

*Championing
excellence and diversity
in broadcasting*

Founded in 1983 by Jocelyn Hay CBE



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RESPONSE
BY VOICE OF THE LISTENER & VIEWER
TO THE
BBC CHARTER REVIEW DCMS GREEN PAPER PUBLIC CONSULTATION

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INFORMATION ABOUT VLV

Voice of the Listener & Viewer Limited (VLV) represents the citizen and consumer interests in broadcasting and speaks for listeners and viewers on the full range of broadcasting issues. It uses its independent expertise to champion quality and diversity in public service broadcasting, to respond to consultations, to produce policy briefings and to conduct research. VLV has no political, commercial or sectarian affiliations and is concerned with the issues, structures, institutions and regulations that underpin the British broadcasting system. VLV supports the principles of public service in broadcasting. It is a charitable company limited by guarantee (registered in England No 4407712 - Charity No 1152136).

Executive Summary

1. VLV does not believe there is evidence to suggest that the BBC's scale and scope are limiting the development of a successful broadcast market. The evidence suggests the reverse is true. Not only does the BBC's role not impede the commercial market and growth, it actually enhances it by building the overall size and skills in the market, giving it global scale and attracting inward investment.
2. We question the suggestion in the Green Paper that audiences might be better served by a more narrowly-focused BBC. We understand this to mean that the BBC should focus its efforts on providing content where there is market failure. In this way the BBC will be restricted mostly to broadcast 'worthy', less popular content and its popularity will decline, making a universal fee unsustainable; and this in turn would undermine the model upon which the BBC is based.
3. The VLV has been impressed with the achievements of the BBC Trust in engaging with licence fee payers and industry. We believe that this is one of the benefits of the current governance model and we would not want to see this valuable advance in accountability lost in any new model which is instituted.
4. VLV notes the recent publication of the BBC Studios proposals and we look forward to commenting on these further in the current BBC Trust consultation, the results of which we hope the Government will consider in its deliberations.
5. In general terms, VLV supports the reduction of in house BBC quotas in certain genres if this results in better delivery of the public purposes, helps maintain UK's creative economy and such a move represents value for money.
6. VLV strongly opposes the process of negotiating the recent licence fee settlement of July 2015 and that of December 2010 which were both conducted hastily without any public or Parliamentary scrutiny. Both settlements have diverted money from BBC budgets, have undermined the BBC's independence from government and compromised its ability to deliver its mission. Whatever the outcome of this Charter Review, VLV urges that there should be no more top slicing of the licence fee during this Charter Review period and VLV would like all the commitments made in the 2010 settlement reversed.

7. VLV wants the BBC to remain independent of Government control. Currently we believe that through the setting of the licence fee especially, the Government has undue influence on the BBC's delivery of its mission.
8. VLV therefore proposes that the current system for setting the licence fee should be completely changed with the institution of a statutory body, the Licence Fee Body, to determine the level of licence fee settlements. This would provide protection to the BBC from the Government 'top slicing' the licence fee and diverting it to fund other projects.
9. VLV members support public funding as the primary source of the BBC's income. In research conducted by VLV among its members in response to Charter Review¹, an overwhelming majority (61.2%) support the continuation of the current system of the licence fee.
10. VLV would welcome further study of the option of the household fee as a model to fund the BBC in the longer term. VLV believes that the BBC should not follow an advertising model because this would have a negative market impact on other advertising funded broadcasters and advertising impairs the experience of some viewers and listeners. We also oppose subscription as a model for funding the BBC because once the BBC loses its universality, its income will be dependent on the popularity of content and this will be a precursor to a decline in less profitable genres which are nevertheless important for delivering the BBC's public purposes. VLV believes that any model of funding needs to be universal because this is the only way to keep down the cost of individual licences and ensure that the system is equitable.
11. VLV believes that in general terms the BBC has the right genre mix. When surveyed VLV members prioritised news, free from any kind of political or commercial bias or influence, as the most important BBC output. 78% thought entertainment was important or very important. And support for nature, science and the environment was surprisingly strong with 63% of respondents saying it is "very important" and 29.6% "important".²
12. VLV opposes funding through general taxation which would reduce the BBC's independence from Government and believes that the BBC's funding should not be associated with any Government spending review or budget as it has been since 2010.
13. VLV opposes the use of licence fee income on any services which are not provided by the BBC. VLV believes that if it is decided that there is market failure in certain genres or content, it might be desirable to create an independent fund to pay for the provision of such content, but we would propose that the resources to pay for this should be additional to the licence fee. If it is believed that there is not enough plurality of supply in a certain genre, such as is the case in UK culturally specific children's content, then VLV would suggest reintroducing quotas on the commercial PSBs to provide such content.
14. VLV does not see a convincing logic to full or part privatization of BBC Worldwide as the profits from BBC Worldwide should be reinvested in high quality content production for the benefit of the public rather than going to shareholders, particularly in those cases where content has been funded in large part by public funds.

¹ VLV Membership survey August 2015

² VLV Membership survey August 2015

15. In general terms, VLV members support the second of the three strategic options recommended in the Green Paper for a standalone regulator model.
16. VLV largely agrees with the conclusions of the CMS Select Committee published in its Future of the BBC Report in February 2015 that the BBC should have an external public interest body. This public interest body would engage with licence fee payers, conduct public value tests of proposed new services, conduct research to measure whether the BBC has fulfilled its public purposes, represent the interests of licence fee payers and hold the BBC Board to account. The public interest body should be involved with advising on the level of licence fee on behalf of licence fee payers. It should be specifically responsible for the BBC and not be responsible for PSB generally.
17. We propose that a unitary board of the BBC should run and be responsible for all BBC matters with no separate governing body above it. It should have a majority of non-executive board members and a strong independent Secretariat which reports to the Chairman of the Board.

WHY THE BBC? MISSION, PURPOSE AND VALUES

18. The 2006 Royal Charter states that the *BBC exists to serve the public interest* and that *its main object is the promotion of its Public Purposes*.³ It further states that its main activity to deliver its purposes should be ... *the provision of output which consists of information, education and entertainment*.⁴ VLV believes that the mission of the BBC should remain unchanged. It is clear that these three broad purposes for the BBC are the most popular with the public: the three most popular purposes among the public when asked what the BBC mission should be were to entertain (64%), inform (59%), educate (43%).⁵
19. VLV believes that the BBC is a precious UK national institution which needs to be supported to provide services which lead to a better informed, democratically engaged population.
20. The BBC is widely considered to be the leading public service broadcaster in the world. It provides independent, impartial, accurate content which we can trust. VLV members do not want to see it undermined.
21. The BBC exists as a conscious democratic, social and cultural intervention in the market in order to achieve certain public value purposes: to enrich our lives with high quality engaging content which broadens our horizons, excites us and helps us cohere as a nation.
22. In order to achieve its public purposes the BBC needs to provide a range of high quality content which appeals to a wide range of audiences and is free at the point of access. This content should be provided regardless of what is available elsewhere because such provision fluctuates with markets and will be determined by commercial considerations. In order to justify such a significant intervention in the market, the BBC needs to provide services which lead the UK's other broadcasters and add value to our lives and society as a whole.
23. Research conducted by VLV among its members to coincide with Charter Review and inform our response to this inquiry demonstrates that there are certain types of content

³ 2006 BBC Charter, 3 (1), 3 (2)

⁴ 2006 BBC Charter, 5 (1).

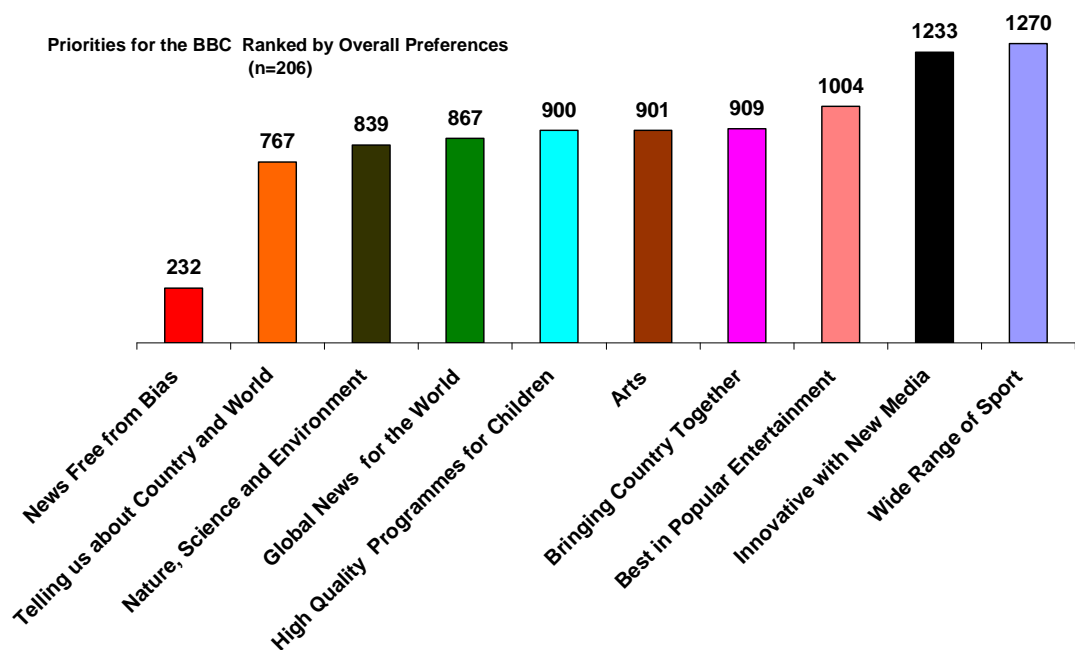
⁵ *What should be the BBC's mission* – ICM research, Future Priorities of the BBC, Feb 2015

which are key for VLV members in the BBC’s delivery of its purposes. A copy of the full report is attached to this submission as Appendix 2.

News, free from any kind of political or commercial bias or influence is the one kind of output nearly everyone agrees is very important (93.2%). 51% view entertainment as “important”, and an additional 27% as “very important”. Bringing “our country” together is also “important” for the majority and nearly half think it to be “very important” (46.6%). 48.5% think the arts are “very important”. 60.2% think global news is “very important”. There is somewhat less emphasis on or support for sport with only 55% of the respondents thinking that “bringing us a wide range of sport” is “important”. Providing services and content for children and young people has strong support (57%). And the support for nature, science and the environment is surprisingly strong with 63% of respondents saying it is “very important” and 29.6% “important”.

In terms of priority, news which is free from bias is considered the most important aspect of BBC delivery as can be seen in Figure 1.⁶

Figure 1: Priorities of the BBC



(The Lower the Number, the more important the priority.)

Q1 How can the BBC’s public purposes be improved so there is more clarity about what the BBC should achieve?

24. Under the current Charter delivery of the six Public Purposes is central to any assessment of the BBC’s performance. Along with their accompanying purpose remits and when taken together with the Service Licences, they provide a detailed articulation of what the BBC should do to fulfil its mission.

⁶ VLV membership survey, August 2015

25. Many of the arguments which informed the current BBC Charter were developed in *Building Public Value*, the policy document which the BBC published prior to the last Charter Renewal. The VLV believes that many of the principles in BPV remain valid today. This summary of the BBC's mission underpins five of the six current public purposes:

The BBC's founders believed that broadcasting could make the world a better place. Public intervention would ensure that its astonishing creative power – to enrich individuals with knowledge, culture and information about their world, to build more cohesive communities, to engage the people of the UK and the whole globe in a new conversation about who we are and where we are going – would be put to work to the sole benefit of the public.⁷

26. These are high ambitions and VLV believes that the current structure of the public purposes is the right approach to ensure delivery of the BBC's mission. The purposes have worked effectively for the past nine years as a framework for the BBC: they help focus the BBC strategically and provide a basis upon which to assess the BBC's performance.

27. VLV welcomes the opportunity to comment on whether the public purposes could be improved. As an organisation representing the interests of listeners and viewers we believe that licence fee payers' concerns should play an important role in deciding what the purposes of the BBC should be.

28. The Green Paper suggests that the purposes are too *broad* and that they *do not set clear boundaries for what is or isn't appropriate output from the BBC*. VLV disagrees with this view. When taken together with their accompanying Purpose Remits and the Service Licences it is VLV's view that the purposes are quite detailed enough and provide an effective articulation of what the BBC should do to deliver its mission. If the purposes were made more specific, there would need to be more of them so as to cover everything the BBC does to achieve its mission; and having more purposes would dilute their impact and the focus of the BBC on its core ambitions. Also, more detailed purposes would not allow enough creative freedom for the BBC to adapt to the needs of its audiences, innovate and be imaginative in its delivery of its mission.

29. Therefore VLV does not believe the public purposes need to be more prescriptive.

Delivery

30. The disadvantage of the current model is that the purposes are only effective as a means to improve delivery of the BBC's mission if governance is effective and they are used mostly retrospectively.

31. VLV would like the purposes to be employed more strategically, with the BBC Trust (or its replacement body) at the beginning of each year setting clearer strategic targets for the BBC Executive based on the public purposes.

32. We understand that current measurements of the delivery of the public purposes include performance analysis, data from public consultations and qualitative audience research. One of the Trust's methods of measuring performance has been to measure public perceptions of delivery, rather than actual social and economic impact. Therefore we

⁷ *Building Public Value*, 2004, BBC, pg. 6

welcome the Trust's announcement in June 2015⁸ that it is developing a measurement framework to enable the BBC's regulator to undertake a thorough examination annually of how well the BBC is meeting each of its purposes and to better measure the social and economic impact of content. We look forward to seeing more detail on these proposals in due course.

Revising the Public Purposes

33. The purposes as written in the Royal Charter are still largely relevant today although it is VLV's view that they could be reframed so that there are four core purposes aimed at content for UK audiences and four additional purposes which relate to wider activities such as the BBC's output for foreign audiences and training.

34. We note the recommendations made by the BBC Trust in July this year with draft rewording of the purposes and have structured our response around these suggested revised purposes.

35. **Revised Purpose 1:** VLV proposes that the new wording for the first purpose should be revised to read as follows:

Providing a range of content that helps people understand the world around them. The BBC should provide accurate, engaging and high quality content across all genres including news and current affairs to build people's understanding of all parts of the UK and of the wider world.

36. This revised purpose is an amalgamation of the current first purpose, 'Sustaining Citizenship and Civil Society' and the UK aspect of the global purpose, 'bringing the world to the UK'.

37. VLV supports the revised wording for Purpose 1 proposed by the BBC Trust, however we do not agree that it should be limited to news and current affairs output.

38. We would want the obligations of the current first purpose as stated in the Agreement to remain including the provision to ensure that the BBC gives information about, and increases understanding of, the world through accurate and impartial news, other information, and analysis of current events and ideas; promoting understanding of the UK political system; promoting media literacy.

39. And we would want the obligations in the current 'global' purpose to remain including making people in the UK aware of international issues and of the different cultures and viewpoints of people living outside the UK through news and current affairs and other outputs such as drama, comedy, documentaries, educational output and sports coverage.

40. The current 'global' purpose, *Bring the UK to the world and the World to the UK*, is not specific about which genres should be employed to deliver this purpose. The proposed new wording specified by the Trust suggests news and current affairs as the means to deliver this content but there are limitations to this approach. News and current affairs, because of their necessary focus on major conflicts and disasters, often present a largely negative view of other parts of the world and do not by themselves contribute to a fuller understanding.

⁸ BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review, pg. 12

41. Research by the International Broadcasting Trust shows that if we only see negative content about the wider world, this tends to reinforce stereotypes and lead to a more insular society. Also, it is clear that not everyone watches current affairs and news programmes and therefore they will not benefit from the delivery of this purpose unless it is delivered across a range of genres, such as children's output, factual, drama and entertainment.
42. **Purpose 2:** We propose the new wording for this purpose should be as follows:
- Encouraging learning and education* The BBC should help people learn about different subjects in ways they will find accessible, engaging and challenging. The BBC should also provide specialist educational content to help support learning.
43. This purpose replaces the current second purpose, 'Promoting Education and Learning'. We would suggest that in the revised purpose 2 proposed by the BBC Trust the wording should be changed slightly to read *Encouraging learning and education* rather than *Supporting learning and education*. We believe that encouraging is more active than supporting. We welcome the inclusion of this purpose because VLV believes that the role of the BBC in providing educative content – whether formal or informal – should continue to be a central role for the BBC.
44. We would want the obligations in the current purpose retained including the requirement to stimulate interest in, and knowledge of, a full range of subjects and issues through content that is accessible and can encourage either formal or informal learning; and to provide specialist educational content and accompanying material to facilitate learning at all levels and for all ages.⁹
45. VLV believes that the purpose remit for this purpose should be strengthened to ensure better delivery because over the past decade educational output has been affected by changes in technology, the market and public expectations; interactive technology has transformed the broadcast learning experience and taken much of it online; the digital education market has become quite crowded; and society's (and teachers') expectations of what education content the BBC should provide have shifted.
46. Therefore VLV would recommend that there should be a review of what the education purpose means and how the BBC can best support education and learning. This could give new impetus and understanding to the way the BBC delivers its remit and highlight possible gaps where there is less effective provision.
47. More broadly, VLV believes the BBC should continue to offer a wide range of factual, knowledge-building, broadly educative programmes on its main channels and through its children's channels, CBBC and CBeebies. It should also explore the current gaps in education provision, where real need and public service opportunity are apparent, especially for older teenagers and young adults. At the same time the BBC should ensure that children's formal education is a priority and that the BBC remains a trusted provider, continuing to offer quality content in support of the school curriculum, playing to its programme-making and commissioning strengths, but recognising competitive concerns in a busy marketplace. We would caution against any trimming of the BBC's online education provision because it is very effective and distinctive.

⁹ BBC Agreement, 2006, 7 (a) and 7 (b)

48. **Purpose 3:** We propose the new wording for this purpose should be as follows:

Disseminating the most creative ideas and highest quality content. *The BBC should provide output that sets the standards for broadcasting in the UK and internationally. Its content should be distinctive from that provided elsewhere, enrich the cultural life of the UK and it should bring the best talent to its audiences from across the UK's creative community.*

49. We welcome the inclusion of this purpose which is a revision of the current third purpose, '*Stimulating creativity and cultural excellence*'. We believe that the proposed headline wording proposed by the BBC Trust is an improvement on the current purpose because it is more concrete; however we would propose 'disseminating' rather than 'showing' which the BBC Trust suggests, since radio and online provision are equally as important as television.

50. We welcome the ambition for the BBC to continue to set standards for broadcasting in the UK and to ensure that content is of the highest possible quality and is distinctive, however we would like to see the obligation retained to *enrich the cultural life of the UK*¹⁰ in this purpose.

51. We would propose to not include *train and develop people* in this purpose because we suggest a separate purpose for training, which we outline in greater detail below.

52. **Purpose 4:** We propose the new wording for this purpose should be as follows:

Reflecting and representing the whole of the UK population. *The BBC should reflect the diversity of the UK in its content. In doing so, the BBC should accurately and authentically represent and portray the lives of the people of the UK, its nations, regions and communities. It should also provide content for all age groups, including children and young people.*

53. We welcome the ambition in this purpose to both represent and reflect back to audiences the whole UK population. It replaces the current fourth purpose, '*Representing the UK, its Nations, Regions and Communities.*' We would want this purpose to include the existing obligation for the BBC to reflect and strengthen cultural identities through original content at local, regional and national level; to promote awareness of different cultures and alternative viewpoints, through content that reflects the lives of different people and different communities within the UK.¹¹

54. In addition, VLV proposes that this purpose should include a more explicit ambition for the BBC to reflect the diversity of the UK both on screen and also in the BBC's employment strategies. The BBC should aim to employ people from different regions of the UK, fully representing the diversity of the UK population across race, gender and geographical boundaries.

