

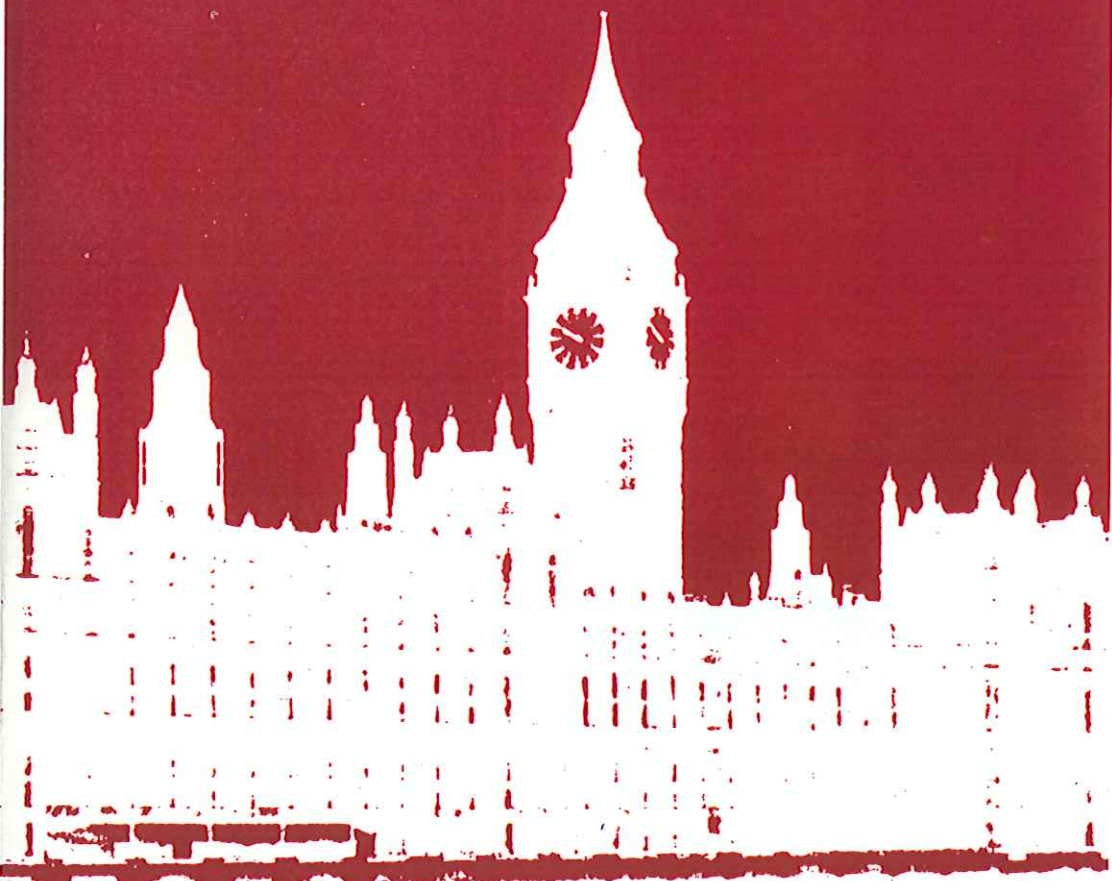


Policy Study No 122

A better BBC

Public Service Broadcasting in the '90s

Damian Green



CENTRE FOR POLICY STUDIES



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1991**

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Introduction

The 1990s will see faster and more dramatic changes in British broadcasting than any decade since the introduction of the ITV network in the 1950s. Already the Government's Broadcasting Act has set up a new system of regulation for ITV, Channel 4, and a possible new Channel 5. Satellite broadcasting has arrived; and for all the initial confusion caused by competing and incompatible systems, is being taken up faster initially than previous similar products, such as video recorders. Cable TV, surprisingly slow to progress when it was first launched, is now expanding under a new wave of investors. The combination of technological change and the desire for increased choice, both among viewers and advertisers, will transform the landscape.

