

7. Organisation and infrastructure

What people think

- People find it hard to answer detailed questions about the way the BBC is structured – 85% know nothing or little about the way the Corporation is run.
- The BBC's contribution to research and development of broadcasting technology is valued highly – particularly by industry respondents – as is its role in training the broadcasting and film industries.
- Many respondents to our public consultation feel the BBC is too focused on London. At broadcasting industry seminars we were told that BBC in-house production capacity should be used strategically to increase the proportion of UK programming made outside the M25.
- The BBC's failure to meet quotas for independent television production is the subject of much criticism from broadcasting industry respondents. There are strong calls from independent television producers for the BBC's quota to be raised from 25% to 50%.

Our policy

Every region of the UK pays for the BBC. It therefore has a responsibility to spread itself outside London. It is important to bring different regional flavours to programming. BBC production can also bring jobs and investment to an area, and a stimulus to the creative industries that support broadcasting. To reflect fully the different Nations and regions of the UK, the BBC needs to support a greater range of its UK production in centres outside London. We welcome the recent moves it has made in this direction and encourage it to go as far and as fast as it can.

The BBC should also use the licence fee to support the UK broadcasting industry more widely. It plays a crucial role in training the industry and developing new technology, and those functions should be sustained. It should also do more to use the licence fee as venture capital for the flourishing independent production sector – to make sure the best ideas always make it to the screen, by giving a full range of independent and external producers a fair chance to get programmes commissioned.

In television, Ofcom is due to carry out a review of the programme supply market in the coming year. We are interested in the BBC's proposal to introduce more competition in the way programmes are commissioned in a new 'window' that would account for 25% of production. But we would like there to be a wider debate about how this might work in detail, and we will also consider the case for increasing the existing 25% guaranteed quota for independent producers. For radio, we welcome the BBC's proposal to extend the 10% voluntary quota for independent production to new areas of programming but would like to hear views on whether this is sufficient.

Research and training

- 7.1 The BBC needs to have sufficient scale to maintain and develop two functions of key value to the broadcasting industry as a whole. The BBC makes a central contribution to technological research and to training, which are both vital to the UK's ability to function at the forefront of the increasingly complex and fast-moving world of digital broadcasting. Box 7.1 summarises the BBC's current commitments in these areas.
- 7.2 The BBC provides opportunities and experience to thousands of workers in the creative sector. It cites Radio 3 as the largest commissioner of new music in the world³⁴ and Radio 4 is one of the largest commissioners of new writing. But as box 7.1 shows, it also provides a significant programme of formal training. There is no formal commercial alternative on anything like the same scale, although research carried out for PACT (the independent producers' trade association) suggests that the independent sector invests over £30 million each year, mostly in 'on the job' training.³⁵
- 7.3 The BBC should continue to provide training on a significant scale. Its training function should not be seen only as a by-product of its role as a large employer. In preparing and maintaining a highly-skilled media workforce, the BBC's training programmes make a significant contribution to its public purpose of stimulating creativity. We also welcome the contribution the BBC makes to the development of training across the industry more widely – in particular through Skillset, the sector skills council for the audiovisual industries.
- 7.4 The BBC has already played a crucial role in the development of digital broadcasting in Europe. It now needs to retain sufficient research capacity to play a full role in the development of new digital platforms and a leading role in the highly technical process of digital switchover. It needs enough freedom and enough resources to function as a centre of excellence for the whole broadcasting industry. It should be able to influence the standards-making process at international level, and to support and inform policy and infrastructure development at national level, including delivery of the World Service. Additional funding could also be generated by more deliberately exploiting the commercial value of any new technology it develops. The BBC should consider the Select Committee's recommendation that it examines further the work done by the not-for-profit Media Lab Europe, in Dublin, before its closure earlier this year.
- 7.5 We would welcome views on the direction that the BBC's research and development function should take.

Box 7.1 The BBC's involvement with research and training

The BBC put the following points to us as part of our consultation exercise.

Training the industry

The BBC is the UK's biggest investor in broadcast training: last year BBC Training & Development delivered 37,858 training days for 22,000 people both within and outside the BBC, in a total of 3,814 separate courses.

³⁴ BBC, *Building Public Value*, p. 33

³⁵ See www.pact.co.uk, press releases, November 2004

The BBC supports 400 trainees in over 70 schemes across its range of operations. Over 2,000 people apply for each production traineeship.

Some 25,000 people used the BBC's online learning modules during 2003 and they consumed over 55,000 hours' worth of learning materials. The BBC offers free online learning for freelancers as the first stage of the development of a learning portal for the broadcast industry.