¹⁰ *BBC Agreement, 2006, 8 (1) (a)*

¹¹ *BBC Agreement, 2006, 9 (1) (a)*

55. We believe this purpose should also include reference to providing content for all age groups, including children and young people.

Non UK output purposes:

56. VLV proposes an additional set of purposes in addition to the four above which describe activities which do not directly relate to broadcast or online content available in the UK and therefore should be separated from the other purposes. This means that these extra purposes do not need to be taken into account by commissioning editors when they are considering the commissioning of content to fulfil the public purposes for the BBC's primary audience in the UK.

57. ***Additional Purpose 1: Growing the creative industries.*** *The BBC should be a catalyst for further growth of the creative industries, working in partnership with other cultural organisations.*

This is an important purpose but because it does not relate directly to what we see on our screens or listen to in the UK we propose that it should be an 'additional' purpose.

58. VLV welcomes the proposal by the BBC Trust in this purpose that the BBC should work in partnership with other cultural organisations, however we suggest a separate purpose for technological research and development below because we believe this is an important purpose which should have greater prominence.

59. ***Additional Purpose 2: Providing content for international audiences.*** *The BBC should provide impartial and accurate news and information for audiences around the world to encourage democratic engagement.*

We propose this purpose as an additional purpose because it is not primarily aimed at UK audiences but brings with it huge benefits.

60. Around the world the BBC provides a service which is highly valued as the most trusted and impartial source of information. Its role as a global broadcaster fulfils a specific public purpose, to share the benefits of public service broadcasting around the world. The value of this contribution should not be underestimated. The BBC provides essential information for populations during moments of national crisis as well as more generally information which improves their democratic engagement.

61. ***Additional Purpose 3: Training and developing expertise.***

VLV believes the BBC should make a commitment to training future generations in content production and distribution, as expressed in the proposed BBC Trust Purpose 3, but that this should be an additional purpose because it doesn't relate to commissioning content and should not therefore be a direct concern of BBC commissioning staff.

62. ***Additional Purpose 4: through research and development ensure that the BBC is able to promote its other purposes.***

We understand that there is consensus that the current sixth purpose, 'Delivering to the Public the Benefit of Emerging Communications Technologies and Services', is no longer

relevant. We agree with this view but VLV believes the BBC should continue to have a responsibility to conduct research and development where it is used to promote the BBC's other purposes. We agree with the proposal by the BBC Trust that the BBC should *work with others in the sector to deliver the benefits of technological change to UK citizens*.¹²

Q2 Which elements of universality are most important for the BBC?

63. It is VLV's view that there is an implicit suggestion in the Green Paper that the BBC should do less, be less universally popular and accessible, so that others in the broadcasting and media industries can do more. We question whether this approach to the scale and scope of the BBC is wise because it inherently suggests the BBC's activities should be reduced.
64. We disagree with the suggestion in the Green Paper that audiences might be better served by a more narrowly-focused BBC. We understand this to mean that the BBC should focus its efforts on providing content where there is market failure. The danger of pursuing a more 'narrowly-focused BBC' in this way is that the BBC will be restricted to only broadcast 'worthy', less popular content and its popularity will decline, making a universal fee unsustainable; and this in turn would undermine the model upon which the BBC is based.
65. We agree with the assertion in the Green Paper that during the past decade all households have gained access to a wider range of sources of information and entertainment, however many of these come at a significant cost for consumers and the current range of high quality public service content available in our mixed broadcast ecology is not guaranteed on commercial platforms.
66. Additionally it should be noted that high speed broadband is still patchy or unavailable in some areas of the country and there is not sufficient bandwidth at the moment to supply media content via broadband to the whole population. Therefore VLV urges policy makers to ensure that there is sufficient spectrum available for digital terrestrial television in the coming Charter period.
67. The BBC's current proposal to 'ride two horses' – one the traditional broadcasting model and the other the online model – seems sensible, but it must be remembered that while changes in technology and the market are having a profound effect on all broadcasters, Ofcom's latest figures show that the change in viewing habits from the traditional model towards mobile viewing is incremental and this is happening more slowly than many would have originally expected.¹³ Free-to-air terrestrial viewing is likely to remain the primary means by which UK citizens consume television for the foreseeable future and probably for the period of the next BBC charter. VLV is concerned by proposals that current broadcast channels, such as BBC Three, are to move onto online platforms. VLV believes that the BBC should continue to provide a range of content to mass audiences on its mainstream broadcast platforms in the coming Charter period. In order to do so it needs to remain of a sufficient size to provide a range of content to mass audiences and sustain its universality.
68. The existing Agreement requires the BBC to do *'all that is reasonably practicable to ensure that viewers, listeners and other users (as the case may be) are able to access the UK Public*

¹² BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review, pg. 13

¹³ PSB Review 2015, Ofcom, Para 2.12

*Services that are intended for them, or elements of their content, in a range of convenient and cost effective ways which are available or might become available in the future’.*¹⁴

69. In this way the BBC belongs to the public, who pay for it directly through the licence fee; it is neither owned by the Government, nor by its management. Because almost every home in the United Kingdom pays for the BBC it has always been considered a universal service. It is only by pooling everyone’s resources through the licence fee in this way that the BBC is able to provide a low unit cost per person which provides a real benefit to UK society while fulfilling audience expectations.
70. There are three principles which underlie the democratic basis of the BBC. That it is popular, independent and adequately funded.
71. Popularity means it has to provide a good value service with something for everyone on as wide a range of platforms as possible. It is independent from political or commercial interests which means public interest remains its driving force and it makes its own editorial and creative decisions. And it needs to be adequately funded in order to be popular and independent.
72. It is the view of VLV members that the BBC should continue to provide a universal service which is based on these three principles: a service which appeals to a wide audience and a range of tastes with content which is free at the point of access.
73. The Green Paper identifies three ‘types’ of universality. VLV questions whether these are ‘types’ of universality at all. They are facets of a service which aims to be universal but are not types of universality *per se*. We agree that they should all continue to be aspects of a universal BBC service but they do not of themselves form a universal service.
74. We agree that the BBC *should provide all types of content and meet the needs of all audiences regardless of the provision by others* because the provision of high quality content by others is not guaranteed in any market where content is provided on the basis of its popularity and ability to attract advertising revenue. If the BBC’s popularity declines this will be a precursor to a decline in the quality and quantity of content available to everyone who pays the licence fee because with increased competition for viewers, content which is popular is likely to be prioritised. Such a development would increase the democratic divide so that only those who are able to pay for content will do so and others will be left with a diminished service.
75. We agree that *covering unifying events such as the Proms, royal weddings and elections* is an important element of the BBC’s provision, but not do agree that providing unifying content equates with *universality*. If you have a universal service you can provide unifying content, whereas if you don’t have a universal service you will not be able to unify people. Co-viewing is a crucial aspect of public service delivery in broadcasting – for families, for children and their parents, for those with a shared interest (such as sport).
76. We agree that the BBC should *be available and accessible on all platforms and devices, free at the point of use*. A distribution network, making all BBC TV and radio channels universally accessible - including in remote areas of the UK – for a standard fee is a crucial aspect of public expectations of BBC provision.

¹⁴ 2006 BBC Agreement, Page 12, Clause 12 (1)

77. This principle would be challenged if licence-fee payers were formally entitled to free provision of parts only of any enhanced BBC content offer, with other segments being made conditional on subscription or some other form of extra payment.
78. In this situation it is VLV's view that the provision of high quality services for *all* homes should remain a high public policy priority for reasons of social equity, cultural cohesion and educational development.

Q3 Should Charter Review formally establish a set of values for the BBC?

79. The Green Paper suggests having a separate set of formal codified values which are distinct from the purposes.
80. VLV agrees that the creation of a set of values explicitly stated in the Charter could help the BBC regulator assess whether the BBC is performing as it should, give clearer guidance to BBC staff about the behaviours expected of them and reinforce the principle of BBC independence; however VLV believes that this should not be done in a way which might overload BBC staff with increased compliance work since this could possibly dilute the impact of the public purposes. Therefore we recommend that any set of values should be used cautiously to ensure that the BBC is carrying out its mission without being imposed on content makers.
81. There are 'values' already expressed in the current Charter and Agreement although they are not explicitly described as such. In the Charter it is stated that the BBC should be *independent and serve the public interest*; it should adopt methods of *good corporate governance*; the Trust should *carefully and appropriately assess the views of licence fee payers*; *exercise rigorous stewardship of public money*; and *ensure that the BBC observes high standards of openness and transparency*. In the Agreement it is further stated that *the content of the BBC's UK Public Services must be high quality, challenging, original, innovative and engaging, with every programme or item of content exhibiting at least one of those characteristics*.¹⁵
82. VLV agrees there should be a set of values included in the new BBC Charter and these are the values we suggest:

The BBC should:

- Be Independent.
- Be Impartial.
- Produce distinctive, diverse and innovative content of high quality.
- Be effective and provide value for money.
- Behave in a transparent manner which is fully consultative and inclusive, sharing its research with licence fee payers and engaging all the audiences which make up the UK population.

WHAT THE BBC DOES: SCALE AND SCOPE

Q4 Is the expansion of the BBC's services justified in the context of increased choice for audiences? Is the BBC crowding out commercial competition and, if so, is this justified?

¹⁵ BBC Charter and Agreement July 2006

83. The BBC's size has always featured in Charter Review discussions so it is quite right that the Government should examine whether the BBC's current scale and scope are necessary for it to deliver its public purposes. VLV welcomes the opportunity to comment on this aspect of the BBC because we believe that it is vital that members of the public are given the opportunity to influence the discussion about how large the BBC should be and what range of content it should provide.
84. VLV believes that the BBC would not be able to fulfil its purposes and meet the needs and interest of licence fee payers if it significantly reduces its range and diversity of content (its scope). If it reduces its scale (size) it risks losing its universal appeal and ability to produce high quality content.
85. **Explosion of Choice? A narrower set of BBC services?** The Green Paper suggests that the explosion of choice in media platforms and channels means we no longer need such a large, all-purpose BBC and it might *become more focused on a narrower, core set of services*. Undoubtedly there are many more platforms and channels available to audiences now than there were 10 years ago, but as stated above, many of these come at a significant cost for consumers and they do not guarantee a range or diversity of content.
86. VLV would therefore strongly refute the suggestion that the explosion in the number of media channels guarantees greater choice. 'Market failure' does not refer to whether or not there are other providers in the marketplace; it refers to the fact that, whatever the number of providers in the market at any given time, the market may still fail the citizen if there isn't a wide range of high quality, diverse and informative programming, especially in genres which may not be considered commercially attractive. VLV would suggest that fragmentation of the market had led to a narrower range of content in certain genres as platforms and channels compete for audiences (for example religious content, UK culturally specific children's content and current affairs). Commercial channels necessarily focus on the popular to ensure financial returns and in this context the volume of less popular content diminishes. This in turn leads to less diversity, a smaller range of content and therefore less choice. Additionally content on other platforms and channels is not regulated for accuracy and impartiality as BBC content is.
87. **Benefits of Scale:** VLV believes that the BBC's 'critical mass' has been an essential element in it sustaining not only the quality and variety of the BBC's own programmes but in its role of discovering and developing talent in the UK broadcasting industry.
88. Additionally, in the atomized, multi-faceted age of social media, the BBC provides a recognised source of information to which people instinctively turn in crisis or celebration, when great events happen and there are major occasions to be broadcast and recorded. The BBC remains, in the digital age, a glue electronically bonding the nation. In order to retain its universal appeal the BBC needs to be of a significant scale.
89. As a result of its scale it is also able to contribute a huge amount to the creative industries. The BBC invested around £2.2 billion directly in creative industries in 2013/14 and a further £1.5 billion was invested outside of the creative industries in the UK: much of this investment was in the digital and high-tech industries on activities which support content creation and content distribution.¹⁶ We do not believe that if the BBC's scale is reduced the commercial media sector would replace this investment in the creative industries.

¹⁶ *The contribution of the BBC to the UK creative industries*, Frontier Economics, April 2015, Pg. 8

90. **Crowding out?** The positive contribution that the BBC makes to the rest of the industry and the cultural sector should outweigh any negative effects but we acknowledge this needs careful oversight and regulation.
91. While the BBC is a major public intervention in the market, VLV does not believe that the BBC is crowding out commercial competition. We do not believe that there has been any convincing evidence that other UK broadcasters are failing financially as a result of the BBC's over dominance. The UK's creative industries have grown and flourished around and alongside it. Ofcom reported this year that the British television industry generated £13.2bn revenues in 2014¹⁷ and a wide range of other broadcasters and producers continue to have great commercial and creative success, and competition between different providers has helped sustain overall standards of quality.
92. The Green Paper correctly highlights that BBC services have expanded in the past 10 years, however VLV notes that the income of the BBC represents a far smaller proportion of the market today than it did a decade ago. It accounts for over 40% of total investment in UK original content, yet only c.22% of total TV revenues.¹⁸ The number of channels available in the UK has increased from 61 to 536 in the past ten years, yet the BBC accounts for a far smaller proportion of television now than it did 20 years ago. Globally it has less than half the revenue of Sky and a sixth of the revenue of Disney.¹⁹
93. There is evidence from Enders Analysis and Paddy Barwise, the Chair of Which,²⁰ that not only does the BBC's role not impede the commercial market place and growth, it actually enhances it by building the overall size and skills in the market, giving it global scale and attracting inward investment.
94. Having said that, we acknowledge that the BBC should always ensure that it focuses on delivering its core purposes and does not stray from these. There has recently been a lively debate about whether the BBC should provide popular entertainment, competing with commercial channels in its offering and schedule. To reference just one example: the BBC's popular music stations have been criticised for 'crowding out' commercial competition. It is clear that Radio 1 and Radio 2, while popular, are also distinctive in many ways and provide a service which is not disrupted by advertising which can be a deterrent to listeners. Radio 1 is promoted by the BBC as a champion for new and live music and a platform which engages a young demographic and Radio 2 provides speech content as well as a range of music which is wider than that played other commercial music radio stations including 1,100 hours of specialist music programming every year.²¹ VLV would argue that in order to maintain its universality and popular appeal, the BBC has a responsibility to provide something for everyone and that this should include entertainment and popular programming but that it has to remain distinctive in all that it offers.
95. **Funding:** The scale and scope of the BBC are necessarily influenced by the level of the BBC's income. VLV strongly opposed the recent licence fee negotiations partly because they were conducted in secrecy and with no public consultation, despite previous assurances to the contrary; but also because it is nonsensical to negotiate the funding of

¹⁷ *Communications Market Report 2015*, Ofcom, Pg. 17

¹⁸ BBC Response to PSB Review 2015

¹⁹ Tony Hall speech to RTS Convention Cambridge, September 2015

²⁰ <http://blogs.lse.ac.uk/mediapolicyproject/2015/09/16/bbc-tv-and-its-impact-on-investment-in-uk-content-enders-analysis/>

²¹ *British, Bold, Creative, The BBC's Programmes and Services in the next Charter*, September 2015, pg. 30

the BBC prior to deciding what its scope and scale should be. In future licence fee settlement negotiations VLV would strongly urge the Government to ensure that the scale and scope of the BBC are decided through public consultation prior to any negotiation of its funding. In this way the public can decide what they want from the BBC, this can be costed and then a licence fee can be set to deliver what the public says it wants.

96. **Necessary Cuts:** There are obviously going to be constraints on the BBC during the coming Charter period due to the reduction by between 10% and 20% of its income as a result of the recent fee licence settlement. The BBC will need to achieve even greater efficiencies and find ways to exploit other sources of revenue better. Even then, the necessary savings are unlikely to be achieved through production efficiencies alone and the VLV accepts there will be some impact on the BBC's services. These cuts are inevitably going to have an impact on the BBC's scale and scope and VLV urges the BBC to be very cautious and ensure it continues to deliver its public purposes across a range of genres with high quality content. It will need more than ever to focus on its remit and public interest.
97. We believe that the BBC should not convert services which are being dropped into online or subscription services.
98. The VLV believes that the BBC needs to focus on its core services and to continue to deliver content which engages, informs and entertains at similar levels as today.

Q5 Where does the evidence suggest the BBC has a positive or negative wider impact on the market?

99. VLV agrees with the analysis in the Green Paper of the BBC's market impacts. Namely, that the BBC raises broadcasting standards through the existence of a competitive marketplace; and the BBC has a positive impact on the creative industries through its investment in content production, training and nurturing of talent. We also understand that the BBC can be perceived by its competitors to be over-dominant in certain areas.
100. In any discussion of the BBC's wider impact on the market, it should be remembered that the purpose of the BBC is to deliver to audiences high quality programmes which inform, educate and entertain, while that of the advertising-funded broadcasters is to deliver audiences to advertisers. Therefore the BBC's more popular programmes are part of a wider offer, whereas for advertising-funded TV companies popular programmes are just one of a range of options designed to attract different segments of audience to maximise profits.
101. Any assessment of the BBC's impact on the market needs to carefully balance the public benefits the BBC brings with the need for its commercial rivals to thrive and survive. VLV would say that currently the positive contribution that the BBC makes to the rest of the industry and the cultural sector outweighs any negative effect, but agrees that this needs careful oversight and regulation.
102. With reference to existing services, there is evidence from Enders Analysis and Paddy Barwise, the Chair of Which,²² that not only does the BBC's role not impede the commercial market place and growth, it actually enhances it by building the overall size and skills in the market, giving it global scale and attracting inward investment. As stated

²² <http://blogs.lse.ac.uk/mediapolicyproject/2015/09/16/bbc-tv-and-its-impact-on-investment-in-uk-content-enders-analysis/>

above, we do not believe that there is any convincing evidence that other UK broadcasters are failing financially as a result of the BBC's over dominance; nor do we believe that if the BBC's scale is reduced, the commercial media sector would replace the BBC's current investment in the UK creative industries.

103. With reference to the establishment of new services, VLV believes that one of the benefits of the current model of regulation and governance of the BBC is that the market impact of proposed new services has been properly and thoroughly assessed. Some of these proposals, such as BBC + 1, have been refused by the BBC Trust following market impact assessments by Ofcom and public value tests by the BBC Trust. We believe that this system of regulating the BBC's expansion has been effective, allowing the BBC's regulator to evaluate the balance between the interests of industry stakeholders and the public.
104. VLV agrees that there should be a thorough assessment of the BBC's online services which VLV believes should only exist if they are distinctive and successfully contribute to the delivery of the public purposes. The Green Paper suggests that there may not be a need for the BBC to have a significant presence online because a *rapid growth in digital and online services... means that the market is well served*. In a very crowded online space, discoverability is crucial and the BBC provides an important service because it is recognised as a reliable and trusted source of accurate and impartial information. Additionally the BBC has a responsibility to provide access to its content to licence fee payers, some of whom may prefer to consume it time shifted or online.
105. We agree that the BBC should work more effectively in commercial and creative partnerships, whether that is in sharing content with local papers and local news websites or in developing technology which will benefit the UK population as a whole.

Q6 What role should the BBC have in influencing future technological landscape including in future radio switchover?

