

Summary

This Charter Review has been a public debate – with the BBC, with the broadcasting industry, but most of all with those who fund the BBC, the licence fee payers. We have listened very carefully and, for the first time, have ensured that the licence fee payer has had a real voice in the journey towards renewing the BBC Charter.

Everything in this Green Paper is based on the widest possible consultation with the public. We asked viewers and listeners what they value about the BBC, what they want it to do for them and how they want it to be run. Our goal, in line with what the public want, is a strong BBC, independent of Government, setting world-class standards. We will give it a new Charter and a licence fee settlement that will last ten years.

But to remain strong the BBC also needs to change. Digital technology is transforming broadcasting. There are hundreds more channels and many new ways to watch and listen to programmes. Already viewers and listeners are putting together their own viewing and listening schedules and that trend will increase with the further development of online services and more sophisticated recording devices. To equip the BBC for this world, and to address the public's concerns that its programmes should be distinctive and of high quality, we will give it a clearer, tighter remit. We will replace the Board of Governors with a new, more transparent BBC Trust that is directly accountable to licence fee payers.

We will also make sure the BBC remains at the forefront of digital development. Ultimately consumers will dictate the pace of change in the new broadcasting world, but the Government wants to make sure the benefits of the digital revolution are available to everyone in the UK. We will ask the BBC to use the licence fee to help drive the process of digital switchover.

The BBC will be strong and independent

Regardless of the arrival of new technology, the public expects the BBC to be a cornerstone of public service broadcasting, delivering high quality programmes that set a benchmark for its commercial rivals. It is a valuable public service – its programmes bring us real cultural and educational benefits. In a world of proliferating media, it is a source of news and information that almost everyone trusts, and it should remain so.

There is evidence that the main commercial broadcasters find it harder to invest large sums in public service programming as the market becomes more competitive and more people have more channels. We therefore want to make sure the BBC is secure, with a steady stream of income.

A Royal Charter

The best way to give the BBC the independence and certainty it needs is through a new Royal Charter, lasting for another ten years. The next Charter will be written, as far as possible, in clear language that everyone can understand.

We have rejected the Select Committee's recommendation that the BBC should be established by an Act of Parliament because it would bring the BBC closer to Government and Parliament, against the expressed wishes of licence fee payers. In ten years' time, there should be an opportunity for a further thorough review of the BBC's role and remit.

The Licence Fee

The licence fee will continue throughout that period – it is the best (and most widely supported) funding model, even though it is not perfect. We will do further work to establish the level of the licence fee and what improvements could be made to the methods of collecting it.

Since technology is advancing rapidly, there will be two further reviews, towards the end of the switchover process, to establish whether new types of funding may be needed to supplement or even replace the licence fee after 2016; and to reconsider whether there is a case for the wider use of public funding, including licence fee money, to fund public service broadcasting beyond the BBC.

Key reforms

The BBC needs to change to meet the public's concerns. While the BBC has a high overall satisfaction rating (75%), the public is far from uncritical. 33% of people believe the BBC offers poor value for money. A third think its TV programmes are getting worse. People question the number of repeats, the amount of on-air trailing for BBC programmes, the perception of 'dumbing down' and the lack of accountability to licence fee payers.¹

The BBC's mission

'Inform, educate and entertain' will remain the BBC's mission statement. But a large number of other broadcasters also fulfil some part of that mission – it does not explain what is meant to be distinctive about the BBC in an age of ever-increasing choice. We will sharpen up the BBC's remit. We will introduce five distinctive purposes that all BBC services should aim to fulfil:

- sustaining citizenship and civil society
- promoting education and learning
- stimulating creativity and cultural excellence
- representing the UK, its Nations, regions and communities
- bringing the UK to the world and the world to the UK

Digital Britain

An additional, sixth purpose for the next Charter period will be building digital Britain. The BBC has already developed an impressive range of new services and it should remain at the forefront of new technology, for instance in promoting digital radio. We expect it to take further steps to ensure it remains relevant to all licence fee payers. One of the conditions of the new licence fee settlement will be that the BBC should play a leading role in the process of switching Britain over fully from analogue to digital television.

¹ DCMS, Review of the BBC's Royal Charter, *What you said about the BBC*, July 2004

How the BBC is run

This is the central issue for this Charter Review. The current BBC Board of Governors has to carry out two potentially conflicting roles – both running the BBC and assessing how well it is performing. This model is increasingly out of step with best corporate governance practice. The two functions need to be more clearly separated in future. It is vital that the BBC is subjected to rigorous scrutiny to make sure it fulfils its public purposes.

