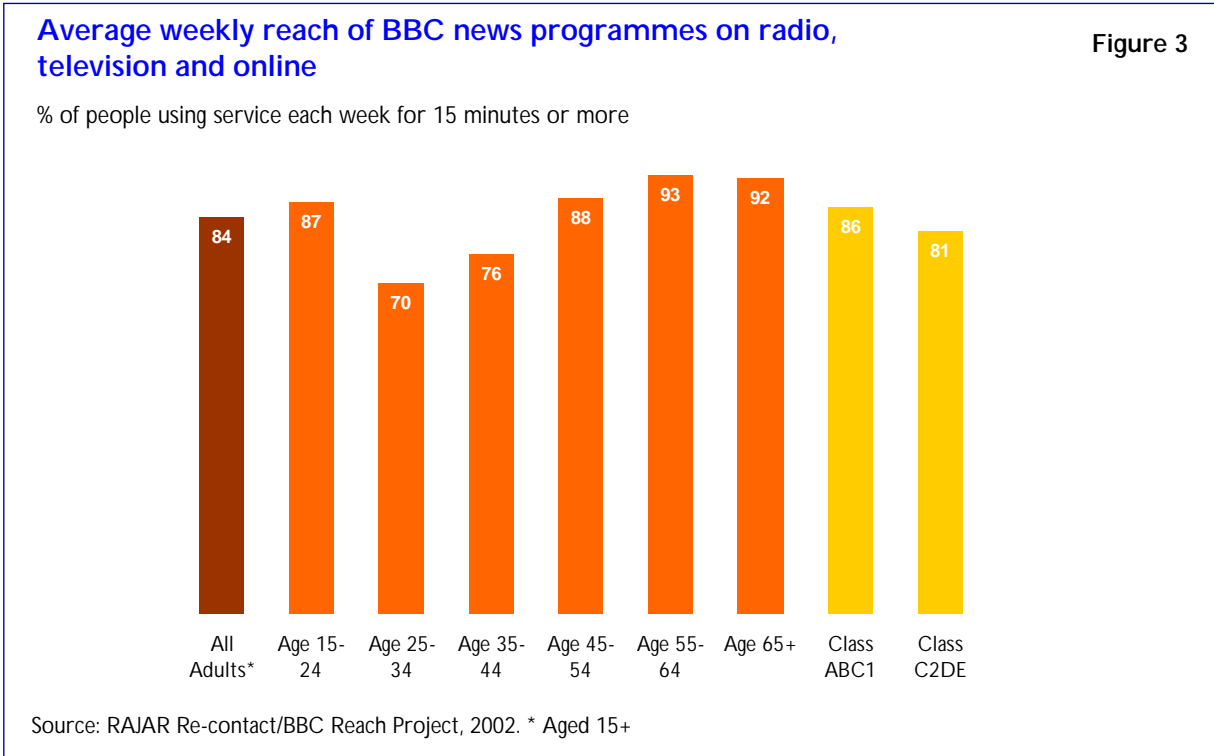
The universality of the BBC and its span across media and communities mean that it can provide a unique public space in which national debate can take place. *Today*, *Question Time*, *The Politics Show*, *The Jeremy Vine Show* and local radio phone-ins

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<sup>8</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?*, Paras 1–2, 2004

are among the scores of national, regional and local programmes which aim to tackle issues from all sides and provide platforms for a range of voices. Views can be considered, scrutinised and challenged in ways which provoke audiences to test and form their opinions, reach their own conclusions and understand the positions of others more clearly.

A second responsibility of the BBC, derived from its commitment to serve everyone, is to reach all kinds of people in the UK with news and analysis that speaks their language. To take three examples: *Newsnight* on BBC Two provides in-depth analysis for people who want to understand the issues behind the news; *Newsbeat* on Radio 1 is designed to reach and inform young people; and *Newsround* on BBC One and CBBC is aimed at children. There is a tailored news service on almost every BBC channel, and the BBC news website and BBC News 24 have helped to extend reach to people who prefer to catch the headlines as they develop, or at their convenience. As a result, 84% of the nation watches or listens to BBC News every week<sup>9</sup> (Figure 3).



The independence of the BBC has helped to create a national climate in which broadcast news is more trusted in the UK than in most other countries. In the US, for example, where there is no publicly funded news broadcaster, broadcast news is trusted by only around one-third of people<sup>10</sup>. In the UK, television news as a whole – provided by the BBC, ITN and Sky – is trusted by 85% of people<sup>11</sup>. One reason for the stark difference lies in the commercial popularity of opinionated news, which has led Fox News and other US news broadcasters to move away from a policy of impartiality.

<sup>9</sup> RAJAR Re-contact/BBC Reach Project, 2002  
<sup>10</sup> PEW Research Center, *News Media’s Improved Image Proves Short-Lived*, 2002  
<sup>11</sup> MORI/Radio Times, *View of the Nation Television survey*, 2001

The BBC is committed to independent and strong investigative journalism. *The Secret Policeman*, BBC One's undercover investigation into racism in the police, prompted a major national review. *Panorama's* award-winning investigations into the widely used anti-depressant Seroxat raised concerns about the use of the drug and the system of drug regulation in the UK and resulted in the launch of a wide-ranging government review. Radio 4's *File on 4* report on the case of Sally Clarke, the mother cleared last year of killing her children, led to a rethink of the role of expert evidence in cot death cases. Such programmes are the eyes and ears of a questioning democracy.

The BBC also plays a unique role in supporting the democratic process in the devolved nations of the UK – it is the only broadcaster to provide regular live coverage of the proceedings of the Scottish Parliament, and the Welsh Assembly<sup>12</sup>.

The BBC's commitment to rigour, impartiality and accuracy across the full range of its journalism must be total. For this reason, we have taken the findings of the Hutton Inquiry into the death of Dr David Kelly very seriously and are implementing a range of measures, including the recommendations of the Neil report, to strengthen editorial processes. Research conducted since the publication of Lord Hutton's report suggests that the BBC remains highly trusted by the British people. But we know this trust cannot be taken for granted: it must be earned, day in and day out.

#### **1.4 The BBC's cultural value: enriching the creative life of the UK**

The BBC's second main role is cultural. Because it is free from market pressures, the BBC is able to find and nurture writers, performers, composers, producers and directors, and to give them space to create the widest possible range of high-quality, original programmes on radio, television and online. The BBC can take risks that the market cannot contemplate, and it can maintain a commitment to risk and innovation in its programmes, even in times of economic downturn.

From *State of Play* to *The Office*, *The Archers* to *EastEnders*, *Glastonbury* to *The Proms*, the BBC aims to provide memorable programmes which celebrate our culture and capture the spirit of the age. Over 85% of the BBC's output is British-made, reflecting the lives and tastes of our society.

As a result of this investment, the BBC is one of the UK's major cultural forces – in some fields *the* major cultural force. It supports and nourishes many forms of artistic endeavour. Alongside Arts Council England, the BBC is the biggest patron of the arts in the UK. The BBC also has an enduring commitment to new writing, and commissions more new works than any other organisation in the UK. *Under Milk Wood*, *Shadowlands*, *Truly Madly Deeply*, *Pennies from Heaven* and *Billy Elliot* all started life as BBC commissions. The BBC employs more actors, directors and writers than any other British organisation.

*"I owe my career to the BBC, which provided the stability, continuity and opportunities I needed when I was developing as a film director."*  
Stephen Frears, film director, 2004

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<sup>12</sup> The BBC produces coverage of the Welsh Assembly on behalf of S4C2

Radio 3 is the biggest commissioner of new music in the world. In recent years Radio 1 helped launch the careers of artists such as Coldplay, The Darkness and Franz Ferdinand, and is the only UK radio station to offer a comprehensive advice and information service with its *One Music* website. BBC music events – from the *BBC Young Musician of the Year* to Radio 3's Awards for World Music and Radio 2's Folk Awards – celebrate new talent and honour established composers and performers. In addition, the BBC supports five orchestras across the UK.

Drama series like *EastEnders*, *The Archers* and *Casualty* are a vital part of the UK's popular culture, opening up opportunities for new writers, actors and directors. They are part of a long-standing tradition of well-made, well-loved programmes that are relevant to the lives of a wide range of diverse audiences. They frequently tackle important social issues in a responsible and accessible way.

### Some programmes to remember 1950–2004

	Factual and Sport	Drama	Comedy and Entertainment
<b>1950s</b>	<ul style="list-style-type: none"> <li>- Tonight</li> <li>- Zoo Quest</li> <li>- Today</li> <li>- The Sky at Night</li> <li>- Grandstand</li> <li>- Panorama</li> <li>- Your life in their hands</li> <li>- From Our Own Correspondent</li> </ul>	<ul style="list-style-type: none"> <li>- Under Milk Wood</li> <li>- The Archers</li> <li>- Dixon of Dock Green</li> <li>- The Quatermass Experiment</li> <li>- Nineteen Eighty-Four</li> <li>- The Grove Family</li> <li>- Wuthering Heights</li> <li>- Sherlock Holmes</li> </ul>	<ul style="list-style-type: none"> <li>- Listen with Mother</li> <li>- The Goon Show</li> <li>- Hancock's Half Hour</li> <li>- Blue Peter</li> <li>- This is Your Life</li> <li>- Animal, Vegetable, Mineral?</li> <li>- Crackerjack</li> <li>- Juke Box Jury</li> </ul>
<b>1960s</b>	<ul style="list-style-type: none"> <li>- Civilisation</li> <li>- Nationwide</li> <li>- Horizon</li> <li>- World Cup Final, 1966</li> <li>- Omnibus</li> <li>- Match of the Day</li> <li>- Tomorrow's World</li> <li>- The Great War</li> </ul>	<ul style="list-style-type: none"> <li>- Cathy Come Home</li> <li>- Z Cars</li> <li>- Up the Junction</li> <li>- Culloden</li> <li>- Dr Finlay's Casebook</li> <li>- Maigret</li> <li>- Dr Who</li> <li>- The Forsyte Saga</li> </ul>	<ul style="list-style-type: none"> <li>- Till Death Us Do Part</li> <li>- Round the Horne</li> <li>- Dad's Army</li> <li>- Just a Minute</li> <li>- That Was The Week That Was</li> <li>- Monty Python's Flying Circus</li> <li>- Top of the Pops</li> <li>- Steptoe and Son</li> </ul>
<b>1970s</b>	<ul style="list-style-type: none"> <li>- Life on Earth</li> <li>- Newsbeat</li> <li>- The Ascent of Man</li> <li>- Newsround</li> <li>- File on 4</li> <li>- Arena</li> <li>- Question Time</li> <li>- Young Musician of the Year</li> </ul>	<ul style="list-style-type: none"> <li>- The Six Wives of Henry VIII</li> <li>- Poldark</li> <li>- I, Claudius</li> <li>- Pennies from Heaven</li> <li>- Tinker, Tailor, Soldier, Spy</li> <li>- Colditz</li> <li>- The Onedin Line</li> <li>- Grange Hill</li> </ul>	<ul style="list-style-type: none"> <li>- Porridge</li> <li>- Fawlty Towers</li> <li>- The Hitchhiker's Guide to the Galaxy</li> <li>- John Peel: Dark Side of the Moon</li> <li>- Last of the Summer Wine</li> <li>- I'm Sorry I Haven't a Clue</li> <li>- The Fall and Rise of Reginald Perrin</li> <li>- The Old Grey Whistle Test</li> </ul>
<b>1980s</b>	<ul style="list-style-type: none"> <li>- The Living Planet</li> <li>- In The Psychiatrist's Chair</li> <li>- Live Aid</li> <li>- Olympics: Torvill and Dean</li> <li>- The Royal Wedding</li> <li>- Real Lives</li> <li>- Newsnight</li> <li>- Crimewatch</li> </ul>	<ul style="list-style-type: none"> <li>- EastEnders</li> <li>- The Singing Detective</li> <li>- The Chronicles of Narnia</li> <li>- The Lord of the Rings</li> <li>- Edge of Darkness</li> <li>- Boys from the Black Stuff</li> <li>- Tumbledown</li> <li>- Tenko</li> </ul>	<ul style="list-style-type: none"> <li>- Only Fools and Horses</li> <li>- Blackadder</li> <li>- Whose Line is it Anyway?</li> <li>- Proms in the Park</li> <li>- Steve Wright on Radio 1</li> <li>- The Day Today</li> <li>- The Lenny Henry Show</li> <li>- Yes Minister</li> </ul>
<b>1990s</b>	<ul style="list-style-type: none"> <li>- The Nazis – a warning from history</li> <li>- The Human Body</li> <li>- Walking with Dinosaurs</li> <li>- Sister Wendy's Odyssey</li> <li>- The Death of Yugoslavia</li> <li>- Broadcasting House</li> <li>- Home Truths</li> <li>- Letter to Daniel</li> </ul>	<ul style="list-style-type: none"> <li>- Middlemarch</li> <li>- Pride and Prejudice</li> <li>- Shooting the Past</li> <li>- Our Friends in the North</li> <li>- Spoonface Steinberg</li> <li>- Silent Witness</li> <li>- House of Cards</li> <li>- Ballykissangel</li> </ul>	<ul style="list-style-type: none"> <li>- Men Behaving Badly</li> <li>- Have I Got News for You</li> <li>- Absolutely Fabulous</li> <li>- Goodness Gracious Me</li> <li>- The Wrong Trousers</li> <li>- One Foot in the Grave</li> <li>- The Jonathan Ross Show</li> <li>- Dead Ringers</li> </ul>
<b>2000 – 2004</b>	<ul style="list-style-type: none"> <li>- The Blue Planet</li> <li>- The Hunt for Britain's Paedophiles</li> <li>- Voices</li> <li>- The Secret Policeman</li> <li>- Sydney Olympics</li> <li>- Dawn Chorus Day</li> <li>- What the Romans did for us</li> <li>- A History of Britain</li> </ul>	<ul style="list-style-type: none"> <li>- Conspiracy</li> <li>- The Lost Prince</li> <li>- Spooks</li> <li>- The Way We Live Now</li> <li>- Nicholas Nickleby</li> <li>- The Gathering Storm</li> <li>- Clocking Off</li> <li>- State of Play</li> </ul>	<ul style="list-style-type: none"> <li>- The Office</li> <li>- Marion and Geoff</li> <li>- One Big Sunday</li> <li>- Little Britain</li> <li>- Late Junction</li> <li>- The Kumars at No 42</li> <li>- 3 Non-Blondes</li> <li>- Strictly Come Dancing</li> </ul>