The BBC gives a core grant to the National Film and Television School of £450,000 a year, and a further £425,000 to Skillset, the sector Skills Council for the audiovisual industries. Eight smaller organisations ranging from the Actors' Centre to Yorkshire Media Training also receive vital cash support from the BBC.

In addition, BBC staff work on attachment with 35 other media organisations, giving over 500 young people training and mentoring in general media skills.

Pioneering technological innovation

The BBC has pioneered many of the innovations in British broadcasting ranging from the transmission of pictures by satellite (used to send colour pictures from the 1968 Mexico Olympic Games), to the invention of Nicam stereo. It employs 200 research and development staff, of whom 175 are professional engineers.

The BBC has played a leading role in developing the technology and standards for different digital platforms, particularly in pioneering interactive digital terrestrial television services. It currently has 30 collaborations with industry partners, and has 319 patent filings in its portfolio, adding 10 in the last year,

Recent examples of innovation include:

- the 2001 development of the single-chip digital terrestrial television demodulator that enabled production of set-top boxes at greatly reduced cost, thereby improving access to digital TV;
- a revolutionary cable-free camera for live outside broadcasts, first used at the 2002 Commonwealth Games in Manchester;
- new 'multicasting' techniques that allowed live internet streaming of coverage from the 2004 Olympics.

Production and commissioning

- 7.6 The licence fee represents venture capital for the creative economy, and needs to contribute to a properly-functioning programme supply market – within and outside London.
- 7.7 The BBC has recently conducted two internal reviews in this area – one examining its approach to commissioning and production in general, one looking at the specific issue of regional production and the BBC's presence outside London. Those reviews are welcome in the context of the current Charter. However, Charter Review provides an opportunity to consider the issues further, in a wider context. We would therefore welcome responses to the ideas set out below.

Out of London production

- 7.8 One of the BBC's core public purposes is to reflect the different cultures of the UK, its nations, regions and communities. In the main, it should fulfil that purpose through its programmes and the subjects and issues they address. In this context, we agree with both Ofcom and the Select Committee that the BBC should do more to find new and interesting ways of engaging regional audiences. Beyond programming, the BBC should also make sure its contribution to UK production furthers the economic development of the UK beyond London. Thriving production centres bring jobs and revenue to their region, and where there is a critical mass of activity they promote the growth of other creative industries, too. For these reasons, the BBC has already set quotas for television that require 25% of its UK-produced network hours to be produced outside London, and 30% of total UK production funding to be spent there.
- 7.9 Quotas are important, but they can be something of a blunt instrument to rely upon in ensuring that the BBC is playing its proper role in reflecting different UK regions and Nations. It is alleged, for example, that some broadcasters stretch definitions to allow 'out of London' production to include production teams from London working on location. More sophisticated measures of success need to be developed to work alongside quotas in helping the BBC to judge its success in reflecting the UK's different communities. They include sustaining a range of production centres around the country. We therefore welcome the BBC's recent announcement that it will consider moving a significant amount of production to cities outside London, particularly to a new hub in Manchester. We will want to consider more closely the potential costs and benefits of any proposal as we conduct work to set the future level of the licence fee. The BBC's initial proposals are summarised in box 7.2.
- 7.10 This move may well benefit viewers and listeners in regions where production takes place – it might mean that drama or comedy programming, for instance, better reflects those communities and their stories. Although there may be start-up costs (for example if new facilities need to be built), there should also be some financial benefit to the BBC in the longer term, since it costs less to run offices and employ people outside London. This seems to be an important point for the public. In our qualitative testing of some Green Paper proposals, most people outside London say they feel it makes sense to spread resources more evenly around the UK. But there is an equally strong belief that the guiding principle in any decisions in this area should be efficiency and value for money in programme-making.³⁶ To this end, the BBC should try to limit the costs of any move. Where appropriate, it should co-ordinate its approach with ITV to focus activity in the same areas of the country.

³⁶ Cragg Ross Dawson, *Qualitative Research on key issues*, 2005. pp. 32-33

Box 7.2 Recommendations of the BBC's Out of London review

Investment in a new broadcast centre in Manchester to be built over the next five years, incorporating 1,800 new staff, £275m worth of commissioning and £225m of production in:

- children's TV and radio;
- sport;
- Five Live and Five Live Extra;
- new media;
- research and development;
- formal learning, including the digital curriculum.

Network commissions from the regions to increase by 50% to 17% overall.