These developments raise questions about the future of the institution which has always been the cornerstone of British broadcasting, the BBC. By happy coincidence, the BBC's Charter comes up for review in 1996, so the long-term role for the corporation can be considered in the light of the radical changes happening all around it.

The purpose of this pamphlet is to examine the policy options open to the Government on the future of the BBC, and to make recommendations which will preserve the BBC's essential functions, without leaving it in an unduly privileged position compared to its broadcasting rivals, or with a system for funding its activities which the viewers and listeners who pay for its services would think unfair.

One assumption which underlies this pamphlet, and which some may find contentious, is the idea of 'quality television'. It implies that value judgements are to be made about individual programmes, or about television channels, beyond those made by audience ratings and market forces; and can be assailed by those who think television is negligible, and that therefore the more 'significant' or 'improving' television attempts to be, the more worthless and pretentious it becomes. Yet only consider the enormous importance of television for millions of people in the transmission both of information and 'culture', as well as entertainment (the three categories not being mutually exclusive). From the foundation of the BBC, ideas were developed about the areas of programming to be included, for the sake

of a balanced service: such as drama, music, current affairs, religion, education. The author believes that a broadcasting system which aspires to cover these areas (however, in individual cases, it may fall short of the standards it desires) is better for the society which supports it than one which seeks solely to provide programmes on the basis of market research. At the same time, it cannot be right that such programmes should exist merely for the specialist minority audiences that would seek them out in any case; rather, they should be made readily available for a mass audience to accept or reject as it chooses. That task seems to me to be one of the central aims of Public Service Broadcasting, and it is the preservation of such broadcasting, in as efficient and cost-effective a way as possible, which informs the thinking of this paper.

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What is the purpose of the BBC ?

For more than 60 years, the BBC has enjoyed a protected position at the heart of the broadcasting system. In return for the money collected through the licence fee from anyone who owns a receiver, the Corporation has been granted a series of Royal Charters (currently the sixth) which set out its national and international duties and obligations. The preamble to the Charter refers to the value of broadcasting services as a way of providing 'information, education, and entertainment'. Over the years since the BBC's first Director-General, Lord Reith, laid down the general lines of Corporation policy, this mixture, and the ability to provide it universally, has become the fundamental purpose of the BBC, summed up in the shorthand phrase, 'Public Service Broadcasting.' Similar obligations have been imposed on the BBC's terrestrial commercial rivals, the ITV companies, but not on cable or satellite channels.

The BBC's present output is familiar to everyone in Britain. The two television channels, BBC 1 and BBC 2, obtain about 49% of the total television audience, with BBC 1's share normally just under 40%. Apart from nationally networked programmes, specific programmes for local audiences are produced in Northern Ireland, Scotland, and Wales, and by the five English regional areas. On top of that come the five national radio networks, specific output for Northern Ireland, Scotland, and Wales, and 37 local radio stations. The World Service operates under the same Charter but is funded directly by Parliamentary grant.

From this range of output it ought to be easy to address the basic question whether the BBC, in its present form and with its present system of financing, is fulfilling its terms of reference. In fact this is not easy, partly because the Charter itself gives no ringing declaration of what the Corporation is meant to achieve, but restricts itself to the basic details of where and how it should broadcast, while setting out the constitution of a Board of Governors, appointed by the government, with a network of advisory councils appointed by the BBC.

Apart from the Charter, the other main document defining the purposes of the BBC is a Licence and Agreement from the Home

Secretary. This has few broad policy aims, and dictates decisions on output only in specific areas. For instance it requires editorial impartiality, and a daily account of the proceedings of both Houses of Parliament. Subject to these provisions, and the law of the land, the BBC has full editorial and managerial independence. In consequence, the thrust of BBC policy has been determined by the Board of Governors, though at times in its history the professional managers, led by the Director-General, have exercised more influence in establishing guidelines. One effect of this pamphlet's proposals would be to establish an outside check on BBC policy beyond that of politicians.

There is no agreed definition of public service broadcasting, even inside the BBC. Nevertheless a working definition needs to be found, or it will be impossible not just to assess whether the BBC is doing its job, but whether the public thinks that the job should be done at all.