People value popular, entertaining programming highly and consider it one of the two key elements of public service broadcasting, alongside news<sup>13</sup>. They value a 'balanced diet' of programming on public service channels, of which entertainment is a key part. BBC programmes aim for a spark of difference by encouraging talent to take creative risks, developing new formats, such as *Strictly Come Dancing* and *The Weakest Link*, harnessing new technologies, such as *Test the Nation* and *Celebdaq*, and using entertainment skills to broaden the appeal of other genres, such as *Have I Got News For You*.

The BBC makes a particularly important contribution to British comedy. Comedy is a difficult genre in which to succeed – the level of risk involved makes it a challenging area for commercial broadcasters. Because of its freedom from commercial pressures, the BBC can stick with slow-starting comedies, such as *Only Fools and Horses*, or back an unlikely-sounding idea such as *The Office*. The BBC invests over £80m a year in British comedy – during one week in November 2003, 15 out of 18 scripted comedies showing on UK terrestrial television were on the BBC. From *Hancock*, *Steptoe and Son* and *Till Death Us Do Part* to *My Family*, *I'm Sorry I Haven't a Clue*, *Absolutely Fabulous* and *Little Britain*, BBC comedy has entered our language and provided shared reference points.

*"Here's the thing – the BBC's record in acted comedy has been, and still is, miraculous ... the history of British TV comedy really is very nearly the history of comedy on the BBC."*

Richard Curtis, writer *Love Actually*, *Four Weddings and a Funeral*, *The Vicar of Dibley*, *The Guardian*, 2000

The BBC brings British history, art, drama and literature alive for mass audiences. Classic adaptations like *Pride and Prejudice*, *Wives and Daughters*, *The Old Curiosity Shop* and *The Pallisers*; the Radio 3 Shakespeare season; poetry on Radio 4; Simon Schama's *A History of Britain* and Andrew Graham-Dixon's *A History of British Art*, all refresh the cultural memory of the UK by opening up our heritage to successive generations. Radio 3 and BBC Four regularly partner with theatres to widen the audience for award-winning productions by broadcasting plays like *Medea*, *Copenhagen*, *Elmina's Kitchen*, *Richard II* and *The Permanent Way*.

Recent research by Ofcom<sup>14</sup> shows sport to be second only to news when the public were asked which genres they most valued from the point of view of society. The BBC plays a central role in the sporting life of the UK. It acts as a public space for a range of sporting events that many people feel are national assets – from European Championship football matches to Wimbledon and Six Nations rugby. It acts as a forum for debate through programmes like *606* on Five Live. It is able to take minority sports and stay with them to turn them into national events such as the World and UK Snooker Championships and the London Marathon. It covers more minority sports than any other terrestrial broadcaster, investing in grass roots initiatives through *Sport Relief* and *Sport Action*, and showcases disabled sport through the *Disability Sport* website and coverage of the Paralympics.

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<sup>13</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?* para 84, 2004

<sup>14</sup> *Ibid*, Figure 33

*“Only one broadcaster tracked my career from beginning to end – the BBC. They ensured my fifth Olympic gold medal became a cherished public moment, not just a personal one.”*

Sir Steve Redgrave, Olympic oarsman, 2004

The BBC’s cultural contribution is recognised by the British public: 75% of people believe the BBC is important to British culture, and services like Radio 3, Radio 2, Radio 1 and BBC Four are particularly highly valued for their commitment to music and the arts<sup>15</sup>.

However, the BBC has work to do to meet the changing expectations and demands of its audiences. Though they value the familiar and consistent, many people want to see more risk-taking and change, particularly in British television. Some feel that television as a whole is not sufficiently innovative and are irritated by its lack of range<sup>16</sup>. They want more home-grown drama and British comedy, and do not want to see the BBC using formats or styles they regard as copied or derivative. We take these concerns seriously and are responding with a range of ideas. Chapter 3 sets out our creative ambitions.

## 1.5 The BBC’s educational value: extending horizons

The BBC’s third contribution to public value is as an educator. The educational power of broadcasting was first recognised in the 1920s when it was found that children who listened to BBC radio performed better at school. Since then, the BBC has devoted significant resources to programmes whose sole purpose is to advance understanding, both for students and schoolchildren and for the wider public. This educational vocation is in the BBC’s bloodstream and informs its attitude to all its output.

Over the decades, many series – like *Civilisation*, *Life on Earth* and *Walking with Dinosaurs* – have been used by teachers to bring learning to life. Recently, such series have been able to offer the added benefits of the internet. Many of the BBC’s primetime factual series are accompanied by ‘find out more’ learning opportunities that encourage people to develop their knowledge and skills and enable programmes to be exploited in educational ways. For example, the natural history series *The Blue Planet* spawned many educational spin-offs, from beachcombing guides to 4,000 people undertaking marine biology degree courses.

The BBC makes complex subjects accessible, helping to improve general levels of knowledge and understanding. The science strand *Horizon* addresses molecular biology, particle physics and pure mathematics with a degree of creativity and panache that wins large audiences and many awards. Series such as *Walking with Beasts*, *A History of Britain*, *Pompeii: The Last Day*, *Seven Wonders of the Industrial World* and *In Our Time* aim to bring subjects like palaeontology, history, archaeology, philosophy and engineering alive for mass audiences in primetime.

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<sup>15</sup> BBC/Taylor Nelson Sofres (TNS), *Licence Fee Value survey*, 2004

<sup>16</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?*, para 121, 2004

The BBC plays a particular role in the stimulation and education of children. Broadcasting advertising-free programmes that encourage children to learn has always been a core function – from the 1920s series *Kiddies Corner* to *Listen with Mother*, *Play School* and today’s cross-genre multimedia range on CBBC and CBeebies, the BBC’s new digital television channels for children. These are supported by well-used online services, with the CBeebies site alone generating nearly 100m page impressions per month.

Increasingly, the BBC’s educational efforts are made in partnership with other organisations. One of the oldest partnerships – with the Open University – has encouraged more than two million people to enrol since 1971. In 2003 alone, 165,000 people enrolled on OU courses in the UK. The University is also a major partner of the BBC in making factual programmes.

People rely on this rich educational resource. The majority of the public regard the BBC as a learning resource for the nation<sup>17</sup>. BBC One and BBC Two are seen as the best channels for education in the UK by 63% of viewers who choose to watch educational programming<sup>18</sup>; six out of ten primary school teachers use BBC Schools television; in secondary schools, 69% of year 11 pupils<sup>19</sup> and 64% of their teachers use *BBC Bitesize*<sup>20</sup>, the BBC’s online revision service for GCSE students.

However, the BBC needs to make sure that its education services reach all parts of society and particularly those who may have been left behind by formal education. In Chapter 3, we set out some ideas for how the BBC can build greater educational value from its range of services.

## 1.6 The BBC’s social value: connecting and uniting communities

The BBC’s fourth contribution to public value is in connecting people at many different levels. The BBC has a deep commitment to the UK’s nations, regions and localities. Its portfolio of programmes for different audiences, its physical presence throughout the UK and its wide and fast-growing range of grass roots activities reflect the diversity of the country, foster a sense of belonging and encourage participation. The BBC also has a particular responsibility to the UK as a whole – for bringing people together to share events of national importance.

The network of shared values, traditions and experiences that people hold in common is sometimes known as *social capital*. It helps to build higher levels of trust, tolerance and shared understanding that can make many aspects of a society’s operations, from business and politics to people’s daily lives, easier and more productive. A recent UK study<sup>21</sup>, commissioned by the BBC from an independent economist, suggests that broadcasting in the UK may be a powerful contributor to social capital. It can attract diverse audiences by age, sex, race or class to powerful shared experiences that help to forge connections and build trust.

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<sup>17</sup> BBC Pan-BBC Tracking Study (PBTS), 2003

<sup>18</sup> Ibid

<sup>19</sup> BMRB/BBC Children’s Education Pupil Tracker, 2003

<sup>20</sup> NOP/BBC Children’s Education Annual Secondary Schools survey, 2003

<sup>21</sup> Martin Brookes, *Watching Alone: Social Capital and Public Service Broadcasting*, 2004

People turn to the BBC to share public moments they will remember all their lives. Events such as the Olympics, the Jubilee parties and the Queen Mother's funeral unite British people in a common experience. Nearly 20 million people watched the BBC's coverage of the funeral of the Princess of Wales. Over 70% of the population watched the 2002 Commonwealth Games held in Manchester<sup>22</sup>. *EastEnders* is watched by people of all ages, all social classes and, unusually compared with American TV, all ethnic backgrounds, providing a basis for talking points between groups that may otherwise lack common frames of reference. Popular entertainment programmes like *Wake up to Wogan* and *The National Lottery*, along with coverage of major sports events from the Grand National to the FA Cup, can be strong contributors to social capital for the UK as a whole.

The BBC's social role is equally important for the nations, regions and communities of the UK. In Scotland, Wales and Northern Ireland, the BBC has sought to support the new democratic and cultural needs created by the process of devolution over the past decade. It now invests some £70m more each year in the nations and regions than in 2000. Its goal has been both to build understanding of the new, devolved institutions of Scotland, Wales and Northern Ireland, and to celebrate and support each nation's rich and diverse culture – from the only Scottish soap, *River City*, to unique support for the UK's indigenous languages. The BBC runs the only national Welsh language radio service, Radio Cymru, and has a long-standing partnership with S4C in Welsh language television. It provides speech-led national radio services for Scotland, Wales and Northern Ireland, connecting audiences and enabling dialogue across each nation. In entertainment, drama and factual programming, the BBC reflects the distinctive voices and experiences in each of the three nations.

Across the English regions, the BBC's network of 40 local radio stations and 12 full regional television services complements the private sector and is a powerful national asset. It provides civic and cultural support to communities all over the country. It helps to reflect their concerns, celebrate their cultures and build a sense of place. Reduced investment and editorial commitment from ITV in recent years mean that, for regional television news, people turn first and foremost to the BBC.

The public nature of the BBC means it can guarantee universal access to vital information. For example, local radio teams in York and Hereford & Worcester worked round the clock to provide information and support to listeners during the floods of 2001. In the same year, BBC Radio Cumbria and BBC Radio Devon were the main means of communication for farmers in each region during the foot-and-mouth outbreak. More than ten million people listen to the BBC's local radio services across the UK every week, four million of whom listen to no other BBC radio service and two million to no other radio service at all.