106. VLV supports the BBC pioneering and developing new technologies provided they bring benefits to the viewer and listener such as improving access to the services provided by broadcasters. VLV has represented the interests of listeners and viewers on a range of technical committees and keeps its members informed about new technologies.
107. The BBC has developed, and usually taken the lead in, all advances in broadcasting technology since its foundation. We consider that this is the appropriate role for a public service broadcaster as it has no specific commercial interests and is most likely to meet the needs of the consumer. The BBC iPlayer is a good example of the role the BBC can and should play. Therefore it is VLV's view that the BBC should continue to play its current role in influencing the future technological landscape in order to ensure it can deliver content to licence fee payers in ways which they want it to be delivered and to encourage media literacy.
108. VLV was represented on the Consumer Expert Group (CEG). This was a formal consultative committee founded by DCMS to advise on digital broadcasting matters. Digital TV switchover showed that by using the BBC trusted name and considerable financial input viewers were happy to make the change. However we do not consider that the time is right for the BBC to invest in a switch over to digital radio broadcasting for these key reasons:

- At a time of a 20% cut in the BBC budget all income should be used for the production of content and not used to take a lead in this change.
- The trigger of 50% listening threshold to start this change is Government policy but was not supported by the CEG report *Digital Radio Switchover - what is in it for the consumer?* (August 2010). The CEG concluded that reaching the remaining 50% of the audience still using analogue signals will be a difficult task especially as many are old or vulnerable and slow to adopt new technologies.
- Given the slow speed of take-up so far, it is impractical to expect the remaining 50% to convert to digital radio quickly. VLV supported these conclusions and does not consider it appropriate for the BBC to be investing in the end of analogue radio at this time which is likely to be controversial with licence fee payers and should only begin when more listeners have adopted digital radios.
- The current DAB technology was developed in the early 1990s. Most countries in Europe considering switching to digital radio broadcasting or a mix of digital and analogue use the newer and more robust DAB+. VLV considers that the UK should switch to DAB+. Many DAB radios are DAB+ compliant however this change will require much work and planning on transmitters which will take time.

Q7 How well is the BBC serving its national and international audiences?

National Audiences

109. The BBC as a publicly funded national broadcaster has a key role to play in fostering social cohesion and adherence to fundamental democratic values as well as providing impartial reporting of competing political views.
110. The Green Paper states that *understanding the BBC's audiences and their different needs and willingness to fund BBC services will be important in thinking about the scale and scope of the BBC's activities for the next decade*. We therefore welcome the BBC Trust's initiative to canvass public opinion during Charter Review so that this evidence can feed into the Government's deliberations.
111. We note BBC audience research which shows that 97% of adults in the UK use BBC services each week. The BBC's reach and audience share suggests that it is generally serving domestic audiences well, although there could be improvements in delivery to certain audiences. Black and ethnic minority audiences, the Scottish audience, and some in the regions would appear to be underserved in contrast to other groups.
112. While BBC output and spend on nations and regions programming has remained stable in recent years²³, according to the most recent Purpose Remit Survey conducted on behalf of the BBC Trust, serving audiences in the nations and regions was the worst performing purpose:

The Nations, regions, and communities (NRC) purpose was the worst performing purpose in the PRS, with its statements receiving an average performance score of 52%, matching its average performance score for Autumn '13. As this purpose was also considered relatively important by many participants, it had an average

²³ PSB Report Summary 2015, Ofcom, Pg. 13

*performance gap of -12, the largest of any purpose. This identifies this purpose as a key area for improvement.*²⁴

113. With reference to ethnic minority audiences, the BBC underperforms as well:

*Overall, Asian participants were more likely to agree that the BBC is good at representing their ethnicity than Black participants (52% vs 32%). Neither group's performance scores changed from Autumn '13 and there remains a substantial performance gap particularly for Black participants of -48 points.*²⁵ Pg. 9

114. However, we note that in an effort to track delivery to these audiences, for the first time in 2014 the BBC Trust included a question in its Purpose Remit survey, asking how well the BBC 'portrayed my ethnic group'. And we welcomed the news earlier this year²⁶ that Danny Cohen, BBC Director of Television, planned to introduce staff to the Underserved Overnight report which provides a guide as to how shows are reaching three groups of underserved viewers: the diverse, less well-off and 16-34 year olds.

115. VLV notes that this inability to engage all audiences is not just an issue for the BBC. The Ofcom PSB Review highlighted that this is a challenge for all the PSBs to some degree. It found the Nations and their regions are the areas where there is the greatest gap between public expectations of PSB and the delivery of the public purposes as defined by Ofcom. As a result Ofcom made a recommendation for increased delivery in programming for Scotland, Wales and Northern Ireland and the English regions.

116. Although reaching the younger end of adult audiences (16-24 year olds) is a challenge for all the PSB's, it is interesting to note that when canvassed for the BBC Trust Purpose Remit Survey this group gave a score in line with the population as a whole, with 59% agreeing "the BBC offers quite a bit, a lot or everything I need" and 76% saying they would be likely to miss the BBC.²⁷ With reference to younger adults, VLV believes that currently the BBC does not satisfactorily deliver content for 10-14 year olds, an age group which is significantly underserved with UK culturally specific content. We therefore welcomed the BBC's recent announcement of proposals for its iPlay service which has the ambition to provide content online for this audience, although this should not be at the expense of the broadcast channels.²⁸

117. VLV believes that the work of the BBC Trust to engage licence fee payers and canvass their opinion on the effectiveness of BBC delivery has been a welcome development during the current Charter. We would like such work to continue during the next Charter period to inform the output of the BBC so that its delivery to these currently underserved audiences improves. This is essential if it is to provide a universal service which appeals to a range of audiences.

International Audiences

118. There are a range of BBC outputs which are directed at international audiences, some are commercial and distributed by BBC Worldwide, and some are free at the point of

²⁴ Purpose Remit survey Autumn 2014 pg. 26

²⁵ Ibid pg. 9

²⁶ 'Danny Cohen aims to rid BBC of 'addiction' to overnight ratings', Broadcast magazine, 24 February, 2015

²⁷ BBC Trust Purpose Remit survey Autumn 2014, Pg. 15

²⁸ British, Bold, Creative, The BBC's Programmes and Services in the next Charter, September 2015, pg. 60

reception. It is those which are free to access and fulfil the current fifth purpose on which we focus our response here. The most notable of these, of course, is the World Service.

119. Around the world the BBC provides a service which is highly valued as the most trusted and impartial source of information. Its role as a global broadcaster fulfils a specific public purpose, to share the benefits of public service broadcasting around the world. The value of this contribution should not be underestimated. The BBC provides essential information for populations during moments of national crisis as well as more generally information which improves their democratic engagement.
120. While the benefit of the World Service to licence fee payers is not direct, although its domestic audience is growing, it is widely accepted that the provision of news and information to people in other countries delivers significant soft power to the UK and extends the social and informational benefits of the BBC to people in countries where there is less access to accurate, impartial information.
121. As the Secretary of State said this month in Cambridge, the World Service's contribution should not be underestimated:

At a time of greater global instability and a rising volume of propaganda from countries with little regard for objectivity and truth, the role of the BBC World Service is even more important. Having spent five years as Chairman of Parliament's Ukraine Group, I am very much aware of the need for an impartial and honest source of news in contrast to that which comes from Russia.

I therefore welcome the BBC proposals to invest in better news services in those parts of the world where there is the greatest need for an accurate, reliable and impartial source of news.²⁹

122. And the report by the Committee on Soft Power and the UK's Influence published in March 2014 highlights the important role the World Service plays in an ever more crowded global media landscape:

Kofi Annan has called the BBC "Britain's greatest gift to the world". Only one in six people live in a country with free media. In Egypt, the BBC's audience quadrupled during the Arab Spring and has remained high, while during the wave of protests in Brazil in June 2013 BBC Brasil saw record figures for access to its digital content. In the same month, audiences for BBC Arabic hit 33 million, while figures for Persian TV rose 90 per cent in the preceding year "despite censorship, deliberate jamming of satellites and the continued harassment of BBC journalists". The World Service plays a significant role in post-conflict and fragile states, the corporation said, by providing impartial and trusted news.³⁰

123. VLV believes that the World Service makes a valuable contribution and it is increasing its global audience around the world year on year which indicates that it is fulfilling its public purpose effectively.

Q8 Does the BBC have the right genre mix across its services?

²⁹ John Whittingdale Speech to RTS Convention, Cambridge, Sept 2015

³⁰ *Persuasion and Power in the Modern World*, Committee on Soft Power and the UK's Influence, paragraph 264

124. VLV believes that in general terms the BBC has the right genre mix. It delivers a service with a mixed schedule with a range of content in different genres which appeal to a wide audience. These are the essential elements of a universal service which justify the legitimacy of the licence fee being a universal fee. The BBC provides something for everyone.
125. We note that news, current affairs and documentaries were also ascribed the highest importance by the public when canvassed by the BBC Trust³¹ but that audiences also want a wide range of programming across all genres including drama, comedy and entertainment.³²
126. It is clear from the recent Ofcom PSB Review that certain genres are not being delivered by the PSBs as a whole, such as religious programming, music and arts programming and content for 10-14 year olds, and it is VLV's view that the BBC should explore what it can do to fill the gaps³³ in this provision; however VLV believes that the BBC should decide what type of content (genres) it should broadcast guided by the public purposes, the purpose remits and its service licences. This should not be a decision for Government.

Q9 Is the BBC's content sufficiently high quality and distinctive from that of other broadcasters?

What reforms could improve it?

127. Issues of quality, innovation and distinctiveness are difficult to define and evaluate. We welcome the question raised in the Green Paper *how to make sure the culture of the BBC is focused on quality and distinctiveness rather than ratings*. We agree that the BBC should not be beholden primarily to ratings and that it should always assess the success of its output using a range of measures.
128. On a matter of principle, we have been concerned by the discussion of the distinctiveness or scheduling of specific programmes in the Green Paper and by Ministers in recent months because it is VLV's view that representatives of the Government should not seek to influence editorial decisions by commenting on them. This undermines the concept of BBC independence from political interference.
129. The BBC Trust's research suggests high levels of satisfaction with the BBC's quality and content; although we note recent findings by Ofcom in its PSB Review which demonstrate that the PSBs as a whole are failing to deliver 'fresh and new ideas'.³⁴
130. The first-run original productions that the BBC commissions for certain audiences that are not thought to be profitable by commercial broadcasters are clearly distinctive, for example UK culturally specific children's content, international current affairs and local radio news output.
131. It is VLV's view that distinctiveness should imply a measure of originality and innovation and should be encouraged in all that the BBC does. This does not mean that a popular long running series should be axed because it is no longer distinctive. In many cases the BBC has successfully innovated to refresh popular favourites – such as *Top Gear*, *Dr Who* and *Masterchef*.

³¹ BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review, Pg. 11

³² BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review, Pg. 11

³³ PSB review 2015, Ofcom, Para 2.4

³⁴ PSB Report 2015, Ofcom, Pg. 19

132. With reference to more popular genres such as light entertainment, VLV believes that the BBC's output is generally distinctive. No one in their wildest dreams could have predicted that entertainment series around ballroom dancing or baking would be successful, however they have proved to be so. And just because some programmes succeed in attracting large audiences this should not mean that they should be taken off air because they are apparently stifling the competition. This high level of competition is an essential element in the UK's PSB ecology – high quality content engenders competition which leads to more high quality content.
133. In order to ensure that BBC content is distinctive, VLV would suggest that the importance of ratings should be secondary to other criteria such as originality and quality. And when choosing formats VLV would suggest that the BBC should develop its own formats in future to head off criticism for acquiring foreign formats such as *The Voice*.
134. VLV also suggests that the clause in the BBC Agreement should remain and possibly be reinforced, with programmes exhibiting *two* of the following characteristics, rather than *one*:
- The content of the BBC's UK Public Services must be high quality, challenging, original, innovative and engaging, with every programme or item of content exhibiting at least one of those characteristics;*³⁵
135. With reference to online, VLV acknowledges that there are complaints that the BBC's online service is not distinctive enough. VLV would suggest that all content provided online should relate in some way to its broadcast content – whether that relates to BBC News or other programming and it should fulfil the BBC's public purposes.

Q10 How should the system of content production be improved through reform of quotas or more radical options?

136. VLV notes the recent publication of the BBC Studios proposals and we look forward to commenting on these further in the current BBC Trust consultation, the results of which we hope the Government will consider in its deliberations.
137. In general terms, VLV supports the reduction of in house BBC quotas in certain genres if this results in better delivery of the public purposes, helps maintain UK's creative economy and such a move represents value for money.
138. If, as is suggested, most of the best ideas are generated in-house, then there should be no concern. It is the licence fee payer whose interests should be uppermost, so we support the current proposals.
139. However, we would question the merit of these proposals if they were to lead to a significant loss of in-house expertise or institutional intelligence within the BBC. It is crucial that the BBC, which has nurtured talent for nearly 100 years, should not give up its role in training and helping future generations develop the skills required by the creative industries. We therefore would not want the BBC to become a publisher broadcaster like Channel 4, so welcome the proposal that current affairs, news and children's content will continue to be made by in-house teams and the statement by Tony Hall, the Director General, in March this year:

³⁵ *BBC Agreement* July 2006, 14 (1)

“Production is at the heart of the BBC. We have been, we are, and we always will be a great programme-maker. We will never simply be a publisher broadcaster – that would be to deny our essence.”³⁶

140. While we recognise that in order to be sustainable the BBC needs to explore other models of production and exploit other markets for its content, we would want BBC platforms to remain the BBC’s primary production priority and any future production structure needs to ensure that this remains the case. The BBC’s main task should be to produce content for the benefit of licence fee payers. This domestic production base may prove to be particularly important as more and more of the independent sector is acquired by large global corporations, with the risk that its output may become less focused on the interests of UK consumers.
141. VLV would be wary of the possibility of BBC Studios buying other independent production companies as part of its approach. We believe this could lead to quite legitimate accusations of the BBC using public funds to dominate the market unfairly.
142. VLV believes that the BBC should continue to have the same quotas as it does now for original out of London productions.
143. We note the announcement by the Secretary of State on September 16th that the Government has commissioned Ofcom to re-analyse the terms of trade just two months after the regulator’s Public Service Broadcasting Review appeared to indicate no significant changes to the legislation were required. We look forward to examining the results of this review.

BBC FUNDING

Q11 How should we pay for the BBC and how should the licence fee be modernised?

Funding Model

144. VLV members support public funding as the primary source of the BBC’s income. They believe that the licence fee is the best way to fund the BBC initially for the coming Charter period.
145. In research conducted by VLV among its members³⁷, the overwhelming majority (61.2%) support the continuation of the current system of licence fee funding as can be seen in Figure 2.

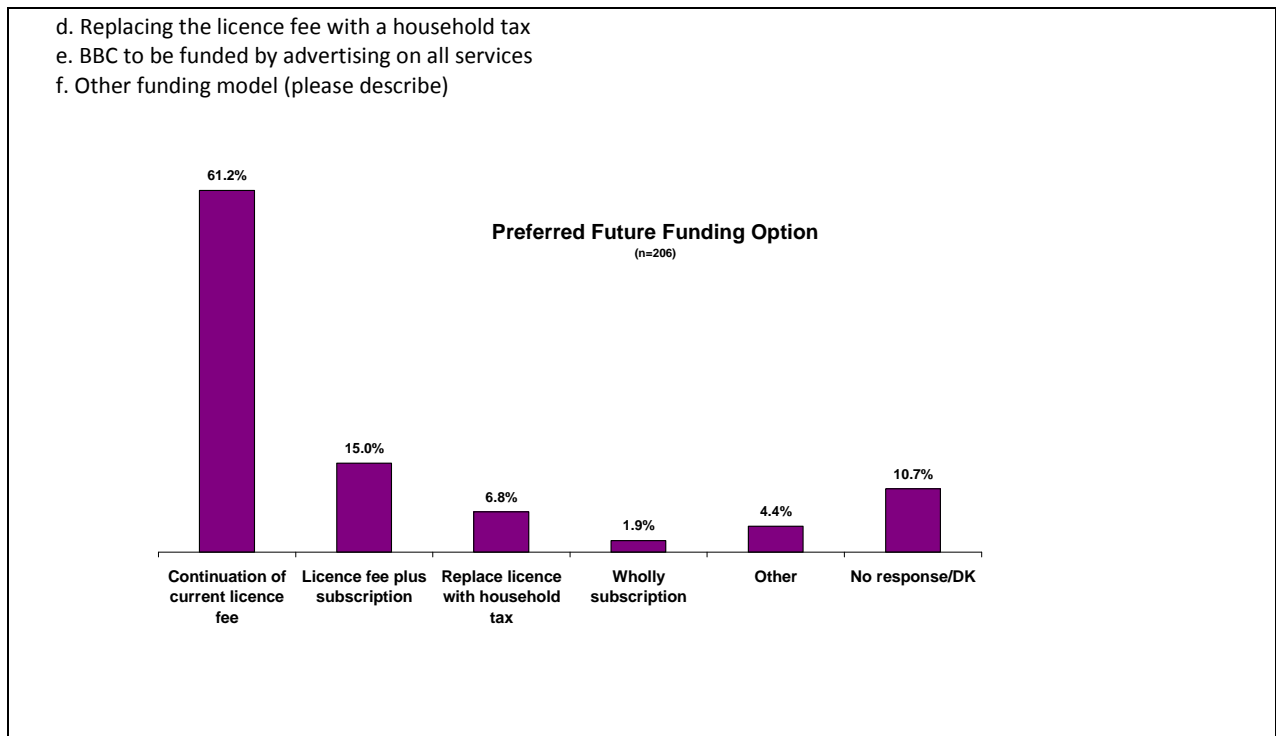
Figure 2 – Funding the BBC

<p>Funding</p> <p>How should the BBC be funded in the future? Choose one answer.</p> <ol style="list-style-type: none">a. A continuation of the current licence fee arrangement with catch-up services (like iPlayer) included (as they are not at present)b. A continuation of the licence fee with a switch in future to some services being only available to those who wish to pay extrac. The ending of the licence fee and a move to a subscription for all or most services
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³⁶ Tony Hall, speech, March 2nd 2015

³⁷ VLV Membership survey August 2015

- d. Replacing the licence fee with a household tax
- e. BBC to be funded by advertising on all services
- f. Other funding model (please describe)



146. However we recognise that there are drawbacks to the current system – such as the fact that 5% of the population doesn't pay a licence fee and many of those who are exempt because they are over 75 would be happy to do so. We would therefore welcome further study of the option of the household fee as a model to fund the BBC.
147. VLV agrees with the Government and the BBC Trust that the BBC should not follow an advertising model because this would have a negative market impact on other advertising funded broadcasters and advertising impairs the experience of some viewers and listeners.
148. We also oppose subscription as a model for funding the BBC because once the BBC loses its universality its income will be dependent on the popularity of content and this will be a precursor to a decline in less profitable genres which are nevertheless important for delivering the BBC's public purposes.
149. VLV believes that any model of funding needs to be universal because this is the only way to keep down the cost of individual licences and ensure that the system is equitable.
150. VLV opposes funding through general taxation which would reduce the BBC's independence from Government and believes that the BBC's funding should not be associated with any Government spending review or budget as it has been since 2010. In any discussion of the licence fee it is crucial to highlight that the licence fee is not part of general taxation. For the past 69 years it has been specifically raised to pay for BBC services.
151. However, when the Chancellor announced the most recent settlement, he said,

*The BBC...is a publicly-funded body, so it is right that it, like other parts of the public sector, should make savings.*³⁸

152. More recently, in front of the CMS Select Committee the Secretary of State for Culture, Media and Sport, John Whittingdale, reiterated that the BBC is a publicly funded body:

*The argument that the BBC is a publicly funded organisation, at a time when every other publicly funded organisation is being asked to find savings in order to make their contribution to the overall objective, which is to eliminate the deficit, it was perfectly reasonable to expect that the BBC should do so again.*³⁹

153. It is clear from these statements that the Government views the licence fee as a form of general taxation and the BBC as a government department or agency. This is misguided and highly damaging to perceptions – and indeed the reality – of the BBC’s independence.