The most recent of the many inquiries into British broadcasting (there have been seven since 1923) was that made by the Peacock Committee, which reported in 1986 on the options for financing the BBC, and which tried to define the elusive concept of public service broadcasting. Peacock's summary of the central principles involved was that:-

- (1) broadcasting is a national asset which should be used for the good of the nation rather than of particular interest groups;
- (2) responsibility for broadcasting should therefore lie with one or more broadcasting authorities, appointed as the 'trustees for the national interest' in broadcasting; and
- (3) the broadcasting authorities should be free of government intervention in their day to day affairs and in the content of their programmes.

Others have tried to be more detailed. The Broadcasting Research Unit has produced eight principles for public service broadcasting¹:-

- (1) geographic universality
- (2) catering for all interests and tastes
- (3) catering for minorities
- (4) concern for 'national identity and community'
- (5) detachment from vested interests and government
- (6) one broadcasting system to be directly funded by the corpus of users

1. Quoted in the Peacock Committee Report

- (7) competition in good programming rather than for numbers
- (8) guidelines to liberate programme makers and not to restrict them.

The differences between these two definitions illustrate the difficulties involved. Perhaps the Pilkington Committee of 1962 was right when it found that:

'though standards exist and are recognisable, broadcasting is more nearly an art than an exact science. It deals in tastes and values and is not precisely definable.'

To attempt yet another definition, I would (tentatively) suggest that the essence of public service broadcasting is it should:-

- (1) support the democratic system by providing independent news, comment, and information on a universally available basis;
- (2) provide a mix of programmes which offer a range of cultural experiences to as broad an audience as possible;
- (3) convey those events and occasions which are best received as shared national experiences; and
- (4) by a combination of these activities contribute to the quality of citizenship within the country.

Criticisms to be made of the BBC will be reviewed later in this pamphlet. But there is little evidence that the public is opposed to the concept of public service broadcasting as set out above, or that there is a wave of feeling that the BBC fails to help realise that concept. The system that has grown up, with one half of the broadcasting system financed exclusively by the licence fee and the other half exclusively by advertising, has developed one of Britain's more successful industries. The worldwide regard in which British broadcasting is held should give pause to those who enthusiastically advocate wholesale and immediate changes. Even the Peacock Committee, a body dominated by those who preferred market-based solutions, concluded:

'The BBC and the regulated ITV system have done far better, in mimicking the effects of a true consumer market, than any purely laissez-faire system financed by advertising could have done under conditions of spectrum shortage. In addition they have provided more demanding programmes (for instance in the Arts) which viewers and listeners might have been willing to pay for

in their capacity as taxpayers and voters, but not as consumers.'

The BBC emphasises not only the quality of the output generated by the present system, but also its relative cheapness to the consumer. That is natural. Finance inevitably sways the discussion. There is little merit in producing an excellent broadcasting system if the cost to the consumer is excessive. The BBC has produced its own league table of European licence fees as at January 1990.

Colour TV licence annual cost (£ equivalent)

Denmark	138
Austria	126
Sweden	117
Belgium	109
Norway	104
Germany	84*
Switzerland	75*
UK	66**
Ireland	61*
France	59*
Italy	59*
Netherlands	55*

*Licence fee supplemented by advertising

**Since increased to 71.

The cost of the licence does not tell the full story, of course. Although the existence of the fee provides the BBC with a secure form of financing, with some freedom from political control, there are disadvantages. First, it is a regressive tax taking no account of ability to pay, and is unfair to those owning a TV but not watching the BBC. Second, it implies political control since the Home Secretary sets the level of the fee. Third, collection costs at 7% of the total raised, are high.

Despite these disadvantages, the licence fee has survived, under governments of every hue, and over a period when the world of broadcasting has expanded enormously. Even the Peacock Committee, whose main recommendation was that the BBC should move towards a subscription service, thought that:

'The broadcasting authorities have not only mimicked the market; they have provided packages of programmes to audiences at remarkably low cost (measured by the licence fee and by the implicit cost to the consumer of ITV advertisements) and judged by the standards of other forms of leisure and entertainment and by international standards. We can also pay tribute to the way in which the packaging of programmes has satisfied and developed audience tastes. The intertwining of information, education and entertainment has broadened the horizons of a great number of viewers and listeners.'