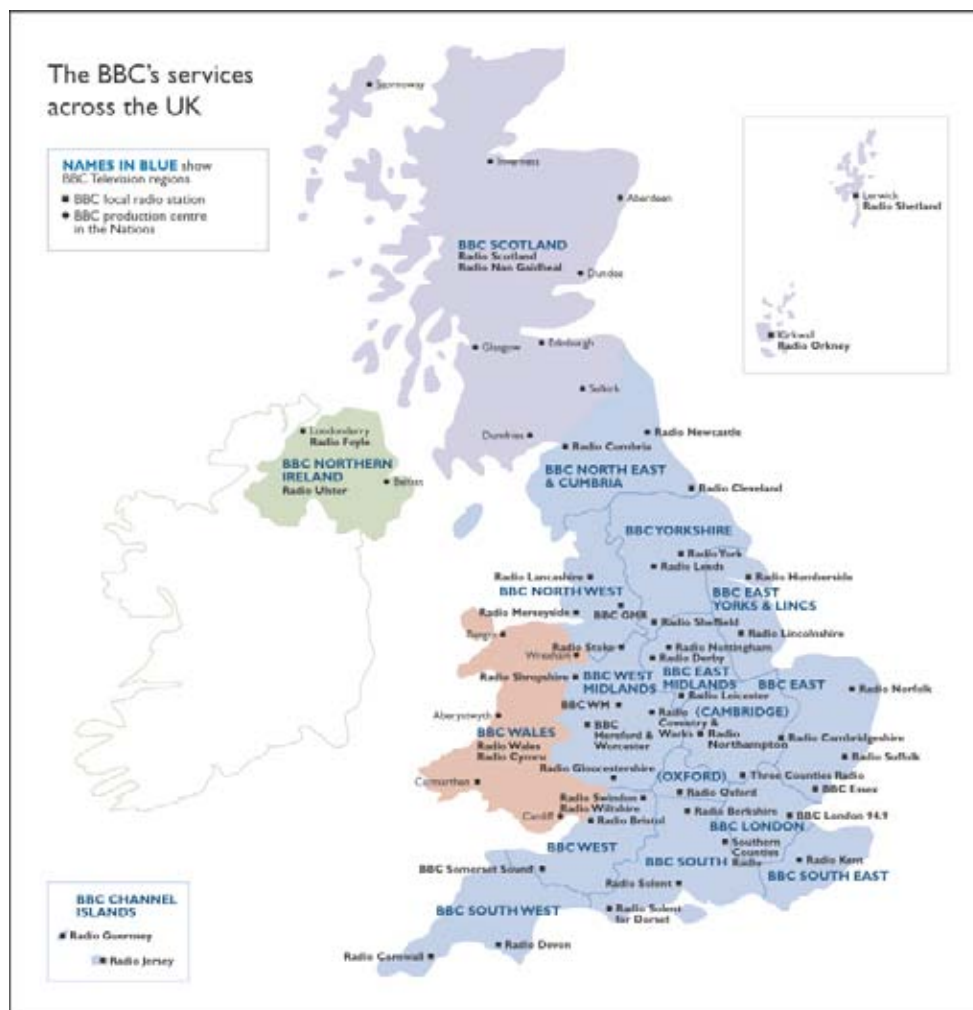
The BBC's local and regional services also offer a way of giving a voice to people – through phone-ins, public events and direct involvement with local communities. Examples include local radio's *Voices* project, which involved nearly 50 communities across the UK, and the BBC's 2002 *All Together Now* initiative in which children from

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<sup>22</sup> BARB, TNS/Infosys, 2002

a primary school in a deprived area of Leeds learned radio techniques and made programmes about local issues which were then broadcast on Radio Leeds.

In addition, the BBC provides 55 *Where I Live* websites which offer audiences a place on the internet to find information, news, entertainment, sport, travel and weather relevant to life where they live. The sites are safe, trusted places where users and communities can communicate with each other, connect with the BBC and publish their own content. As well as connecting local communities, the BBC hosts many communities of interest via [bbc.co.uk](http://bbc.co.uk)'s online discussion boards. Millions of messages are posted every month, as people discuss topics ranging from cricket to coping with bulimia.



Through two new digital radio networks, BBC Asian Network and 1Xtra, the BBC helps to serve the needs and interests of ethnic communities in the UK. These services provide focal points for ethnic minorities, helping to reflect their culture within the context of modern UK society. They also offer forums for people to learn from and connect with each other both on air and online. Asian Network, for example, has hosted debates on subjects as diverse as the state of the Bollywood music industry and asylum seekers and the new Asian soap, *Silver Street*, will act as a test-bed for new creative writing and performance in the UK Asian community.

The BBC's challenge for the future will be to respond to public demand for even more local coverage, to provide a trusted forum for communities of interest of many sorts, and to find ways to reflect the different cultures of the UK more powerfully to a wider British audience. Again, Chapter 3 sets out our ideas for the future.

## 1.7 The BBC's global value: supporting the UK's role in the world

The fifth area of BBC public value is its international contribution. The BBC is the best known and most respected voice in international broadcasting and is one of the most effective means of communicating the UK's values and culture across the globe. The BBC brand has come to stand for impartiality, integrity, tolerance and quality. This gives the UK a special reputation in the emerging global community that is of irreplaceable value.

The BBC World Service is the most trusted international provider of news and analysis in every one of 15 key countries surveyed<sup>23</sup>. It is available on radio all over the world and speaks to around 150 million people in 43 languages. It is part of their daily listening and a lifeline for millions in times of war, political crisis or natural disaster. BBC World television is available in 260 million homes worldwide and in more than 200 countries. The BBC's international news websites now record over 230 million page impressions a month. These services are supported by the largest network of bureaux and correspondents of any global news broadcaster.

In the US, 40% of opinion formers in Boston, New York and Washington turn to the BBC for news every week; in Kabul, six out of ten listen to the BBC every day; the Pashtu and Persian services were the only sources of reliable news before, during and after the war in Afghanistan, listened to even by the Taliban; in India, BBC World is the top international news service; usage of the BBC's award-winning international news websites has grown 100% in just a year. During the Iraq war, the BBC's news services provided a unique global perspective to audiences around the world and were highly valued for their objectivity, accuracy and independence.

*"The BBC World Service is perhaps Britain's greatest gift to the world this century."*

Kofi Annan, UN Secretary-General, 1998

Increasingly, the BBC's international news services engage people in dialogue about the key international issues facing the world. As well as providing trusted information, the BBC promotes global conversations on important issues in an intelligent and tolerant manner which can help to build understanding in an unstable world. The BBC's multimedia services come together regularly to host interactive global debates with leading figures of the day such as President Putin of Russia, President Hamid Karzai of Afghanistan and President Musharraf of Pakistan. During the Iraq war, the *Talking Point* debate forums received over 250,000 emails from around the world. In partnership with the UK government, international agencies and NGOs, the BBC World Service Trust supports the development of public service broadcasting

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<sup>23</sup> TNS, FMR, Oxford Research International, commissioned by BBC World Service, 2003/04

worldwide and spearheads health, welfare and social programmes. The Trust has trained hundreds of journalists and producers around the world and is currently helping to reconstruct public service broadcasting in Afghanistan, Bosnia and Iraq.

Through its commercial activities abroad, the BBC is able to showcase the best of UK creativity, culture and talent to global audiences. BBC Worldwide currently licenses some 40,000 hours of programming abroad annually, accounting for around 50% of UK total television exports<sup>24</sup>, and broadcasts a portfolio of commercial television channels around the world. In the US, BBC America, now available in 40 million US homes, is making household names of British talent. The BBC's programmes won a record 30 international awards last year; this year *The Office* won two Golden Globes, the first ever for a UK comedy. *Absolutely Fabulous* has been licensed to more than 100 countries, and by selling natural history shows such as *The Blue Planet* and *The Life of Mammals* to broadcasters all over the world, the BBC has helped establish the UK as the world's leader in this genre.

## 1.8 The BBC's economic value

The BBC is not always thought of in terms of its contribution to the economic health of the UK – and it is right that this should not be its primary goal. Its overriding purpose is to serve people as individuals and as citizens. However, through its creative investment, its stability of funding through fluctuating economic cycles and its risk-taking, it makes a substantial and measurable contribution to the supply side on which the UK's creative and cultural life depends.

First and foremost, the BBC is a leading investor in the UK's creative economy. In 2003, it invested almost £1bn in the creative industries, including over £300m spent with external producers. In addition, for the reasons already set out, the BBC stimulates greater investment in the UK's creative economy by other broadcasters, who spend more on original British programmes than they otherwise would.

The BBC's second contribution to the UK's media economy is as its main investor in skills and training. The BBC spends over £40m a year on training in the craft skills of broadcasting – including camera, studio operations, writing, producing and directing, lighting, make-up and design. Because the BBC is a public corporation, it regards its delivery of training on behalf of the industry as positive, contributing to a stronger creative economy for the nation as a whole. A private broadcaster would not see it this way – given the mobility of the workforce, a training budget of this scale would be regarded as aiding the competition and would not be sustained.

The BBC recruits around 200 trainees a year, developing them to industry standards – more than five times the rest of the industry put together. An estimated 30-40% of programme makers in UK commercial broadcasters are BBC-trained. Freelancers are given training support through subsidised workshops and free online training modules, and the BBC runs specific programmes for the commercial broadcasters, many of whom depend on BBC training to maintain their craft skills.

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<sup>24</sup> BBC estimate based on British Television Distributors Association figures, 2003

Third, the BBC is a pioneer in new technology. The BBC's Research & Development arm has helped win a place for the UK at the forefront of broadcasting technology and engineering, recognised by seven Queen's Awards for Industry and four Emmys. Working with partners, the BBC has been responsible for technical breakthroughs in many areas including the first fully compliant digital TV receiver chip, wireless digital cameras, subtitling, audio-description services and digital audio broadcasting (DAB). The BBC is currently developing plans to produce all its television output to meet High Definition Television (HDTV) standards by 2010.

The BBC's fourth contribution – and one of the most valuable at the current time – is in opening up new media markets. In earlier decades, it helped to develop markets ranging from FM radio to colour television. In the current Charter period, it has been one of the main drivers of free-to-view digital television and digital radio via its new digital services. The BBC has also helped to drive internet usage. By June 2004, there were 4 million Freeview homes and over 500,000 digital radios in use. 1.5 million adults listen to BBC digital radio services each week with almost a quarter of people buying a digital radio to receive particular services citing BBC 7 as the specific reason for doing so<sup>25</sup>.

*“The BBC's introduction of the new and exclusive DAB programmes, especially BBC 7 and BBC Five Live Sports Extra, generated enormous consumer interest in the new broadcasting era and this, linked to the assurances that the BBC gave regarding the installation of the new transmitters, persuaded us to progress the next phase of our DAB product investment.”*  
Leslie Burrage, chief executive of Roberts Radio, 2004

The BBC can play a particularly powerful role when the commercial market fails in an area of high public value. The BBC's successful intervention in digital terrestrial television (DTT) to create Freeview was an example of this (see box overleaf). Had DTT collapsed along with ITV Digital, which was a likely outcome without public intervention, digital switchover could have been delayed indefinitely, with real social and economic costs for the UK. The high-risk nature of broadcasting investment will continue to make public intervention of this sort necessary from time to time for the foreseeable future. As the success of Freeview has shown (Figure 4), the BBC can be highly effective at such times, largely because of its ability to shoulder risk and take a lead in the industry, and because of the trust people have in its brand.

Of course, the BBC's positive contribution to the wider media economy must be set against the impact it might have in reducing audiences for some commercial services. Any calculation of the economic value of a BBC service therefore needs to be a 'net' measure. Nonetheless, the evidence is that the BBC makes a strongly positive net contribution to the commercial health of the UK media sector. The UK leads the world in digital television and radio, is the largest television programme exporter outside the US and has the most vibrant independent television sector in Europe – and all in spite of the existence of the BBC and a tradition of strong public intervention. However, the BBC recognises that in future it needs to be increasingly sensitive to the impact of its activities on commercial companies. Our proposals in this area are set out in Chapter 4.

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<sup>25</sup> Claritas, research commissioned by the Digital Radio Development Bureau (DRDB), 2004

## The story of Freeview

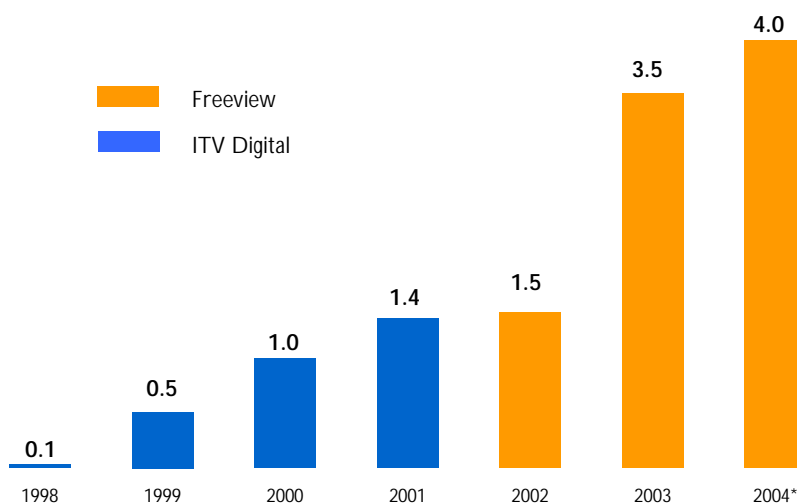
In mid-2002, ITV Digital, the owner of the UK's digital terrestrial television platform (DTT) was put into administration. After a competitive tendering process, the licences were awarded to the BBC and Crown Castle who, in partnership with BSkyB, launched Freeview. Freeview offered up to 30 television channels, over 20 radio stations and a range of interactive services, with a one-off payment and no subscription. For the first time, consumers were able to receive free-to-view digital television.

