

Key proposals and questions for consultation

Foundations of a 21st century BBC

The role of the BBC

The BBC's mission is to inform, educate and entertain. In achieving this, all BBC activities should contribute to some core public purposes:

Sustaining citizenship and civil society

- Informing ourselves and others and increasing our understanding of the world through news, information and analysis of current events and ideas

Promoting education and learning

- Stimulating our interest in and knowledge of a full range of subjects and issues through content that is accessible and can encourage either formal or informal learning
- Providing specialist educational programmes and accompanying material to facilitate learning at all levels and for all ages

Stimulating creativity and cultural excellence

- Enriching the cultural life of the UK through creative excellence in distinctive and original programming
- Fostering creativity and nurturing talent – using the licence fee as venture capital for creativity
- Promoting interest, engagement and participation in cultural activity among new audiences

Reflecting the UK, its Nations, regions and communities

- Reflecting and strengthening our cultural identity through original programming at UK, national and regional level, on occasion bringing audiences together for shared experiences
- Making us aware of different cultures and alternative viewpoints, through programmes that reflect the lives of other people and other communities within the UK

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

- Making UK audiences aware of international issues and of the different cultures and viewpoints of people living outside the UK
- Bringing high-quality international news coverage to a global audience through radio, TV and new media

The BBC's commercial services also have a role in supporting this last purpose, by showcasing the best of UK creativity, culture and talent for global audiences, thereby generating additional value for the BBC licence fee payer.

Question 1: Do you think it is helpful to define the BBC's purposes in this way?

Question 2: Are these the right purposes?

The BBC should provide a wide range of content, across every genre, trying to reach the greatest possible range of audiences. Where possible, it should make subjects accessible to new audiences. Its programmes should set standards, especially in news, for other broadcasters to aspire to.

Programmes should aim to be excellent, distinctive and entertaining – that means, more specifically, that they should be:

- of high quality
- challenging
- original
- innovative
- engaging

All BBC services should strive to fulfil the full range of public purposes. Not every individual programme (or interactive service, or piece of internet content) will fulfil such a purpose – although the vast majority should. However every programme should display at least one of the above characteristics of excellence and distinctiveness.

Question 3: Are these the right characteristics?

A sixth public purpose – building digital Britain

The BBC has an important role to play in maintaining universal access to quality broadcasting. New technology – from pay TV to broadband to hard disk video recorders – is creating a widening gap between the digital ‘haves’ and the ‘have-nots’. The BBC has been at the forefront of maintaining universal access to high quality broadcasting and should remain so.

The BBC needs to play a leading role in building digital Britain, developing and promoting new technology so that all licence fee payers can benefit. It should continue to drive the development of digital radio, in particular by meeting its target to extend DAB radio coverage to 90% of the UK population.

The BBC needs to take a leading role in the organisation and funding of digital switchover, using the licence fee to bring the benefits of digital TV to all. The BBC should:

- Help to establish and manage the organisation that will co-ordinate the technical process of switchover – currently known as ‘Switchco’;
- Play the leading role in the public information campaign that will tell consumers when and how the switch will happen, what choices of equipment they have and how they can install that equipment;
- Help to establish and pay for schemes to help the most vulnerable consumers make the switch and pay for it.

Question 4: Do you agree that the BBC should be at the forefront of developments in technology, including digital television?

The BBC’s constitution

The best way of giving the BBC the independence and stability it needs will be to renew its Royal Charter for ten more years. The alternative, an Act of Parliament, risks making the BBC more open to Government intervention while removing the flexibility that exists for the Government and BBC to negotiate changes to the accompanying Agreement during the life of the Charter. After ten years, the extent of change will require a further thorough review of the BBC’s role and purpose.

Funding

The BBC should be funded by the TV licence fee for the next ten years.

Before the end of that ten-year period, towards the end of the digital switchover process, there should be a further review of whether there might be a case for other funding methods, particularly subscription, to make a contribution after 2016.