So the evidence suggests that, for all the grumbles about bias, repeats, imported rubbish, and the myriad other complaints that any national service can expect, the BBC's present system has not served the public badly. So why is change necessary now? In particular, why do decisions need to be taken soon?

The answer is that the broadcasting landscape has already been changed dramatically by satellite television; and the present expansion of cable TV will have an even greater impact. All projections about the growth rates of new media are dubious, but it does seem likely that in ten years about half the households in Britain will be able to receive a multiplicity of channels either through satellite or cable. Thus it is inconceivable that the BBC will continue to enjoy nearly 50% of the television market, and a 'reach' (the percentage watching at some time during the week) of 92%.

Once the BBC's audience has fallen significantly (and radio is already seeing something of this), the licence fee becomes difficult to justify. If decision on the long-term basis for funding the Corporation is delayed, then resentment at its existence could overshadow proper debate on the nature of public service broadcasting that needs to be preserved. Those who believe that the existing system provides benefits which are worth conserving should recognise that the status quo of a compulsory licence fee with all proceeds paid to the BBC is bound to become indefensible. Those who think it already is indefensible will want to consider other options.

Broadcasting beyond 2000

It is a characteristic of the British that they fail to anticipate the likely demand for a new broadcasting product. In 1923, the first attempt at setting broadcasting policy, the Sykes report, suggested that wireless licences would reach saturation at a million or two. Lord Reith was dismissive about the potential of television. So it will be useful to sketch out the likely effect on the average household of the rapid expansion in broadcasting in the 1990s, to understand just how the present way of dealing with the BBC's finances will become untenable.

The average person in this country watches television for more than 25 hours every week, equivalent to 60% of the estimated leisure time of the employed adult. But this enormous audience is on the point of fragmenting. The early travails of Sky Television, and the failure of BSB, may have obscured in the public mind the incredible marketing success of satellite dishes. At the start of 1989 there were 20,000 of them. By May 1990 there were nearly 800,000, the fastest growth of any major electronics product ever launched in Britain. And growth since then has taken the number to about 1.5 million. In the long-term the merger of Sky and BSB will inevitably increase sales further, since all the main satellite channels will move to the Astra satellite which puts out the Sky Channels (as well as other English-language programming), and those who have delayed purchase because of the previous uncertainty will be drawn into the market.

But, if that growth rate is impressive, the potential of cable as a delivery system far exceeds that of satellite; and so far this market has barely been touched in Britain. More than 100 cable franchises have been advertised or awarded, covering an area of nearly 12 million households, but only a handful are operational. The 'cable revolution' forecast for the 1980s never came. Now, however, there are reasons for predicting real progress. The biggest development has been the arrival in force of the American 'Baby Bells', the regional US Telecomms companies, who have taken over many of the recently-advertised local cable franchises. They want to use the cable networks not only to provide television, but also telephone services to compete with BT and Mercury. And they are optimistic about how fast they will proceed, some predicting that 70% of British homes will be cabled by 1995 —

against 2% at present. After a ten-year delay to allow the new operators to set up viable operations, British Telecom will be allowed to provide entertainment services down cables, and with its universal reach this should complete a national cable network.

The likely consequences of this for the BBC, and therefore for its financing arrangements, can be illustrated by events in the United States, where half the households can now receive an average of 30 channels. Between 1980 and 1990, the three main networks which formed the backbone of American broadcasting for decades saw their share of the audience decline from 90% to 68%. Pessimists among the network executives think that this slump will bottom out only when their market share is about 50%.

If a similar pattern developed in this country, the effects on the BBC would be even more severe. By the late 1990s its two channels will be competing not just with ITV and Channel 4, but also with the new Channel 5, due to be broadcasting by the mid-1990s and able to reach 70% of the population. Even though many cable subscribers would no doubt continue to use the traditional terrestrial channels as the base of their viewing, it is hard to believe that any two of the dozens of channels available would obtain as much as 50% of the audience — especially as many of the new channels will be devoted to types of programming that gain the highest ratings, notably films and sport. In such an market-place, the BBC's defence of its exclusive right to the licence fee money would be greatly weakened.

