

REVIEW OF THE BBC'S ROYAL CHARTER
Presented to Parliament by the Secretary of State for Culture, Media & Sport,
The Rt Hon Tessa Jowell MP in a Green Paper published on 2 March 2005.

Observations by the Voice of the Listener and Viewer (VLV) on the key questions posed at the start of the consultation document. This document is in two sections.

Part 1 are the proposals and questions in the Green paper.

Part 2 are VLV's initial observations on these key questions. A full response will be made in due course.

Part 1. Key proposals and questions for consultation in the Green Paper

Foundations of a 21st century BBC

The role of the BBC

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

Sustaining citizenship and civil society

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

Promoting education and learning

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

Stimulating creativity and cultural excellence

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

Reflecting the UK, its Nations, regions and communities

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

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

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

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

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

2: Are these the right purposes?

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

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

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

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

Question 3: Are these the right characteristics?

A sixth public purpose – building digital Britain

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

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

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

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

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

The BBC’s constitution

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

Funding

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

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

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

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

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

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

Governance and regulation

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

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

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

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

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

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

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

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

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

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

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

Accountability

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

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

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

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

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

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

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

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

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

Membership of the Trust

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

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

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

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

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

More detailed issues of scale and scope

Organisation and infrastructure

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

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

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

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

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

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

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

Scope of publicly-funded services

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

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

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

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

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

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

Scope and regulation of commercial services

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

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

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

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

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

Beyond the BBC

The wider system of public service broadcasting (PSB)

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

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

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

Any of these options might require legislation. ,

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

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

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

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

“Celebrating our 21st year of working for quality and diversity in British broadcasting”



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PART 2. VLV'S OBSERVATIONS ON THE GREEN PAPER'S KEY QUESTIONS FOR CONSULTATION

- 1. Do you think it helpful to define the BBC's purposes in this way?**
- 2. Are these the right purposes?**

It is helpful to define the BBC's purposes, and to do so in more detail than has hitherto been formal practice. However, VLV has three reservations about this approach.

- (a) Although VLV has always believed that accountability is key to achieving quality and diversity in broadcasting, we consider that accountability must be demonstrably both democratic and true to British traditions of tolerance.
- (b) Since every household is required to pay a television licence, the balance between popularity and distinctiveness in BBC programming is crucial. VLV agrees that programme-makers should strive to achieve at least one of the listed characteristics which contribute to excellence and distinctiveness.
- (c) There is a danger that the Green Paper's unduly precise formulation of programme remit may lead to a lower BBC audience share which will undermine the political and economic case for the licence fee funding.

Despite our reservations about over-prescription, VLV is broadly supportive of the proposed purposes.

- 3. Are these the right characteristics?**

We share the ambition that the BBC's programmes should be "excellent, distinctive and entertaining" (pp. 8-9), but we are concerned that from this trilogy "entertainment" appears to have been dropped from the relevant section of the Green Paper (p. 9, line 11); in this regard VLV is mindful of its answer in 2(b) (above).

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

VLV agrees that the BBC should be at the forefront of developments in digital technology, but we do not believe that the hypothecation of the television licence fee to the BBC absolves private sector players from investing in Britain's digital future – especially as the private sector will benefit from the BBC's initiative in making the purchase of digital television sets, set-top boxes and other receiving equipment more attractive to the public.

The BBC has already been required to sell off its transmission facilities. Indeed, in some areas, such as the provision of a genuinely free-to-air satellite transmission system for licence payers in UK homes, the BBC cannot leverage the full value of its digital programming initiatives without the co-operation of commercially-funded public service broadcasters, such as ITV and Channel Four Television.

Looking to the future, the Corporation's current internal debate about selling off *BBC Broadcast* and *BBC Resources* raises – in VLV's view – serious questions about whether such sell-offs reduce the BBC's value to the UK's licence payers and citizens.

VLV also considers that it is essential for the BBC to retain an R and D department and budget of sufficient critical mass to enable it to continue to lead developments in broadcasting technology for the benefit of licence-payers, the BBC and the nation as a whole.

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

VLV welcomes the proposal in the Green Paper to give the BBC a new Charter and licence fee settlement that will last ten years. Granted this, the Government's view that the BBC should remain the cornerstone of public service broadcasting, and the Green Paper's important proposals for change in the BBC itself, VLV cannot support any changes in funding methods. The proposals for a consideration of other funding methods, including subscription, could jeopardise the provision to licence payers of the full range and diversity of quality services which – as the Government's own substantial research has shown - they expect from the BBC.

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

Although VLV has views on some detailed aspects of collecting and enforcing the television licence fee, these points seem marginal, given that we endorse the Government's proposal to continue to support the BBC with the universal licence fee. However VLV's support for the present system depends on the BBC's continued freedom to shape its programming policy according to preferences expressed by licence payers, rather than by governments of whatever political hue. (see our answers to questions 1 and 2).

VLV would welcome the introduction of any method which would help to make payment easier and more cost-effective, such as more flexible direct debit.

7. Have we defined the rules of the BBC Trust and Executive Board sufficiently clearly?

Although VLV supports the fundamental spirit and thinking behind the Green Paper's proposals to replace the BBC Governors with a *BBC Trust*, it has a number of serious reservations. Precisely because we endorse the concept of the *BBC Trust* as an empowered and accountable body, we are concerned about a number of areas that have not yet been fully clarified.