In the next phase of Charter Review, we will assess the funding needs of the BBC in order to set the level of the licence fee from April 2007. That funding review will be run by Government. It will take independent advice on a range of issues, including value for money and will take account of the public's views. It is important to note that none of the proposals for future BBC activity put forward elsewhere in this Green Paper have yet been fully costed. The funding review that we conduct will need to scrutinise the costs of all such activity as well as the potential for efficiency gains in existing BBC services, before final decisions are made about the future shape of the BBC and its funding package.

Separate work will be done to re-examine any anomalies in the existing licence fee concessions policy, particularly in the ARC scheme that applies to residents of sheltered housing. Finally, we will review the existing licence fee collection policy to consider whether new technology allows collection to be conducted in a more cost-effective way, for example making more use of direct debit and internet payment schemes.

Question 5: Do you support the proposal for a further review of alternative funding methods, before the end of the next Charter period?

Question 6: Do you have a view on any aspect of the operation of the licence fee: concessions, its collection or its enforcement?

Governance and regulation

The BBC governance system needs to be reformed and reconstituted, in order to provide clear structural separation between the functions of delivery (devising strategy and providing services) and oversight (scrutinising strategy and assessing the performance of services).

We propose the creation of a new body that we have called the 'BBC Trust' (a working title) to take on the oversight role, with ultimate responsibility for the licence fee, embodying the public interest and representing the views of licence fee payers. The Trust would approve or reject broad BBC strategies and would determine top level annual budgets. It would then assess performance and hold the BBC to account.

Responsibility for delivery would be delegated to a formally constituted Executive Board, chaired by the Director General or, at the discretion of the Trust, a non-executive. The Executive Board would oversee the day-to-day management of the BBC, developing programme strategies, delivering the BBC's services and taking all detailed financial and operational decisions within the framework established by the Trust. It would contain a significant minority of non-executive Board members, to offer support and an external perspective.

The new structure would give the Trust a number of new tools to make sure it is well equipped to hold the BBC to account:

- Every BBC service would be held to a detailed service licence against which performance could be measured. Service licences would be developed by the Executive but would need to be approved by the Trust.
- Any significant change to a service, or any proposal for a new service, would be subjected to a ‘public value test’ by the Trust. This test will need to be developed further in the next phase of Charter Review.
- Protocols would be written into the BBC’s Charter or Agreement to establish the ways in which members of the Trust should behave – in relation to the BBC Executive and to the public.
- The Trust would be supported by its own body of expert staff – along the lines of the Governors’ recently established Governance Unit.

(**Note:** We have called the new governing body a BBC Trust, a working title, to signify its responsibility for spending the licence fee and its close relationship to licence fee payers, but its legal nature would be somewhat different to that of a conventional Trust.)

For the time being, regulatory responsibilities should be divided between Ofcom and the BBC Trust in the same way that they are currently divided between Ofcom and the BBC Governors. The Trust would retain responsibility for upholding standards of accuracy and impartiality. We propose to leave the arrangements as they are for five years before reviewing them. Ofcom should have a key role in competition issues – conducting market impact tests for proposed new services and agreeing the terminology used for any other such tests (for example those applied to changes to existing services).

Question 7: Have we defined the roles of the BBC Trust and the Executive Board sufficiently clearly?

We think the overall public interest remit of the BBC Trust should be to make sure that the BBC:

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

Question 8: Is this the right way to define the public interest remit of the BBC Trust?

Accountability

The BBC Trust should operate a new, rigorous system of performance measurement for every BBC service. That system should be clear and transparent, and it should ensure that the BBC takes account of the thoughts and opinions of those who pay for the BBC – in every household.