A similar development is already beginning to be seen in radio. The 1990 Broadcasting Act has finally started to solve the problem of suppressed demand for radio services which has been allowed to persist in Britain for decades. It will lead to the creation of three new national commercial radio stations to compete with the BBC for the first time, and it also enables between 200 and 300 new local independent stations to be set up. These will include community stations, on a much smaller scale than the existing local ones, and other stations catering for special interests, such as ethnic minorities or devotees of particular types of music. London is where most progress has been made, with notable changes in audience patterns. Over the whole country, BBC radio (national and local combined) obtains an audience share of between 65% and 70%: in London, now less than 50%.

Even for those who remain convinced that public service

broadcasting is a valuable contributor to the quality of life in Britain, and that the BBC is an integral part of the provision of public service broadcasting, have to conclude that the system for financing the BBC must change if it is not soon to become a very much more controversial political issue. An organisation which is given exclusive access to all the proceeds of a compulsory fee surely needs to prove in some way that it is providing a service which most people want. The BBC itself has interpreted this need as meaning that its television channels must obtain about 50% of the audience. This was clear in the late 1950s, when the BBC had one channel, as also did ITV. Over the first few months of competition the audience ratio was 54:46 in the BBC's favour. By 1956 it had dropped to 38:62, and by the summer of 1957 it reached the BBC's nadir of 28:72 (a salutary reminder of the speed at which audiences switch to a popular new product). For the next five years the BBC worked hard at increasing its audience share, returning to approximate parity in the last quarter of 1962.

The lesson here is that the BBC itself realises that it has to justify the licence fee — at least in part — by the ratings it attracts. So if the BBC's audience share is inevitably set to plunge for reasons outside the Corporation's control, then radical alterations to the licence fee system are also inevitable.

Why not scrap the BBC altogether?

Certainly the most interesting ideas about the future of broadcasting in this country over the past few years have come from outside the broadcasting establishment. The gap is wide between most of those occupying positions of power in the broadcasting industry, and those analysts who have characterised the BBC's position, supported by the licence fee, as a clear case of a privileged state-subsidised provider trying to prevent the emergence of genuine consumer choice. (Though even the former, wedded though some may be to the traditional system, would wince a little at Lord Reith's magisterial dictum: 'Few know what they want, and fewer still what they need.')

The radical critics of the existing system have attacked on a number of fronts. The most academic dispute has turned on the relevance of applying purely economic concepts to the output of the broadcasting industry. There is also a libertarian strand, championed most strongly by Samuel Brittan, a member of the Peacock Committee, which has been concerned that the 'cosy duopoly' of the BBC's licence fee and ITV's advertising monopoly, is an effective form of state censorship. This is because the consequent restrictions on entry to the broadcast media, mean that, in Mr Brittan's words:

'the right of anyone to publish material, or produce a work of art, so long as he can attract consumer support or finance himself in any other way and observe the law of the land, has simply been absent from British broadcasting.'

In addition to these two types of critic is a sizable body of opinion which thinks the BBC is irretrievably biased against the present Government, and that it abuses its position to promote the political views of its staff.

This last area of complaint, while it generates the most political heat, is largely outside the remit of this pamphlet, though let us not forget, first, that Labour politicians in government were equally convinced that the BBC was conspiring against them, and second, that the increased sophistication of all politicians in dealing with broadcasters has meant that all sides are now capable of looking after themselves. The accusation is also often made that BBC journalism suffers from a

systemic bias because the Corporation recruits largely left-wing journalists. No proper statistical survey has been done, so the evidence has to remain anecdotal; but in my experience, as a BBC News trainee who worked for the Corporation for five years, the recruitment policy produced a very wide range of political opinions. On a day-to-day working basis, in newsrooms, the need to preserve impartiality became an instinct. It may well be the case that investigative current affairs programmes sometimes embarrass the government, but since in a free society that is one of the functions of such programmes, what is important is that management should be strong enough to ensure that such programmes are well-researched and factually accurate. In the past few years the BBC has made such efforts, and remedied some previous defects. There is, of course, a need for permanent monitoring of this issue, since even in an increasingly diverse broadcasting environment the BBC's public service obligations mean that impartiality should underpin all its journalism. But this issue should not decide the question of BBC funding.