- (a) *BBC Trust and Ofcom*: We foresee negative effects from regulatory overlap or conflict between the *BBC Trust* and Ofcom, notably in the fields of production quotas, programme standards and competition regulation. In the first two of these fields, VLV is not convinced that giving relations between the two bodies "time to bed in " will be a satisfactory solution for licence payers. With regard to the third, we believe that the application of the EU and UK's competition regimes by both OFT and Ofcom should take account of the particular responsibilities placed by Government on the BBC, in particular its obligation of universal service to all licence payers.
- (b) *BBC Trust and BBC Executive Board*: Although we understand the thinking behind the proposal to introduce, following commercial practice, Non-executive Directors onto the BBC Executive Board, we have three worries. First, is the commercial model appropriate for the BBC? Secondly, we are concerned that adding a second tier of externality – Non-executive directors as well as the BBC's Trustees – could prove cumbersome or lead to conflict or

both. Thirdly, the proposed appointment process for Non-executive directors – with the Executive Board nominating its own members, in accordance with Nolan procedures, and subject to the approval of the BBC Trust - appears to be problematical. If the Trust is intended to represent the views of licence payers (the equivalent of shareholders in a private sector company), how will it consult them?

- (c) *BBC Trust and the Licence Payers*: Notwithstanding the proposed principal functions of the BBC Trust (Box 5.5, p. 72) VLV is not convinced that the proposed mechanisms will avert the twin dangers of the BBC Trust failing to represent the views of the licence payers, or of the Trust's regulatory powers being captured by the BBC's Executive Board, as was perceived to have happened with the Board of Governors. This latter danger could be intensified by the presence of Non-executive Directors giving greater confidence and assertiveness to the BBC Executive Board.

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

In general, VLV welcomes the definition of the public interest remit of the BBC Trust, but in practice the actual outcome will depend on the balance struck between the six listed objectives. In particular the interpretation that the BBC Trust is able to give to the requirement not to "unfairly or unduly damage commercial media businesses" given the established rules of European and domestic competition regulation.

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

VLV believes that all of these options should be pursued when the BBC Trust is established. In particular we welcome the proposals which will increase the transparency of the Trust's deliberations and decisions.

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

VLV agrees that the process of handling complaints needs to be made more credible and robust. The boundaries between the powers of the *BBC Trust* and those of Ofcom should be made clearer to licence payers and members of the public.

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

12. What skills and expertise do you think they need?

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

(a) *Question 11*: VLV considers that a BBC Trust consisting of nine members would be ideal, and sufficient to represent the major National, regional and cultural interests. There should be an upper limit of twelve, the current number of BBC Governors.

(b) *Question 12*: We agree with the recommended skills and range of expertise for members of the *BBC Trust* bullet-pointed on page 12.

(c) *Question 13*: VLV does not consider that any particular communities or interest groups should be guaranteed representation on the *BBC Trust*. However, VLV considers that if appointments were by the Queen on the recommendation of ***the Privy Council, rather than of the Prime Minister***, then both licence payers and the public generally would have more confidence in the ability of the BBC Trustees to represent all sections of the community and the widest range of reasonable opinion.

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

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

VLV considers that citizens and consumers regard competition as one means of achieving real programme choice. However choice may be achieved in different ways. These include not only structured competition between suppliers but also optimising the opportunities for the best and most imaginative ideas to be turned into programmes – by whichever broadcaster has the resources to commission and produce them. The BBC with its extensive resources is well-placed to improve programme choice for viewers and listeners. Therefore the *BBC Trust*, as the protector of listeners’ and viewers’ interests, should be empowered to use the new system of detailed service licences (page 11) to encourage the BBC Executive Board to improve choice. VLV considers that this, rather than the introduction of either an extra 25% quota for independent production (bringing the total to 50%), or the so-called “window of creative competition” will be the key to enriching consumer choice in UK broadcasting.

Radio: (Question 15) The same principles will apply. However, in view of the BBC’s current dominance in many radio genres, the lower quota for independents and its non-mandatory nature, the *BBC Trust* may need to require the Executive Board to review the balance between in-house and independent productions.

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

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

VLV agrees that the BBC should be able to propose changes to the range of services over the next ten years, and we assume that this responsibility – including the public consultation that goes with it – will rest with the *BBC Trust*.

VLV has two substantial reservations about the proposals for handling new services. Experience shows that the research necessary to assess public value and market impact can only be done to a limited extent before a service is launched. This is especially true in an emerging market, and where social values have to be weighed against economic criteria. We would also point to an observation by Sir Hugh Carleton-Greene, former BBC Director-General and Governor, “*we have a duty to take account of the changes in society, to be ahead of public opinion rather than to wait upon it.*”

(a) VLV has reservations about the wisdom of requiring the Secretary of State to be involved in the process- albeit on a purely procedural basis. We could envisage, for instance, a substantial argument between Ofcom and the *BBC Trust* leading to an appeal for decision by the Secretary of State.

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

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

VLV approaches both these questions from the perspective of optimising both choice and accessibility of programme material for viewers and listeners. Broadly speaking, the current system seems to be working well, although the *BBC Trust* should ensure that where the BBC Commercial Holdings Ltd., or another part of the BBC, is not exploiting secondary rights in programmes, access should be given to third parties who wish to serve new markets.

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

As stated in its response to Question 1, VLV considers that it is in the interests of viewers and listeners for the television licence fee to be exclusively hypothecated to the BBC. We also think that it is in viewers' and listeners' interests to have a plurality of public service broadcasters.

We consider that the funding of this pluralistic system should be kept under review, provided that the full hypothecation of the licence fee to the BBC is retained. We note that Ofcom, in its Review of Public Service Television, highlighted other sources of public financial support – including spectrum subsidy - for the commercially-funded public service broadcasters.

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