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Department of National Heritage

The future of the BBC

A consultation document



*Presented to Parliament by the Secretary of State for National Heritage
by Command of Her Majesty
November 1992*

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Department of National Heritage

The future of the BBC

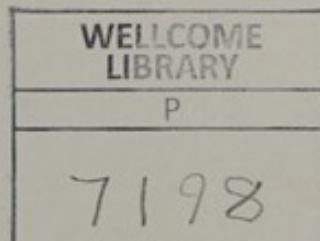
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Contents

	Page
Foreword	
Audiences	7
Costs	8
Evolution and change	9
1 Future Role of the BBC 1.1-1.6	10
2 Key issues 2.1-2.8	12
3 Public Service Broadcasting	14
Introduction 3.1	14
Evolution of public service broadcasting 3.2-3.5	14
New directions for public service broadcasting 3.6-3.12	14
4 BBC Programmes and Services	18
Introduction 4.1-4.3	18
BBC programmes for audiences in the UK 4.4-4.9	18
The scope of the BBC's services 4.10-4.12	20
BBC services for audiences overseas 4.13-4.19	21
Standards for BBC programmes and services 4.20-4.25	22
5 The BBC's Functions and Organisation	24
Introduction 5.1	24
The BBC in a competitive world 5.2-5.4	24
Programme-making 5.5-5.7	25
Patronage of the arts 5.8	25
Transmission services 5.9-5.11	26
Long-term investment in broadcasting 5.12-5.17	26
The BBC's commercial activities 5.18-5.20	28
Organisation and staff 5.21-5.25	28

	Page
6 Paying for the BBC's services	30
Introduction 6.1-6.4	30
Changing the BBC's costs 6.5	30
Paying for the BBC - licence fee 6.6-6.11	31
Paying for the BBC by taxation 6.12-6.14	32
Advertising on BBC services 6.15-6.21	33
Subscription 6.22-6.24	34
Mixed financing 6.25-6.26	35
Value for money 6.27-6.30	35
7 Making the BBC accountable	36
Introduction 7.1-7.2	36
Keeping in touch with audiences 7.3-7.5	36
Advisory councils 7.6-7.7	37
Scotland, Wales and Northern Ireland 7.8-7.9	37
Role of the BBC Governors and Board of Management 7.10-7.13	38
A Public Service Broadcasting Council 7.14-7.16	39
Government responsibilities 7.17-7.18	39
Accountability to Parliament 7.19-7.21	40
8 Summary of Questions	42



Foreword

THE FUTURE OF THE BBC

AN AGENDA FOR DEBATE

Foreword by the Secretary of State for National Heritage

Every day throughout the United Kingdom, millions of people switch on their television and radio sets to watch or listen for pleasure and for information. There is now a greater choice of programmes for viewers and listeners than ever before. During the last 10 years, the Government has opened up opportunities for more services; it has encouraged new types of services and new ways of transmitting programmes. Many more programme services are available in this country and abroad. Our aim is to ensure that advances in technology yield diversity in broadcasting.

How should the BBC contribute to this diversity? For over 60 years, the BBC has typified public service broadcasting and it is widely regarded as a national asset. Its programmes are enjoyed, admired and respected all over the world - and I write as one who has lived abroad on four different occasions in my life. In this country, there are few people whose lives have not been brightened and enriched by BBC programmes. In many ways, the BBC has both embodied and communicated our national heritage.

The shape of broadcasting is changing in this country and throughout Europe, and there are changes in people's lifestyles, in education and the arts, and in commerce and industry. Through the Citizen's Charter, the Government is introducing new measures to improve the quality of public services.

In 1996, the BBC's present Charter comes to an end. This gives us all an opportunity to consider its future. The Government believes the BBC should continue as a major broadcasting organisation and it should have special responsibilities for public service broadcasting. But the BBC cannot remain unchanged in a changing world. So there are fundamental questions to be asked about what the BBC should do, and how it should be financed and organised.

What kind of programmes and services should the BBC provide and how should they be paid for? How can we make sure the BBC does not waste money? How should we make the BBC accountable for what it does? How can we ensure diversity and choice for audiences?

These are questions which need answers from viewers and listeners, as well as broadcasters and politicians. I hope many viewers and listeners will join in the debate about the future of the BBC. At this stage, the Government will listen to the arguments and weigh them, before deciding what proposals to put forward.

Peter Brooke

Peter Brooke



Facts and Figures

Audiences

Broadcasting is about programmes, the people who watch or listen to them, and the choices they make.

Most people in the United Kingdom watch or listen to broadcast television and radio programmes; on a typical day 80% of the population tune into TV, and 94% watch at some time during the week. Almost all of them will watch some BBC television. Almost half the population listen to the radio on a normal day and 76% do so over the week. Around a third will listen to the BBC on any given day and 58% do so in the course of a week.

People spend an average of nearly 4 hours per day watching television, including VCR playbacks. The most popular programmes attract audiences of over 15 million. In recent years, the allocation of viewing between the BBC, ITV and Channel 4 has been fairly constant.

More recently, cable and satellite have accounted for almost 5% of total viewing, and around 30% in homes receiving these services.

The average time spent listening to the radio is around an hour and a half a day. The BBC's share is down from nearly 80% in 1981 to around 62% now, mainly due to the expansion of commercial local radio.

Figure 1: Weekly audience reach, 1991-92

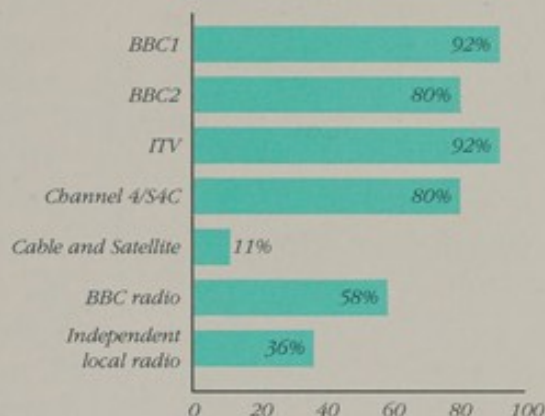


Figure 2: TV audience share, 1991-92

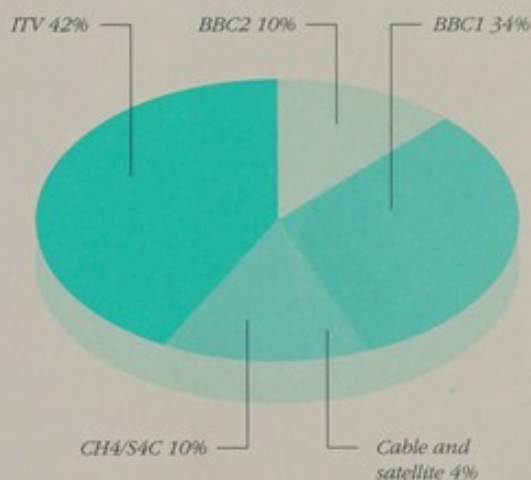
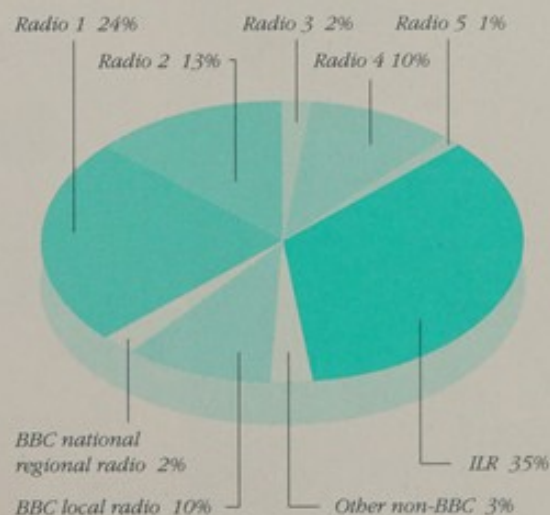


Figure 3: Radio audience share, 1991-92



Facts and Figures

Costs

The colour television licence fee costs £80 annually or 22 pence per day. It is cheaper than a daily newspaper and less than the price of sending a first class letter.

Most BBC services provide at least 16 hours of programmes per day. Last year BBC1 and BBC2 each broadcast over 6,000 hours of programmes. The five network radio stations broadcast a total of nearly 39,000 hours.

The BBC's total licence income in 1991-92 was £1,486.1 millions. It spent £593.7 millions on BBC1, £306.2 millions on BBC2 and £238.7 millions on its five national radio networks. The BBC spent £226.5 millions on regional broadcasting.

The costs of different kinds of programmes and services vary considerably. BBC Television costs three times as much as radio. The most expensive type is also one of the most popular: TV drama. This costs over ten times as much as sport or programmes purchased from other broadcasters.

Figure 4: BBC expenditure, 1991-92

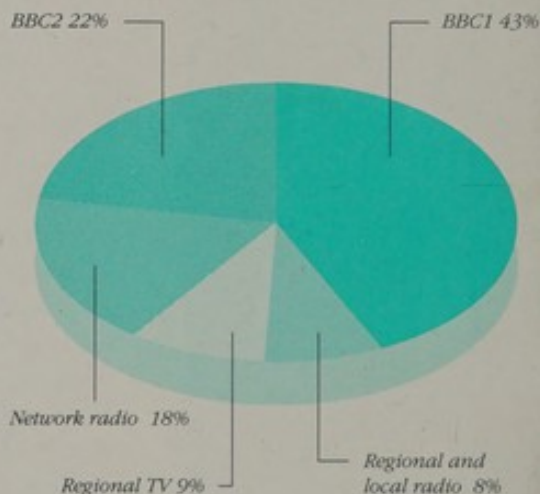
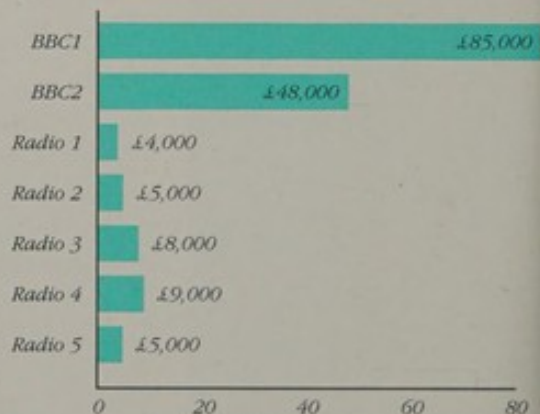


Figure 5: Costs per hour, 1991-92

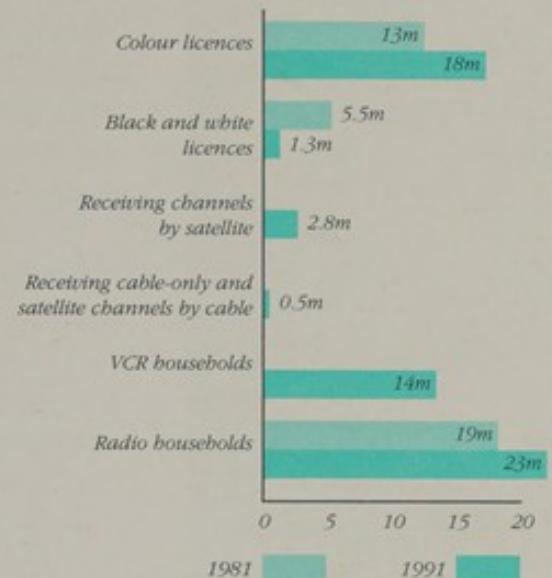


Evolution and change

In 1981 there were three television channels: BBC1, BBC2 and ITV. There were four national BBC radio stations and 40 local radio stations, half of them run by the BBC. About two-thirds of the homes with television had colour licences but nearly a third still had black and white. Few people had video recorders.