The worries over censorship are certainly valid (though perhaps more in theory than practice) but will be alleviated by the proliferation of new channels. The greater the number of broadcasters, both on television and radio, the easier is access for new views and comment, and the more difficult is central control. As for the disputes between the 'economic' viewpoint and the 'cultural' one, the simple answer is that the use of economic concepts to analyse broadcasters output is necessary, but not sufficient, to guide public policy — as in most other areas.

Underlying much of the recent criticism of the existing broadcasting structure is the proposition that technological change can now provide a genuine market-place in broadcasting. So new entrants can offer different services, and viewers can choose between them, deciding whether to pay the price as in any other market. If this is the case, the argument runs, then the BBC is simply one specially — and unjustifiably — privileged competitor. To move from the theoretical to the practical, the argument runs that all the types of programming now offered by the BBC can and will be offered by commercial operators, since they all have an existing audience. Hence there will be no reduction in the amount of high-quality television available, and the decision on what kinds of programmes are shown will be in the hands of the audience, not of the broadcasters.

The traditional argument against this case has been that purely commercial services will not provide the range of programmes now universally available on the BBC. The list of what is necessary for a well-rounded television service varies from individual to individual, but will normally include intelligent news and current affairs programmes, investigative documentaries, music and arts programmes, drama, and challenging children's programmes. It is not axiomatic that large swathes of this type of output will disappear in a purely commercial system. The view that more television will mean dozens of channels all showing wall-to-wall Dallas reveals a barely concealed contempt for the viewer. The diversity of channels is more likely to generate a diversity of demand, and arts channels, children's channels, and news channels will be available along with the sports, films, and general entertainment channels.

Then, the argument continues, why not scrap the BBC, and leave government with no role beyond setting technical standards and rules on decency? The author believes that there are several important reasons for keeping the Corporation.

One of the strengths of the present system is its universality, all the main channels being available in an acceptable technical form throughout the country. If the BBC were to be dismantled in the foreseeable future, a significant minority would be deprived of a service they had previously enjoyed. This is not sensible way of enlarging consumer choice.

Even in the longer term, if satellite and cable systems achieve very high penetration, this argument will still hold, because it is likely that the poorest viewers (often the elderly) will be the last to obtain these services. Since these are the people for whom television is often the most important use of leisure it would be wrong to change the system in a way that made it impossible for them to receive even what might become the basic, no-frills, service. Any other way of helping them, such as specific financial help for obtaining television services, would itself introduce distortions, since it would be 'forcing' the recipients' expenditure in ways dictated by government, not by consumers.

Other arguments may be made for keeping the BBC alive, even in tomorrow's diversified broadcasting environment. The first is the value of 'mixed programming.' Although it might be that all the different strands of programming covered by the notion of public service broadcasting could be provided in the new environment, it is

likely that they will be available only as special interest packages. Thus, arts lovers, music enthusiasts, or news junkies will be provided for as never before, but an important benefit of the existing system would be lost. This is the opportunity to expose viewers, possibly by accident, to a programme on a subject which they enjoy or which stimulates them, simply because it follows one they were already watching. 'Scheduling' is often regarded as a black art, but serves higher purposes than simple ratings-building. For example, the main news programmes on both mainstream channels, which have become the principle source of news for most of us, have many more viewers when the preceding programme attracts a big audience. Similarly, many of BBC2's more arcane arts and current affairs programmes late at night receive a ratings boost when surrounded by snooker. Benefits of a general channel on the viewing patterns of the audience cannot be quantified, but just as snooker fans may become interested by the arts as a result of such scheduling, so may arts lovers become attracted to the joys of snooker — each being beneficial to the quality of life.