Before the collapse of ITV Digital, take-up of DTT had stalled at 1.2 million homes (with a further 0.2 million free-to-air homes) and it had declined to just 0.7m before the launch of Freeview. Since the launch of Freeview in October 2002, DTT take-up had grown to 4 million homes in just 20 months, making it the fastest-growing consumer electronics product ever in the UK.

Take-up of digital terrestrial television 1998 to 2004

Figure 4

Households (m)



Households with digital terrestrial television on any set. \* June 2004

Source: 1998-2002: ZenithOptimedia 'UK Television Forecasts', August 2003, 2003-2004: BBC estimates

## 1.9 The limitations of the commercial marketplace

We have set out a range of ways in which the BBC, as a publicly funded broadcaster, creates public value for UK society. The next question must be whether public intervention is needed to secure it. Could the same level of public value be achieved through the workings of free media markets, without public intervention or funding?

Clearly, commercial broadcasters can and do create public value. Sky News is a high-quality news service that brings reliable, impartial news to over ten million homes in the UK. Discovery produces high-quality science and history programmes that are educational. Public value is not the preserve of publicly funded or regulated organisations; commercial organisations are important contributors.

However, for reasons rooted in the economics of broadcasting, the commercial broadcasting market alone will not produce the kind and range of programmes that society would ideally want. In the language of economists, broadcasting is subject to *market failures*. This is sometimes misunderstood to mean that, without intervention, there would be catastrophic collapses and bankruptcies. Though that can sometimes be the case (as with the collapse of ITV Digital), market failure is usually a far more subtle phenomenon. Markets still work, but do not produce the best outcome. Public value is less than it should be. Society's resources are not allocated as well as they might be. Some consumers go without.

Three market failures in particular apply in broadcasting: broadcasting as a public good; broadcasting as a merit good; and the external benefits associated with broadcasting.

- **Broadcasting as a public good.** Broadcasting has an unusual but crucially important characteristic, which is that it can be supplied to many people at the same cost as to a few people. There is no limit to the number of people who can consume it. This is the dominant characteristic of a *public good*. Other public goods include street lighting, defence and roads. *The Blue Planet*, for example, cost £6m to make, but it costs no more to provide to 25 million homes than to 250. The most efficient price for a public good is zero. If it is charged for, some people will not choose to buy it, even though it would cost society nothing to give it to them. As a result, there is a loss of consumer welfare for society as a whole. This means that public funding for broadcasting, based on a universal fee, leads to a more efficient allocation of resources than the free market would produce. As long as broadcasting is a public good, there will be a case for public intervention on pure efficiency grounds.
- **Broadcasting as a merit good.** The second market failure is that broadcasting can bring benefits to people that they may only recognise afterwards. This is particularly true for children and young people – programmes that may encourage them to think about a new career or try out a new interest may not seem appealing in advance. *Celebdaq* introduced many young people to the mechanics of financial markets while *Great Britons* revitalised many people's interest in British history and the *Hitting Home* series raised awareness of the often hidden problem of domestic violence. Broadcasting is what economists call a merit good, and free markets do not supply enough merit goods.

These two types of market failure will tend to prevent free broadcasting markets from properly satisfying people's needs as individuals and consumers. The third market failure affects the ability of free markets to serve people effectively as citizens.

- **The external benefits of broadcasting.** We have already talked extensively about the broader benefits that broadcasting can bring to society, particularly when it is delivered universally and equitably – such as a better educated or healthier society, or a more tolerant culture. These benefits are sometimes known as *externalities* – the benefits that you may derive from a service even if you don't consume it. Again, free markets deal badly with externalities. They have no way of pricing them, so tend to underproduce the products and services that create

them. Patrick Barwise, Professor of Management and Marketing at London Business School, has made the observation that the broadcasting market is small compared to the importance it has in our lives. The externalities swamp the scale of the market, and need to be given serious consideration in broadcasting policy.

Some people argue that some or all of these market failures in broadcasting are disappearing in the new digital world. They believe that technology advances are making the broadcasting market more like normal consumer markets, in which all needs can be met by commercial companies without intervention. For example, Ofcom, though in agreement about the ongoing need for public service broadcasting to serve people as citizens because of externalities, believes that the public good problem will be solved in a digital world. Its PSB television report states that “... *We believe that in future, public service broadcasting will no longer be needed to ensure that customers can buy and watch their own choice of programming.*” They add that “*The public good problem can largely be resolved (using) encryption and conditional access systems.*”<sup>26</sup>

However, our view is that the public good characteristics of broadcasting are likely to last for the foreseeable future, if not forever, and are unaffected by the technical possibility of excluding people using encryption. Even in a fully digital world, broadcasting will continue to be a public good – that is, many people can watch and listen to it for the same price as only a few. In broadband, the costs of distributing content have fallen dramatically in the last three years and will carry on falling. Meanwhile, high-quality British documentaries, dramas and comedies will continue to be expensive to make, with the same merit good qualities as in the analogue world. Using encryption to charge people for watching these programmes would therefore result in some people being excluded from content that would cost nothing to give them, resulting in a loss of consumer welfare for society as a whole. This means that the purely economic case for the universal provision of public service content, free at the point of use, will be as salient in the new media world as in the old.

In this debate, it is important not to confuse the possibility of charging for broadcasting with economic desirability, a mistake that can be traced back to the 1986 Peacock Report. While it is true that some public goods can be charged for, and that television broadcasting is beginning to move into that category because of the development of encryption technology, this fact does not of itself change the key public characteristics of broadcasting. The important point is that broadcasting is, and will remain, a public good, and that excluding people on grounds of price would make society worse, not better off.

## **1.10 Can public value be measured?**

So far, we have argued that the existence of the BBC as a publicly funded broadcaster creates substantial public value for our society, and that the commercial market alone would not create public value on this scale. The next crucial question is whether public value can be measured, and if so, is it worth the price of the licence fee, currently £121 per household per year?

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<sup>26</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?*, para 155, 2004

In a perfect world, it should be possible to add up all the types of public value we have described in these pages and compare them with the cost of the licence fee. The problem lies in how to measure them. How does society put a price on the greater tolerance and respect that comes from having a public place for national debate? Or the cultural value of universal access to a much-loved symphony, or a ground-breaking play? Or the educational value of science and history programmes accessible to all? Markets are notoriously bad at pricing these types of benefit.

Despite these difficulties, we believe it is worth trying to find a more rigorous way of assessing public value than in the past. Our proposal uses the definition of public value we gave earlier in this chapter, and is based around the three elements of individual, citizen and economic value. We have developed measurement approaches for each:

- *First, individual value.* The value of BBC services to individuals is relatively easily measured. The individual value that people can derive from BBC programmes will depend on their quality, reach and impact. These indicators can and will be tracked. But in addition, it is possible to go further by asking people how much they would be prepared to pay for BBC services, compared with the licence fee cost of providing them. In assessing individual value, we can use techniques like willingness to pay and conjoint analysis. These measures will be imperfect, and may not capture the merit good qualities of some programmes, but they can provide good indicators.
- *Second, citizen value.* This is the most difficult element of the BBC's public value to measure. It should be thought of as an uplift over and above individual value – that is, the additional value that people recognise extends beyond their personal gain, perhaps even from services they don't themselves use. Again, there are some useful indicators – the reach of a service among disadvantaged groups, or evidence of its impact beyond the broadcast programme, such as follow-up educational courses, or participation in sporting or musical events. However, these indicators will not answer the question 'how much should the BBC spend to achieve this outcome?' To do that, other methods are needed. Asking people to put a value on the BBC's wider social contribution is one method. Another is to estimate the spending that another public body would need to make to achieve the same outcome. Take, for example, the contribution that the BBC can make to building trust and tolerance between the UK's different cultures through comedies like *Goodness Gracious Me*, portrayal of a diverse UK in dramas like *Casualty*, and documentaries about racial issues. If the BBC did not exist, other tools of public policy might be needed to achieve the same ends – perhaps through race agencies or the education system – or society would be worse off. We can estimate what this alternative cost would be and compare it to how much the BBC actually spends or would spend.
- *Third, economic value.* Measuring economic value is relatively straightforward, and involves well-tried techniques of market impact analysis. Economic analysis can be used to assess both the positive and economic value of the BBC's activities, such as their impact on digital take-up, or their negative impact on

commercial businesses. An independent economist has conducted this analysis for all the BBC's new digital services<sup>27</sup>.

We intend to use public value as a hard-edged tool for decision-making about what the BBC should do – and, as importantly, what it should not do. To that end, Chapter 4 describes how we plan to apply a public value test to all new BBC services based on these definitions and measurements. Its aim is not to boil public service broadcasting down to a single number or equation. That is neither possible nor useful. However, we hope it can put more rigour and evidence into the evaluation of public service broadcasting that has in the past tended to be almost wholly subjective.

Whatever approach is taken in the future, the views of the British people have to be paramount. Recent research commissioned by the BBC suggests that they value the BBC's services very highly<sup>28</sup>. We found that on average, people were willing to pay £21 per month for BBC programmes and services, rather than have the BBC taken away from them, compared to the current licence fee of £10 per month. Over 80% of people said they were willing to pay the licence fee at the current price, 42% said they would pay double, and 19% said they would pay three times the current level.

This may lead one to conclude that the BBC should be switched to a voluntary subscription service, funded by those households who chose to subscribe. However, this model has serious drawbacks. Our research shows that, in order to maximise income, the BBC would need to charge a subscription price of £13 a month, which is 30% higher than the current licence fee. However, even at this level the BBC would only generate around 90% of its current income, and over one-third of homes, or 20 million people, would choose not to subscribe<sup>29</sup>. As a result, the BBC would become a service only available to those willing and able to pay. As noted earlier in this chapter, there would be a loss of consumer welfare, because it would cost nothing to provide the BBC's services to the 20 million people excluded. Moreover, the two-thirds of people who did subscribe would be paying substantially more for a narrower range of services. The BBC would become a very different kind of broadcaster, and one of its main sources of public value, its universality, would be lost.

## 1.11 A choice for the future

In this Charter Review, the UK faces a clear choice about what kind of broadcasting system it wants. Because of the arrival of encryption technology and therefore a means of charging for BBC services, subscription funding could be introduced for some or all of the BBC's services. Public funding could begin to be reserved only for a narrow range of high ground programmes that commercial companies would not offer. The licence fee could be wound down over time, and the BBC could become a private corporation. The transition could not be immediate, because too few people have access to subscription pay-television, and it might not be possible in radio at all.

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<sup>27</sup> Oliver & Ohlbaum Associates, *An assessment of the market impact of the BBC's digital TV services*, 2004, and, *The market impact of the BBC's digital radio services*, 2004

<sup>28</sup> Human Capital/Martin Hamblin GfK, *A study measuring the value of the BBC*, 2004

<sup>29</sup> *Ibid*

But the process could begin. Indeed, proposals along these lines have already been put forward for consideration as part of the Charter Review debate.

However, the outcome would be to dismantle the BBC and with it the UK's current broadcasting system. As we have sought to show in this chapter, the UK has a unique system of mixed public and private broadcasting that has been constructed over the past century on solid economic and cultural principles. It overwhelmingly reflects the lives and culture of the British people. It provides one of the most independent and trusted news services in the world. It makes learning opportunities available to all. And, because it is a universal system, it is able to bring large parts of the UK together. Once dismantled, it could never be rebuilt.

## 1.12 A changing BBC

In the rest of this document, we turn to the BBC of the future and how it will change. The BBC recognises that it needs to reform itself as an organisation in fundamental ways to meet the challenges of today and tomorrow.

The changing commercial environment means that the BBC must be able to demonstrate the public value of what it does, and take proper account of the market impact of its activities. Equally, it must recognise that its major role in the UK's creative economy gives it significant responsibilities. It needs to ensure that it can work better and more fairly with others, creating effective partnerships based on mutual respect and understanding. It needs to become a more open organisation.

In the field of governance, the BBC's system of scrutiny and accountability needs to be reformed – but in ways that retain its independence from government and commercial interests. In particular, the role of the BBC's Board of Governors must be clarified, introducing greater separation from the BBC's management. Most important of all, the BBC's programmes and services have to more than meet the expectations and needs of the British public.

Our ideas and proposals for change are set out in the following chapters. The BBC must and will move with the times, adapting to the changing technological, market and social environment. However, its commitment to representing the public interest in broadcasting – true public service broadcasting – will remain.

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This chapter has set out our case for why the BBC matters. In the next chapter, we look at the rapidly changing media landscape, and draw out its implications for public service broadcasting in the future.