By 1991, Channel 4 was available throughout the UK. A fifth channel is planned to reach some 70 per cent of the population. There were more than 70 licensed cable and satellite channels. BSkyB provided six channels. Almost three million homes had direct access to satellite channels. Nearly 300,000 received up to three additional channels on narrowband cable. Almost 270,000 received up to forty additional channels on broadband cable. About 93 per cent of homes had colour television licences and almost two thirds had video cassette recorders. There were also five national BBC radio channels. The first independent national radio station began broadcasting in 1992. In 1991, there were more than 160 local radio stations, three quarters of them independent radio.

Figure 6: Number of UK television and radio households



Future role of the BBC

1

1.1 In 1996, the BBC's Royal Charter will expire. This is an opportunity to consider what services the BBC should provide in the future and how it should be organised and financed to provide these services efficiently. We need to look at the role and objectives of the BBC in the years ahead and we should be ready to contemplate radical changes in the way the BBC operates. But any changes must be based on a clear view of the place of public service broadcasting in the 21st century.

1.2 The BBC cannot continue as if nothing had changed since 1981, when it was granted its present Charter. In the last 10 years, many large companies, providing all kinds of services, have had to change their objectives and to re-organise in order to meet their customers' needs at competitive prices. So have other broadcasters. The Broadcasting Act 1990 created a new statutory framework for commercial television and radio, and for local, cable and satellite services, with the aim of increasing the number of services and the choices for audiences. Against this background, the role, functions and organisation of the BBC are bound to change too.

1.3 Internationally, broadcasting is changing. Most countries have many more services than they had a few years ago; some services can be received in many countries. Programmes are increasingly bought and sold throughout the world. Broadcasters are operating in what have become global markets. The BBC's World Service is celebrating 60 years of broadcasting and is estimated to have 120 million regular radio listeners. The BBC has responded to the opportunities opened up by the increase in television channels with its overseas television services, usually transmitted by other broadcasters, which are reaching new audiences throughout the world.

1.4 The range and quality of the BBC's radio and television programmes, and its technical excellence, have received worldwide recognition. But there has been criticism of BBC programmes for offending public taste and feelings, for bias, for excessive costs and bureaucratic management. Some people think the BBC is unresponsive to criticism, that it tries to carry out too many activities, and that it has too many staff. The BBC has taken steps to improve its efficiency and to adapt to changing circumstances.

1.5 The BBC has special responsibilities for public service broadcasting in the United Kingdom. But this does not mean that the BBC has to broadcast the same range of services or programmes in the future, nor that it must continue to be financed, organised and managed as it is now.

1.6 This paper is published to provide a framework for a debate about the future of the BBC. The Government invites comments and ideas from viewers and listeners, and from organisations with a particular interest in broadcasting policy. In particular, it would welcome answers to all, or any, of the questions asked in this paper.

Comments and replies should be sent by 30 April 1993 to:

Mr E. W. Lister
Broadcasting Policy Division
Department of National Heritage
Room 668
50 Queen Anne's Gate
London SW1H 9AT

Key issues

2.1 The debate about the BBC's future should range widely but there are likely to be a few key issues.

What should be the aims of public service broadcasting in the future?

2.2 What are the objectives or features which distinguish public service broadcasting from other forms of broadcasting? Could these objectives be met in a freely operating market? Or is there still a need for public service broadcasting either to be provided or regulated by public authorities or financed, partly or wholly, from public funds? Should all public service broadcasting become the responsibility of a new Public Service Broadcasting Council, which could promote, regulate and fund public service broadcasting on all channels, including those provided by the BBC?

What kind of programmes and services should the BBC provide?

2.3 At present, the BBC is expected to broadcast programmes of information, entertainment and education. Should it continue to provide a wide range of programmes, or should it concentrate on the kind of programmes, which are unlikely to be broadcast by other television channels or radio stations? What services should it provide for international audiences?

What other functions should the BBC carry out in future?

2.4 The BBC makes, commissions and schedules programmes and transmits them. Does public service broadcasting carry with it responsibilities for other BBC activities, such as patronage of the arts, transmission, research and development, training and publishing? How many of these functions should be carried out by people employed by the BBC? How far should the BBC be restricted to public service broadcasting activities?

How should the BBC respond to the challenges of the commercial media world?

2.5 The BBC is operating in an increasingly competitive media industry. How can the BBC's organisation, staffing and use of resources be improved to carry out its functions more efficiently and economically? Should the BBC be encouraged to build on the world-wide reputation for excellence that it shares with United Kingdom commercial broadcasters to increase its sales abroad? Should there be changes to the structure and organisation of the BBC to ensure that it is well placed to exploit the commercial opportunities of an evolving world market?

How should the BBC programmes and services be paid for?

2.6 The BBC's services in the United Kingdom are paid for from the television licence fee. Should this continue to be the main source of the BBC's funds or should its services be paid for in whole or in part in other ways, such as advertising, sponsorship, taxation or subscription? How should its international

services be paid for? Should there be different methods of funding for different services or functions?

How can the BBC be made more accountable while keeping its editorial independence?

2.7 Traditionally, Governments have not intervened in decisions about programmes nor in the day-to-day management of the BBC. The Government has no intention of changing that position. But if the BBC is to continue as a public service broadcaster, there should be ways of ensuring that the BBC is responsive to its audiences, accountable for the services it provides and that it is efficient and gives value for money. Can a better framework be designed to achieve this without diluting the BBC's editorial independence?

Need for coherent policy

2.8 All these issues are interlocked. Decisions about BBC programmes, services, functions, organisation, finance and accountability need to be seen as part of a coherent policy both for the BBC and for broadcasting. It will be essential to take account of the impact of any decisions on other broadcasting organisations and on the diversity and choice of programmes and services for viewers and listeners.

Public service broadcasting

3.1 Broadcasting through public service authorities has been founded on the belief that a scarce public asset, the broadcasting frequencies, should be used for the benefit of the public as a whole, to provide services which combine information, education and entertainment. Since 1927, the BBC has operated as a public service; other public broadcasting services have been provided by the Independent Television Authority, and then by the Independent Broadcasting Authority. They have competed with each other in providing a wide range of high quality programming but not for finance. Their services have been received throughout the country and have given people a source of shared experience and interest.

Evolution of public service broadcasting

3.2 There are many forms of public service broadcasting in different parts of the world. They reflect the different constitutional, legal and cultural traditions in different countries. In this country, public service broadcasting has evolved out of a system devised for a radio service to include television, and services financed by advertising. Public service broadcasting is not static: its purpose and focus can be adapted to suit new circumstances.

3.3 Public service broadcasting is still evolving. In the last 65 years, the BBC's interpretation of its public service responsibilities has changed and it is preparing its own proposals for the years ahead. The Broadcasting Act 1981 required the Independent Broadcasting Authority to ensure that all its services provided information, education and entertainment, and that the programmes maintained a high general standard in all respects and a proper balance and wide range in their subject matter.

3.4 The Broadcasting Act 1990 creates a new pattern for broadcasting, and opens the way for many more services. The Act sets out standards of taste, decency, accuracy and due impartiality for all services licensed by the Independent Television Commission and the Radio Authority. Channels 3 and 5 will have to meet requirements on programme quality and to provide some programmes of information and education. But most services will be regulated more lightly than in the past. From 1993, only the BBC and Channel 4 will continue to be required to broadcast programmes as public services, although other channels and services will continue to have some public service obligations.

3.5 Throughout the United Kingdom, Channel 4 programmes will have to provide information, education and entertainment, and to cover a wide range of subject matter. Channel 4 in most of the United Kingdom will have to ensure that some programmes are likely to appeal to tastes and interests not catered for by Channel 3, and to encourage innovation and experiment in the form and content of programmes. In Wales, S4C has to ensure that a substantial proportion of its programmes are in Welsh. Both Channel 4 and S4C are financed by advertising, although S4C will have a substantial grant from public funds.

New directions for public service broadcasting

3.6 The original justification for public service broadcasting - that a small number of services should be used for the benefit of the public as a whole - no longer exists. More services and greater choice have been made possible by developments in technology. With scientific advances, the frequency spectrum can be used more intensively. Programmes are being transmitted by satellite and by cable. So viewers and listeners have a wider choice of programmes and services, which should increase further in the years ahead. With more services, the time people spend watching or listening to any one service is likely to fall, although people are likely to use some services regularly.

3.7 In these circumstances, there are several possible ways forward. Some people believe public service broadcasting is an idea which has had its day; the public will be well served by the growing number, and diversity, of television and radio channels. Others, including the Government, believe that there will continue to be a role for public service broadcasting. But there are different views about how large that role should be. One option is that public service broadcasting should concentrate on the types of programme which would not be provided by commercial broadcasters. Others believe that public service broadcasting consists of more than the provision of particular programmes, mainly for minority audiences. They wish to sustain, in some services, the values developed by successive generations of public service broadcasting; they regard public service broadcasting as an approach to broadcasting, which influences the choice of programme subjects, and how programmes are made and scheduled, as well as the scope of the services. Others believe that public service broadcasters should compete in providing every form of broadcasting.