The protocols that govern the behaviour of Trust members should include a requirement to maintain a ‘contract’ with licence fee payers, setting out the ways in which the Trust promises to measure and respond to public opinion. We have put forward some options for ensuring that it fulfils this expectation:

- There should be a rolling programme of quantitative and qualitative research designed to track audience opinions about the BBC's performance, and to measure the impact of its programming.
- Such research should be accompanied by open consultation of viewers and listeners through a number of different forums. One way of doing this would be to enlarge or reconstitute the existing regional Broadcasting Councils, which might be elected by local licence fee payers and given a role in formally advising the Trust. New e-forums and open meetings or AGMs could also be set up.
- When key decisions have to be taken by the governing body, they should be informed by deliberative research among representative groups of viewers and listeners.

To promote confidence in this system, the BBC Trust must be open and transparent in everything that it does. Some options would be:

- for the Trust to meet in public;
- to webcast its meetings and any open meetings or AGMs that it holds;
- to publish the minutes of meetings and the results of every piece of research;
- to publish the voting records of each member.

If a combination of these options can de-mystify the processes and decisions of the BBC's governing body, then its members might also be made subject to greater public influence. One additional option would be for members of the Trust to be put through a regular external, independent appraisal process. Licence fee payers might also be given the opportunity to submit their views of Trust members' performance as part of this process, and any member with a particularly poor appraisal might be replaced.

Question 9: How many of these options would you like to see adopted in the Trust's statement of promises? Are there any other options that you would like to see considered?

Finally, an important part of the accountability framework for the BBC is its complaints handling process. The BBC Governors have themselves stated that this process could be improved, and we agree. In future, complainants need to have fair and equal access to a transparent, objective process, with the BBC Trust acting as final arbiters in difficult cases. (Ofcom will remain the final arbiters of complaints relating to standards of harm and offence, privacy and fair treatment.)

Question 10: Have you any views about how the BBC Trust should handle complaints?

Membership of the Trust

We would expect the members of the Trust to be appointed by the Queen, on the recommendation of the Prime Minister. Between them, Trust members need to be able to reflect the interests of a wide range of different UK communities (including members with the knowledge and expertise to understand and articulate the interests of individual devolved Nations) and they need to have a range of expertise in:

- broadcasting and media industries;
- the financial, legal and corporate aspects of overseeing a large and complex business that spends significant sums of public money;
- organising public opinion research and consultation;
- civil society.

Question 11: How many members do you think the BBC Trust needs?

Question 12: What skills and expertise do you think they need?

Question 13: Are there any particular communities or interest groups that you think the Trust members should represent?

More detailed issues of scale and scope

Organisation and infrastructure

The BBC needs to have sufficient scale to continue providing high quality services, excellence in training and research and to sustain a critical mass of in-house production.

The BBC also needs to make sure its services reflect the full range of geographical communities in the UK. In part that will involve making a greater contribution to regional programming for regional audiences. But it should also mean the BBC moving its staff out of London to a greater extent, and supporting a range of production centres across the UK. Detailed decisions in this area will be for the BBC itself, in the context of its new public purposes, but we welcome the consideration currently being given to new investment in Manchester, Glasgow, Birmingham and Bristol.

If it is to broadcast the best programmes, the BBC needs to operate a competitive commissioning system that puts the best ideas on screen, whether they are from BBC producers or independent companies.

In television, the BBC has put forward some proposals that it says will make the commissioning process more competitive, by establishing a new ‘window of creative competition’ – between BBC in-house production and external producers – for 25% of the hours that are commissioned, in addition to the existing 25% of commissions that are reserved for independent producers. We support the principles behind the idea of a window of creative competition and would like the BBC to develop proposals for how it will work and how it will be regulated, so that the proposal can be publicly debated in more detail. We will give further consideration both to this option and to an increase in the 25% independent production quota.

In radio, the BBC is proposing to extend its existing voluntary 10% quota to cover sport, radio in the Nations and the new digital stations. It is also proposing to create a Programme Development Fund to support creative ideas from independent producers. We welcome these proposals, but would like to hear views on whether they go far enough to promote fairer competition and the best outcome for listeners.

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

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

Scope of publicly-funded services

The BBC’s current range of services has broad support and there are no proposals to shut down or privatise any of them.