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## Chapter 2: Changing media in a changing society

The UK's media world has changed dramatically and unpredictably since the BBC's last Charter was agreed nine years ago. Digital television, the internet and mobile telephony were hardly mentioned in 1995, yet all three have become part of everyday life for more than half the population of the UK. The broadcasting landscape will change just as dramatically and unpredictably over the course of the next decade. The UK is about to enter the second stage of the digital revolution.

It seems that every generation has a media revolution. For the pre-war generation, it was radio. For the post-war generation, it was television. For the young people of today, it is digital. Now, ten years into the digital revolution, it is clear that its impact will be at least as profound as the radio and television revolutions that preceded it.

In the next 10–15 years, the UK has the opportunity to become a fully digital nation. By the middle of the next decade, every home in the land could have access to digital television and radio, and the majority could be using broadband as part of their everyday lives. Broadcasting as we know it will change beyond all recognition. When this second stage of the digital revolution is complete, we will reach a new level of stability – that is, until the next major media breakthrough bursts onto the scene, the revolution of the next generation.

In this chapter, we consider what the digital world of the next decade might look like and the opportunities it might offer. We also consider the transition itself – the risks and challenges of achieving a fully digital Britain and particularly the goal of digital switchover. And finally we consider what all this means for the role of public service broadcasting. Our belief is that it will become more, not less important.

First, to put the future development of UK media in context, we look at how our society is changing.

### 2.1 Our changing society

Broadcasting has always both reflected and led changes in society. The complex interaction between broadcasting and society will continue into the next generation. In particular:

- **UK society is becoming increasingly plural and diverse.** British people are perhaps more aware of their differences than they have ever been. Differences between the generations are particularly pronounced, polarising views between young and old around issues ranging from sex and family to religion and politics. Research suggests that the monarchy, government and church are less respected and provide fewer shared points of reference, particularly among young people. Habitual deference is disappearing. Family structure is changing radically:

by 2010 single-person households will be the largest household type, accounting for almost 40% of all homes<sup>30</sup>.

- **The UK is becoming a mature multicultural nation.** 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<sup>31</sup> and are projected to grow as rapidly over the next decade, particularly in urban areas. A BBC survey suggests that, as a whole, the UK appears to be more at ease with its cultural diversity<sup>32</sup>. The proportion of young people from ethnic minorities reporting racial prejudice fell from 39% to 31% between 1987 and 2002<sup>33</sup>.
- **The nature of democratic engagement is changing.** General election turnout fell from 72% of the electorate in 1972 to 59% in 2001. Young people in particular are turning away from traditional politics – it is estimated that just 39% of 18–24 year olds voted in 2001<sup>34</sup>. However, people still want to be involved with issues that concern them: in 2003 over a million people across the UK marched in opposition to the war in Iraq, while in 2002 over 400,000 protestors took to the streets of London to highlight the needs of rural communities.
- **Interest in individual self-fulfilment and achievement is growing.** Recent evidence shows that people attach greater importance to personal fulfilment than to earning more money: 42% of adults name self-fulfilment as their goal if they were allowed just one wish<sup>35</sup>. However, access to learning opportunities and the motivation to take them up remains highly unequal. 60% of adults in socio-economic groups AB have undertaken recent learning compared to only 25% of adults in groups DE<sup>36</sup>.
- **The UK is becoming more open to global influences.** The world is getting smaller. In 1980 at least 48% of Britons believed that the UK could gain 'something or a lot' from Europeans and Americans. By 2000 this figure had risen to over 75%<sup>37</sup>. The number of people taking flights overseas has increased by 73% over the past ten years<sup>38</sup>. However, the international environment is less stable now than at any time in the past 50 years. Issues of terrorism, the global economy, trade and the environment now head the global agenda. Reliable and impartial information is at a premium.
- **Despite a more global outlook, people increasingly value localness.** Nearly half of UK adults feel a need for community involvement, while over two-thirds think it important to retain local differences, such as in accents or food, up from 57% in 1983<sup>39</sup>. Political control has moved to new democratic institutions in

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<sup>30</sup> Richard Scase, *Britain in 2010: The New Business Landscape*, 2000

<sup>31</sup> Office of National Statistics, *UK Census 2001*, 2001

<sup>32</sup> BBC News Online, *BBC Race survey*, 2002

<sup>33</sup> Office of National Statistics, *British Social Attitudes*, 2003

<sup>34</sup> MORI, *Survey of Attitudes During the 2001 General Election Campaign*, 2001

<sup>35</sup> nVision/TNS, *Changing Lives survey*, 2002

<sup>36</sup> NIACE, *Adult Participation in Learning survey*, 2002

<sup>37</sup> nVision/TNS, *Changing Lives survey*, 2000

<sup>38</sup> Office of National Statistics, *Annual Abstract of Statistics*, 2004

<sup>39</sup> nVision/TNS, *Changing Lives survey*, 2002

Scotland, Wales and Northern Ireland, while several English regions are looking to elect their own assemblies.

*“People everywhere are responding to the cold wind of global competition by sinking their roots into their local community and the greater sense of permanence it seems to offer.”*

Lord Puttnam, film producer, 1999

These changes are creating challenges and opportunities for all broadcasters, public service and commercial. In particular, one-size-fits-all broadcasting, in which people from different generations and backgrounds could be content with a small range of mass broadcast channels, is becoming a thing of the past. Today’s broadcasters need a profound understanding of their audiences and how to respond to their personal and fast-changing needs. Digital technologies help to provide the means.

## 2.2 The second phase of the digital revolution

The first stage of the digital revolution, which began in the mid-1990s, has largely been about expanded consumer choice. It has brought access to many more channels on both television and radio and to a wealth of information on the internet. It has been a great success in many ways. More than half the population have digital television and the internet in their homes, mobile phones have become a staple of daily life, and the UK is rightly regarded as a digital leader around the world.

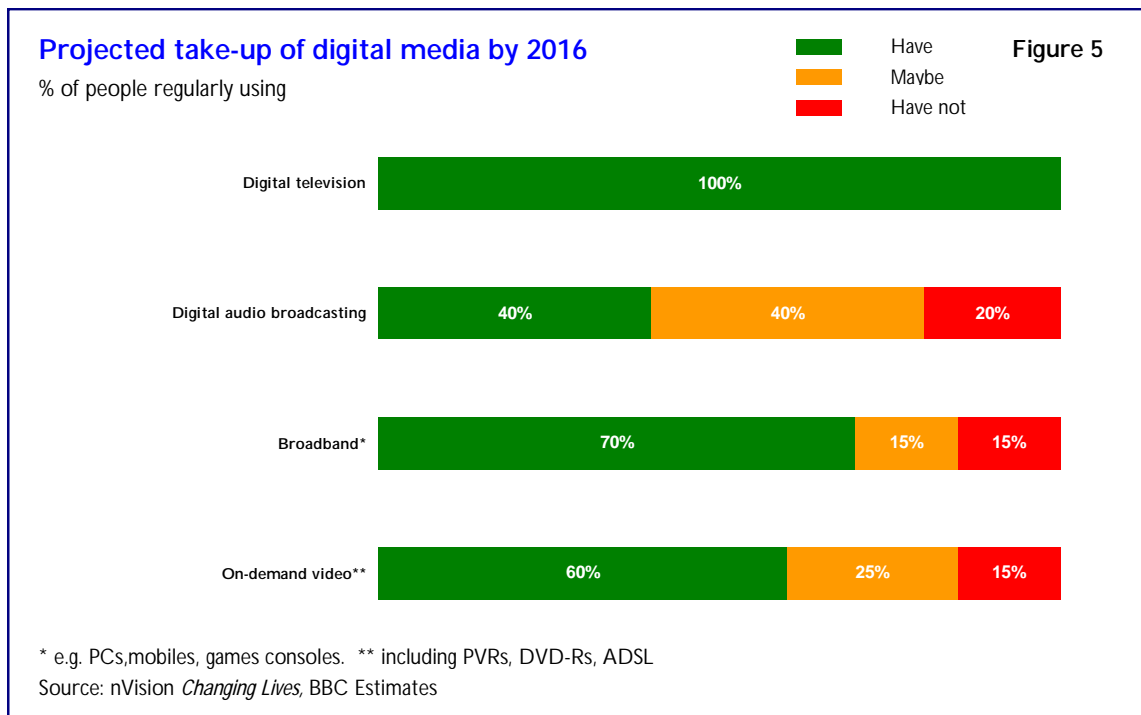
However, this first phase has left many people untouched. It has been driven largely by business models based on a minority of subscribers paying substantial subscriptions. Everyone else has been excluded – sometimes, in the case of pay-TV, from programmes and sports events that they had once been able to watch free-to-air. It has been largely about private, rather than public, value.

The second stage of the digital revolution is likely to have a far greater impact on people’s lives, with scope for substantial public as well as private value. Two factors will drive these new forms of public value. First, basic digital technologies – the internet, and digital television and radio – are likely to become nearly universal over the course of the next decade. Like the telephone, the power of digital will become progressively greater as more people join the network.

Second, broadband take-up will grow as rapidly over the course of the next decade as the internet did in the last. Currently, nearly four million UK homes have broadband access<sup>40</sup>. We expect the number of homes with a broadband connection to rise to between 15 and 20 million homes by 2016, bringing fast internet services and high-quality video to computers and other devices. Most people will have a mobile device capable of receiving high-quality video on the move (Figure 5). The broadband age will bring with it four new types of service that have the power to transform the media landscape as we know it:

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<sup>40</sup> Ofcom, *The Ofcom Internet and Broadband Update*, 2004



- **Programmes and content on demand.** Digital radio and TV audiences will soon have the same flexibility as internet users to control when and where they watch and listen to programmes. We expect seven in ten homes to be able to schedule their viewing and listening at a time that suits them best by 2016. Many will use personal video recorders (PVRs), which will be able to hold as much as 4,000 hours of content (equivalent to six months of output of a 24-hour television channel), compared to just 40 hours today (see box below). At the same time, downloading and filesharing of video and audio from the internet will become commonplace for many people.

### The impact of personal video recorders

PVRs allow users to schedule broadcast television and radio programmes to a time that suits them<sup>41</sup>.

- Sky+ and TiVo are the most popular PVR services, with over 350,000 subscribers in March '04
- 9 out of 10 Sky+ owners say they now never miss their favourite programme
- 97% of TiVo owners would recommend the device to a friend
- Viewers watch between 10% and 20% more television, according to early research
- 61% of Sky+ owners say they now watch a wider range of programmes
- Viewers in PVR households timeshift up to 70% of their viewing
- News, sport and reality shows remain predominantly live experiences
- Up to 90% of advertisements are fast-forwarded
- PVRs may cut television advertising revenue by 8% within 5 years, according to US analysts

<sup>41</sup> BSkyB, Screen Digest, Media Experts iTV Lab, JP Morgan, Cable & Satellite International, CBW Marketing Research, Forrester, Human Capital, 2004

- **Getting personal.** People increasingly expect digital services to be tailored to their individual requirements. Mobile phones, electronic programme guides, buying on the basis of peer group recommendations from *amazon.co.uk* and breaking news text alerts are just a few examples of devices and services which people can customise to make them easier to use and more relevant. This will become more common in future as successful manufacturers increasingly tailor their products to suit individual lifestyles and people embrace intelligent devices and software which recognise and act on their preferences and needs.
- **Connecting audiences and broadcasters.** Digital media is transforming relationships between audiences and broadcasters. Increasingly, viewers and listeners can vote, answer questions, shape the outcome of stories, give feedback in real time and even report breaking news. Sixty-one per cent of people who have used BBC interactive television services agree that it makes watching programmes more enjoyable<sup>42</sup>.
- **Media on the move.** Television and the internet will become as portable as radio over the next 10–15 years. The success of radio demonstrates the value of portability – its flexibility suits the pace of modern life and as a consequence it is flourishing. Companies are now producing a raft of new devices that can perform the functions of a TV, radio, computer and mobile phone rolled into one. At the same time, video will move into public places, with the growth of large screens in railway stations, city centres and shopping malls.

By the middle of the next decade, content will be available at the call of audiences, not according to the plans of schedulers. Broadcast channels will still have their place – as trusted homes for live and shared events and for first showing of new programmes. Brands will be more important than ever, to help people to find what they want in a crowded and cacophonous media landscape – but they will no longer be brands that stand only for a particular broadcast schedule. They will stand for a set of values, characteristics and promises.

The public value potential of this new media world is enormous. For example, there will be new ways for people to take part in civic society, a growing range of personalised learning tools that move at the pace and according to the interests of their users, new ways of connecting communities at many different levels, access to previously closed archives at low or zero cost, more convenient ways to watch and listen to programmes, the opportunity for more localised content and tailored services for minority groups.