3.8 With more services, there may be less need in future for a single service to reach most homes and offer a range of programmes. Each television channel or radio station could concentrate on a single type of programme, likely to appeal to people of a particular age group or with particular tastes or interests. There could be special channels for children or elderly people, or for news or education. More services could be provided for minority groups, including ethnic minorities. Most radio services are already designed to appeal to limited audiences; television services could move in the same direction. Increasingly, new services may cater for special tastes or interests.

3.9 As the number of services increases, so it is likely that the audience for them will be fragmented. Many people use audio and video cassettes; they are less dependent on broadcast programmes for entertainment, education, or information. They record broadcast programmes for future use. The audience for each programme and service in future is likely to be smaller than in the past. Even so, each service may be used by many households at some time.

3.10 The number of broadcasting services is increasing throughout the world, as well as in the United Kingdom. With the development of cable and satellite services, there are more opportunities for broadcasting across national



boundaries. These developments are creating new opportunities for broadcasting organisations, particularly for selling programmes and programme material to other countries. This can be done either by sales to foreign broadcasting organisations, or by forming new partnerships with other broadcasters to produce programmes designed for international audiences. Some international services are already reaching millions of homes in many countries throughout Europe. Broadcasting is becoming a global enterprise. With these new opportunities for United Kingdom broadcasters, it may be necessary to consider whether, or how far, concepts of public service broadcasting, designed for the United Kingdom, should be applied to international broadcasting.

3.11 If public service broadcasting is to continue in the 21st Century in the United Kingdom, what will be its objectives and how will it differ from other forms of broadcasting? Some public service broadcasting objectives may be shared, to some extent, by other broadcasters. However, there may be a number of objectives which, taken together, are uniquely suitable for a public service broadcasting organisation which, like the BBC, is operating throughout the world.

3.12 Setting objectives for public service broadcasting in new and rapidly changing circumstances calls for careful consideration, rather than slogans or nostalgia. The Government would welcome views on whether the future objectives of public service broadcasting should embrace:

- **Focus on the audience.** Public service broadcasting should be provided for the benefit of viewers and listeners. The audiences should take priority over other possible interests, the broadcasters, advertisers, shareholders or political parties.
- **Quality.** The Government aims to promote quality in all public services. Quality in broadcasting is difficult to define and can be achieved in different ways and in all kinds of programmes, in light entertainment or sports coverage, as well as news, documentaries and drama.
- **Diversity and choice.** A wide range of programmes can be achieved on one service or through a multiplicity of services. In the past, public service broadcasting has included all types of programmes, entertainment, information and education, and programmes which appeal to large audiences and those for minority audiences. Public service broadcasters have introduced experiments in programming. They have broadened the horizons of many viewers and listeners and encouraged new interests. With more entertainment services available to audiences, public service broadcasters could be required to concentrate on programmes which inform and educate, including news and current affairs, and to cut back the proportion of entertainment programmes. However, reducing entertainment and popular programmes would conflict with an objective of accessibility.

- **Accessibility.** There are two forms of accessibility: geographical coverage of services and broadcasting programmes which many people find enjoyable and interesting. Public service broadcasters have planned both to reach people throughout the country and to broadcast programmes which appeal to people with a wide range of tastes and interests, of different ages and backgrounds and living in all parts of the country. This contrasts with services which cannot be received throughout the country or which are available only to those who pay more for them; both limit the opportunities for people to explore a diverse range of programmes.
- **Editorial independence.** It has been an essential feature of public service broadcasting in this country that decisions about programmes have been taken by broadcasters or broadcasting authorities, not by the Government or other interest groups. Editorial independence enables broadcasters to resist pressures from those who wish to manipulate audiences for their own purposes, but it carries the risk that broadcasters may become self-indulgent and unresponsive to public criticism.
- **Efficiency and value for money.** All public services, whether or not they are financed from public funds, should be efficient and give value for money in the services they provide.
- **Accountability.** Public service broadcasters should be held to account for what they do. They should be clear about their objectives, the services they are expected to provide and the standards they are expected to meet. If services are paid for from public funds, there should be ways of ensuring public money is used effectively and is not wasted.
- **National identity.** Public service broadcasters have taken the view that they should reflect the national interests and cultural traditions of their audiences. They can create a sense of community. They can ensure that national occasions can be seen and heard by the majority of the population. They can promote better understanding of current events in the United Kingdom, in Europe and throughout the world, and greater participation in the processes of Parliamentary democracy through news and current affairs programmes. They can celebrate and enhance the national heritage and encourage people to enjoy it.

Question for the future

What should be the objectives of public service broadcasting in the future?

BBC programmes and services

4

4.1 If the BBC is to continue to be the main public service broadcaster in the United Kingdom, the objectives of public service broadcasting will have to be built into its future plans, programmes and finances. There should be a coherent framework for the range of the programmes which the BBC will be expected to provide, the number of its services, the way the programmes and services are paid for, the extent of the BBC's other activities, the way it is organised, and the arrangements for editorial decisions, and for public accountability both for programmes and value for money. It is the Government's responsibility to see that such a framework is in place by 1997.

4.2 Any debate about the future of the BBC must begin by considering the programmes and services which it should provide. The traditional public service broadcasting view has been that each service should include programmes of information, education and entertainment and that the best programmes are likely to combine these three elements, so giving people pleasure and extending their interests and knowledge. Programmes can present information in an entertaining way: information can be given by characters in a soap opera; a political discussion can include jokes.

4.3 The BBC has aimed at high standards in its programmes. It has acknowledged that good programming needs creative ideas, accurate information and high technical standards in production and transmission and depends on the skills of many people, producers and editors, writers, actors, musicians, journalists, designers, camera crews, engineers, and those who make the sets or costumes, put on the make-up or devise special effects. Quality in programming is achieved by talent and effort, not just by expenditure.

BBC programmes for audiences in the United Kingdom

4.4 At present, in the United Kingdom, the BBC broadcasts a wide range of programmes on its two television channels. The five national radio services are aimed at different audiences, but together have a similarly wide range of programmes. Over 90% of the population watch some BBC television programmes and about 60% listen to BBC radio in the course of a week. The BBC provides these two television channels, the five national radio channels and local radio at the cost of about 22p a day for each licensed household.


4.5 With the greater choice now available to viewers and listeners, the BBC could concentrate in future on providing news and current affairs, and programmes which are unlikely to be broadcast by other organisations. The BBC would broadcast few general entertainment programmes but more programmes for minority audiences, so increasing the overall diversity and choice of broadcast programmes for viewers and listeners. It could extend its coverage of the arts, of religion, science and industry. It could broadcast more programmes made in other European countries. The BBC might be required to produce more programmes for minorities of all kinds, including ethnic minorities and people with special interests, for children and elderly people, and programmes and

services for those with disabilities. However, if the aim is to encourage people to widen their interests, this is less likely to be achieved by narrowing the range of programmes and reducing the number of popular programmes, which attract more people to watch or listen to a service.

4.6 There are other possibilities. The BBC could produce programmes of particular interest to United Kingdom audiences, which reflect the British way of life, history and culture, national political issues and the United Kingdom's evolving place in Europe and the wider world. This need not be an insular approach. The European Directive on Television Broadcasting requires all Member States to ensure that broadcasters include a majority proportion of European programmes in their output. The BBC services could include programmes made in other European countries about their views of European and world issues and showing how different countries approach similar problems. The BBC might be expected to ensure that national events were accessible to audiences throughout the United Kingdom and to encourage greater knowledge and understanding of the national cultural and sporting heritage. In this way, the BBC would sustain a sense of national identity and extend diversity at a time when programmes are increasingly produced by organisations with multi-national interests for transmission in more than one country.

4.7 The BBC broadcasts many educational programmes on television and radio for schools and for those who have left school, including programmes for the Open University. It broadcasts programmes to encourage people to re-enter education and training, to help people learning foreign languages and those who have difficulty in reading. Many of these programmes are supported by publications and cassettes. Overall, the BBC broadcasts educational programmes of all kinds for over 1,500 hours on its television services and over 700 hours on its network radio services. This output could be increased further. On the other hand, with the greater availability of cassettes and other educational material, some of this output may no longer be necessary. There may need to be a review of the BBC's role in providing radio and television programmes for schools, to ensure they focus on clear curriculum needs and priorities and so give value for money.

4.8 As a public service broadcasting organisation, the BBC might be expected to continue to broadcast radio and television services for people in Scotland, Wales and Northern Ireland, reflecting their interests, activities and cultural heritage. The BBC already provides television and radio programmes for Scotland, Wales and Northern Ireland, including Radio Cymru, which is the only radio station broadcasting mainly in the Welsh language. It also broadcasts some regional television programmes and local radio in England. However, programmes for the different regions in England have never been a strong element in BBC television services. Many people value the output of the BBC's 39 local radio stations. This includes a high proportion of news and information and special interest programmes, such as programmes in ethnic minority languages. Some people think BBC regional television and local radio programming should



be strengthened; others question whether it is needed at all, since Channel 3 is regionally based and there are over 80 commercial radio stations.

4.9 There could be changes to the BBC's radio output. The five network radio services broadcast a wide range of music, from "pop" to classical and contemporary music and the BBC relies less on records than other stations. The BBC provides news and information on all its national radio services and it is planning a 24 hour news service. It broadcasts entertainment programmes, including plays, talks and features, and commentaries on sporting events. Since it has had to give up some AM frequencies, the BBC has already had to make difficult decisions about the distribution of its programmes between its network services. Some further rationalisation may be necessary. Given the variety of other radio services, it is arguable that the BBC radio should no longer try to broadcast such a wide range of programmes, with the aim that everyone should find something of interest.

The scope of the BBC's services

4.10 The number and scope of the BBC's network services will, to a large extent, depend on the range and nature of the programmes it is expected to broadcast in the future. If the range of the programmes were to be limited, then the number of BBC services might be reduced. For example, if the BBC is not expected to broadcast popular music, then it might have three national radio channels, rather than five. Similarly, if its television programmes were to be mainly information, education and programmes for minority audiences, then they might be concentrated on one television channel. Another possibility would be for the BBC to lose its local radio stations.

4.11 On the other hand, if the BBC is expected to provide a full range of programmes, appealing to most tastes and interests, embracing information, education and entertainment, and to provide services specifically for viewers and listeners in Scotland, Wales and Northern Ireland, as well as regional and local programmes, then it would be more difficult to reduce significantly the number of services the BBC broadcasts in the United Kingdom.