We will replace the Board of Governors with a new body that we have called a BBC Trust (a working title) that will be separate from BBC management. The Trust will have ultimate responsibility for the licence fee, and it will be structured so that it is directly accountable to licence fee payers. It will approve a specific licence for each BBC service – to hold the BBC to its public purposes. We will also establish a formally constituted Executive Board, responsible for the delivery of the BBC's services within the framework set by the Trust, with a clear division of functions between the two.

This is the best model for the BBC. It addresses the Independent Panel's concern that different responsibilities should be clearly separated and set out to avoid any possibility of confusion or capture. It is also consistent with the best element of the BBC's *Building Public Value* proposal – it establishes the Trust as a powerful advocate for the public interest, with ultimate power over the licence fee and the BBC.

The public want to see greater transparency and openness to criticism in the BBC. The Trust's decisions, and the way it measures the BBC's performance, will have to be clearly grounded in viewer and listener opinion. We want there to be an open debate about the ways in which the Trust and the BBC could be made more accountable – options include the webcasting of Trust meetings, the publication of audience research and the election of local representative councils.

The future size and shape of the BBC

The BBC should remain a cultural institution of real size and scope. It should not only be a broadcaster of minority interest programming. It should provide a wide range of different programmes to a wide range of different audiences. Only with this scale and scope can the BBC meet the ambitious public purposes that have been set for it.

Three out of four people support the current range of BBC services and there are no plans to require the BBC to shut down or privatise any of them. But the size and shape of the BBC must be allowed to change over the next ten years as the market, technology, public opinion and consumer behaviour change around it.

The BBC's impact on competition

The fact that the BBC exists is a public policy choice with a direct effect on the broadcasting market. But while we want a strong BBC we also need to sustain a flourishing commercial sector. The BBC needs to be vigilant about its potential to have a negative effect on commercial competitors. To achieve this, the BBC will be subject to tough new internal and external processes:

- The BBC Trust will in future hold the BBC to its distinctive public purposes.

- The Trust will also hold individual BBC services to specific service licences that prevent any significant change in their character.
- Proposed new services will be tested for market impact by Ofcom. The BBC Trust will only approve proposals where it judges public value exceeds market impact. Further work is needed on the methodology for making such judgements.
- For the BBC's commercial businesses, there is a case for drawing a clearer distinction between external competition regulation and internal rules of BBC behaviour. There is a lack of confidence in the current arrangements, where the BBC's Fair Trading Commitment combines these two elements. We will also consider whether, in addition to its powers of external regulation, Ofcom might also be given a power of approval over the BBC's internal rules.
- We will commission further research to assess the value to viewers of the BBC advertising its own services against the potential market impact of such cross-promotion.

The licence fee should constitute venture capital for creative production and should support a strong independent production sector. The BBC needs to make sure it broadcasts the best, most innovative programmes, and that means giving independent and external producers a fair chance to compete to get their ideas commissioned. In the past it has not always done so. We will consider two options for reform in television – the BBC's own proposals to create a new 'window' of fairer creative competition and an increase on the current 25% quota for independent production.

The way the BBC organises itself

The BBC takes its own decisions about the way it structures itself, and it is conducting its own programme of internal reviews. We support the principles that those reviews have established:

- The BBC's nine-point manifesto (June 2004) said that it 'should be big enough to deliver the services audiences demand, but as small as its mission allows.' We agree. That requires an emphasis on efficiency, but also some scale as an organisation, if the BBC is to sustain its contribution to the health of the creative economy – for example through research, training and production.
- If it is to reflect the whole of the UK and its different communities, the BBC needs to make sure that a significant amount of UK production takes place out of London.

Public service broadcasting in the 21st century

The development of digital television has implications for the system of public service television broadcasting that extends beyond the BBC. In its report on the future of public service television broadcasting (PSB), Ofcom has concluded that the BBC could be left as a near-monopoly provider of some services after switchover if the other major broadcasters adopt a more commercial strategy. The Ofcom report argues that such a monopoly needs to be avoided. We agree that plurality – where rival broadcasters compete to provide the best public service programmes – is valuable in the current system. We will need to give further consideration to Ofcom's report and to the different policy options that have been proposed for sustaining plurality in the future. In particular, during the course of the next Charter we will consider whether the public funding, including the licence fee, should be distributed more widely.