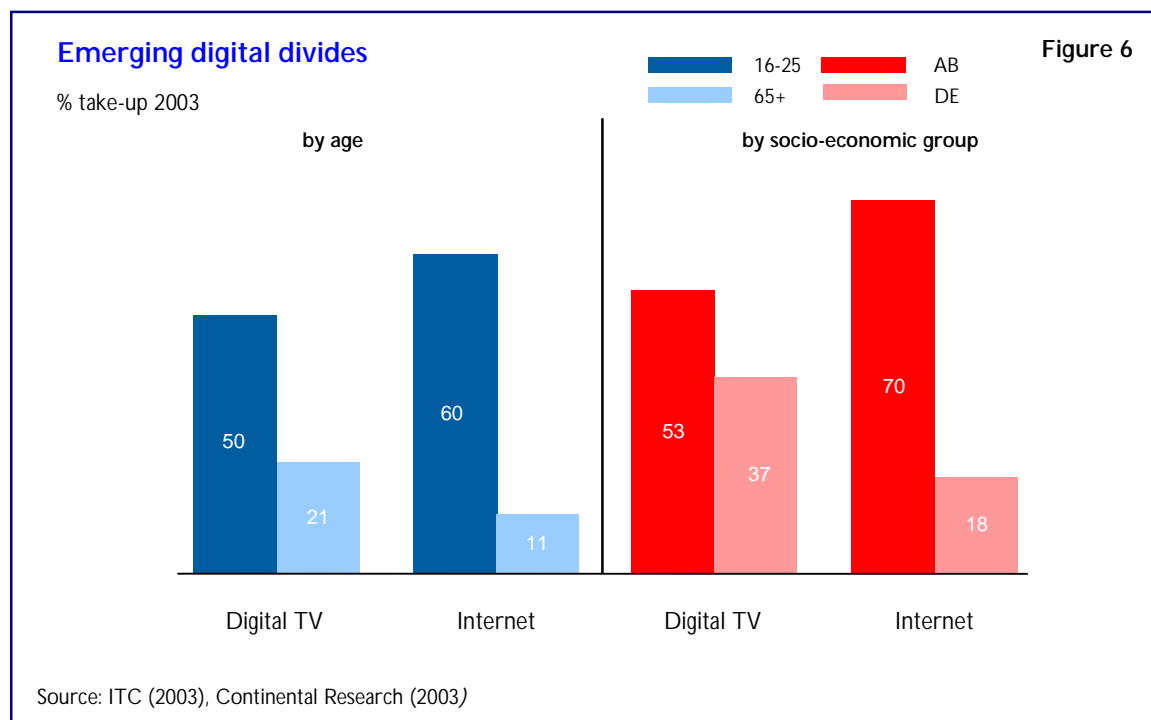
We believe these changes will be at least as dramatic as the impact of the internet and digital television over the last ten years, and have the power to transform the lives of everyone in the UK. However, this will only be possible if everyone can benefit from the new technologies.

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<sup>42</sup> Ipsos, *Quest*, 2003

## 2.3 Fragmenting audiences

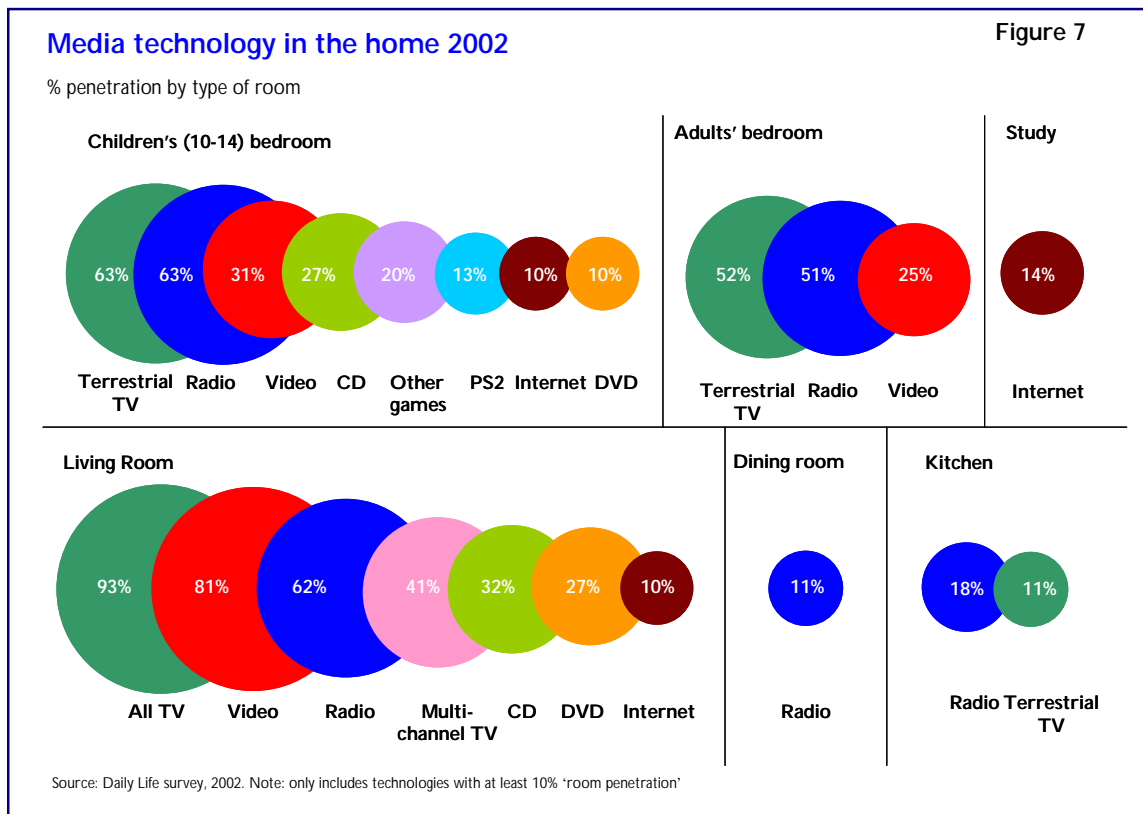
The explosion of media choice is causing audience viewing and listening to fragment. People are consuming a wider range of services across a greater range of devices. As a result, we are now in a multi-track media society, in which no two people's media behaviour is the same. The implications of this media fragmentation for our lives, individually and collectively, are potentially profound.



- **Growing digital divides.** The most serious implication of fragmenting audiences is that some people may find themselves left behind. Take-up rates of digital television and the internet have been strikingly different according to age and socio-economic group (Figure 6). Many people remain highly resistant – recent Department of Trade and Industry (DTI) research shows that as many as one in eight people say they will never be convinced to take up digital television<sup>43</sup>. If nothing is done, the gap will widen as broadband and other technologies such as High Definition Television (HDTV) develop, because the same people who have been early adopters of digital technology on television and the internet will be those who acquire broadband or upgrade to HDTV.
- **Declining importance of television for young people.** Television may be becoming slowly less relevant for today's young people. Recent BBC research shows that in 2004, children aged 10–14 are consuming over 20% less television per week than children of the same age a decade earlier<sup>44</sup>. One reason is that many children now have a wider range of media devices in their bedrooms than their parents have in the living room (Figure 7).

<sup>43</sup> DTI/Generics group, *Preliminary Findings on Consumer Adoption of Digital Television*, 2004

<sup>44</sup> BARB, TNS/Infosys, 2004



- Diminishing shared experiences.** In a fragmenting media world it will be harder to attract large audiences to programmes. Throughout the 1960s, 1970s and 1980s, audiences to popular ITV and BBC programmes such as *Morecambe and Wise* and *Coronation Street* were often over 20 million. In the current decade, audiences of over ten million are rare. However, some recent events have brought in bigger audiences than expected, such as the Queen's Jubilee, the Olympics and the recent D-Day celebrations, suggesting that people are still drawn to large national events and experiences that can be shared with many others. It may well be that, though the ability of television to bring the nation together on a daily and guaranteed basis may be falling, those occasions where it is possible could become more valuable over the coming years.

## 2.4 The opportunity for digital switchover

A key milestone on the way to a fully digital Britain will be digital switchover – that is, switching the whole country to digital television and turning off the analogue signal. Switchover would open up the capabilities of digital technology to virtually every household in the country, and help to mitigate the risk of digital divides. Without it, not everybody will be able to receive digital television via ordinary aerials and many people will be deterred from making the change. The success of Freeview in accelerating digital take-up has made digital switchover a realistic prospect within the next decade.

Once digital television receivers are universally available, they can begin to become a hub for a range of on-demand and internet services as well. Manufacturers are already developing Freeview boxes capable of delivering broadband services using telephone lines. But the foundation for this next stage needs to be a universal network of digital receivers. This is what digital switchover can deliver.

Though recent reports by Ofcom<sup>45</sup> and the BBC<sup>46</sup> concur that switchover is achievable, they also agree that much hard work remains to be done to persuade consumers of the benefits of digital television. It is also a serious logistical challenge, involving a rolling programme of regional conversions that will take around 4 years. And, well in advance of switchover, the UK's public service broadcasters will need to make a major investment, totalling several hundred million pounds, to build their digital terrestrial television networks to a point at which universal availability of public service channels after switchover can be guaranteed.

In the BBC's view, digital switchover is achievable by 2012, but will require a step-change in coordination between government, Ofcom, broadcasters, manufacturers and retailers, with better alignment of the costs, benefits and risks of switchover. In the next chapter, we set out our proposals for how the BBC can play a leadership role during this important period of transition.

## 2.5 Range and quality at risk

Audience fragmentation has important implications for programme quality. By spreading the same revenues over a growing number of services, it is putting a strain on quality and range in both television and radio. Though most analysts expect broadcast revenues to continue to outpace the economy as a whole – advertising income is forecast to grow by 30% from 2004 to £4.5bn by 2010, and subscription by around 40% to around £5bn in the same period<sup>47</sup> – this will not be sufficient to compensate for the huge growth in media competition. The consequences are:

- New television channels launching in the UK will be able to invest only modestly in original UK content. While the UK's public service broadcasters invest over 55% of their income in original UK content – with the BBC at 65% – pay-television channels invest an average of only 3%<sup>48</sup> (Figure 8). To be profitable, they are heavily dependent on repeats and acquisitions.
- In radio, the pattern is similar, with most new radio stations investing negligible amounts in original UK content. Even established commercial radio stations only invest on average around 25% of revenues in original UK content. Commercial radio profit margins are forecast to increase over the next decade but any extra investment in programming is expected to be focused on DJ-led music output and rights costs, rather than live music, new composition or speech output.

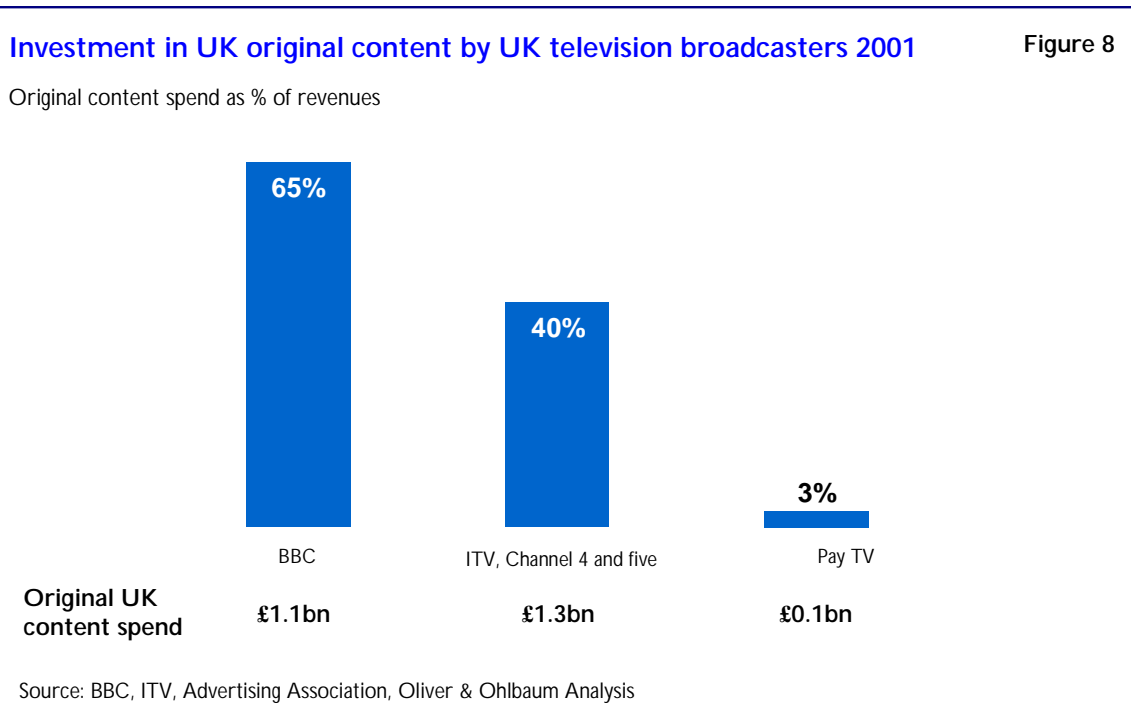
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<sup>45</sup> Ofcom, *Driving Digital Switchover*, 2004

<sup>46</sup> BBC report to the Government, *Progress Towards Achieving Digital Switchover*, 2004

<sup>47</sup> Spectrum Strategy Consultants, *The End Game: RTS Cambridge Convention*, 2003

<sup>48</sup> Oliver & Ohlbaum Associates, *UK Television Content in the Digital Age*, 2003



- The UK's large commercial broadcasters are under commercial pressure from audience fragmentation. The newly-merged ITV is responding with an aggressive programme of cost-cutting involving rationalisation of production outside London: a reduced presence in Manchester and Southampton and the closure of production bases in Nottingham and Kent, with implications for regional range and diversity in UK broadcasting.
- The impact of fragmentation extends to the news market, where competition for dispersing news audiences in both print and broadcast journalism is putting pressure on standards and impartiality. In the US, news networks have discovered that partisan news is a successful commercial strategy, leading some US commentators to talk of a crisis in modern American journalism.