4.12 If the BBC is expected to provide more programmes for Scottish, Welsh and Northern Ireland audiences and for minority, or specialist, interests, it might need more radio or television network services. For example, it could have a service entirely for education and training programmes, or for European issues. Eventually, digital audio broadcasting (DAB) and digital television, as well as satellite services, could provide frequencies for more BBC services, if they are needed. Some present services could move to transmission by satellite. There are opportunities for using spare capacity on television and radio signals for providing additional information services, either to the general public or to subscribers.

BBC services for audiences overseas

4.13 The BBC is an international broadcaster. It provides its long established World Service in radio in English and 39 other languages. In 1991, it set up World Service Television, making available BBC news and other programmes in many parts of the world. Increasingly, it is providing radio and television programmes for transmission by overseas broadcasting organisations.

4.14 In the last 60 years, the BBC has built up considerable respect for the independence, accuracy and diversity of its programmes for overseas audiences. Its services are relied on by many people for accurate news, for learning English and for programmes of special interest in their own languages. BBC programmes broadcast overseas are ambassadors for the United Kingdom and the British way of life. The influence of these services, and the benefits to the United Kingdom, should not be under-estimated.

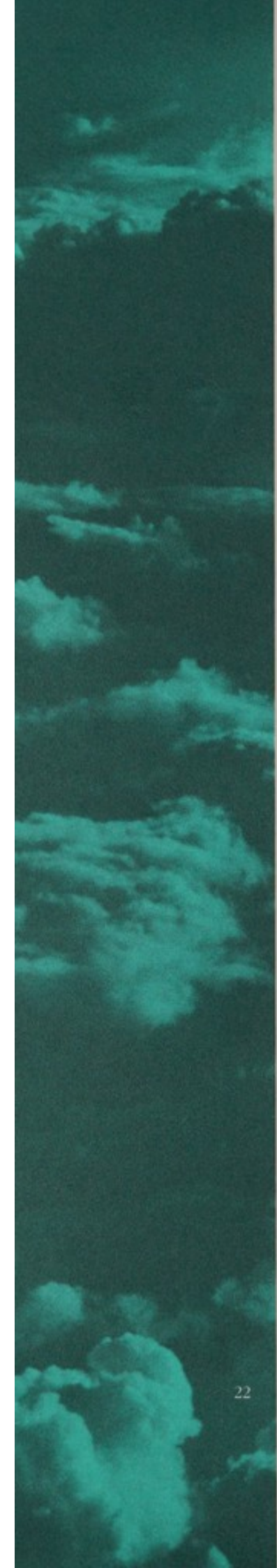
4.15 The World Service in radio is acknowledged to have the largest audience of all external broadcasters. It grew out of the Empire Service, which began in 1932. Although the World Service is funded by a Grant-in-Aid from the Foreign and Commonwealth Office, it operates as part of the BBC under the terms of the Charter and Licence and Agreement. Its objectives, which require its broadcasts to include a balanced British view of national and international developments, are agreed between the BBC and the Foreign and Commonwealth Office. The World Service has complete editorial independence and managerial responsibility, but the Foreign and Commonwealth Office can decide the languages and the hours in which the World Service broadcasts. Increasingly, the World Service is providing programmes for transmission by stations in other countries.

4.16 World Service Television began in 1991. This is part of the BBC's commercial activities, operated through a wholly owned subsidiary, and is separate from the World Service Radio, though it relies on World Service Radio for some of its newsgathering. World Service Television operates by selling services for transmission by other broadcasters and it is self-funding. These services have been expanding rapidly.

4.17 As broadcasting changes throughout the world, the role and operation of the World Service in radio will need to be re-examined. Should the World Service continue to broadcast world-wide? Can the World Service take advantage of new technologies, such as transmission by satellite, and should it take up opportunities to re-broadcast its services on foreign stations wherever possible? What should be the relationship between the World Service on radio and the developing World Service Television, which operates as a commercial venture?

4.18 The number of radio and television services is increasing in most countries in all parts of the world. So there is a growing demand for broadcast programmes of all kinds. The global demand for programmes is opening up new opportunities for the BBC. It could increase its activities in providing services in conjunction with other broadcasting organisations and in selling more programmes to them.

4.19 These activities could go further, so that international broadcasting would become an increasingly significant element in the BBC's activities, with the aim of



providing self-financing radio and television services throughout the world. If the BBC is to expand the services it provides for audiences in other countries, or if the operation of these services alters, then it would be necessary to establish a clear framework for these activities. One example is whether, or how far, the BBC's public service obligations should apply to its international activities. The relationship and balance between the BBC's UK services and its overseas services would have to be spelt out to ensure that the interests of audiences in the United Kingdom were predominant. Otherwise, the BBC could make a higher proportion of its programmes for international audiences, at the expense of audiences in the United Kingdom.

Standards for BBC programmes and services

4.20 It is the Government's view that all public services should have explicit standards and should publish results to show whether those standards have been achieved. These policies are set out in the Citizen's Charter. The public and the BBC will need to be clear about the range of the services the BBC is expected to provide and the other programme standards it is expected to meet. All broadcasters, including the BBC, are expected to keep to standards of taste, decency and impartiality in their programmes. The European Directive on Broadcasting has established minimum requirements on programmes standards throughout the European Community, and, in the past, higher standards have been set for broadcasters operating in the United Kingdom.

4.21 The BBC's present programme standards are in the Annex to the 1981 Licence and Agreement. In this, the Board of Governors of the BBC re-affirmed that they would ensure that programmes maintained a high general standard and undertook to provide a properly balanced service, with a wide range of subject matter, to continue the policy of treating controversial subjects with due impartiality and to ensure that programmes should, so far as possible, not offend against good taste or decency or be likely to encourage or incite to crime or lead to disorder or be offensive to public feeling. Under the terms of the Licence and Agreement, the BBC is required to broadcast a daily account of proceedings in Parliament and any public service messages when asked to do so by the Government. It is prevented from broadcasting its opinion on current affairs or matters of public policy, from sending subliminal messages and from broadcasting programmes for payment, including sponsored programmes, without the agreement of the Secretary of State.

4.22 The Broadcasting Act 1990 loosened the controls on programmes broadcast by other organisations but it continues to place obligations on taste, decency and impartiality, on the services licensed by the Independent Television Commission and the Radio Authority. It introduced new requirements for setting and enforcing standards, especially those for ensuring due impartiality in the treatment of controversial issues in television programmes. The Act extended the law on obscenity, incitement to racial hatred and defamation to broadcast programmes, including the BBC's.

4.23 With more services and greater choice available to audiences, the programme obligations placed on or undertaken by the BBC might be relaxed. Alternatively, if the BBC has a special role in the range of broadcasting services, the programme obligations could be tightened. The range of the BBC programmes and services could be defined, since more services do not necessarily result in a wider choice of different types of programmes, if broadcasters are competing for audiences and for money. The BBC could be required to broadcast specified programmes or quotas could be set for the proportion of different types of programmes, although this would risk introducing a mechanistic approach without enhancing programme quality.

4.24 The BBC could be required to maintain high quality and specified standards in its programme production. There could be a code for programme standards, setting out how the requirements on taste, decency and due impartiality in the treatment of controversial issues were to be achieved and enforced.

4.25 However, there are risks in devising more stringent arrangements for enforcing programme obligations and standards. Closer regulation might open up more opportunities for political influence or control, so encroaching on the BBC's editorial independence. Moreover, the new framework could be too rigid to allow for change, so the BBC could not respond to the changing interests and needs of its audiences, and would be prevented from exploring new ideas for programmes. It would be a dull and timorous broadcasting service which did not adapt, experiment and provoke controversy.

Questions for the future

Should the BBC continue to broadcast a wide range of services appealing to all tastes and interests, or should it concentrate on information, education and minority interests, and programmes unlikely to be provided by other broadcasters?

Should the BBC broadcast a high proportion of programmes, to reflect the interests of people throughout the United Kingdom, including programmes of special interest to audiences in Scotland, Wales and Northern Ireland?

Should the number of BBC television and radio services, including local radio, be changed?

Should the BBC continue to expand its services for audiences overseas through the World Service Radio and World Service Television?

What standards should the BBC be expected to meet in future in its programmes and services?

The BBC's functions and organisation

5.1 Although the BBC is sometimes described as a monolith, it might better be regarded as a conglomerate. It has a multiplicity of functions. It commissions and schedules radio and television programmes; it makes radio and television programmes; it provides the studios, equipment and skilled staff to make programmes; it transmits programmes; it gathers news in this country and throughout the world; it provides educational services; it is a patron of the arts, employing writers, actors, musicians of all kinds and maintaining five orchestras; it undertakes social and technical research; it trains production and engineering staff; it publishes books and magazines; it sells its programmes to other broadcasting organisations and raises finance for co-productions; it makes available recorded versions of programmes, and supporting material, to the general public. If the BBC is to operate efficiently in future, these strands of activity may need to be disentangled and decisions taken whether all of them should continue to be provided by people employed by the BBC.

The BBC in a competitive world

5.2 The BBC will be operating in an increasingly competitive world, nationally and internationally. Broadcasting is becoming a global industry. A few companies are acquiring an increasing stake in broadcasting in a number of countries and more programme material is being produced for international audiences by companies with multi-national interests. Some services broadcast few original programmes, relying heavily on films, material made for other broadcasters, and on recordings. These developments could reduce the range and diversity of programmes for audiences. Keeping the BBC as a major force in British broadcasting could ensure a sustained service of British programming for United Kingdom audiences, provide British programmes for sale to overseas broadcasting organisations, and support the BBC's own overseas broadcasting, particularly its coverage of news and current affairs.

5.3 In recent years, the BBC has been encouraged to become an entrepreneur. It has exploited its assets, selling programmes, publishing books, magazines and video and audio cassettes and other merchandise linked to its programmes. Some competitors consider that BBC Enterprises Ltd and its subsidiaries, which carry out most of this activity, enjoy unfair advantages from the links with the BBC, such as promotion on BBC services. The Monopolies and Mergers Commission has confirmed that BBC Enterprises has derived unfair advantages from its BBC links.

5.4 If the BBC is to compete, it must compete fairly. In future, sharper distinctions may need to be made between its competitive, monopoly and cultural activities. Monopoly activities may need to be separated from competitive activities, so that the monopoly activities can be suitably regulated. Similarly, the BBC's subsidised services need to be separated from its non-subsidised activities, otherwise they have an unfair advantage when competing with others. Such separation can be achieved either by separate ownership or by separate accounting for the different activities to prevent hidden subsidies. The BBC's organisation is criticised for being top-heavy, rigid and bureaucratic. Greater

separation of its functions could increase these tendencies. On the other hand, separation might provide the impetus for slimmer, more flexible structures. These are issues which will need to be taken account of fully, once decisions have been made about the functions which the BBC should carry out. All these factors will be important in determining the BBC's future organisation.