154. The Secretary of State in the same evidence session in front of the Culture, Media and Sport Committee, rather contradictorily, went on to say how despite being a ‘publicly funded body’ it is crucial that the BBC remains independent of Government and that the recent top slicing was in fact not top slicing:

*...if you are dependent upon direct Government funding then you are always going to be vulnerable, and you will recall our experience in the Netherlands where they moved to direct Government funding and promptly found their budget slashed six months later. The licence fee is an arms-length funding principle that, to some extent, protects them from that. The licence fee has not been touched. What was touched was the transfer, the amount of money that goes directly across from DWP, and it will be phased out but over quite a long period. I do not, in any way, pretend that that is not going to be difficult for the BBC. It represents quite a significant reduction, but it is less than the reduction that other publicly funded bodies may also be asked to find in the coming months.*⁴⁰

155. In the coming Charter period VLV believes that the current system should remain in place for collecting the licence fee, but it should be modernised to include catch up TV; and we believe, as stated above, that there should be further study of the household fee model.

How the Licence Fee is Set

156. VLV strongly opposes the process of the recent licence fee settlement of July 2015 which was conducted hastily over the period of a week without any public or Parliamentary scrutiny. Similarly VLV did not support the licence fee settlement reached in December 2010.

157. Both settlements have diverted money from BBC budgets, and have undermined the BBC’s independence from Government and its ability to deliver its mission.

158. There is no better articulation of how inadequate the past two licence fee negotiations have been than that expressed in the Culture, Media and Sport Committee report into the Future of the BBC published in February this year. To quote key points:

³⁸ Gov.uk, Press Release, 6 July 2015

³⁹ Oral Evidence: Priorities of the Secretary of State for Culture, Media and Sport, 9 September 2015

⁴⁰ Oral Evidence: Priorities of the Secretary of State for Culture, Media and Sport, 9 September 2015

Earlier on in this Parliament we reported on the unsatisfactory nature of the 2010 licence fee settlement. The BBC appeared to be put under pressure by the Government to take on new funding commitments for local TV, S4C, rural broadband, BBC Monitoring and the World Service, with no increase in funding, and the BBC accepted these new obligations. What was more concerning was that the settlement was agreed behind closed doors in just a few days and without any consultation with licence fee payers or Parliament.

We believe that the current means of setting the licence fee is unsatisfactory. The 2010 settlement demonstrated that the BBC's independence can be compromised by negotiations with the government of the day that lack transparency and public consultation. Irrespective of any Government pressure, the BBC Trust breached its Charter duties and often-stated commitments to reflect the interests of licence fee payers first and foremost, in agreeing the settlement in the manner it did.

No future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers must be consulted and Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities. We recommend that the independent panel and Charter Review process consider the appropriate length of licence fee settlements and the period in which they should be reviewed and changes made.

Through the setting of the licence fee, the Government of the day can, if they wish, either squeeze or boost the BBC's funding and, therefore, affect the scale of the BBC's services and ambitions, even within a secure Charter period. Moreover, the Government is not required to pay to the BBC the whole of the licence fee revenue received. Lesser sums can be paid out as the Secretary of State may, with the consent of the Treasury, determine.⁴¹

159. VLV opposed the most recent licence fee settlement because it is nonsensical to negotiate the funding of the BBC prior to deciding what its role, scope and scale should be. In future licence fee settlement negotiations VLV would strongly urge the Government to ensure that the scale and scope of the BBC are decided through public consultation prior to any negotiations on its funding. In this way the public can decide what they want from the BBC, this can be costed and then a licence fee can be set to deliver what the public says it wants.
160. The VLV believes that no such licence fee settlements should be conducted in future without a full public consultation, giving licence fee payers a say over how the funding they provide is used.
161. Therefore, VLV has taken the opportunity to have a Bill drafted which would resolve such problems in future. A full version of the Bill is attached to this submission as Appendix 1.
162. VLV proposes that a Licence Fee Body should be created to set licence fees which are designated to fund the BBC. This body would comprise a Chairman and other members who have the requisite expertise and knowledge, are independent of government, of the BBC and other media organisations; the chair and members would be appointed by the

⁴¹ *Future of the BBC*, Culture, Media and Sport Committee, February 2015, Para 246,255, 256, 92.

Secretary of State who would have a duty in making these appointments to consult with the BBC, Treasury, licence fee payers (as represented by BBC Trust or its replacement body).

163. The Licence Fee Body would consult with the public and recommend a level for the licence fee. The Secretary of State would have a duty to lay this recommendation before the Parliaments of the UK.
164. If the Government wanted to impose any extra burdens on the BBC during a Charter period, the Licence Fee Body would estimate what additional funding is required to fulfil such projects.
165. The advantages to this alternative method of setting the fee is that there will be public and parliamentary consultation inherent in the process, the public would be involved and the decision would be taken independent of Government, thus removing the BBC from potential political interference.

Decriminalisation

166. We support the conclusions of David Perry's report on options for decriminalisation. We agree that, while the current licence fee system exists, the current system of enforcement, which classifies non-payment as a criminal offence, is proportionate and effective.
167. We would also agree that, were that system to change radically in future, for example to a household levy, there could also be a case for changing the system of enforcement and sanctions but this would need to be considered carefully to ensure that income to the BBC doesn't drop significantly.

Q12 Should the level of funding for certain services or programmes be protected? Should some funding be made available to other providers to deliver public service content?

168. There are a number of distinct issues covered by this question which all relate to the independence of the BBC.
169. Firstly, should a proportion of licence fee funding be reserved for genres or content which is underprovided by the market?

Secondly, should there be a separate fund sourced by the income derived from licence fee payments to fund public service content regardless of who produces and broadcasts that content?

Thirdly, should licence fee income be spent on other projects?

VLV believes that these interventions are all forms of 'top-slicing' and they should be opposed strongly.

170. We agree with Tony Hall who stated the case against top slicing licence fee funding succinctly at the RTS Conference in Cambridge:

Delivering the agreement also means not fragmenting the licence fee through top-slicing. It is not a good idea in principle - or in practice. Because it substitutes public money for private money, it is allocated by committees rather than commissioners.

*It is subject to lobbying rather than audiences. And it weakens accountability and transparency.*⁴²

171. VLV believes that there should be clearer protections against Government decisions to ring-fence funding for purposes other than BBC production and output in future. We believe the BBC needs to have clear control over the licence fee income it receives. We are therefore deeply concerned by the Government's suggestion that it might be a good idea to 'protect' or ring-fence a proportion of licence fee funding in future in the Green Paper.
172. One of the benefits of a system whereby the licence fee is used exclusively for BBC output is that the public knows what it is paying for.
173. Bearing in mind the desirability of ensuring BBC independence from Government, VLV strongly questions the notion of the Government deciding on behalf of licence fee payers how licence fee income should be spent. It should be the BBC's decision how it spends the licence fee income it receives in consultation with its regulator, i.e. the BBC Trust or its replacement. Government interference in recommending how the BBC should spend the licence fee is not acceptable.

To quote the BBC Trust:

*Over the current Charter period a very significant amount of licence fee money has been spent on projects of the Government's choosing. Some of these, such as helping fund digital switchover and bringing the BBC World Service into the scope of the licence fee support the delivery of the BBC's public purposes. However other forms of 'top-slicing' of the licence fee, where money has been spent on projects or initiatives entirely removed from the BBC, such as local television and broadband infrastructure, have muddled accountabilities and value for money. If the BBC is to remain independent, it is far better to have clear control over the licence fee income that it receives.... We suggest that in future, the BBC's Charter should contain clearer protections against any Government decision to withhold licence fee funding from the BBC for a particular Government purpose. The Charter should also make clear that it should not be for Government to involve itself in specific decisions about the BBC's services or content which should be taken by the BBC and/or its independent regulator.*⁴³

Contestable Fund

174. The BBC and other public service broadcasters already effectively distribute funding for public service content through the commissioning of content from independent producers. They should continue to do so. This constitutes significant support for public service content. If it is perceived that there is a need for additional content of a specific type or in a specific genre, then this should be reflected in the Charter.
175. VLV believes that if it is decided that there is market failure in certain genres or content, it might be desirable to create an independent fund to pay for the provision of such content, but we would propose that the resources to pay for this should be additional to the licence fee. There are many potential sources of extra funding for the provision of such content which VLV does not believe any recent Government has researched fully. These include

⁴² Tony Hall, Speech to the RTS Convention, Cambridge, September 2015

⁴³ BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review, pg. 17

levies on hardware, levies on platforms which benefit from original content (such as YouTube), levies on telcos which also benefit from original content because it drives their businesses, and the National Lottery.

176. Children's content merits special mention in the Green Paper as a genre of content which may benefit from contestable funding. To quote VLV Trustee Jeanette Steemers of University of Westminster:

The overall tone of the Green Paper seems to be lining up children's programming as a potential Trojan horse to cut the BBC down to size. A children's production industry letter, published on 14th September in Broadcast, wants to maintain the current BBC children's budget, but seemingly wants to fund a contestable pot by ring fencing money (presumably cut from other BBC programme areas). It is ambiguous, but however, you describe it, it infers top-slicing, and it is questionable on several counts.

...it is debatable under the Charter whether governments should really be deciding how an independent BBC should spend licence fee funds. Who decides what needs ring fencing and by how much? Who decides whether the BBC should stop making Match of the Day or The Voice, incidentally programmes that children and adults enjoy together, because two-thirds of children's viewing is of non-children's programming. If governments of whatever persuasion start to determine what content the BBC should spend money on, then this will not stop here, diminishing the BBC's independence and confidence over time, as both popular and market failure content is stripped away.

...the way that contestable funding is being pushed in the Green Paper will lead inexorably to top-slicing to pay for it; and that diminishes financial provision for the whole production industry, for whom the BBC is their biggest commissioner.

The proposals I've seen optimistically think that "commercial PSB broadcasters" (curiously no mention is made of new players) are going to match fund when commercial PSB spending has shrunk to about £3m a year. Yet should the licence fee payer subsidise wealthy organisations, which don't produce children's programming because they see no commercial market for it.⁴⁴

177. If there is market failure in plural provision in certain genres, VLV would suggest that the Government should consider reintroducing quotas to ensure that commercial PSBs provide such content.

Ring-fencing budgets

178. VLV opposes the ring fencing of budgets within the licence fee for specific purposes because this fundamentally undermines the independence of the BBC in deciding how to spend the licence fee. It should be for the BBC and its regulator, i.e. the BBC Trust or its replacement body, to decide how the licence fee should be spent to deliver its public purposes, not for the Government.

⁴⁴ Jeanette Steemers, Speech at Staring into the Abyss Conference, University of Westminster, September 3rd 2015

Top Slicing

179. In this context we use ‘top slicing’ to refer to the use of licence fee income on projects which are unrelated to BBC output for licence fee payers.
180. As stated above in answer to question 11, VLV does not support the licence fee settlements agreed in December 2010 and July 2015. Both these settlements diverted money away from BBC services and led to licence fee income being spent on obligations which were not included in the last BBC Charter.
181. Our view is supported by the CMS Select Committee report, *The Future of the BBC*:

*It was wholly wrong that 2010 licence fee settlement, which permitted the licence fee revenue to be used for new purposes, was not subject to any public or parliamentary consultation. We recommend that income from the licence fee (or the broadcasting levy) be used only for the purpose of broadcasting or the production of public service content on television, radio and online. As a result, we believe that the Government must be prepared to remedy any existing spending commitments agreed in 2010 so that those not deemed appropriate for funding through the licence fee are met by other means such as general taxation.*⁴⁵

182. The imposition of free licences for the over 75’s in the summer budget of 2015 belongs to social policy; and the imposition in 2010 without discussion of BBC financial responsibility for the World Service, BBC Monitoring, S4C, local television and broadband rollout lacked any transparency and debate.
183. Therefore, whatever the outcome of this Charter Review, VLV urges that there should be no more top slicing of the licence fee and VLV would like the commitments made in the 2010 settlement reversed.

Q13 Has the BBC been doing enough to deliver value for money? How could it go further?

184. This is difficult to answer because it is not an area of expertise for VLV, however we note the recent Price Waterhouse Coopers report which demonstrated that the BBC is being run more efficiently than similar public sector organisations. With reference to overheads we note PWC found that the BBC's overheads currently account for 7.6% of its expenditure, while the likes of government departments and charities had a ratio of 10%. We also note and welcome a BBC target to reduce overheads to 7% by 2016/17.⁴⁶
185. Additionally we note a recent National Audit Office report which found that ‘Delivering Quality First, the BBC’s ongoing cost reduction programme, has so far delivered value for money.’⁴⁷
186. We note that the BBC is projected to find £1.5 billion in annual savings over the course of the current Charter and that despite the fact that the licence fee will have fallen by around 12%⁴⁸ in real terms, the BBC has continued to provide high quality content across a range of platforms.

⁴⁵ BBC Trust Initial Response to the Government’s Green Paper on BBC Charter Review, 264

⁴⁶ BBC Efficiency Review, PWC, July 2015, Pg. 2

⁴⁷ BBC Trust Initial Response to the Government’s Green Paper on BBC Charter Review, Pg. 18

⁴⁸ BBC Trust Initial Response to the Government’s Green Paper on BBC Charter Review, Pg. 19

187. However, whether the BBC could go further to deliver value for money is a question which needs to be constantly asked in order to ensure that licence fee payers' benefit from their investment as fully as possible.
188. VLV is concerned by the most recent licence fee settlement because our members, along with the rest of the television and radio audience, do not want to see efficiencies which undermine the range of content or the quality of content. We question whether it will be possible to save the £700m a year required by the current settlement through operational efficiencies alone.

Q14 How should the BBC's commercial operations, including BBC Worldwide, be reformed?

189. The Green Paper raises the question of whether BBC Worldwide should be privatised.
190. VLV does not see a convincing logic to full or part privatization of BBC Worldwide. VLV would like the profits from BBC Worldwide to continue to be reinvested in high quality content production for the benefit of licence fee payers in the UK, rather than going to shareholders which would be the case if BBC Worldwide were privatized.
191. We note that BBC Worldwide returned £227m to the BBC in 2014. As well as distributing the BBC's content abroad and setting up international subscription services, it also helps the BBC raise co-production funding which is essential in much of the most expensive content, such as natural history programming and drama.
192. It is VLV's view that the current BBC funding model will be undermined if the BBC produces less popular content. BBC Worldwide can only contribute effectively to the BBC's finances if it has access to content that is internationally appealing and entertaining – this is precisely the type of content that the Green Paper is questioning.
193. VLV welcomed the announcement this month that the BBC plans to launch a subscription service for foreign markets. While we oppose subscription as a model in the UK for reasons which we have already highlighted in this submission, VLV believes that there is strong evidence that audiences outside the UK would be prepared to pay for a BBC subscription service⁴⁹ which would benefit them and would generate more income for the BBC. This could make up some of the shortfall in funding which has come about because of the most recent licence fee settlement.

GOVERNING THE BBC

Q15 How should the current model of governance and regulation for the BBC be reformed?

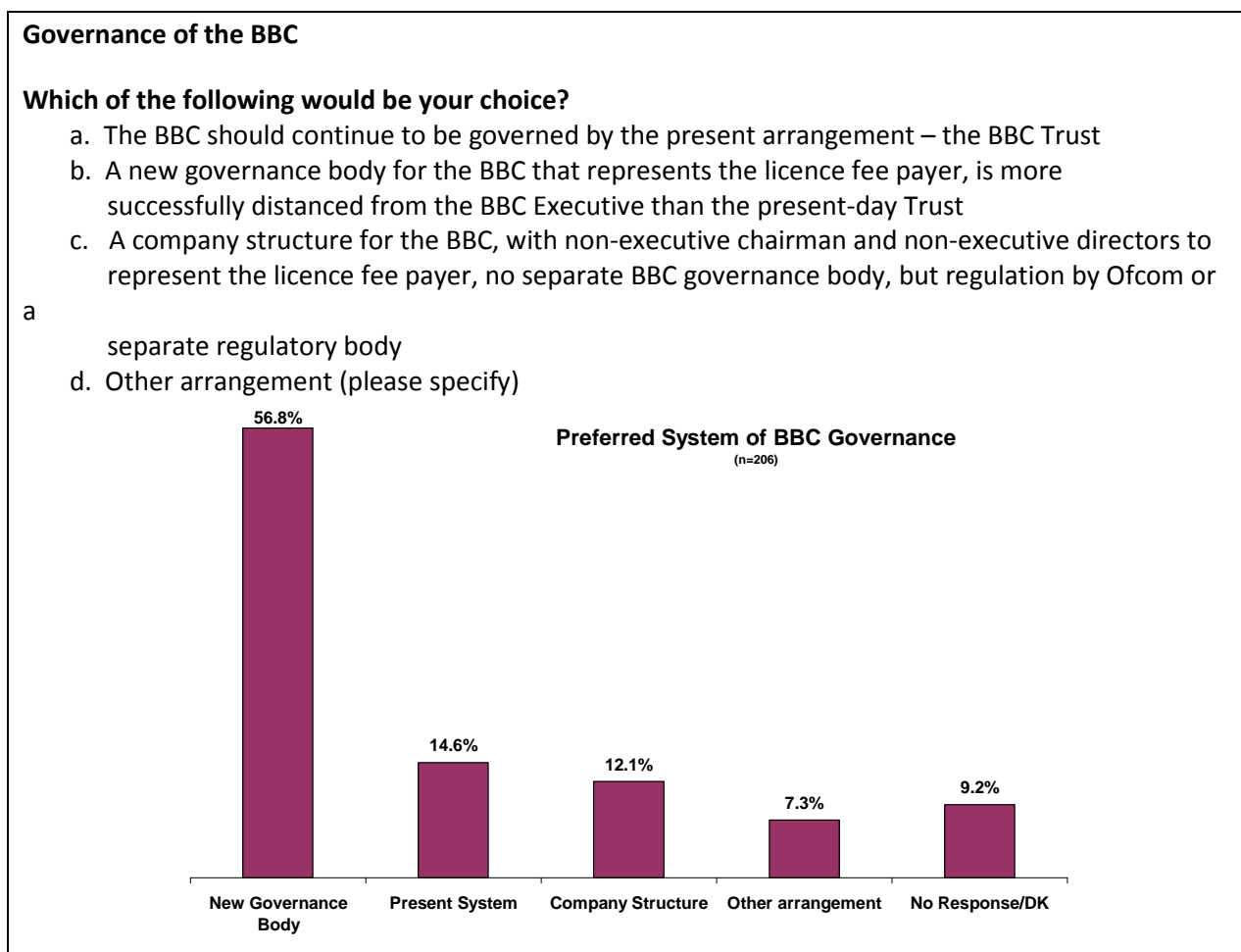
194. We welcome the recent announcement by the Secretary of State that the Government is commissioning an independent review into the governance and regulation of the BBC which will take into account the public response to the Green Paper.