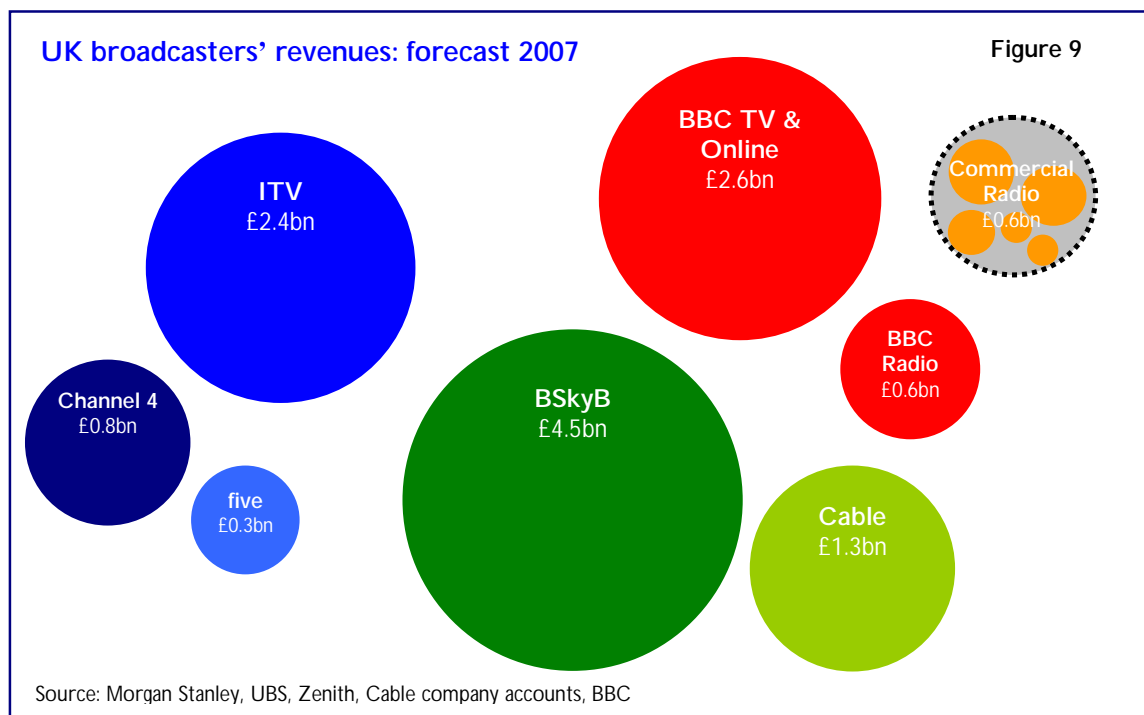
*"I'm deeply concerned about the merger mania that has swept our industry, diluting standards, dumbing down the news and making the bottom line sometimes seem like the only line."*

Walter Cronkite, journalist and former CBS news anchor, 2003

## 2.6 A concentrating media industry

Meanwhile, the UK and global media industry is consolidating faster than ever, driven by a growing need for economies of scale and scope to reach audiences cost-effectively. Contrary to some expectations, it looks as though the world's media industry will tend to heavy concentration even more strongly in the digital than in the analogue era, creating risks for the plurality of voices and range of British-made content in UK broadcasting.

- **Consolidation in radio and television.** The UK media industry has become more concentrated in all parts of the value chain in the last decade. In 1993 there were 15 independent regional ITV companies. Today only four remain, with the newly-merged ITV plc controlling 92% of ITV's revenue<sup>49</sup>. Cable has followed the same pattern, with only ntl and Telewest surviving today from more than 30 companies operating in 1993. Commercial radio has come down to a handful of main players. Today, around 55% of commercial radio listening is to networks owned by the big four radio groups<sup>50</sup>. The 2003 Communications Act paves the way for significant further consolidation.
- **Growing power of BSkyB.** The most striking example of concentrated media supply is BSkyB's position in the UK's pay-television market. Throughout the 1990s, it invested several billion pounds in creating a world-class, vertically integrated pay-television business. It is both a pay-platform operator and has its own channels. In March 2004, Sky accounted for over two-thirds of all pay-television homes. It effectively controls access for other channel operators to these homes. Recent brokers' forecasts predict that, by early 2007, BSkyB's revenue will be over £4.5bn per annum (Figure 9), creating annual free cash flow of around £800m<sup>51</sup>.



- **Global giants entering the UK.** The 2003 Communications Act paves the way for takeovers of UK broadcasters by foreign companies. Viacom, Disney and Clear Channel have already stated their interest in acquiring existing media assets in the UK. This is not limited to television and radio broadcasters – for

<sup>49</sup> ITV website, *About ITV*, 2004

<sup>50</sup> RAJAR/Ipsos-RSL, 2004

<sup>51</sup> Morgan Stanley, *BSkyB Report*, 2004

example, Microsoft plans to enter the world broadcast market, aiming to position its Windows Media Center product as the media hub for the home. It is likely that, by 2010, substantial parts of UK broadcasting will be owned by large global companies. Though foreign ownership could bring welcome new investment and skills into the UK market, we will need to be vigilant to ensure that the distinctive British nature of our broadcasting system is preserved.

## 2.7 Responsibilities and challenges for public service broadcasters

The net effect of all these changes is to create both new responsibilities and new challenges for the UK's public service broadcasters in the new media era. One of public service broadcasters' biggest responsibilities will be to sustain investment in high-quality UK-made programmes at a time of turbulence and commercial pressure. Public service broadcasters should remain guarantors of originality, innovation and creativity across a wide range of genres. In particular, they should continue to create experiences that bring the nation together – whether international events like the Olympics on the BBC and the Rugby World Cup on ITV, or ambitious multimedia series like *The Blue Planet* or *Great Britons*. These are high-cost, high-risk, yet highly valued popular programmes – no one else will create them.

At the same time, public service broadcasters can play a powerful role in building a strong digital Britain. Their obligation to be universal means they can help to make the UK's digital services, particularly digital television, available to everyone without a subscription. They can also help to make sure that everyone is offered digital content that they value, not just those who are profitable customers. Without these investments, switching off the analogue signal in the foreseeable future will be impossible. Meanwhile, as the commercial media industry consolidates, public service broadcasters, and the BBC in particular, can be a counterweight to large, potentially dominant commercial media players.

However, these are challenging times. As Ofcom notes in its recent report on the public service television market<sup>52</sup>, people in digital homes faced with multi-channel choice are watching fewer 'high ground' programmes than their counterparts in analogue homes – in news, current affairs, serious factual programming and the arts. For example, only 22% of people in multi-channel homes watch current affairs programmes in a given week, compared with 50% of those in analogue households. The BBC and the UK's commercial public service broadcasters will need to innovate in the style, content and range of their programmes to maintain relevance and appeal while staying true to public service values.

The UK's main commercial public service broadcasters have encountered difficulties over the course of the last decade. This was largely due to a severe downturn in advertising revenue from 2001 combined in some cases with progressive loss of audience share due to multi-channel competition. ITV's investment in the ill-fated ITV Digital and overpayment for sports rights compounded its difficulties. However, the recent merger of Carlton and Granada, unifying over 90% of ITV, and the continued beneficial impact of reduced licence payments due to the 'digital dividend' should

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<sup>52</sup> Ofcom, *Review of Public Service Television Broadcasting: Phase 1 – Is Television Special?*, para 75, 2004

help to create a financially stronger ITV in the future. Commercial public service broadcasters will also benefit from the forecast resumption of real growth in the advertising market over the next five years<sup>53</sup>.

The BBC has also had to adapt, though its stable funding has made the transition easier. Over the last Charter period, the BBC has taken a series of radical steps to prepare for the digital environment. In particular, it has launched a new digital portfolio of radio and television channels, developed and promoted Freeview, strengthened its marketing activity to ensure people can find their way to public service content in a crowded media marketplace, and launched [bbc.co.uk](http://bbc.co.uk), which now has over ten million users.

There were mistakes as well as successes. Some of the BBC's first digital channels were not good enough, and BBC One's programme quality suffered in the late 1990s as investment was increased in digital services. However, the decade provided an important and valuable learning ground, enabling the BBC to move more sure-footedly into the next phase of the digital revolution.

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This chapter has described our view of the future – an exciting but turbulent time in the development of UK media, in which public service broadcasting has an important role to play. The next chapter sets out the BBC's ideas and proposals for the future.

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<sup>53</sup> UBS Warburg, 2004

## Chapter 3: Building public value in the future

Because it is owned by the British people, the BBC will have special responsibilities during this period of transition. It can help to lead the nation on a journey towards a fully digital Britain. It can use the best of the new technologies to open up BBC content for every individual. And, through the creative ambition of its programmes, it can help to safeguard the distinctive British nature of our broadcasting system. But it will need to be bold to meet the changing needs of the British public.

The next few chapters set out how the BBC will change over the next decade, both in its range of services and in how it operates as an institution. Its aim will be to build public value. Turning first to its service priorities, the BBC will focus on three main areas.

First, the BBC will help to lead the transition to a fully digital Britain. The UK has the opportunity in the next decade to become a fully digital nation, in which the benefits of the new technologies are available to everyone. Because of its stable funding, the appeal of its content and the trust people have in its brand, the BBC can play a powerful role in supporting everyone as they make this digital journey, helping to ensure no one gets left behind. As the champion of universality, the BBC can help to make digital switchover achievable within the next decade.

Second, the BBC will use the best of the new digital technologies to make its content more personal, more convenient and more relevant for all audiences. Using the internet, mobile technology, broadband and interactivity, the BBC will be a pioneer and innovator, combining old and new media to offer a range of new services that can make a difference to people's lives – like access to the BBC's rich archives, new learning opportunities and fresh ways for people to participate and contribute as citizens. Our goal is to turn the BBC into an open cultural and creative resource for the nation.

And third, the BBC will raise the bar in the quality, range and ambition of its programmes. The British public has the highest expectations of the BBC. We must more than meet them. The BBC will root all its programmes and services in its core values of trust, creativity and quality. And, as UK investment comes under pressure elsewhere, we will maintain the BBC's commitment to British programme-making. To do this, the BBC will need to be more inventive than it has ever been, across the full range of its popular and specialist programmes.

*“During the next two decades the BBC must be fearlessly creative. Its role is to provide a place where the finest writers, directors and performers can do their best work for the benefit of everyone in the UK. To achieve this it must remain independent, bold and committed to excellence.”*

Sir Richard Eyre, film and theatre director, and former BBC Governor, 2004

Our vision is of a BBC that can make a bold and inspiring contribution to the UK of tomorrow – perhaps more than ever before in its history. The rest of this chapter describes the BBC’s ideas for putting these priorities into practice in each of the five areas of democratic, cultural, educational, social and global value. But first, we set out our plans for bringing the benefits of the digital revolution to everyone – helping to build a fully digital Britain.

### 3.1 Building digital Britain

Over the next decade, the BBC will invest in digital infrastructure, content, services and promotion to help bring the benefits of the new digital technologies to everyone. In addition, it will offer to play a leadership role within the media industry to ensure that a workable plan for digital switchover is developed and implemented in a co-ordinated way across retailers, manufacturers, broadcasters and government. We believe that, properly funded and managed, switchover could be achieved by 2012. We commit ourselves to the full roll-out of digital terrestrial television within a decade.