Programme-making


5.5 Making programmes for television and radio is seen by many people as the main purpose of the BBC's existence. But there are many stages before a programme reaches its audience and these processes do not have to be carried out within one organisation. The independent production initiative has encouraged the BBC Television and ITV to take at least 25% of their television output from independent producers. From 1993, this will be a statutory requirement. More use is made by many broadcasting organisations of studios and other production facilities run by independent companies.

5.6 These developments are promoting greater efficiency and innovation and are being extended to radio. The proportion of independent productions could be increased. It would be possible for the BBC to continue to produce the majority of its programmes but to buy more production facilities from outside rather than providing them within the BBC. The BBC's initiative, Producer Choice, announced in 1991, will allow television producers to select either BBC or outside facilities for production. This arrangement could be developed further, with the BBC operating its own studios and facilities commercially, offering production capacity to other programme-makers. This could sustain a body of creative skilled staff, used to working together and making a variety of programmes. Other functions, which support programme-making, might be privatised, contracted out or opened up to commercial tendering, so creating more competition in making programmes and providing services.

5.7 There are other options. The BBC could commission and schedule programmes, but not make them. Or it could make a limited range of programmes, commissioning all the others from independent producers. Conversely, the BBC could continue as a programme-making organisation, but all its programmes would be broadcast by other broadcasting organisations, both in the United Kingdom and overseas. The Government's present view is that these options would detract from the BBC's ability to compete effectively as a broadcaster with world-wide activities, which needs a secure foundation of broadcasting activities in the United Kingdom.

Patronage of the arts

5.8 Broadcasting can bring the arts to the public at large and the BBC has seen this as one of its public service broadcasting responsibilities. The BBC has been a major patron of the arts, providing work for many actors, musicians, composers and writers. It maintains five orchestras and organises and supports a wide range of artistic events. For more than 60 years, the BBC has made an immeasurable



contribution to cultural developments in the United Kingdom. Some people have questioned whether this is a desirable use of the licence fee. More thought may need to be given to the focus of the BBC's patronage of the arts, and to co-ordinating it with other patronage to ensure the most effective use of available finance for musical and other cultural activities throughout the country. The co-operation between the BBC and the Welsh Arts Council in funding the BBC Welsh Symphony Orchestra is one example of collaboration and it may point a way forward for the future.

Transmission services

5.9 There could be changes in the BBC's transmission arrangements. At present, the BBC transmits its services, both in the United Kingdom and World Service Radio. In the United Kingdom, the services reach over 99% of the population from sites the BBC owns or leases, or shares under an agreement with National Transcommunications Ltd (NTL). The BBC shares with the Independent Television Commission responsibility for a programme of building up to 25 relay stations a year to bring UHF television services to those who cannot yet receive them. In practice, only groups of more than 200 people benefit from the relay programme. For smaller groups, there are self-help schemes, and the BBC and ITC are responsible for giving advice about them. The BBC aims for similar high geographical coverage for its national radio services. Radio relay stations are typically built only for unserved pockets of more than 1,000 people, although about one million people have difficulty in receiving the BBC's national radio services on FM. Digital audio broadcasting should provide more reliable reception for radio services in future. Technical developments, such as digital transmission for radio and television, are likely to require substantial new capital investment.

5.10 For historical reasons, the BBC's transmission system in the United Kingdom is intertwined with that developed by the IBA, and most UHF television sites cater for BBC1, BBC2, and Channels 3 and 4. BBC sites and masts are made available to other broadcasters, though the BBC does not provide transmission services for all of them. The BBC provides transmitters for World Service radio and has also had a role in national and international planning of the use of broadcasting frequencies.

5.11 The Independent Broadcasting Authority's transmission network was privatised in 1991 and is now owned by NTL. The BBC's transmission network could be sold to the private sector, and the new company could compete for business in transmitting BBC and other services. There are other options: the transmission of the BBC's output could be put out to tender.

Long-term investment in broadcasting

5.12 In the past, the BBC has made long-term investments in broadcasting which have been of benefit to all British broadcasters. Investment in people, in

their skills and in technological development, is necessary to maintain and improve the quality of British broadcasting. Otherwise, it will become dependent on foreign talent, production skills and technology.


5.13 The BBC has nurtured writers, composers, comedians and musicians of all kinds. It has trained journalists for broadcasting, production staff and engineers. People trained by the BBC have taken BBC standards of programme production into other organisations. In the last few years, the BBC has been providing training, as well as programmes, for broadcasting organisations in Eastern Europe and for other broadcasters unaccustomed to operating in a plural and democratic society.

5.14 In future, each broadcasting organisation, the BBC and those licensed by the Independent Television Commission, the Radio Authority, the independent production companies and the transmission organisations could be left to make their own arrangements for training. If there is sufficient demand, training could take place in a variety of institutions, particularly if the broadcasting organisations co-operate in helping educational establishments to provide courses. But this may not be sufficient to provide practical experience and to foster the creative and performing talents on which future programming will depend. It will be necessary to review the level of the BBC's commitment to training and how it is provided, in the light of its overall objectives and public service broadcasting responsibilities.

5.15 Broadcasting technology is changing rapidly. The BBC is involved at many stages, from research to helping the public to adjust to new technologies. The BBC's Engineering Research Department has had a leading role in the development of many broadcasting technologies, contributing to advances in production, transmission and reception. BBC engineers have been engaged in setting European and international technical standards for broadcasting and the BBC's contribution to international negotiations is the more effective because of its prestige as a long established public service broadcasting organisation.

5.16 The scope of the BBC's research and development activities should be reviewed. The BBC's research and development could be privatised or contracted out with all development work undertaken by the private sector or by universities. Even so, the BBC is likely to need some research and development support for purchasing technologically advanced broadcasting equipment, as well as to protect its interests in international negotiations on standards.

5.17 To ensure the quality of broadcasting services is maintained, the BBC, if it continues to be the largest broadcasting organisation in the United Kingdom, is likely to have some responsibilities for long-term investment in broadcasting. These should be defined and could be a part of its public service functions. The BBC could have specific obligations to nurture talent and to provide some training and research for its own purposes, and on behalf of the United Kingdom broadcasting organisations.



The BBC's commercial activities

5.18 The BBC's commercial activities have been increasing, mainly through its wholly owned subsidiary, BBC Enterprises Ltd. In addition to selling programmes and promoting co-productions with other broadcasters, BBC Enterprises has developed its publishing activities, magazines, books and audio and video cassettes based on BBC programmes and archives or providing supporting material for viewers and listeners. These include educational and training cassettes and publications. A recent development has been BBC Subscription Television, which uses the night hours to provide services to subscribers, mainly for education and training, including professional training.

5.19 These activities could be further expanded to generate more income for the BBC. In conjunction with the BBC's international broadcasting activities, they could also form the basis for building on the United Kingdom's reputation for excellence in television and radio broadcasting. The BBC is the UK's largest broadcasting organisation, but it is still small compared with its overseas competitors. Given increasingly global markets for broadcasting, the BBC could be encouraged to develop its activities, possibly in co-operation with UK commercial broadcasters, to create a stronger international presence.

5.20 Alternatively, these activities could be separated from the BBC and placed in the hands of other organisations who would pay a commercial price to the BBC for the use of its material, though this would reduce the BBC's control over the use of its assets. Increased secondary exploitation of the BBC's assets by the BBC or by others must take account of United Kingdom and European Community competition law, the recent MMC report into the promotion on television of goods supplied by broadcasters and the Government's response to it. It may be necessary to draw a clearer line between the BBC's broadcasting activities and its other businesses, with separate accounts and payments between them.

Organisation and staff

5.21 How the BBC is organised in the future depends essentially on what services it is expected to provide, and how it is expected to provide them. So decisions on organisation and staff depend on the decisions on programmes and services, whether the BBC continues to engage in all aspects of broadcasting from commissioning programmes to transmitting them, and how many other activities will be carried out by the BBC.

5.22 Although the BBC has been reducing its staff, it remains a large organisation, employing more than 26,000 people in its United Kingdom and overseas services. It has been criticised for unnecessary bureaucracy and over-rigid structures for decision-making. It needs to be a more flexible organisation, with better articulation between its limbs. This should enable it to respond quickly to rapidly changing circumstances in the future, and to carry out its main functions more efficiently. For its staff, the BBC needs pay and personnel policies to promote flexibility, efficiency, equal opportunities and career development.

5.23 Not all BBC's present functions need be carried out by its employees. Like other large organisations, the BBC has a range of services which support its activities; they include personnel, financial and legal services, libraries, archives and research. At present, most of these services are provided within the BBC; in future, some of this work could be contracted out or included in a programme of market testing, creating a slimmer organisation.

5.24 Improvements in organisation will be needed for those functions which continue to be carried out by the BBC. BBC managers are already trying to make more efficient use of resources through greater co-operation and co-ordination between the radio, television and World services, particularly in the coverage of news and current affairs. This reverses earlier moves towards greater separation between television and radio services. There may be other strands of programming where it would be an advantage for BBC specialist staff to be involved in radio, television and overseas services. The BBC has introduced a new Education Directorate, linking television and radio programmes, and the associated publications and audio and video cassettes. Another possibility would be to separate commissioning and scheduling from the making of programmes, though keeping both within the BBC.

5.25 Any changes in organisation should continue to provide a framework to secure and support the BBC's editorial independence, but with clear lines of accountability for programme content. Senior staff take responsibility for meeting the BBC's programming obligations and should be able to ensure that the obligations are met in practice. Similarly, the managerial framework should provide clear lines of financial responsibility and accountability. If the BBC is spending the public's money, it must do so in ways which enable the public to see, and understand, how and why its money is being used.

Questions for the future

How many of its present functions should the BBC continue to carry out in future?

How can its organisation be improved to carry out these activities more effectively?

Should the BBC be encouraged to develop or expand its activities, building on and exploiting its world-wide reputation and what would be the implications for its structure and organisation?

Paying for the BBC's services

6

6.1 At present, the BBC's services in the United Kingdom are financed almost wholly from the licence fee; the World Service Radio is financed by a Grant-in-Aid from the Foreign and Commonwealth Office. BBC Enterprises, and a number of other subsidiary companies, including World Service Television, operate commercially, enabling the BBC to raise additional funds by exploiting its assets.