⁴⁹ Analysts estimate 65 million people regularly access the BBC catch-up TV service using virtual private networks (VPNs) or proxy servers. BBC News, 22nd July 2015

195. We agree with the Green Paper that the BBC's governance – both its internal governance and the way it is overseen and regulated – is important because the audience needs to know that the BBC is in safe hands and that someone is looking after their interests. They need to know their money is being spent wisely. They need to know that the BBC is independent and not being run for its own interests or those of politicians or business. They need to know if something goes wrong it will be handled effectively and lessons will be learned.
196. It is VLV's view that under the current model there has been confusion about who is ultimately responsible for the BBC and a splintering of authority. Whatever system of governance is now adopted the BBC's independence is crucial and it must be protected from political interference. The two most recent licence fee settlements demonstrate that the current model is not working effectively to protect the BBC's independence and licence fee payers' interests.
197. VLV identifies governance as being the strategic job of running the BBC at the highest level. It should be ethical and publicly-focused, as well as business-like, and should reside at the top of, but within, the BBC. Whereas we believe regulation is about ensuring compliance with editorial standards of accuracy, standing up for complainants when those standards have been breached, and setting the wider public and commercial framework within which the BBC operates, with due regard to the interests of other organisations in the media market. There is a third area of concern which needs to be addressed in any wider structure which concerns public accountability and the representation of the interests of licence fee payers.
198. With regards to regulation, there are important distinctions to be made between public accountability, content regulation and market regulation. Public accountability regulation of the BBC should be distinct from regulation of other PSBs, because the public has different expectations of the BBC because they pay for it through the licence fee. Therefore VLV suggests that we need a structure for regulation which satisfies the need for a considered balance between these three areas of regulation.
199. Whatever model is adopted, regulation of the BBC should be independent of the corporation to safeguard the interests of licence fee payers.
200. In general terms, VLV members support the second of the three strategic options recommended in the Green Paper for a standalone regulator model.
201. The majority surveyed recently⁵⁰ supported the creation of a new body to oversee the BBC as can be seen in Figure 3.

⁵⁰ VLV Membership Survey August 2015

Figure 3 – BBC Governance



The Current System:

- 202. VLV has a number of comments to make about the current system of BBC governance and regulation.
- 203. We agree that some reform is needed but Government should not disregard the benefits the Trust has brought such as the valuable work consulting widely on BBC services and other issues of interest to licence fee payers. This has represented a step-change on previous practice and made the BBC more accountable and responsive both to the public

and competitors. VLV would like this work to continue under whichever new model is adopted.

204. It is VLV's view that regulation and governance need to be clearly separated in the new model.
205. There has never really been consensus that the current Trust model was the best option and this has made its job doubly hard. Whatever happens next, we need, if possible, a consensus that it is the right solution.

Governance – Proposed model

206. VLV largely agrees with the conclusion of the CMS Select Committee published in its *Future of the BBC* Report in February 2015, namely that the BBC should have an external public interest body.
207. The public interest body would engage with licence fee payers, conduct public value tests of proposed new services, research to measure whether the BBC has fulfilled its public purposes, represent the interests of licence fee payers and hold the BBC Board to account. The public interest body should be involved with advising on the level of licence fee on behalf of licence fee payers. It should be specifically responsible for the BBC and not be responsible for PSB generally.
208. A new unitary board of the BBC should run and be responsible for all BBC matters with no separate governing body above it. It should assume responsibility for all financial decisions and editorial decisions, therefore it should set the service licences in consultation with the new public interest body. It should have a majority of non-executive board members and a strong independent Secretariat which reports to the Chairman of the Board. Care and attention should be paid to the duties of the non-executive board members to ensure that they have the requisite skills and availability to fulfil the role.
209. New services would be decided by the BBC board in consultation with the new public interest body once market impact and public value assessments have been conducted by Ofcom and the public interest body.
210. In order for the new public interest body to have regulatory muscle, we do not disagree with the proposal of the CMS Select Committee that it could recommend withholding some funding from the BBC in cases where there was a persistent disregard for the views of licence fee payers.

Market Regulation & Content Regulation.

211. Central to the decision how to regulate the BBC is the question of how to achieve a balance between the qualitative judgements inherent in public value assessments and the quantitative judgements inherent in market impact assessments. VLV believes that Ofcom should be continue to be responsible for market impact assessments and should work with the new public interest body to ensure that a balance is achieved between market impact considerations and public value considerations. This balance has been achieved under the current model where Ofcom and the BBC Trust have worked well together and VLV believes that such a model could continue to work effectively in the future.

212. Additionally, VLV believes that Ofcom should regulate all BBC content, including impartiality and accuracy issues. We note that Ofcom already regulates the BBC on content issues. The only area of BBC content regulation it doesn't regulate currently is accuracy and impartiality.
213. We do not believe there is a strong rationale for this exclusion. However, we acknowledge fears that this extra work might overburden Ofcom in its current form. It needs to be remembered that Ofcom doesn't regulate online platforms and its work on accuracy and impartiality only apply to news whereas within the BBC they apply to all output, therefore considerable changes might be necessitated within Ofcom if it were to fulfil this role.

Q16 How should Public Value Tests and Service Licences be reformed and who should have the responsibility for making these decisions?

214. VLV believes that the Public Value Tests and Service Licences have proved to be effective regulatory tools during this Charter ensuring that the BBC does not extend itself to provide services which are superfluous to its mission and in ensuring that the services it does provide fulfil the public purposes.
215. The Public Value Tests have provided essential in assessing whether proposals for new services derive sufficient value to licence fee payers to justify their market impact as assessed by Ofcom. Judgement on whether new services are justifiable is necessarily qualitative, however VLV believes the current system has proved effective.
216. The Service Licences have provided clear objectives for BBC staff and are a useful framework to ensure delivery of the BBC's public purposes. VLV believes that the regular Service Licence Reviews have been an excellent development in governing the BBC and ensuring that it really does deliver the BBC mission across all its output.
217. VLV believes that if there is reform of the Public Value Tests and Service Licences this should be the responsibility of the new BBC public interest body, which we propose should replace the BBC Trust.

Q17 How could the BBC improve engagement with licence fee payers and the industry, including through research, transparency and complaints handling?

218. The VLV has been impressed with the achievements of the BBC Trust over the past nine years in engaging with licence fee payers and industry. We believe that this is one of the benefits of the current governance model and we would not want to see this valuable advance in accountability lost in any new model which is instituted.
219. We welcome the Trust's work in creating a framework to assess delivery of the BBC's mission which has included consultation with the licence payers who fund the BBC. For the first time in the history of the BBC we have a publicly available evidence base by which to hold the BBC to account.
220. We understand that current measurements to assess the delivery of the public purposes include performance analysis, data from public consultation and qualitative audience research. We welcome the Trust's announcement in June 2015⁵¹ that it is developing a measurement framework to enable the BBC's regulator to undertake a thorough

⁵¹ *BBC Trust Initial Response to the Government's Green Paper on BBC Charter Review*, Pg. 12

examination annually of how well the BBC is meeting each of its purposes and to better measure the social and economic impact of content. We look forward to seeing more detail on these proposals in due course.

221. We would also welcome other measurements of performance which lead to the corporation being less reliant on reach and share as criteria of success. While it is important that the BBC maintains its appeal to mass audiences, it is crucial that programmes which may be less popular but are equally as important because of the social or democratic benefits they bring, are highlighted within any assessment of the BBC's performance.
222. We found the points made by Jacqui Hughes on this issue in *Broadcasting by Consent* particularly relevant:

Interviewees for this paper were consistent in their belief that the BBC had allowed a near obsession with audience reach and share to dictate its commissioning agenda. As one senior BBC executive put it:

'For as long as it is a measure of success for a director of television that you minimise loss of reach and maintain a competitive share position against ITV (if you're running BBC1) and that's what they judge themselves by ...they are all scared shitless of being the one in charge and it all goes tumbling down. This has really affected the mind-set of everyone in television...you have very smart corporate people really worrying that BBC2 has lost a bit of reach...well we said it would! If you want to be more distinctive, it's going to happen. That's fine, we are very comfortable with that'.

Audience share, said interviewees, is the altar on which distinctiveness and reach are sacrificed.⁵²

223. In recent years there has been evidence that audiences want the BBC to be more distinctive.⁵³ In order to do this, it must be encouraged to stretch itself creatively, take risks and strive to be innovative. In some instances this may lead to reduced reach initially, but it is crucial that the BBC leads the way in broadening our horizons and introducing us to new ideas which are not necessarily guaranteed to be crowd pleasers. Therefore we would encourage the BBC Trust or its replacement body to develop its new framework to assess delivery of the BBC's mission to consider other criteria in order to move the corporation away from an over-reliance on reach as a measure of success.
224. With regard to complaints handling, as mentioned previously, VLV believes that the current 'Broadcaster First' system whereby the BBC deals with complaints initially and then they are escalated to the Trust and then Ofcom, if necessary, has worked well. We could envisage a system whereby Ofcom took on all content regulation.

Q18 How should the relationship between Parliament, Government, Ofcom, the National Audit Office and the BBC work? What accountability structures and expectations, including financial transparency and spending controls, should apply?

⁵² *Broadcasting By Consent*, Centre Forum, Jacqui Hughes, February 2015, Pg. 32

⁵³ *PSB Report 2015*, Ofcom, Pg. 19

225. VLV wants the BBC to remain independent of Government control. Currently we believe that through the setting of the licence fee especially, the Government has undue influence on the BBC's delivery of its mission. This is something for which we propose the new Licence Fee Body should be responsible and it should not be an issue for politicians to decide.
226. VLV believes that just as there need to be boundaries around the BBC there ought also to be boundaries around the Government's involvement in the BBC. In future we would like there to be a statutory process to decide the level of the licence fee which would include full public and Parliamentary scrutiny. And, as proposed above, we recommend that a Licence Fee Body is instituted to ensure that licence fee negotiations in future are more democratic and independent of Government.
227. We believe that specific decisions about the BBC's services, schedules or content should not be for Government. These should be taken by the BBC, in accordance with the parameters set out by the new public interest body, as suggested in our answer to question 15. We welcomed recent comments by the Secretary of State to the Culture, Media and Sport Committee which suggest he supports the independence of the BBC:

At the end of the day, the BBC has the public purposes that are set for it by Government and we determine the funding, both how it is raised and the size. Beyond that, it is a matter for the BBC how they deliver those public purposes and, despite massive newspaper headlines saying that I intend to close The Voice or whatever, the Government does not have that power; nor should it. These are matters for the BBC.⁵⁴

228. VLV believes that the new BBC public interest body, as suggested above, should be independent of Government, entirely independent from the BBC, and should be powerful, playing a major role in determining the level of licence fee and the overall direction of the BBC's purposes.
229. As stated above, VLV supports the creation of a unitary board for the BBC with a non-executive chair. The Chairman of the BBC should be appointed by Parliament, as should the Chairman of the new public interest body. The new public interest body, representing the interests of licence fee payers, would subject the BBC's strategy and performance to detailed assessment at an annual public event where the Chairman of the BBC and Director General would be held to account. The new public interest body would be able to apply funding sanctions for poor performance and recommend licence fee levels to the Licence Fee Body.
230. The independence of The new public interest body, as well as that of the BBC itself, should be carefully protected therefore we would oppose the National Audit Office from having unlimited access to the BBC's accounts. Although funded by the licence fee which is a public fund, the BBC is not a public body regulated by the Government and therefore VLV believes it should be treated differently from other public bodies.
231. VLV believes that Ofcom should continue to regulate the BBC as it currently does but, as stated above, this could in future include regulation for accuracy and impartiality if this were practicable.

⁵⁴ Oral Evidence: Priorities of the Secretary of State for Culture, Media and Sport, 9 September 2015

Q19 Should the existing approach of a 10-year Royal Charter and Framework Agreement continue?

232. As recommended by the CMS Select Committee in its report *the Future of the BBC*, the Charter Review must allow *sufficient time for a comprehensive analysis of all aspects of the BBC and enable members of the public and all other stakeholders the opportunity to voice their views on the BBC's future.*

233. We note that the report also recommended that

As with the previous Charter Review, the Government must ensure that the public and other stakeholders are fully consulted and able to put across their views on the future of the BBC. We expect sufficient time to be allocated for this and for the development of, and consultation on, Green and White Papers, and for parliamentary scrutiny on these and any draft future Charter and Framework Agreements. If there is insufficient time to undertake this properly before the current Charter expires another option would be to grant a supplementary Charter extending the current Charter for an appropriate period in which to complete the review process.⁵⁵

234. An important reason for establishing the BBC by a Royal Charter is the perceived security of tenure and independence it affords the Corporation, but it also presents the opportunity for periodic reviews of the strength of the case for having a publicly-funded national broadcaster such as the BBC, for taking stock of whether and how much the people who pay for it value it and of the extent of support for its continuance, and for considering its functions and structure.

235. VLV believes that while a 10 year Royal Charter does provide some protections against political interference, in recent years it appears to have failed to successfully maintain the BBC's independence and we note comments made by Lord Birt to the Lords Communications Committee during its current inquiry into BBC Charter Review,

I am sorry to say that, when I was Director-General, I would have been a passionate supporter of the notion of the BBC having a Royal Charter as a signifier of its independence, but I think two episodes in five years have demonstrated the extreme vulnerability of having a Royal Charter without any statutory framework. A government, as we know, can decide to change a charter and take it to the Privy Council and simply amend it. Again, I do not think I had appreciated it, but in preparing for this session, you go on to the trust website and what do you find? You find a series of amendments to the charter. I think we have discovered that a Royal Charter is not fit for purpose. I am sorry to say, despite the difficulties of achieving a framework with cross-party consensus in Parliament, I think we need a statutory framework now for the BBC.⁵⁶

236. VLV believes that the existing approach of a 10 year Royal Charter and Framework agreement should continue, however we would only support this model if licence fee settlements are determined by the Licence Fee Body as proposed in this submission. This would provide some significant protection to the BBC in terms of political interference and financial security.

⁵⁵ *Future of the BBC*, Culture, Media and Sport Committee, February 2015, Para 27.

⁵⁶ Oral Evidence to the House of Lords Communications Committee 14 July 2015

237. Additionally, we propose that the current Charter period should be extended so that the next licence fee settlement and Charter Review are conducted in a year when there is no general election because this inherently makes the settlement of the licence fee and Charter Review a political process.

Appendix 1: Proposed BBC Funding Bill

BBC Funding Bill

A

B I L L

TO

Provide for BBC licence fees to be determined by an independent process; and to prevent the imposition on the BBC of non-budgeted costs.

BE IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows: –

BBC Funding

1 Independent body to set licence fees

After section 365 of the Communications Act 2003 (TV licence fees) insert—

“365A Licence Fee Body: establishment

(1) There shall be a body corporate to be known as the Licence Fee Body, to carry out the functions conferred by section 365B.

- (2) The chair and other members of the Licence Fee Body shall be appointed by the Secretary of State; and in appointing the chair or another member of the Licence Fee Body the Secretary of State must aim—
 - (a) to appoint only persons who appear to be independent (of central government, devolved government and local government, of the BBC and of other media organisations); and
 - (b) to secure an appropriate balance of experience and knowledge.
- (3) Before appointing the chair or another member the Secretary of State must consult—
 - (a) the BBC;
 - (b) the Treasury;
 - (c) persons appearing to represent the interests of users of services provided by the BBC; and
 - (d) any other person the Secretary of State thinks appropriate.
- (4) The Secretary of State must make regulations about the constitution and proceedings of the Licence Fee Body; and the regulations may, in particular—
 - (a) determine the number of members;
 - (b) make provision about procedure (including a quorum);
 - (c) make provision about the process to be followed in consulting on determinations under section 365B;
 - (d) provide for the payment of remuneration, allowances or other sums out of money provided by Parliament;
 - (e) confer a discretionary power on a specified person (including the Secretary of State);
 - (f) amend an enactment.

- (5) Before making regulations under subsection (4) the Secretary of State must consult the persons listed in subsection (3).

365B Licence Fee Body: functions

- (1) The Licence Fee Body may publish determinations about—
- (a) the amount of sums to be specified in regulations under section 365, and
 - (b) any other matter that may be included in regulations under section 365.
- (2) Where the Licence Fee Body publishes a determination, the Secretary of State must as soon as reasonably practicable—
- (a) lay the determination before Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, and
 - (b) make regulations under section 365 to give effect to the determination.
- (3) Before publishing a determination the Licence Fee Body must consult—
- (a) the Treasury,
 - (b) the BBC,
 - (c) persons appearing to the Licence Fee Body to represent the interests of users of services provided by the BBC, and
 - (d) any other person the Licence Fee Body thinks appropriate.
- (4) A determination of the Licence Fee Body must be accompanied by an explanation of the assumptions by reference to which it is made (which may refer to the BBC Charter and Agreement, or any other document).
- (5) If in the opinion of the Licence Fee Body a new or revised requirement or expense is imposed on the BBC (whether or not by an enactment) which falsifies the assumptions on which a determination was based, the Licence Fee Body must—

- (a) review the determination, and
 - (b) issue a revised determination, unless the review concludes that no revision is required.
- (6) Regulations made in accordance with this section do not require the consent of the Treasury (despite section 365(6)).”

Technical provision

2 Commencement, extent and citation

- (1) This Act comes into force at the end of the period of two months beginning with the date of Royal Assent.
- (2) This Act extends to the whole of the United Kingdom.
- (3) This Act may be cited as the BBC Funding Act 2015.

Appendix 2:

Report on VLV Members' Survey

August 2015

BBC Charter Review

Responses to Mailed Questionnaire on the BBC's Future, August 2015

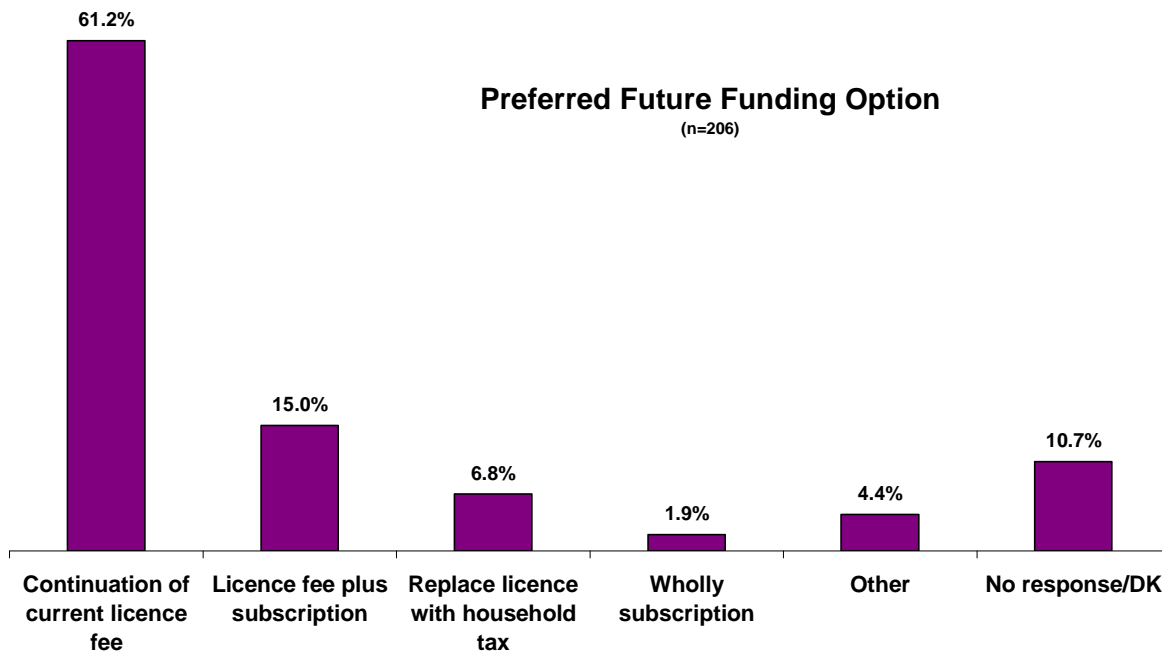
The purpose of this research project was to find out what VLV members think on three important topics at a time when the BBC Charter is due for renewal and when these key questions about the BBC are being considered:

- Funding the BBC
- The BBC's Purpose
- The Governance of the BBC

One point needs to be made. Many VLV members felt they needed to say more than the questionnaire made provision for. Moreover, some felt the offered answers did not always cover what they wanted to say, a not uncommon challenge of this type of research. In a few cases some respondents felt unable to choose any of the offered options and left some parts of their questionnaire blank accordingly. Some felt unable to give an answer for some questions. All returned completed questionnaires have been included however.