The impact of a successful engagement of such an audience is impossible to deny. The Ethiopian famine was a tragedy seen by a scandalously small audience until it appeared on the Nine O'Clock News. Equally good journalism on a specialist news channel, however respected, would almost certainly have had less impact. Scheduling which creates large audiences for programmes of otherwise minority interest extends the prospect of universal access to a range of different experiences. The broadcaster is not just producing different types of programmes: he is trying to attract the largest possible audience to them. This strategy should be seen as something which differentiates public service broadcasting in the new environment: acknowledged as important by those in charge of financing any public service channels.

A further argument in favour of keeping the BBC and its public service role relates to citizenship. The Peacock Committee recognised that 'any decision on how broadcasting services should be financed must embody value judgements.' It is in this context that it is important, especially for decision-makers in Britain who are likely to be lighter consumers of television than any other group, to remember the all-pervasiveness of the medium. It is, and will remain, the principal source of entertainment and information, and for many, the principal source of education. So it is important that at least part of the television industry sees it as a duty to promote full participation in

society by well-informed and civilised individuals. This entails more than merely producing good programmes, and more even than producing good programmes at peak times attracting mass audiences. It also involves providing a focus for those activities which are best regarded as a common experience. It may be a Royal Wedding, a World Cup Football Match, or the news on a fateful and dramatic night, but television has a unique ability to generate a sense of community, through the knowledge that the vast majority of the country is experiencing the same event at the same time. The sense of community so generated is a useful element in preserving coherence in society.

It is unlikely that a system relying purely on the market, however successful it was in providing every conceivable type of programme for which there was sufficient demand, could also satisfy these latter criteria. Those who argue that it is not the job of television programme-makers to help promote citizenship, or promote a sense of community, under-estimate the medium's importance. It is ridiculous to posit television as a mere economic product, especially since many television 'consumers' are children whose choices have yet to be fully formed. The position has been analysed in a paper for the Royal Television Society by Andrew Graham and Gavyn Davies:

'There still remains the requirement that the next generation of consumers should be presented with a diverse, informative, and enriching range of programmes so that their right to exercise their choice with full information and full autonomy would be ensured. The market, left to itself, would not guarantee this right. Consumers with their taste unexposed to, and underdeveloped by, a richer fare would not and could not demand programmes that did not exist and so producers, for their part, would experience no unfilled demand. There would be no driving force towards better quality.'

To sum up, despite all the certain expansion of broadcasting in the 1990s and beyond, and all the diversity in programming soon to be available, it would be foolish to suppose that the market can provide all that is now and should in the future be provided. The important questions are: how much of the BBC's present output is necessary for it to fulfil its public service obligations: and how best should this be financed?

What should remain of the existing BBC ?

Those who believe that the BBC has an important role in the future of British broadcasting should not, however, let the BBC's traditional assumptions about that role go unchallenged. At every stage of the expansion of broadcasting, the BBC has insisted, as the 'national broadcaster', that it should be represented in the new areas. In the early 1960s, the Corporation lobbied hard and successfully that it should be awarded the third television channel, and there was nearly a twenty-year gap before the ITV companies were given Channel 4. When the pop pirate radio stations of the 1960s proved that there was huge demand for radio services not being met by the BBC's national networks, the decision was taken by government to set up local commercial stations. The BBC then insisted on creating its own network of local stations. And the original proposal for Direct Broadcasting by Satellite (DBS), which eventually became the BSB project, was, let us remember, meant to involve the BBC.

This in part explains how the BBC has grown to its present size, covering the full range of international, national and local activities in television and radio (and at the moment planning to expand its international TV activities by starting a World Service TV news). It is possible, of course, to defend every one of these activities taken on its own, as providing a service which viewers and listeners want, but in an increasingly diverse industry, where the barriers to entry, especially in radio, are becoming lower, that is no longer enough. It is necessary to test each one of the Corporation's activities against the needs of public service broadcasting in the 1990s and beyond. The BBC should move out of areas it now occupies which are irrelevant to the fulfilment of its public service duties, both because this would release resources to essential operations, but more importantly because it would remove the unfairness whereby part of the licence fee pays for activities which could perfectly well be financed in ways not involving a compulsory charge on *all* viewers.