6.2 The BBC's income from the licence fee, less the cost of collecting it, was £1,393 million in 1991/92. Its income from other sources was £40.7 million. Over £1,000 million was spent on television services and £300 million on radio services, including local radio. The Grant-in-Aid for the World Service was £156.9 million in 1991/92.

6.3 The way the BBC services are to be paid for cannot be divorced from the services and programmes which the BBC is expected to provide. Although various forms of primary finance are possible - the licence fee, taxation, advertising or subscription - the method chosen will have an impact on the programmes which the BBC broadcasts. Services financed by advertising have to provide programmes to attract the audiences the advertisers wish to reach. If broadcasters are competing for audiences and for finance, more services will not necessarily result in a wider choice of programmes for viewers and listeners. At present, all households watching UK television services are obliged by law to pay the licence fee and the BBC is required by its Charter to provide broadcasting services as public services. In practice, it caters for a wide range of tastes and interests in its programmes and, at present, it competes for a sizeable share of television audiences. Over 90% of households in the United Kingdom use at least one BBC service each week - which can be seen as a justification for the licence fee.

6.4 If the public wishes the BBC to maintain the range of its programmes, and the quality of its production, then the BBC will need to be provided with sufficient resources to achieve these objectives. On the other hand, if the public prefers to pay less for a narrower or less expensive range of programming, then the BBC should not be expected to continue its present level of services.

Changing the BBC's costs

6.5 The overall cost of the BBC will depend mainly on the range and nature of the programmes and services it is expected to broadcast in future. If the range of programmes and services or the mix of programmes is altered, then the costs will change. For example, the BBC could reduce costs by relying more heavily on feature films and foreign series in its television output, since these are some of the cheapest programmes, costing less than £40,000 an hour on average. In comparison, educational and children's programmes cost over £100,000 an hour and one hour's television drama costs on average about £480,000. It would be possible to reduce the costs of radio services by relying more on records and reducing the output of current affairs, drama, features and documentaries. Local radio services cost the BBC over £50 million a year; so does Radio 3; Radio 2 costs £47 million a year. Removing any of these services would save about 4% of the BBC's income from the licence fee. In short, the BBC could cut its costs by reducing the range and quality of its television and radio output and it could alter

the balance of programmes it provides for a similar level of expenditure. In contrast, if the BBC had to broadcast a higher proportion of programmes for minority audiences, made to the present standards, its average costs would be increased. But whatever the range of programmes or services, the BBC should aim for sustained improvements in organisation and efficiency.

Paying for the BBC – licence fee

6.6 The BBC services have been paid for from a licence fee since 1927 and, so far, no-one has devised an obviously better system. The licence fee is readily understood. It guarantees the BBC a regular income and it preserves the arm's length relationship between the broadcasters and the Government. Since 1971, both BBC radio and television services have been funded by the television licence.


6.7 Since 1 April 1992, owners of colour television sets pay £80 and owners of black and white sets £26.50 for their licences. In 1991, the licence fee increase was held below the Retail Price Index. The Government intends to keep further increases until 1996 in line with the RPI, subject to a mid-term review of the BBC's progress with measures to improve efficiency and to generate revenue. Although there is concern about the level of the fee, a 1990 study suggested that many people would be prepared to pay more for BBC services of high quality.

6.8 But the licence fee is an oddity. All television viewers are obliged to pay it, irrespective of whether they watch or like many BBC programmes. Black and white television set owners pay less, though they receive the same programmes. Listeners to BBC radio services are not charged. Rich and poor must pay the same. Payment is enforced through the criminal law but evasion is estimated at nearly 8%. This, combined with estimated hidden evasion by people who have a black and white licence but use a colour set, represents an annual loss of some £170 million in revenue to the BBC.

6.9 In 1991, the BBC became responsible for collecting the licence fee. It is pursuing a range of measures to reduce evasion, by identifying potential and actual evaders, and prosecuting them when necessary. At the same time, the BBC is encouraging people to buy a licence and promoting different methods of payment. For those who find a single annual amount difficult, payments can be spread, with a choice of instalment schemes, or by buying television licence savings stamps.

6.10 Continuing to fund some BBC services by the licence fee need not mean keeping the present system unaltered. The House of Commons Home Affairs Select Committee recommended in 1988 that the offence of television licence fee evasion should be decriminalised and treated as a civil debt. This would remove the possibility that people could be fined if they do not pay. Some viewers might welcome this but it could add to the difficulties of enforcement, since the BBC cannot prevent those who do not pay from receiving its services. Evasion and late payment might increase, forcing up the licence fee for honest viewers.

6.11 It would be possible to increase charges to those with more than one set or to have a lower fee for those least able to pay. A fee for individual sets would require more frequent access to households, with the necessary powers of entry, and, nevertheless, would increase evasion and enforcement and collection costs. The cost of any concessions would have to be met by a further increase in the



overall licence fee. One means of increasing licence revenue, or holding down future increases, would be to abolish black and white licences and require all viewers to pay a combined fee. This would also eliminate hidden evasion of the full colour fee. It is likely that black and white receivers will not be made to receive some new transmission systems. But since the number of monochrome sets is declining, the increase in revenue would not be substantial.

Paying for the BBC by taxation

6.12 There are other possible ways of paying for the BBC's services, or some services. One possibility is from general taxation. World Service radio is already paid for from taxation. In the United Kingdom, the BBC provides services which benefit the public as a whole. Some people believe that the BBC should be paid for by those who can most afford to contribute to the well-being of the community, and not by all households which use television, regardless of their income. But if the BBC were financed from income tax, it would need an increase of nearly a penny in the pound on the standard rate to produce the amount which is at present raised from the licence fee. General VAT rates would have to be raised by 0.5% in order to produce the same revenue. Financing the BBC from taxation would mean that the priority to be given to its services would be assessed each year in competition with all the other calls on the public purse.

6.13 It is sometimes argued that the BBC could be funded through a levy on particular goods and services directly associated with television broadcasting, such as television sets, VCRs, or the services licensed by the Independent Television Commission. But these would be unlikely to produce an income adequate or reliable enough for the BBC to plan ahead to produce good quality programmes. At least £300 would have to be added to the price of a television set to raise income equivalent to the licence fee. Such a levy would also compromise the principle, which all British Governments have followed, that Government revenue from the taxation of particular goods and services should not be pre-allocated to particular expenditure requirements.

6.14 The argument against funding the BBC's United Kingdom services from general taxation has been that it would make the BBC vulnerable to Government, or political, pressure on the content of programmes. This pressure would be more intense if the level of the BBC's income had to be agreed each year. The pressure might be reduced by providing money to the BBC through another body, which would receive funds from the Exchequer and distribute them to broadcasting organisations. But the size of the BBC's grant, at its present level of expenditure, would far exceed the grants to any other organisation, and an intermediate body might not give effective protection. Moreover, this arrangement might pave the way to an open-ended commitment to financing programmes from public funds. Another possibility would be to finance some of the BBC services in the United Kingdom, or some of its activities, such as the cost of maintaining the orchestras, through a Government grant. This would not reduce the licence fee significantly but it would not require all households, however poor, to contribute to these costs.

Advertising on BBC services

6.15 The possibility of advertising on BBC services was examined closely by the Peacock Committee on Financing the BBC, which reported in 1986. They commissioned a number of research studies, looked at the position in other countries and considered evidence from broadcasting organisations, advertisers and others. They concluded that BBC television should not take advertising. Most of them thought that Radios 1 and 2 could take advertising, but they should not remain BBC services. Funding Radios 1 and 2 exclusively by advertising would enable the licence fee to be reduced by £4 a year. If Radios 1 and 2, and local radio were privatised, and similar services were paid for by advertising, over £140 million of advertising revenue would be needed to run the services at present standards.


6.16 More recent research has exposed further the difficulties of financing the BBC's services from advertising. For example, advertising revenue is unlikely to increase sufficiently to provide the additional £1,000 million which would be needed if the two BBC television services were to be financed entirely from advertising. Nor would sufficient revenue be provided if the advertising were concentrated in "blocks" between programmes a few times a day, and not broadcast before, during and after most programmes.

6.17 Sponsorship is another form of advertising limited to a statement in a programme that it is being financed by a particular organisation. This is less intrusive, but unlikely to provide sufficient revenue to finance more than a small proportion of programmes. There is, too, a risk that organisations which pay for programmes are more likely to want to influence their content, and sponsorship might be thought to be an unsuitable method of financing some kinds of programme. The EC Directive on Broadcasting already forbids sponsorship of news or current affairs programmes, but there may be other programmes, for example, educational programmes, which should not be sponsored.

6.18 Advertisements on BBC services would increase choice and competition for advertisers and could lower their costs. But the interests of the advertisers are not the same as those of the audiences or the broadcasting organisations. Some people are amused by broadcast advertising; others find it irritating or intrusive. Although the audiences for BBC services would be attractive to advertisers, many viewers prefer BBC services because they do not include advertising.

6.19 Introducing advertising might alter the range and quality of BBC programmes. They would have to attract sufficiently large, or affluent, audiences to persuade advertisers to pay enough to cover the programme costs. The BBC might be under pressure to increase its audiences at the expense of programmes of interest to smaller, or poorer, audiences. Many of those who wrote to the Peacock Committee made it clear that they would consider a limited range of programmes to be a reduction in the quality of the services.

6.20 Advertising on BBC services would change the prospects of others who benefit from advertising revenue, particularly other broadcasters and the press. The Channel 3 licensees, and others licensed by the Independent Television Commission and the Radio Authority, would probably take the view that there



should be changes in the method of assessing how much they pay each year to the Commission, the Authority and the Exchequer. If the BBC continued to be funded in part by the licence fee, other broadcasters might question whether the BBC was competing for advertising revenue on equal terms.

6.21 It would be possible, as the Peacock Committee proposed, for more services to take advertising, but to remove them from the BBC. This would reduce the risk that the BBC would be forced to restrict the range of its programmes in order to compete for advertising revenue with other services. But it does not answer the question of whether there would be sufficient potential revenue from advertising to sustain more services and what kind of programming could be afforded.

Subscription

6.22 The Peacock Committee concluded that, in the longer term, subscription should replace the licence fee as the main source of BBC finance. It could take several forms, ranging from a single fee for all BBC services to paying to watch individual programmes.