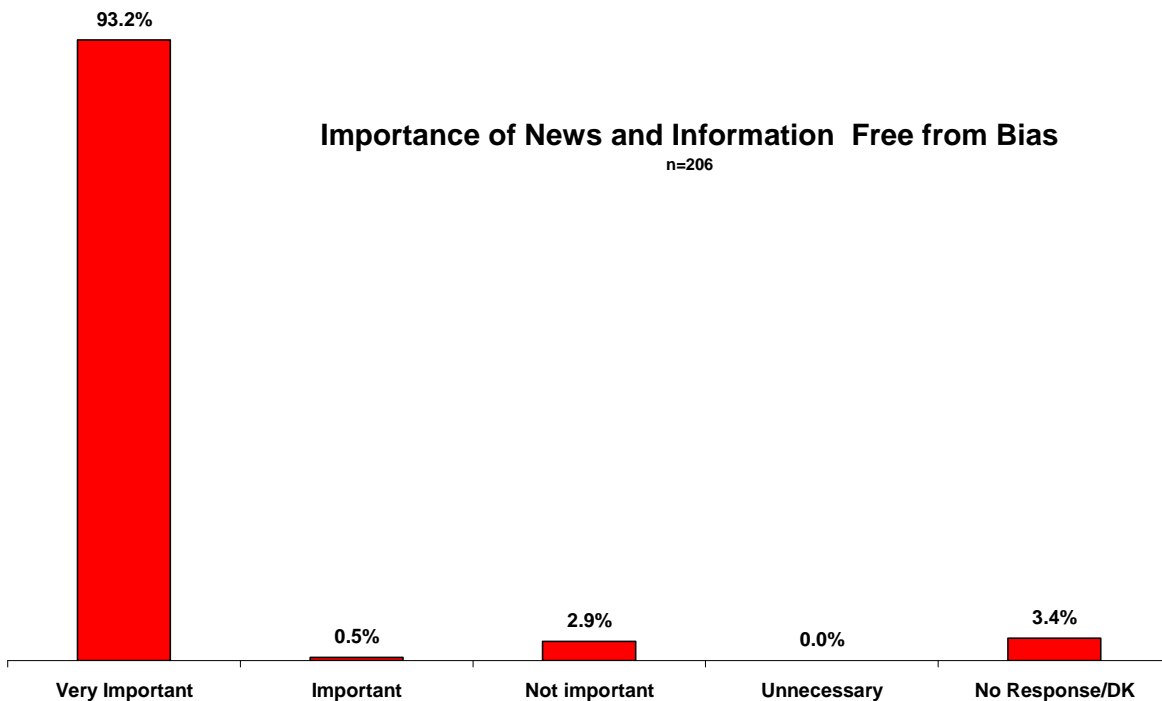
Question 1: Funding - How should the BBC be funded in the future? Choose one answer

There is a big majority for the continuation of the current system of licence fee funding. Some saw the need for some subscriptions to be added.

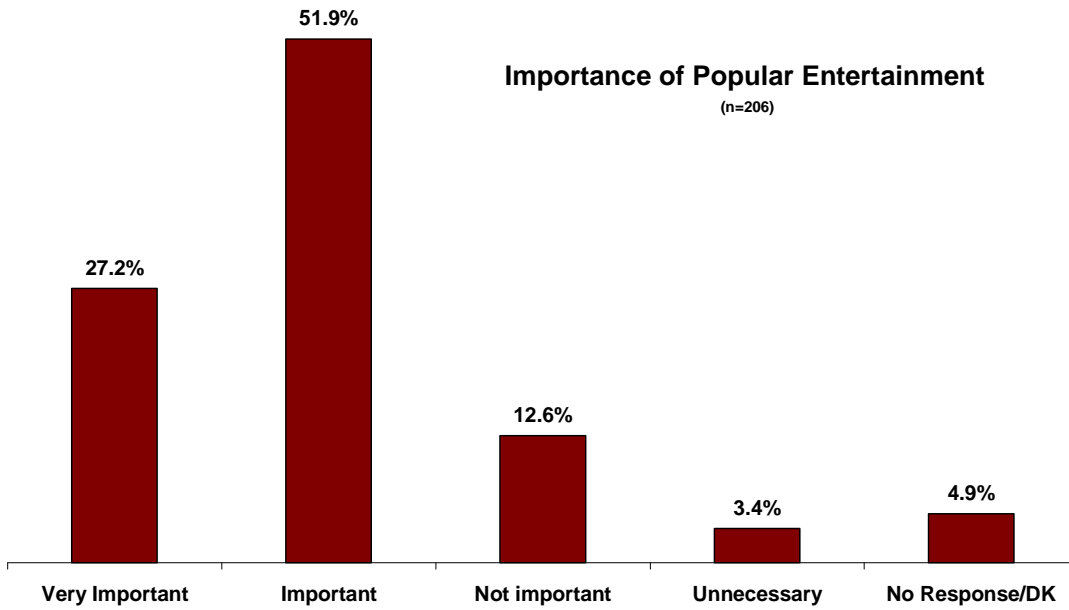


Question 2 (a): The BBC's Purpose

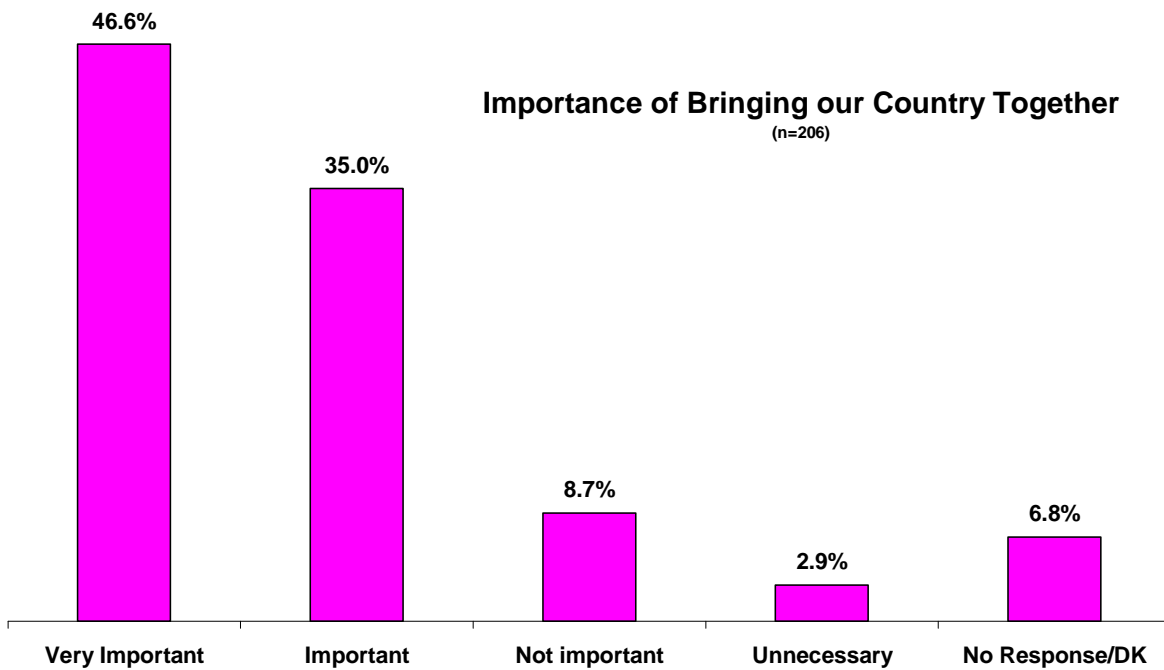
The purpose of this question was to find what respondents thought about ten types of programme offering or content. First, they were asked how important they thought each of these were.



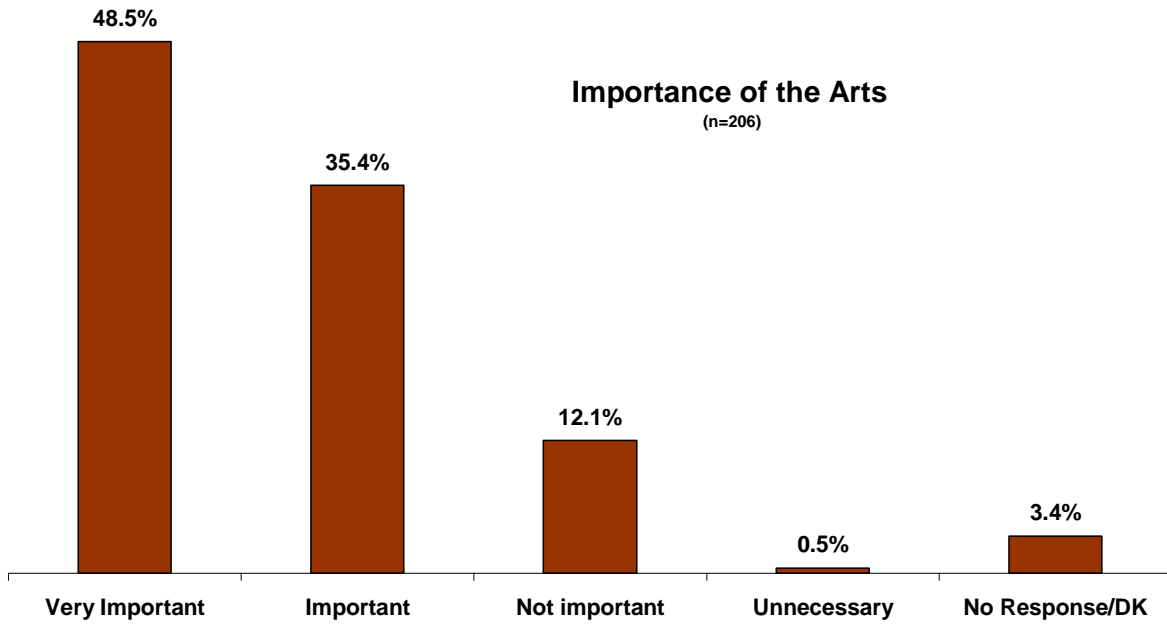
News, free from any kind of political or commercial bias or influence is the one kind of output nearly everyone agrees is very important.



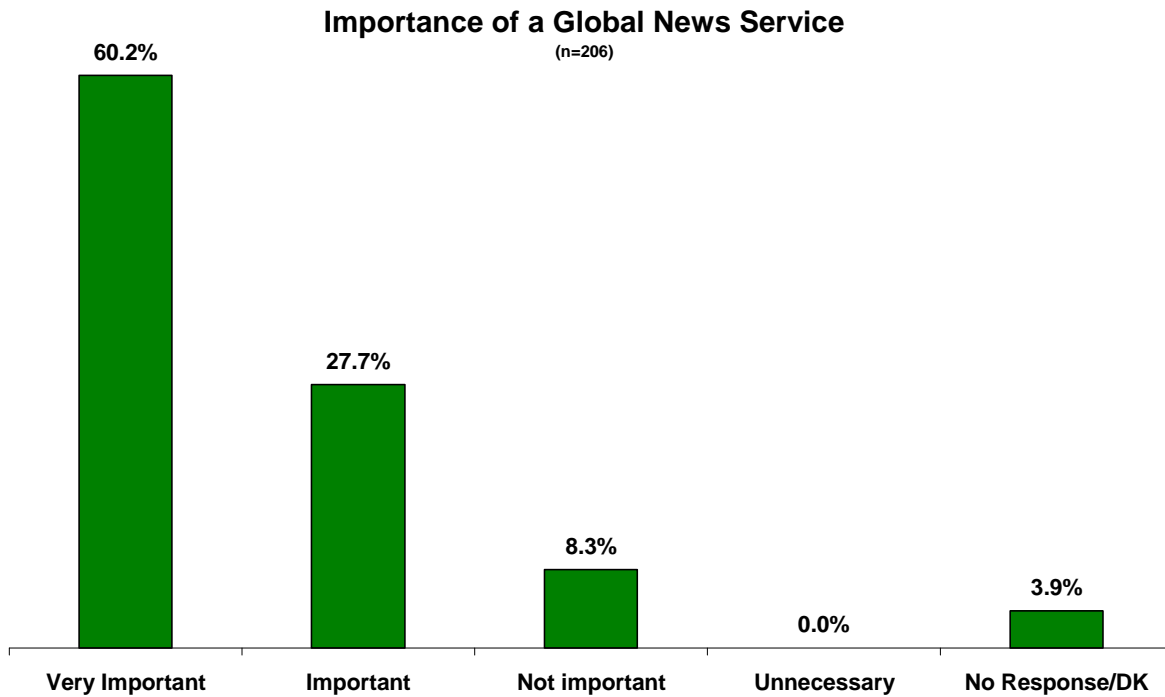
Respondents also view popular entertainment as important.



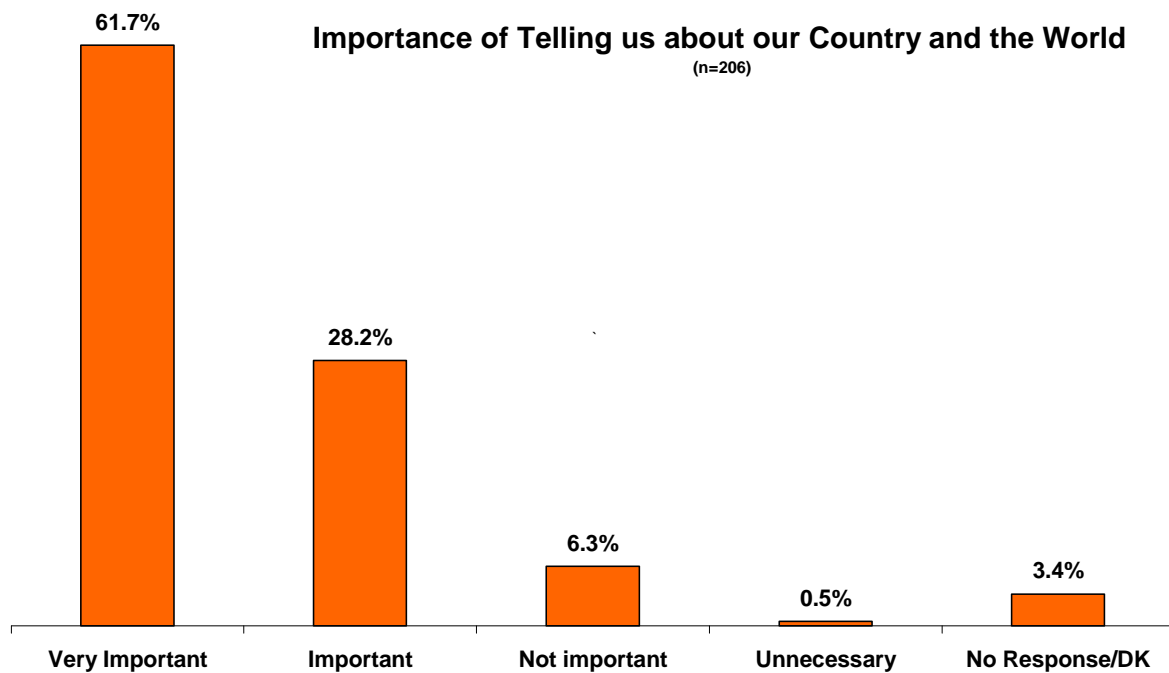
Bringing “our country” together is also important for the majority. And nearly half of those who responded think it to be “very” important.



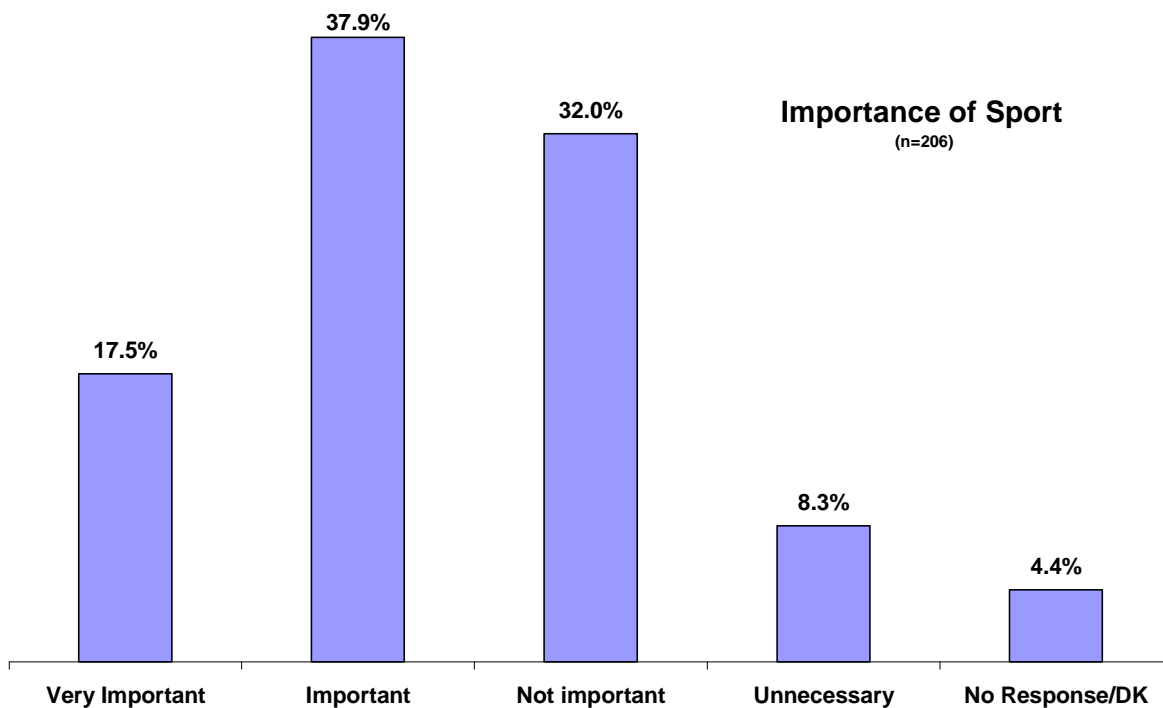
And there is a similar level of support for the arts.