Drama made outside London to increase from 30% to 50%

New commissioners to be based outside London:

Commissioner for daytime in Birmingham

Commissioner for comedy and entertainment in Glasgow

Part of factual commissioning to be based in Bristol

Plans for ultra-local TV and radio to be pursued further

Independent production

7.11 The BBC needs to sustain a significant base of in-house production:

- to sustain its contribution to research and training;
- to maintain out of London production centres;
- to make sure it delivers value for money to licence fee payers, by exploiting synergies and economies of scale where they exist, and by keeping talent and commissioning costs under control;
- to retain its capacity to make high quality programmes in areas, particularly where there is less of a commercial market or where there is a shortage of specialist skills.

7.12 However, if it wants to broadcast the best possible programme in every slot, and to pursue efficiency, the BBC also has a responsibility to adopt the most meritocratic commissioning policy possible, and to give the independent sector the chance to compete. Competition in the supply of programmes will tend to provide a better product for audiences.

Television

7.13 During the passage of the Communications Act through Parliament, we commissioned the then-regulator the Independent Television Commission (ITC) to conduct a thorough review of the programme supply market in television. As a consequence, new codes of practice and terms of trade were drawn up between independent producers and terrestrial broadcasters. Ofcom, the ITC's successor, proposes to undertake a further review of the market in the course of 2005, once

those changes have been given time to bed in. In the meantime, it is sensible to consider whether the recent changes are sufficient for the BBC, and what further options might be adopted.

7.14 Changes of two sorts could be made:

- **Structural remedies.** The BBC, along with other terrestrial broadcasters, is currently required to source 25% of qualifying programmes from independent producers. This quota has done much to create a thriving and competitive production industry across the UK. However, the BBC has failed to meet the quota in two out of the last three years. One option, favoured by the Culture, Media and Sport Select Committee, would be to raise this quota for the BBC, or amend the way it is defined and applied – for instance so that 25% of spend is allocated to independent producers, as well as airtime.
- **Behavioural remedies.** The BBC's own internal review of content supply (see box 7.3) has proposed the creation of a new 'window of creative competition' for a further 25% of commissions beyond the existing independent quota. The aim of this proposal is to ensure full competition in production and full meritocracy in commissioning for this 25%, while retaining a critical mass of BBC in-house production at 50%.

7.15 We welcome the BBC's commitment to increasing competition in programme supply, and we support the principles behind the idea of a window of creative competition. We agree that the BBC needs to have a critical mass of in-house production.

7.16 However, the BBC also needs to explain in more detail exactly:

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

7.17 There needs to be a full and public debate around these points before we can be satisfied that the window of creative competition will be certain to produce a fair and transparent system. In particular we would need to be satisfied that there was an effective system in place to rule on complaints about the operation of the system. We look forward to seeing this detail. In the meantime, we will give further consideration to both structural and behavioural options.

Box 7.3 Recommendations of the BBC internal review of content supply

Television

- 25% independent quota to be maintained
- 50% in-house production guarantee to be introduced
- 25% 'Window of Creative Competition' to be established for bids from in-house, external (eg Granada) and independent producers
- In-house maximum capacity to be reduced to 60% – 10% above its minimum output
- Simplified commissioning process to offer direct and equal access for all producers

Radio

Existing 10% voluntary quota for independent production to be extended to cover:

- sport;
- radio in the Nations;
- digital radio.

New media

New 25% quota for external production of online content, in line with the conclusions of Philip Graf's independent review of BBC Online.

Radio

- 7.18 In 1994 the BBC introduced a voluntary 10% target for independent radio production, which has always been met or exceeded. In 2003/04 about 12% of eligible hours came from independents, with a value of £12.9m. The BBC's stated goal was to stimulate the development of a healthy radio production economy outside the BBC across a range of genres in which a number of broadcasters would invest. However, the commercial sector mainly produces continuous 'programming' rather than individual programmes, and the former does not lend itself so readily to the segmenting needed to enable independent production. Where it considers it appropriate, the commercial sector does use independent production, for example the network chart show and much travel and entertainment news. The result nevertheless is that, in many areas of radio programming, unlike TV, the BBC remains a monopoly purchaser.
- 7.19 The BBC's recent content supply review concluded that the existing 10% voluntary quota should be extended to cover sport, radio in the Nations and the new digital radio stations. We welcome these proposals, which the BBC estimates will result in it commissioning about an additional 3,000 hours of independent production. The BBC has also recently consulted on new terms of trade, and is proposing a Programme Development Fund to support the development of creative ideas from independent producers.
- 7.20 We think the same principle should apply to radio production as in TV – where possible, we want to encourage competition, because it is likely to bring the best programmes to listeners. Given the BBC's current position as the only significant purchaser of independently produced material, it may not be possible to create a thriving and competitive production market through Government intervention in this area. Nevertheless, as in television, there remains a question as to whether the BBC's recent moves are sufficient, or whether the quota might instead be increased or made binding. We would welcome any views on this point.