6.23 One advantage of subscription is that it could make a direct link between the providers and users of the services. Unlike the licence fee, subscription need not oblige television set owners to pay the same amount regardless of how many programmes or services they use. A switch to subscription would require changes to receivers, and additional billing and other costs. Income at present lost through licence fee evasion might be regained, though evaders might decide not to subscribe to BBC services. The technology for encryption would have to keep ahead of pirate decoders. But, if programmes or services were encrypted to ensure payment of the subscription, this would discourage people from sampling a wide range of programmes and could reduce the availability of programmes for those less able to pay. In 1987, a study commissioned by the Home Office recommended a gradual introduction of subscription television but not a wholesale immediate switch of existing services to subscription.

6.24 The BBC has already introduced some services for limited audiences which are broadcast during the night and financed by subscription. More use could be made of the night hours to show premium film and other subscriber only services, so reducing the BBC's dependence on the licence fee. Other possibilities would be to continue broadcasting certain programmes in clear or to regulate subscription prices.

Mixed financing

6.25 There is no reason why all the BBC's services should be financed exclusively by the licence fee or by any other means. Already, the BBC obtains part of its income through BBC Enterprises, trading commercially, and BBC World Service radio is funded by Government grant. While some options, such as the licence fee or subscription, could finance BBC services as a whole, others, such as sponsorship or turning the BBC's programmes, transmission and other assets to account, could provide some supplementary financing, although these methods would be unlikely to meet more than a small proportion of the total costs of providing the BBC's services in the United Kingdom.

6.26 Experience in other countries suggests that there are difficulties combining a licence fee system with advertising. The arrangement may begin with advertisements confined to particular services and particular times of the day. But the pressure to reduce the licence fee, or other government expenditure, creates pressures for more advertising. This would be unwelcome to those who dislike advertisements. The greater the proportion of advertising revenue taken up by the BBC, the more serious the implications would be for Channels 3, 4 and 5, satellite and cable television services and for independent radio and the press. A growing income from advertising or subscription finance would reduce the BBC's dependence on the licence fee but could result in changes in the range of programmes and the audiences able to receive them.

Value for money

6.27 Whatever the method of financing, the BBC needs to give value for money and to demonstrate that it is doing so. It needs to improve the efficiency of its activities each year, while maintaining the quality of its programmes.

6.28 The Government has urged the BBC to improve its efficiency. The decision to hold licence fee increases below the levels of inflation, as measured by the Retail Price Index, has encouraged the BBC to look for ways of reducing its costs and of diverting funds from administration to programmes. The BBC's initiatives, "Producer Choice" and "Re-shaping for the Future", and its scrutiny of overheads, are all steps in this direction. Efficiency can also be improved through greater use of market testing and contracting out, by employing contract staff and by moving more BBC functions to areas where rents and costs are cheaper than in London.

6.29 The BBC needs to develop a range of output and performance measures and indicators to cover the efficiency of its activities, the quality of service it provides, audience reactions, and financial performance. These should include measures of the unit costs of various types of programme and utilisation rates of assets and facilities. The BBC could be required to propose and publish clear targets for a number of aspects of its performance and to report subsequently on how far they had been achieved in practice.

6.30 Clear objectives are essential in achieving value for money. As the BBC moves towards the 21st century, it will need well defined aims and duties if the public are to be able to judge whether it is efficient and effective.

Questions for the future

Should the BBC reduce its expenditure by cutting the range or quality of its programming and services?

Should the BBC's services in the United Kingdom continue to be financed by the licence fee in future?

If so, should any changes be made to present licence fee arrangements?

If not, how should it be financed?

How can the BBC become more efficient, so it gives better value for money in its services?

Making the BBC accountable

7.1 In the past, the BBC's functions, powers and obligations have been set out, in general terms, in the Charter and the Licence and Agreement; the interpretation has been left mainly to the BBC. This has had the advantage that the BBC has been able to evolve, as the interests and needs of its audiences have changed.

7.2 In future, the public should know what services the BBC is expected to provide, how it is expected to provide them and whether it is providing them efficiently. It is important that viewers and listeners, Parliament as their representatives, and the BBC itself should be clear what the BBC is expected to achieve, how it will be financed to meet its objectives and whether it has met them. On the other hand, to tie the BBC down too closely would inhibit innovation, in both programming and management. Moreover, subjecting the BBC to closer scrutiny by the Government and Parliament could encroach on its editorial independence. The aims and duties should be clear, but they should be set out in ways which are sufficiently flexible to allow for change and development. In particular, the BBC should be responsive to the views of its audiences about its services.

Keeping in touch with audiences

7.3 If public service broadcasting exists for the benefit of its audiences and aims to reflect and meet the audiences' interests and needs, then it will be essential for the BBC to keep in close touch with the audiences for its services.

7.4 The BBC has assessed the size of its audiences, their appreciation of programmes and their appreciation of its services, both through regular audience research undertaken jointly with other broadcasting organisations, and through research into specific issues. In this way, it has been able to gauge the public's reaction to its programmes and services and the way new services have affected the audiences for the BBC. More recently, the BBC has introduced an annual television programme, when the Chairman and Director General answer questions from studio audiences, and similar radio programmes, so listeners can speak to the Controllers of the national radio networks. These programmes provide opportunities for the BBC to explain what it is doing, and why, but they cannot open up a continuing dialogue with the public about the BBC's services.

7.5 If the BBC is given a new remit for its services, then new measures for audience reaction are likely to be needed. These could look at the purpose of individual programmes, the likely audience and the degree of audience appreciation. Small audiences are to be expected for minority interest or educational programmes, but their appreciation may be intense. Larger audiences are likely for sport, drama and light entertainment, but their judgement of the quality of the programme could be a factor in assessing its success. If BBC services continue to broadcast a wide range of programmes, which will appeal to most tastes and interests, then it would be essential to know whether most households use one or more of the BBC services in the course of an average week.

Advisory councils


7.6 One way the BBC has kept in touch with the public is through its Broadcasting Councils and advisory bodies. There are 65 Broadcasting Councils, and Advisory Councils and Committees, headed by the General Advisory Council, and including local radio councils and advisory councils on particular topics, such as religious broadcasting, science, agriculture and appeals for charities. In 1988, the House of Commons Home Affairs Select Committee recommended that the structure of Advisory Councils and Committees should be reviewed, with a view to reducing the amount of administrative work, and the expense. They pointed out that these bodies require a great deal of effort on the part of the BBC management and the cost was at least £0.5 million a year. The BBC subsequently reviewed its arrangements and made more changes and economies.

7.7 Even so, there are questions about the purpose, functions and number of these advisory bodies. At present, they are not suited to keep the BBC in touch with most of its audiences. If their main purpose is to give the BBC specialist advice, there may be other, more economic, ways of achieving this. But if the aim is to reflect views of radio and television audiences, the councils might be selected differently. The new councils could become the focus for wider public consultations, holding meetings in different parts of the country and seeking the views of audiences on both present programmes and future plans.

Scotland, Wales and Northern Ireland

7.8 At present, the Board of Governors includes National Governors for Scotland, Wales and Northern Ireland. They are selected for their knowledge of the culture, characteristics and affairs of the people living in those countries and are expected to keep in close touch with public opinion there. The BBC also has a National Broadcasting Council for each country, chaired by its National Governor. The Councils contribute to BBC policies on programmes to be broadcast in each country and advise the BBC on other issues which could affect the interests of the people in Scotland, Wales and Northern Ireland.

7.9 The special needs and interests of Scotland, Wales and Northern Ireland will need to be reflected in any new organisational structure for the BBC. The BBC services in the three countries could be given a larger measure of autonomy. But this could well result in greater duplication of effort, in London, Glasgow, Cardiff and Belfast. Many people in these countries will want to see and hear the BBC's programmes broadcast on its main services. On the other hand, it is essential that there should be sufficient radio and television programmes for each country, which reflect its culture, needs and interests, and arrangements should continue to be made for broadcasting in Welsh, Scots Gaelic and Irish. The amount and the type of all these programmes will need to be determined in the light of the views of the people living in each country. So there should be arrangements to ensure that their views are known, either through a National Council or in some other way.



Role of the BBC Governors and Board of Management

7.10 For over 60 years, public service broadcasters in the United Kingdom have been made accountable through broadcasting authorities. The Governors of the BBC, and the members of other broadcasting authorities, have been appointed to act as trustees of the public interest in broadcasting. They have been responsible for ensuring that any obligations in the Charter, or in legislation, are fulfilled. The BBC Governors and the other authorities have approved codes of practice for programme-makers.

7.11 This need not be the pattern for the future. The Independent Television Commission and the Radio Authority will be regulating commercial television and radio with a lighter touch. The Broadcasting Standards Council and the Broadcasting Complaints Commission have been given specific roles by the Broadcasting Act 1990. The Commission considers complaints from people who believe they have been treated unfairly or unjustly in programmes or who believe there have been unwarranted infringements of their privacy. The Council considers more general questions of programme standards, particularly the portrayal of violence and sexual conduct in programmes and advertisements, and standards of taste and decency. The BSC is required to draw up and keep under review a code of practice covering the matters within its remit, and broadcasters then have a duty to reflect the code in their own codes and programme guidelines. The responsibilities of both the Commission and the Council extend to all services broadcast in the UK, including the BBC's.

7.12 At present, the BBC Board of Governors is responsible for ensuring that all the obligations in the BBC Charter and Licence and Agreement are met. All the Governors are part-time; the Chairman works four days a week and the others spend one or two days a week on BBC business. The Board of Management, led by the Director General, is appointed by the Governors and is responsible to the Governors for the management of the BBC, its services and its staff. It is the Governors who take the strategic decisions. Through the appointment of senior managers and the endorsement of editorial guidelines, they establish the manner in which the BBC will be run, and the thrust of its programme policies. There are those who believe that the Governors have been drawn too closely into the management of the BBC. On the other hand, others think that the Governors and the Board of Management could be merged, with the Governors becoming non-executive directors.

7.13 In future, the Governors could be given a different and clearer remit. They would be responsible for the Corporation's strategic policies and for appointing the most senior staff, but not for its day-to-day management. The Governors would supervise the BBC rather than manage it. Or the Governors could become regulators, without responsibilities for the BBC's policy-making. They might have a role in setting the targets for improved efficiency and for monitoring whether those targets had been met. Another possibility would be to

give them special responsibilities for finding out the public's views of the BBC's services, for ensuring that BBC managers are responsive to these views, and that the BBC's programme obligations are met. It has been suggested that the Governors should be elected from audiences, particularly those who watch or listen regularly to the BBC's services. But this might result in confused responsibilities between the Governors, as representatives of the BBC's audiences, and Parliament and the Government, representing the general public.