However there should be sufficient flexibility in the system for the BBC to add and remove services in response to changing technologies and market conditions. Any significant change should be subject to a public value test that incorporates a market impact assessment. Only where the public value of a change outweighs any adverse market impact should it be allowed.

The BBC Trust should be responsible for carrying out these public value tests – although Ofcom should carry out the necessary market impact assessments for new service proposals and should agree the methodology of the assessment for any change to an existing service. The Trust should publish all the relevant analysis. In the case of proposals for new services, the Trust would then make a public recommendation to the Government, which the Secretary of State for Culture, Media and Sport would only be able to veto on the grounds that the process of assessment had been flawed in some way.

The BBC's proposal for a new 'creative archive', to make clips from old programmes available more widely on the internet, should be the first idea subjected to new, enhanced public value and market impact tests.

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

Question 17: Do you agree with our proposals for handling new services?

Scope and regulation of commercial services

The BBC should be encouraged, as now, to generate income from commercial activity – for example by selling programmes overseas. Since licence fee money is not at stake, the Secretary of State's approval should no longer be required for the launch of new commercial businesses or for the sale of some existing ones.

All continuing activity should be related in some way to the BBC's public purposes and should have a direct connection to publicly-funded programmes or services. Magazines, for instance, should have sufficient links to BBC content. There should be no cross-subsidy for commercial services, and all commercial businesses should be rigorously and transparently regulated.

Question 18: How strictly should the BBC's commercial services be restricted to those businesses that are linked to public purposes and public services?

The BBC's commercial services are subject to a specific Fair Trading Commitment, overseen by the Governors. This combines aspects of competition law (under which the BBC is regulated by Ofcom and other competition regulators) with some of the BBC's own aspirations for the way in which the BBC aims to operate commercial services, such as providing good value for money or limiting any damage to the BBC brand. We will consider further whether it might be simpler to make clear the separation between matters of internal BBC housekeeping and those of external regulation that could be left entirely to the competition authorities. We will also consider whether, in that arrangement, Ofcom might be required to approve the terms of whatever internal BBC rules remained – as a form of ex ante regulation.

Question 19: Is the existing fair trading commitment a useful addition to the arrangements for regulating the BBC's commercial services? If not, what option would you prefer?

Beyond the BBC

The wider system of public service broadcasting (PSB)

The BBC is only one part of a wider system of PSB, where a range of different broadcasters offer complementary and competing services.

In the short term, we believe that Channel 4, ITV and Five will continue to provide this plurality in public service television. We agree with Ofcom's suggestion that Channel 4 has no immediate need for additional stream of funding. However, in the longer term Ofcom suggests that the BBC may be left as a near-monopoly provider of some types of programming, if other major broadcasters adopt a more commercial strategy – even Channel 4 may find it more difficult to balance its public service role against the need to generate advertising revenue in an increasingly competitive market.

Various proposals have been put forward, in response to Ofcom's report, for a longer term solution. Ofcom itself has put forward a potentially exciting idea for the establishment of a new public service publisher (or PSP). Other options include the direction of public funding to Channel 4 and the Independent Panel's proposal to establish a Public Service Broadcasting Commission with powers to award part of the licence fee to other broadcasters on a contestable basis.

Any of these options might require legislation.

To provide some flexibility we propose that, as well as the interim review of alternative post-2016 funding models, there should be a review of:

- the case for plurality;
- Channel 4's longer-term position;
- whether any public funding (including licence fee income) should be distributed more widely, beyond the BBC, in order to sustain plurality and competition in public service broadcasting (and, consequently, whether the level of the licence fee needs to change);
- how any such distribution might take place.

In the period running up to this review, we would welcome more detailed work from Ofcom on the possible form of a Public Service Publisher. We propose that the review should take place towards the end of the process of digital switchover. However, the Secretary of State would retain the power to order an earlier review of the options for maintaining and strengthening plurality in public service broadcasting, if he or she deems it to be necessary at any point.

Question 20: Do you agree that the case for a plurality of publicly-funded broadcasters should be kept under review?