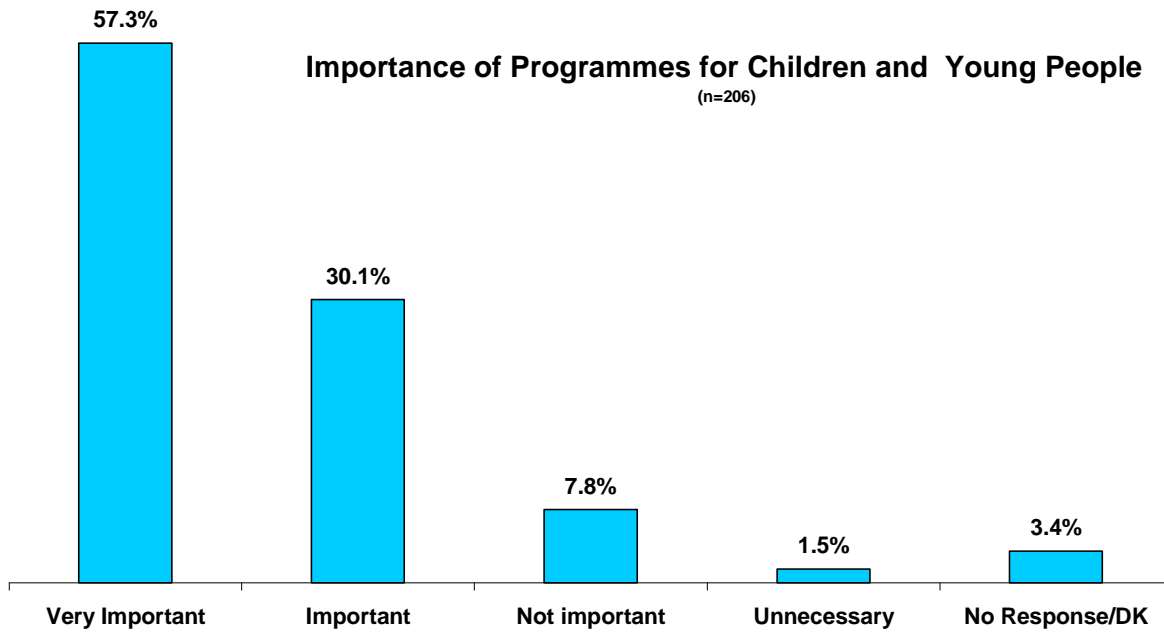
How important is it that the BBC is a provider of news to the world? This is “very important” in the opinion of most. Note that this gets more respondents saying it is “very important” than for the previous two questions



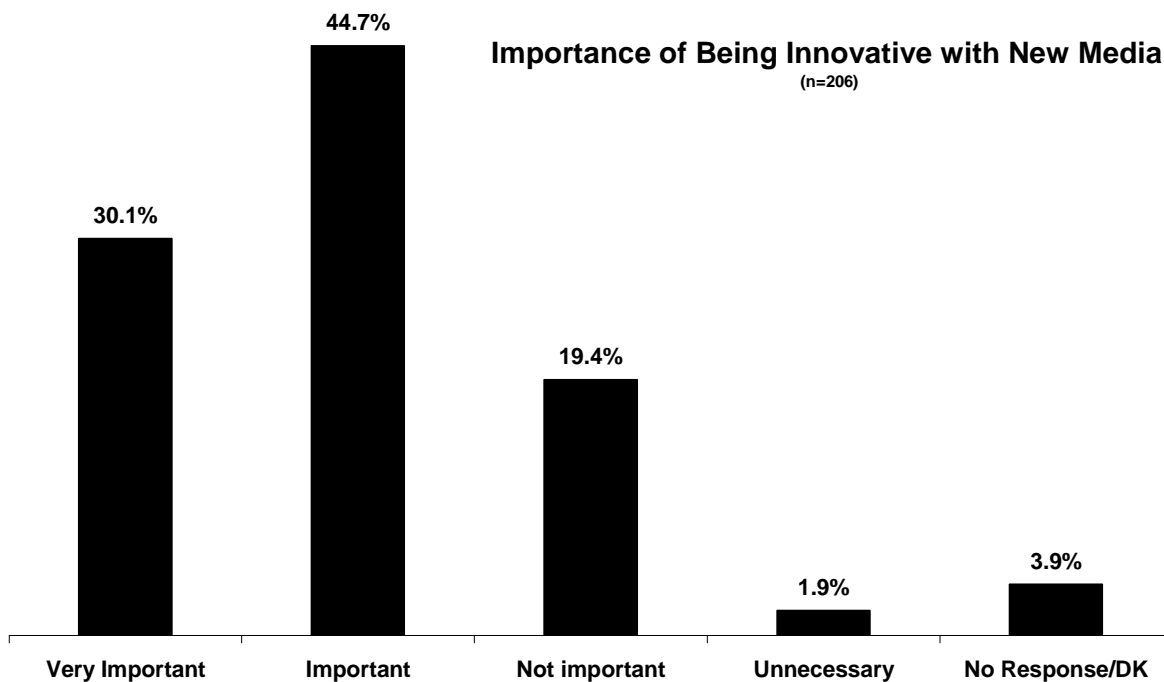
This option is perhaps not very different from others on news and bringing the country together and it receives a very positive response.



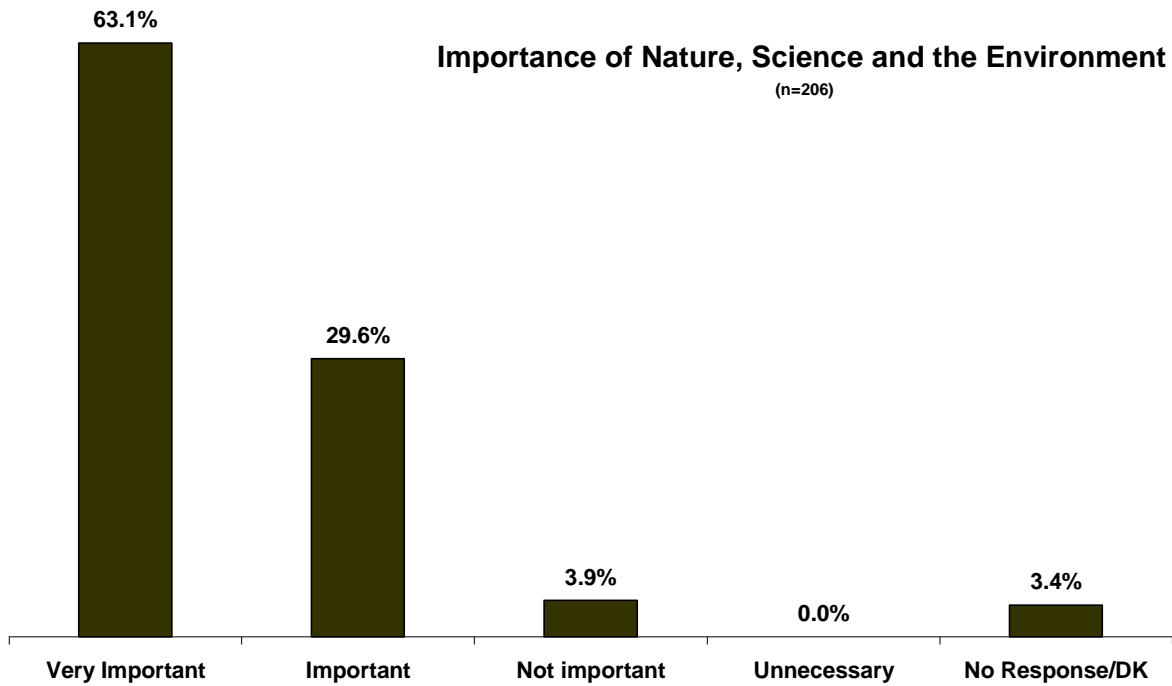
There is somewhat less emphasis on or support for sport. Even so, more than half (55%) the respondents think that “bringing us a wide range of sport” is important.



Providing services and content for children and young people has strong support with most viewing it as “very important”.



The pattern here is similar to that for sport. Respondents think it important, but not as much as independent news and programmes for children.

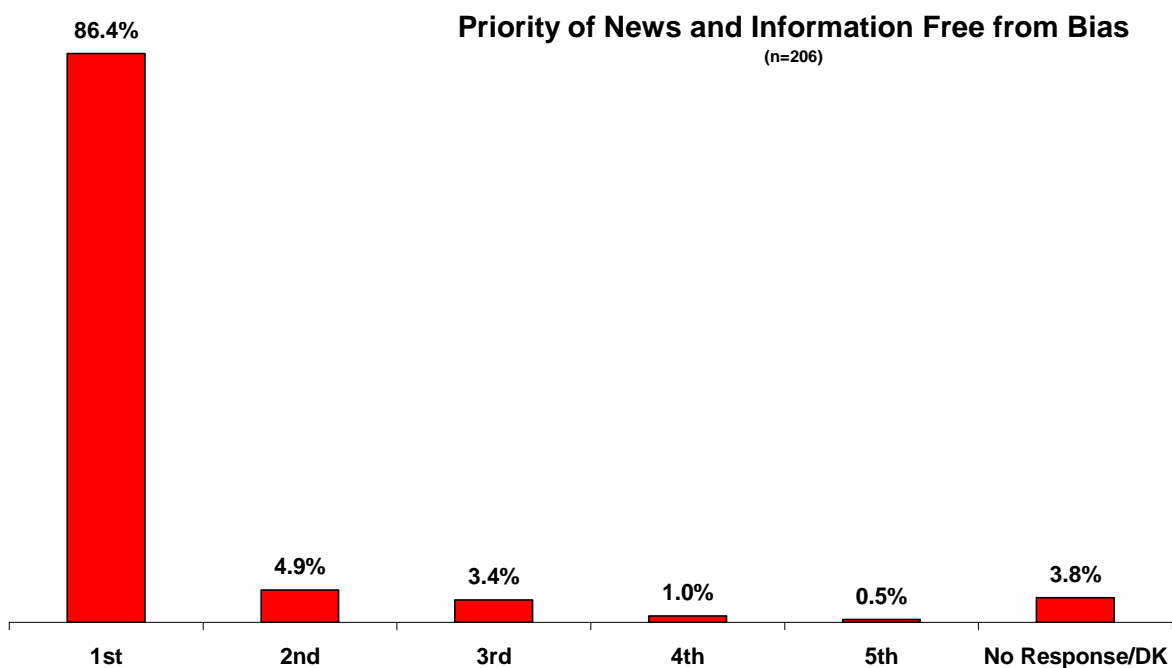


The support for nature, science and the environment is strong – and very similar to that for children’s programmes, bringing the country together and global news.

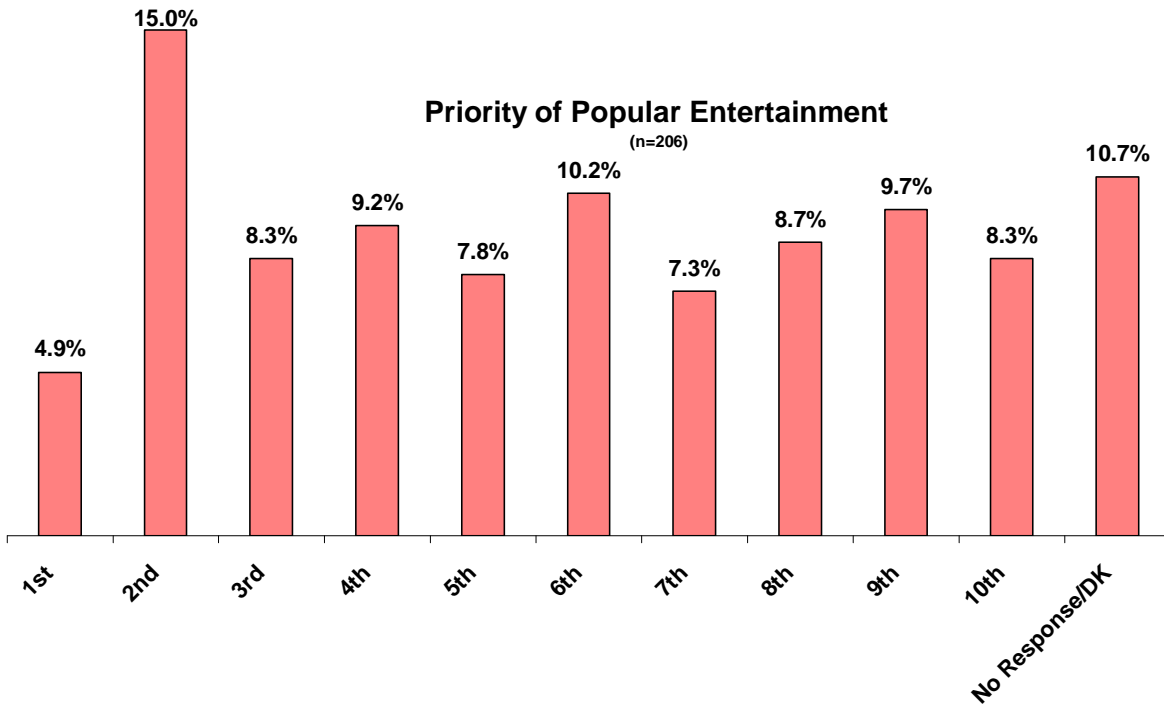
Question 2 (b): The BBC’s Purpose

Now respondents were compelled to make more difficult choices. It is all very well to say that this or that genre or service type is “important” or “very important” but if you have to rank them in order of importance how would you do that? What would be your #1, your # 2 and so on?

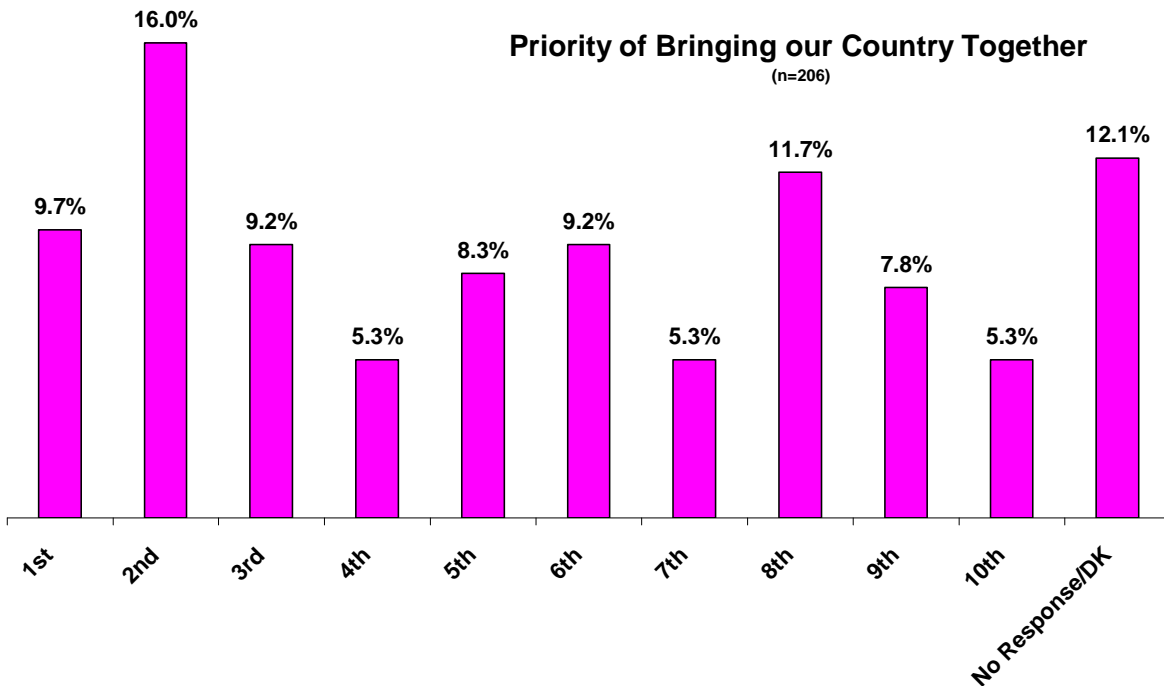
Many respondents struggled, a bit like choosing your one disc to save from the waves on your Desert Island, only even more difficult.



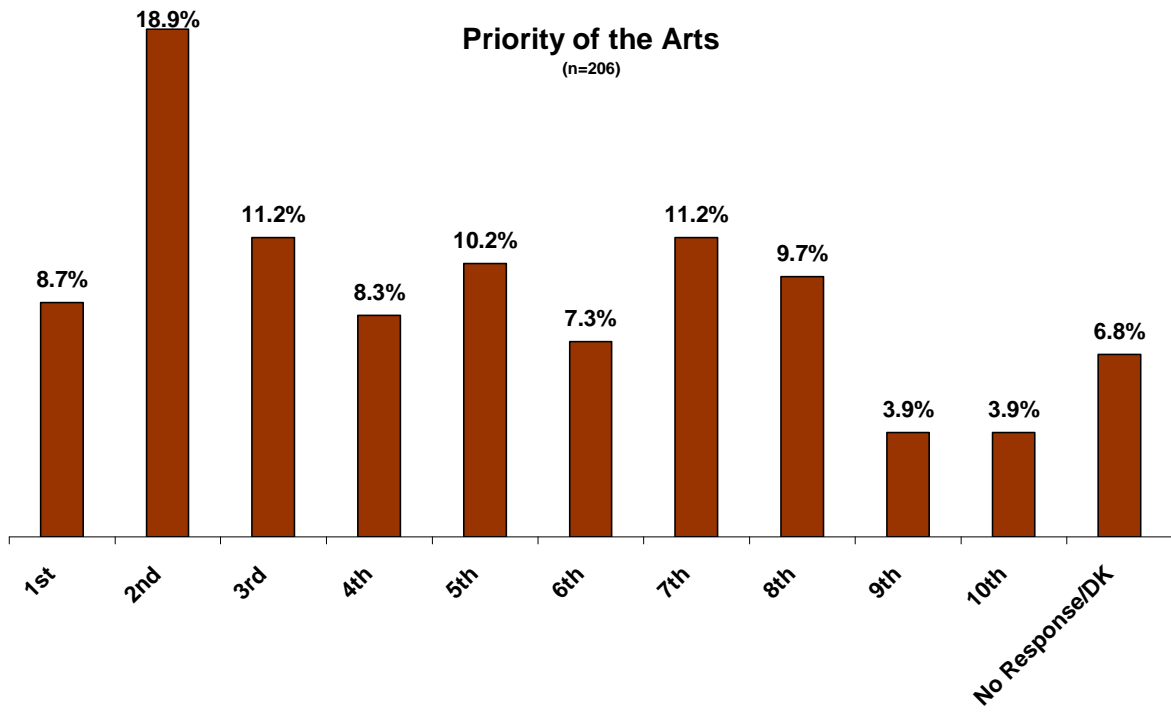
News, perhaps not surprisingly, was the number one choice for most.



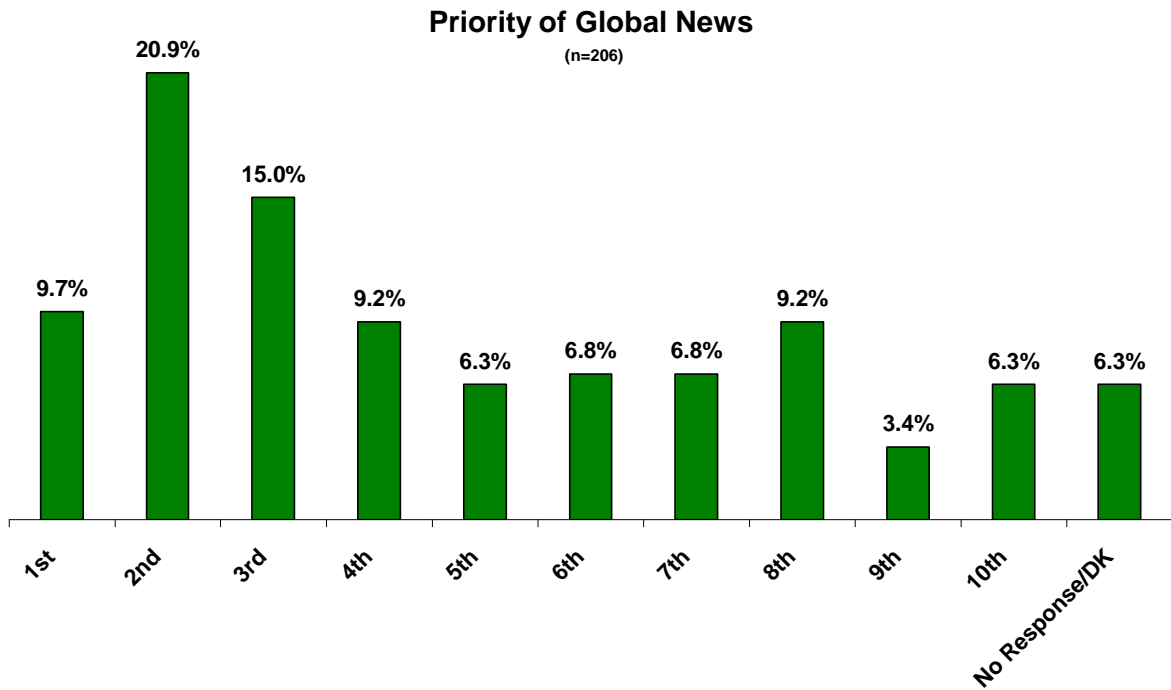
The provision of popular entertainment is spread across the board when it comes to respondents' priorities. The only other notable point is that very few made it their first choice.