A Public Service Broadcasting Council


7.14 There have been proposals for setting up a new body, a Public Service Broadcasting Council, although there have been different views about its responsibilities. One option would be a separate body to regulate the BBC. A Council of this kind might approve the BBC's objectives, programme obligations and performance targets and could have powers to impose a range of sanctions if the BBC failed to meet them. It would have responsibilities for regulating some aspects of the BBC's programme content, though its functions would need to be distinguished from those of other broadcasting organisations with an interest in programme content. It could regulate the links between the BBC's public service and commercial activities. However, this would add to the number of organisations regulating broadcasting and could introduce a risk of a mechanistic approach to the oversight of the BBC's activities.

7.15 Another option is a Public Service Broadcasting Council to promote public service broadcasting. It would be responsible for financing public service broadcasting; it would receive the proceeds of the licence fee and any other sources of finance, and would provide funds to the BBC and for other public service channels or programmes. It would be responsible for ensuring value for money for the services and programmes, which it financed. The Peacock Committee believed one of its purposes should be to ensure separate and secure funding for programmes of merit which would be unlikely to be broadcast if a number of channels, including the BBC, were competing for audiences and for finance. This would ensure diversity in the range of programmes. However, such a Council would hold the purse-strings to sizeable resources and it would clearly be unacceptable if this power led to the imposition of a single cultural or editorial viewpoint.

7.16 If a new Council were to be established, with a remit which embraced some or all broadcasting services, it might take over some of the functions now carried out by the Broadcasting Standards Council and the Broadcasting Complaints Commission. Its relationship with other broadcasting authorities would need to be clearly defined.

Government responsibilities

7.17 Although Governments in Britain have never tried to exercise detailed control over broadcasting services in the United Kingdom, the Government has, and will keep, some responsibilities for broadcasting services. A major, though



infrequent, responsibility is to put proposals to Parliament for the legal framework for broadcasting services and for the way they should be financed. In 1981, the framework was set in the BBC's Charter and in the Broadcasting Act 1981. The Broadcasting Act 1990 has set the future framework for commercial, cable and satellite services. This was the culmination of several years' consultation and debate. The discussion about the future framework for the BBC is just beginning.

7.18 Once the framework has been designed, and approved by Parliament, the Government decides who will be responsible for making sure that the terms of the framework are observed by appointing the members of the regulating authorities. The Government also has reserve powers. At present, if the BBC fell consistently short of meeting its legal obligations, the Government could remove the Governors. The Government has the power to require any broadcasting service to make public announcements; this may be essential during an emergency. The Government also has powers to require a broadcasting organisation, including the BBC, not to include particular material in its programmes. This power has rarely been used; the most recent use was in 1988 to require services not to include direct statements by Northern Ireland terrorist organisations and their apologists. Any new framework would have to set out clearly the extent of the Government's powers, not least because Ministers are answerable to Parliament.

Accountability to Parliament

7.19 Any issue of public concern or interest is likely to be raised in Parliament. Although the BBC has been established by Royal Charter, and not by legislation, it has been accountable to Parliament. In the past, there have been debates in both Houses of Parliament before a new Royal Charter has been granted. Even though Ministers have not been answerable for the content of individual programmes or the day-to-day management of the BBC, controversial programmes have resulted in Parliamentary debates or questions. Select Committees have scrutinised more closely the financing and management of the BBC.

7.20 If the BBC continues as a public service broadcasting organisation, and particularly if it continues to be financed from public funds, then it will remain accountable to Parliament. However, the degree of accountability could be increased or lightened. It would be possible, for example, to have a Sub-Committee of a Select Committee to monitor public service broadcasting continuously and it has been suggested that the appointment of Governors should be made on the recommendation of a committee of Privy Councillors or should be subject to Parliamentary approval. Both could increase political influence on programme content.

7.21 To many, the present arrangements for accountability seem haphazard and incoherent. It may be desirable to distinguish more clearly between the actions of Ministers, for which they would always be answerable, and the activities of the BBC. There could be arrangements for regular, but not continuous,

Parliamentary examination of the BBC's programming and financial objectives and how far it had met them, so calling Ministers and the BBC to account for their different responsibilities. In this way, Parliament, representing the public, could ensure that the public throughout the United Kingdom were getting what they wanted from the BBC at a price they could afford.

Questions for the future

Should the BBC have clearly stated objectives and publish results showing how far it has met them?

Should changes be made in the way the BBC keeps in touch with its audiences?

How should the interests of audiences in Scotland, Wales and Northern Ireland be represented?

Should changes be made in the functions of the Governors and the BBC Board of Management?

Should there be a Public Service Broadcasting Council either to regulate the BBC or to promote, finance and regulate public service broadcasting by the BBC and other services?

Should there be improved arrangements for regular Parliamentary scrutiny of the BBC's objectives and how far the BBC has met them?

Summary of questions

Public service broadcasting

1. What should be the objectives of public service broadcasting in the future?

BBC programmes and services

2. Should the BBC continue to broadcast a wide range of services appealing to all tastes and interests, or should it concentrate on information, education and minority interests, and programmes unlikely to be provided by other broadcasters?
3. Should the BBC broadcast a high proportion of programmes, to reflect the interests of people throughout the United Kingdom, including programmes of special interest to audiences in Scotland, Wales and Northern Ireland?
4. Should the number of BBC television and radio services, including local radio, be changed?
5. Should the BBC continue to expand its services for audiences overseas through the World Service Radio and World Service Television?
6. What standards should the BBC be expected to meet in future in its programmes and services?

BBC functions and organisation

7. How many of its present functions should the BBC continue to carry out in future?
8. How can its organisation be improved to carry out these activities more effectively?
9. Should the BBC be encouraged to develop or expand its activities, building on and exploiting its world-wide reputation and what would be the implications for its structure and organisation?

Paying for the BBC's services

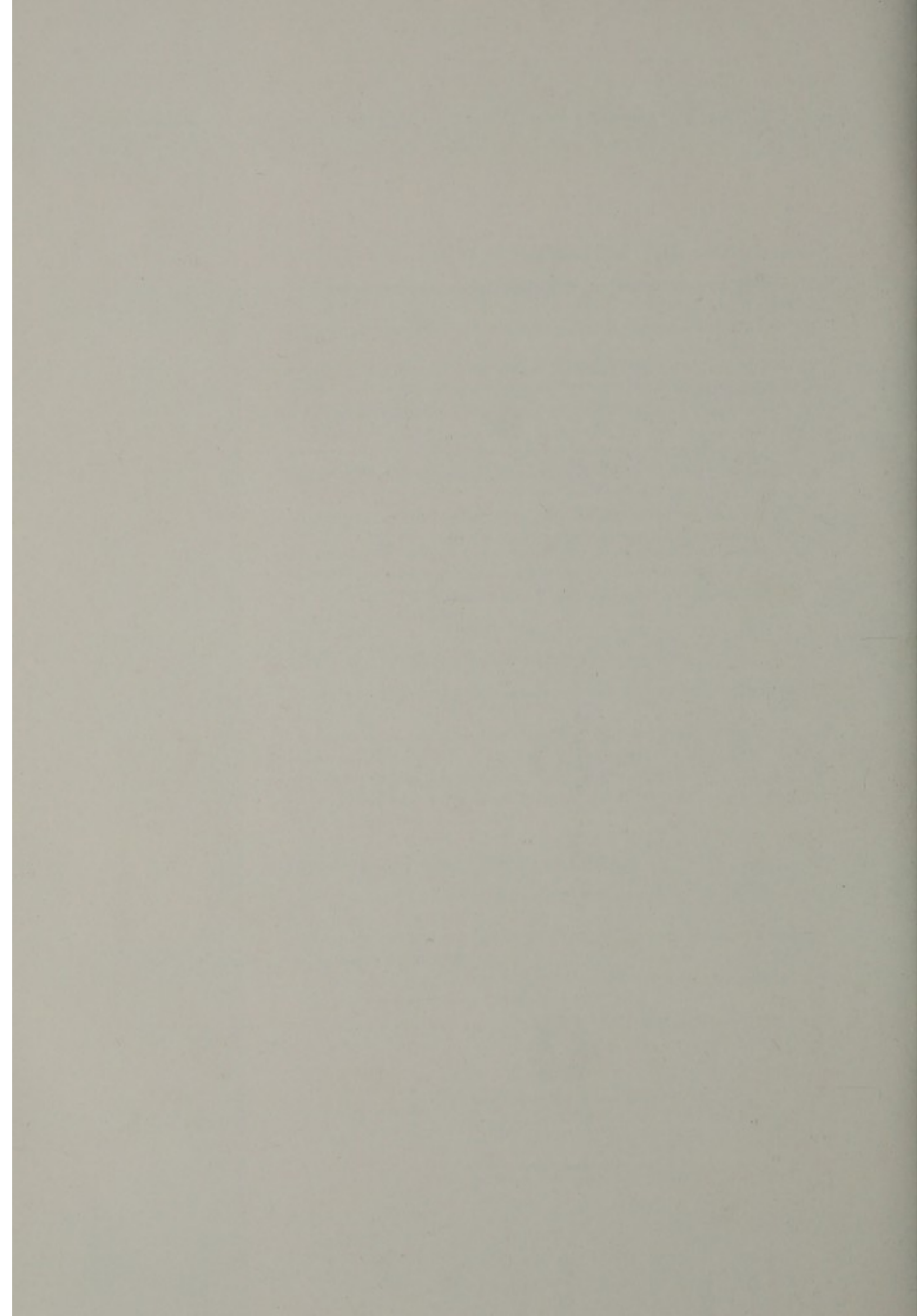
10. Should the BBC reduce its expenditure by cutting the range or quality of its programmes and services?
11. Should the BBC's services in the United Kingdom continue to be financed by the licence fee in future?
12. If so, should any changes be made to present licence fee arrangements?
13. If not, how should the BBC be financed?
14. How can the BBC become more efficient, so it gives better value for money in its services?

Making the BBC accountable

15. Should changes be made in the way the BBC keeps in touch with its audiences?
16. How should the interests of audiences in Scotland, Wales and Northern Ireland be represented?
17. Should changes be made in the functions of the Governors and the BBC Board of Management?
18. Should there be a Public Service Broadcasting Council either to regulate the BBC or to promote, finance and regulate public service broadcasting by the BBC and other services?
19. Should the BBC have clearly stated objectives, and publish results showing how far it has met them?
20. Should there be improved arrangements for regular Parliamentary scrutiny of the BBC's objectives and how far the BBC has met them?



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