- **The BBC will work with government and industry to find ways of funding and co-ordinating DTT build-out to ensure that everyone in the UK has access to digital public service television and radio without a subscription within the next decade.** An essential foundation of a fully digital UK is that everyone must be able to get all digital public service television channels and radio networks without having to pay a subscription, no matter where they live. The experience of Freeview shows how effective the BBC’s contribution can be to universality in the new media world. However, only 73% of UK homes can currently easily get subscription-free digital television. Reception of digital radio via DAB is also currently well under 100%. As a result, 32% of people agree that they “get frustrated that the licence fee pays for services I don’t use”<sup>54</sup>. Over the next Charter period, the BBC will make it easier for every home to receive free-to-use digital radio and television. The main initiatives will include:
  - *Investing in a universal BBC digital television transmission network, making the BBC’s digital television services available to virtually every home.* Digital television is caught in a Catch 22. Because DTT shares spectrum with analogue television signals, its availability cannot be significantly extended until the analogue signal is turned off. However, the analogue signal cannot be turned off unless all homes can gain access to digital television. To break this circle, the BBC will undertake to build its DTT network to near universality before switchover. This means that, after switchover, everyone will be able to receive BBC channels on Freeview.
  - *Co-ordinating and possibly funding the build-out of DTT for other public service broadcasters.* The building out of this network risks becoming a bottleneck in the switchover process, for reasons to do with co-ordination and funding. The BBC will offer to commission and co-ordinate the building of this network, and, subject to legal issues and affordability, to pay for it on behalf of all UK public service broadcasters.

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<sup>54</sup> BBC/TNS, *Licence Fee Value survey*, 2003

- **The BBC will work with others to develop, market and promote a free digital satellite service.** This service will offer a broader range of channels and interactivity than DTT can currently support and will provide people outside DTT coverage areas with a digital option before switchover (see box below).

### Free satellite: the missing piece in the digital jigsaw

The BBC aims to support the development of a universally available, consumer-friendly, low-cost, digital satellite service that, like Freeview, offers digital television without subscription.

A free satellite offering will bring digital television access to the 27% of homes currently outside DTT coverage (approximately four million people have already contacted the BBC or Freeview to be told they are out of coverage). It also provides an alternative for those homes that need an aerial upgrade to receive DTT. Free satellite is therefore a key element to enabling digital universality of BBC services before switchover.

We aim to develop a new free satellite brand supporting a channel line-up that is at least as good as Freeview. Involvement of the other PSBs will therefore be critical. Working in partnership with other broadcasters and industry stakeholders, manufacturers and retailers will be essential.

The BBC is strongly positioned to lead the market in delivering free satellite in association with other partners. Our involvement in Freeview has provided invaluable experience of launching, running and marketing a new digital platform. We are considering a number of alternatives to achieve this including working with BSkyB who have recently also announced their ambition to develop a free-to-view satellite proposition.

- **We will increase support for the roll-out and take-up of digital radio.** We will invest in the BBC's DAB network to ensure that at least 90% of UK homes can receive BBC radio services on DAB, in partnership with commercial radio through the Digital Radio Development Bureau.
- **The BBC will support the less digitally confident to understand, use and enjoy digital technologies.** The BBC has already helped many people to overcome their lack of knowledge, and in some cases their fear, of the new digital world. Further initiatives to promote media literacy, as it is sometimes known, will include helping beginners to use the internet and training through the BBC Open Centres and BBC multimedia learning buses. The *People's War* website, about World War II, is specifically designed to attract people over 60 to try the internet. The BBC is working with Age Concern and other partners to bring the retired population to this site. We will continue to think of innovative ways to overcome people's reluctance to try new technology.
- **The BBC will launch a Creative Archive – free access to BBC content for learning, for creativity, for pleasure.** The BBC's programme archive is owned by the British people. Until now it has remained largely inaccessible as there has been no cost-effective mechanism for distribution. Digital technology removes this barrier (see box opposite).

## The Creative Archive: opening up the treasure chest

Imagine being able to view and listen – and even download and own – extracts from the world's largest television and radio archive.

53% of internet users download content for their own compilations<sup>55</sup>. For the first time, the BBC will open up its treasure chest of programmes to the public who own it and make its contents available to individuals and to families for learning, for creativity and for pleasure. Two-thirds of current and prospective broadband users say they are interested in the Creative Archive service<sup>56</sup>.

The BBC Creative Archive will establish a pool of high-quality content which can be legally drawn on by collectors, enthusiasts, artists, musicians, students, teachers and many others, who can search and use this material non-commercially. And where exciting new works and products are made using this material, we will showcase them on BBC services.

Initially we will release factual material, beginning with extracts from natural history programmes. As demand grows, we are committed to extending the Creative Archive across all areas of our output.

We are developing this unique initiative in partnership with other major public and commercial audio-visual collections in the UK, including leading museums and libraries. Our ambition is to help establish a common resource which will extend the public's access while protecting the commercial rights of intellectual property owners.

*"The announcement by the BBC of its intent to develop a Creative Archive has been the single most important event in getting people to understand the potential for digital creativity... If the vision proves a reality, Britain will become a centre for digital creativity, and will drive many markets – in broadband deployment and technology – that digital creativity will support."*  
Professor Lawrence Lessig, Professor of Law, Stanford University, 2004

- **We will continue to promote the benefits of digital services.** The BBC has invested heavily in marketing and cross-promoting its digital channels. In an increasingly cluttered broadcast environment, marketing is vital to ensure that public service output can be found and enjoyed. The impact of the BBC's promotion on digital take-up has been powerful. While the BBC's 2003 trailers about the new digital channels were on-air, nearly one in three people in analogue homes said they made them more likely to get digital television in the future<sup>57</sup>. We will maintain this commitment over the course of the next decade.
- **The BBC will make its services available when and where people want them, with a new generation of BBC on-demand services.** Audiences, particularly young people, will increasingly expect to choose *when* as well as what they watch and listen to. The BBC already provides on-demand radio programmes online on the Radio Player. We intend now to extend this service to television. The BBC Interactive Media Player (iMP) will enable people to watch BBC television programmes at their own convenience, initially selected from the previous week's

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<sup>55</sup> NOP Research, *Creative Archive Research: Establishment Survey – Key Findings*, 2003

<sup>56</sup> *ibid*

<sup>57</sup> BBC PBTS, 2003

programmes (see box below). We will also explore legitimate ways for users to share BBC programmes with each other while minimising distribution costs.

### The BBC on demand: programmes when and where you want them

The BBC is developing a range of services that will give UK viewers and listeners free, convenient and legitimate access to high-quality audio and video content via the internet.

The first of these has been the BBC Radio Player, which offers listeners the chance to hear their favourite programmes from the previous week whenever they want, selected from a menu on the internet. 1.3 million people use this service each month.

*“The best Sunday evening ever – I have listened to two Radio 2, two Radio 4 programmes and one Radio 1 while doing the usual Sunday night chores ... I hope and pray this lasts – this is how we want the future to be – quality programming on demand wherever we are – worth all of my licence fee.”* JC, via email, 2002.

We now plan to extend this service to television programmes, first of all on a service to be known as the Interactive Media Player, or iMP. Initially, iMP will allow people to download television and radio programmes, choose to record whole series such as *EastEnders*, catch up on programmes they missed and watch or listen to them on any device they want. This will be possible across a variety of internet-connected devices, enabling people to change the way they consume media in line with changes in lifestyle and preferences. To protect rights holders, downloaded programmes will be copy-protected, meaning that seven days after broadcast users will no longer be able to access a programme. The iMP is currently undergoing technical trials.

- **We will work with partners to make online and broadband more affordable and accessible.** Online and broadband access is still expensive for many people, largely because of the cost of computer hardware. We will work with educational institutions and libraries to give people access to BBC content via their computing facilities, and with manufacturers to create a standard for cheap PCs and cheap broadband set-top boxes which can receive all BBC services – television, radio and online.
- **As media choice expands, we will work with others to ensure that people can easily find the content they want.** We will develop consistent, easy-to-use navigational tools based on open standards, so that audiences can make the most of the ever-increasing choice of programmes and information available, whatever platform or device they choose to use.

An important factor affecting the BBC’s ability to work towards a fully digital UK will be the length of the next Charter period. The BBC’s ability to invest in high-risk projects and plan for the long term has always been underpinned by the fact that it has operated under a ten-year Charter. A shorter Charter period would prevent the BBC from being able to make the commitments needed, given the scale of investment and forward planning required.

Throughout the digital transition, the BBC will not forget people who choose for whatever reason to stay with analogue services. We will continue to provide a full

range of high-quality programmes on BBC One, BBC Two and the BBC's national and local analogue radio stations. All landmark programmes will be shown on BBC One or BBC Two, and there will be no reduction in hours or investment in arts or current affairs on these channels.

### 3.2 Supporting active and informed citizenship

Democratic life in the UK is changing. The growth of single-issue campaigns and special-interest groups, constitutional change, a threatening and complex global environment and low turnouts at elections are all important recent trends. At the same time, the news market worldwide is becoming more commercial and more competitive. Traditional news values are coming under strain. High-quality, impartial, in-depth and trusted news has never been more important.

As we move into the next decade, the BBC will be a guarantor of impartiality and independence, enabling people to make sense of this fast-changing agenda. It will offer a place where a plurality of voices and opinions can be given space and where rational debate can be held. And as the new technologies develop, it will provide ways for audiences to become more active citizens and contributors to the national debate.

- **The BBC will reinforce its commitment to trusted, reliable, impartial and independent journalism.** The BBC is relied on by the British public for the quality and range of its news. We will implement in full the recommendations of the Neil Report into the issues surrounding the Hutton Inquiry into Dr David Kelly's death, with the aim of recapturing the full trust of audiences and participants in BBC journalism. In partnership with others, we will support the professional education of our journalists and promote debate about editorial standards and ethics in the UK through a new College of Journalism.
- **The BBC will invest in journalism of depth and specialist expertise in all media.** The volume of news coverage has grown exponentially over the past decade, fragmenting available audiences and creating intense pressure on investment in journalism for many news providers. The BBC will maintain the range and quality of its news reporting and will continue to invest strongly in newsgathering at local, national and international levels. It will commit to keeping a broad range of specialist correspondents and foreign bureaux, prioritising expert first-hand reporting, careful verification and a comprehensive international agenda of foreign reports and analysis.
- **We will restore and sustain the prominence and appeal of serious current affairs and analysis on BBC television and radio – including on BBC One.** In an increasingly complex world, current affairs programmes aimed at explanation, analysis and seeking out the truth behind contentious issues will matter more than ever. As pressure mounts on other broadcasters to push current affairs to the margins of the schedule or make it more popular at the expense of depth, the BBC will increase its primetime current affairs output across its channels – and particularly on BBC One. We will remain committed to thought-provoking and strong investigative journalism which uncovers truth in the public interest. We will

provide more major 'event' days on topics that matter to people – building on the success of days like *Your NHS*, *Cracking Crime* and *Hey Big Spender!* about debt.

- **We will offer everyone a democratic voice and a means of contributing to the national debate.** The BBC will exploit new digital technologies to encourage a wider national debate. It will develop more interactivity around programmes such as *Panorama*, *Question Time*, *Any Answers*, *Today* and the *Ten O'Clock News* in order to engage a broader audience, giving people a voice on issues on which they may feel unheard. The BBC is well placed to bring individuals from different walks of life together for the free exchange of ideas which can help to build openness and understanding.
- **We will launch a new highly local television news service for cities and counties across the UK.** Digital technologies will enable the BBC to provide broadcast news and information to people in smaller communities than has been possible before.

### An ultra-local news service

BBC One's 6.30pm news programmes for the Nations and regions of the UK are the most watched news programmes in the country – over six million viewers tune in every day. However, some of these regions are too large to be supplied with truly relevant local news, and 6.30pm is not always the most convenient time for audiences to tune in to their local programme.

Our aim is now to use digital technology to launch a new highly local television news service for cities and counties across the UK. We intend to provide 50-60 areas across the UK with up to 10 minutes an hour of genuinely relevant local news and information, not just at 6.30pm but throughout the day. We will explore the relative costs and feasibility of launching this service on digital television, including Freeview, and on broadband.

We believe that this service will serve an unmet need for local TV news among UK audiences. In the BBC's technical trial of broadband local television in Hull, one of the most popular services was local news based around communities. And evidence from the US and Germany, which both have far more local television news services than the UK, confirms that localness is highly valued in news broadcasting.

The BBC's 'ultra-local' news service will harness the growing power of video journalism to cover local and regional stories across the UK. The BBC now has five times the number of cameras covering local stories compared with two years ago, and we intend to use them to provide a unique service that will reflect the lives and concerns of local communities.

- **We will create opportunities, especially at the local and regional levels, for people to become more active citizens.** The BBC will aim to give people more opportunities to engage with political and civic life. Research shows that one of the reasons for falling democratic participation is that people feel they cannot make a difference<sup>58</sup>. To help to address this, the BBC is piloting a new web-based

<sup>58</sup> TRBI, *Beyond the Soundbite*, 2002









































































































