Again there is little agreement here. Indeed the same can be said for all nine other things that the BBC does, other than news free from bias.

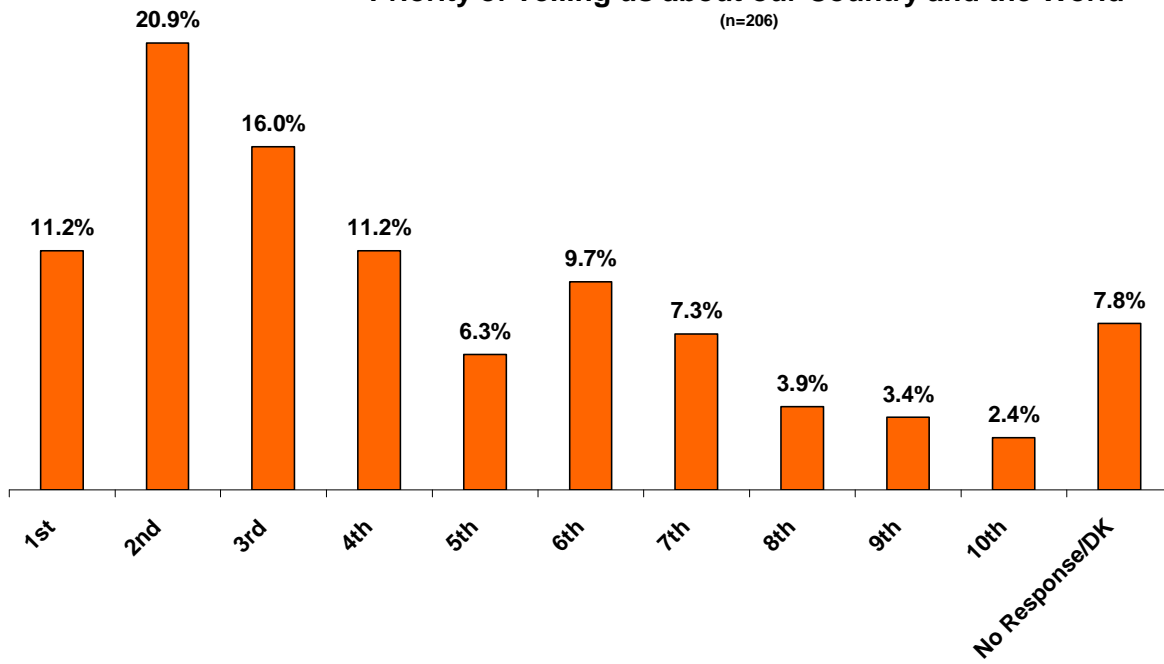


The Arts, Global News and telling us about our country and the world are the second choices of many.



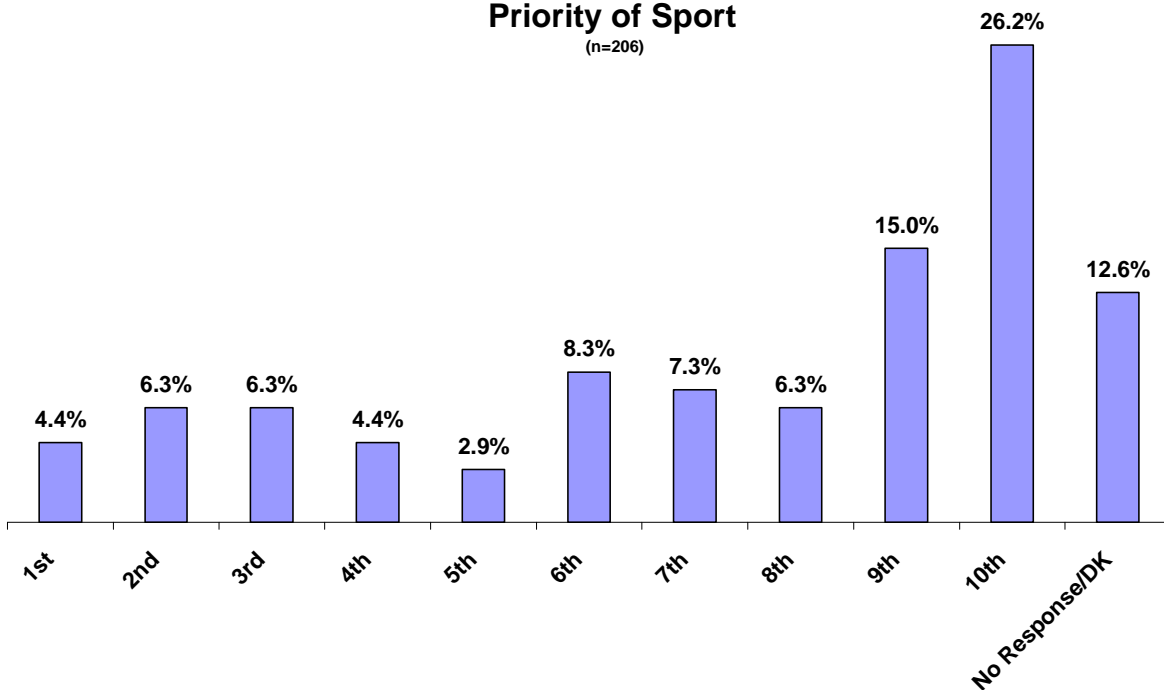
Priority of Telling us about our Country and the World

(n=206)

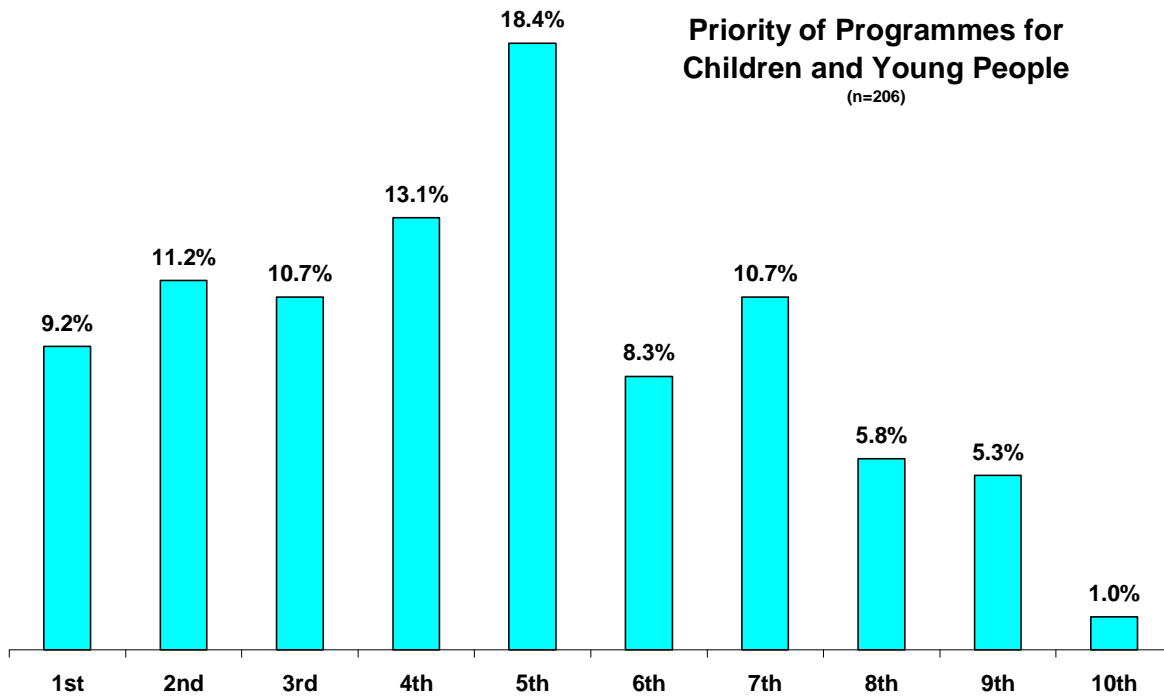


Priority of Sport

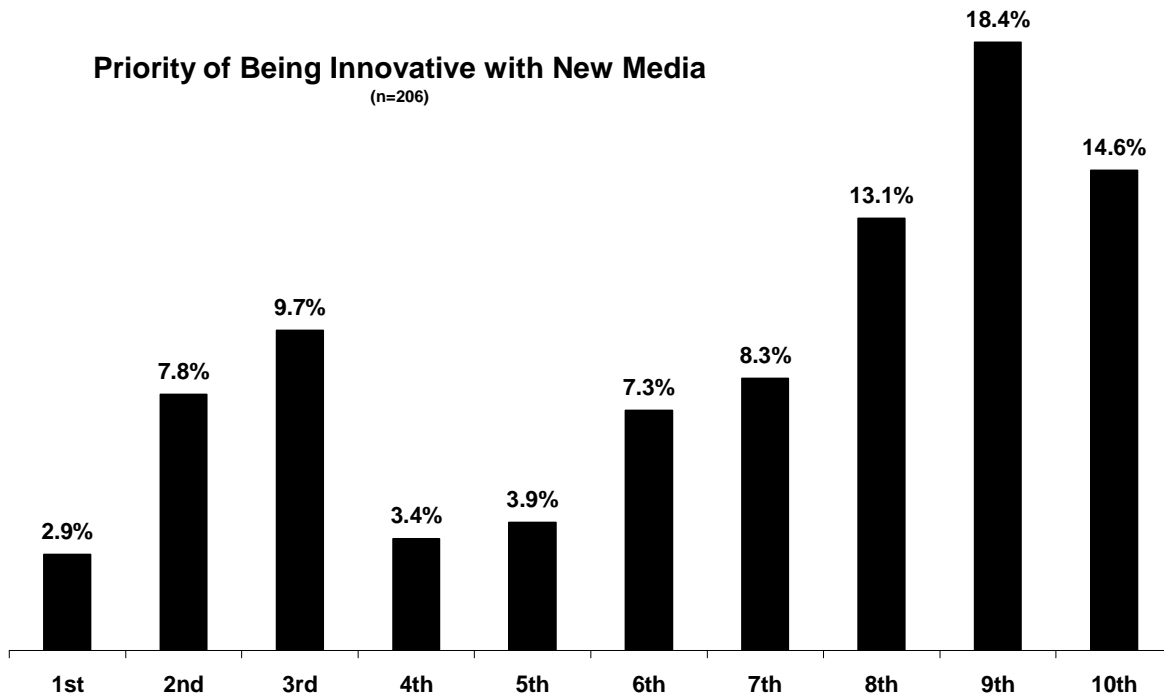
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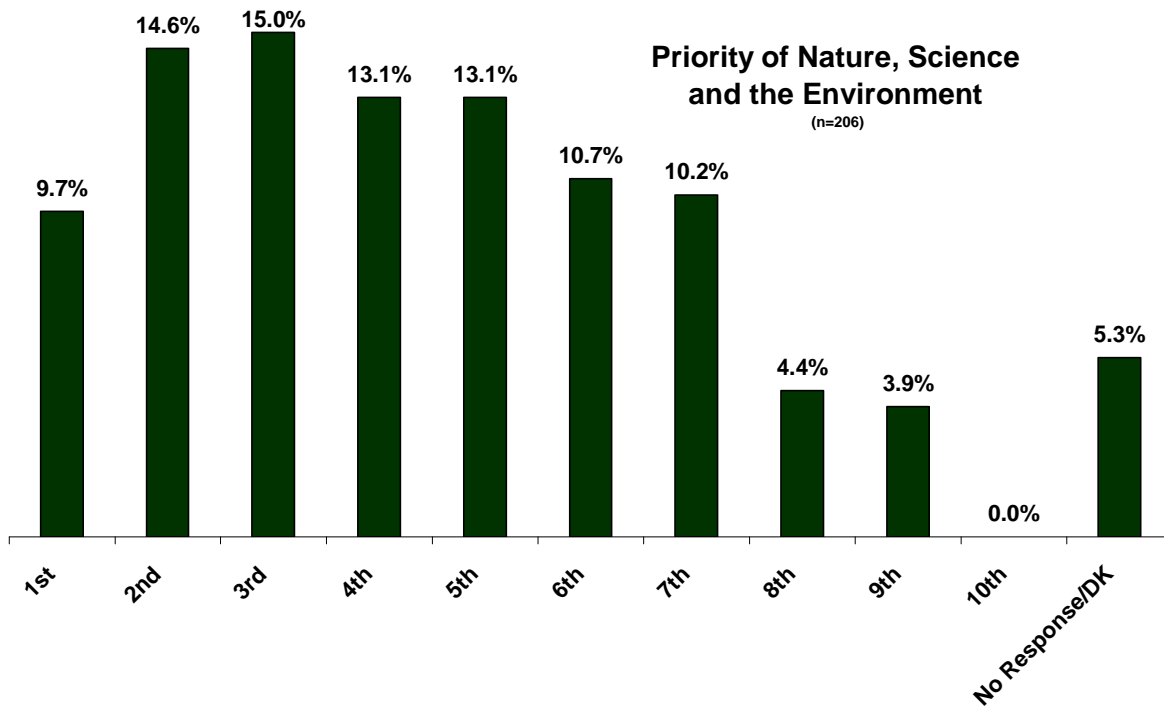
Sport is a low priority for most respondents. A clear majority make it their 8th, 9th or 10th priority.



Children's programmes slant towards the upper half of respondents' priorities.



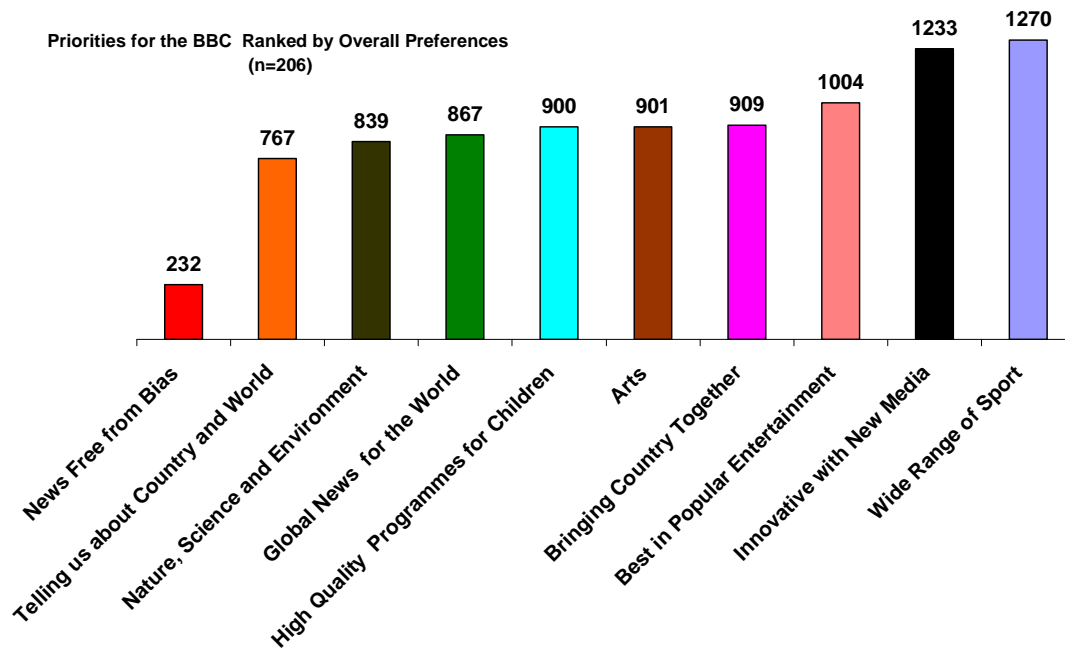
This option comes low on the priority list.



But here the pattern seems to be reversed. Science, nature and the environment are well up in the upper half of respondents' priorities.

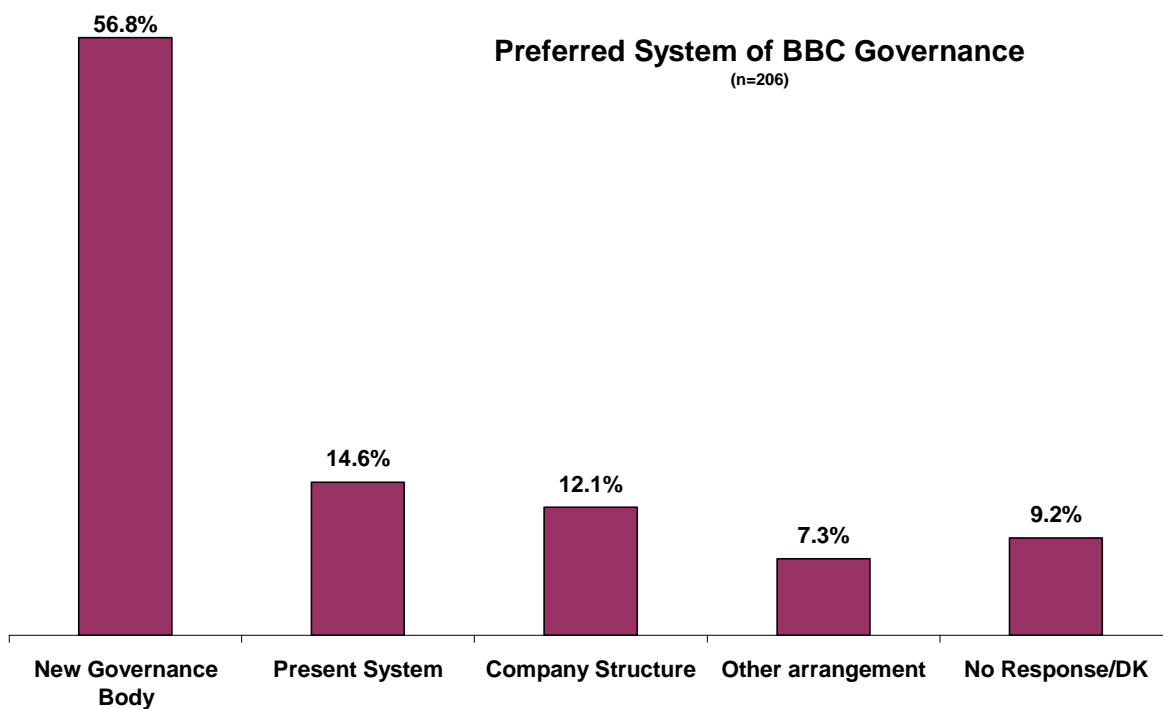
Aggregated scores for priority

There is another, perhaps more fruitful way of analysing these data on respondents' priorities. And that is to add up all the scores. The possible scores are as follows. The highest theoretical score would be 206 points – if everyone had chosen the same topic as their number 1 priority. And the lowest score would be 2060 if everyone had given the same topic the bottom (10th) score. This is the way the ten topics or priorities are ordered by respondents if we use this approach:



Note: This chart needs to be read differently from all the others. The highest priority scores are those to the left.

Question 3: BBC Governance



Question 4: Membership of VLV

Nearly all respondents (98%) are members of VLV.

Methodology

A short questionnaire was devised. Paper copies were sent out to all 582 VLV members on August 7th 2015. By 15th September 206 questionnaires had been returned, a response rate of 35%.

The questionnaires were coded and data were entered into SPSS analysis software. The following report presents the main results.