To start with national television, it seems unarguable that this is now the heart of the BBC, without which it would serve little purpose. The

BBC Income in 1989/90

<i>INCOME</i>	<i>£m</i>
Licence Fee	1,237
Less: Collection costs	65
	1,172
<i>OTHER INCOME</i>	
Trading profits (BBC Enterprises)	12
Interest Receivable (net)	23
Other	6
	41
Less Taxation	12
	29
Total Income	1,201
<i>EXPENDITURE</i>	
TV	837
Radio	296
	68
Excess of income over expenditure	

question here is whether the Corporation should continue to maintain two channels, or whether its obligations could be fulfilled with only one. Given the need not only to produce a range of good programmes but also to schedule them in a way that promotes diverse viewing, it would make the task vastly more difficult to perform on only one channel. BBC2 has frequently been used as a testing ground for innovative programmes which later transfer to BBC1, gaining mass audiences; so its disappearance would force the BBC to become a less adventurous producer. It would also reduce the flexibility enjoyed by BBC television in transferring long-lasting events, especially sport, between the two networks, and so would probably drive more of the 'core' sporting spectacles onto specialist channels which would not be universally available. So reducing BBC television to one channel

would damage the quality of broadcasting, whatever was done with the waveband thus released.

The other core activity of the Corporation is national radio, and here the arguments are not so solid. At the moment there are 5 networks; Radio 1 plays rock and pop music; Radio 2 provides light music, entertainment and conversation; Radio 3 mainly classical music; Radio 4 news, current affairs and other speech programmes; and Radio 5 sport, education and young people's programmes. The clear difference between BBC radio and television is that television has retained its general channels while radio dispensed with them in the 1960s. In consequence the BBC's radio operations have parts which can be more easily removed without damaging the essential fabric. In particular, it is easy to imagine a commercial operator producing versions of Radio 1 or Radio 2 which combined all the virtues of the present output without imposing any strain on the ability to attract advertising revenue even in hard times. At the moment Radio 1 costs £28 million (9% of the BBC's radio budget), and Radio 2 £50 million (17%), so significant cost savings would be made if they were privatised. An extra gain would be that this would provide more high-quality FM wavelengths for private operators: the three national independent radio networks which the Radio Authority is now establishing include only one FM network; and the other, AM networks are not very good for music stations of any type.

There are two possible arguments against the BBC giving up Radios 1 and 2. The first is that by being BBC stations they will provide output beyond their basic entertainment functions, which a commercial operator either could not or would not transmit. It is true that both stations do go beyond their narrow bounds. Radio 1 has run campaigns on drug abuse and AIDS, and Radio 2 includes consumer advice and some current affairs on its music programmes. But it would be possible to include in a licence for a new operator this kind of requirement, and indeed many existing local independent stations already provide much the same sort of service. So these useful elements could be continued. The second argument for the BBC retaining these stations is that Radio 1, especially, is deliberately aimed at a young audience, which therefore becomes used to listening to BBC Radio, and later progresses more easily to Radios 3 and 4. Even if this is the case, why should we suspect that such progression would not be made from other pop services? Overall, there seems no good case for

keeping these stations inside the BBC.

As for the other national stations, Radios 3, 4, and 5, in their different ways, provide services which certainly meet the criteria for public service broadcasting. Radios 4 and 5 both have a mixture of programming which encourages listeners to move from their particular interest to other areas, and offer authoritative coverage of news and sport respectively. Radio 3 is a different case, providing a specialist service for a very small audience. At the moment it is possible to insist that Radio 3 should survive in its present form, both because of the lack of an alternative, and because to abolish or privatise it would be to take a terrible risk with the services to music it now provides. However, in the future its functions might be undertaken by private broadcasters, or in the case of supporting orchestras and commissioning new works, by other bodies. If one of the national commercial radio franchises becomes a serious music station, then Radio 3 would have to prove its service attracted a sufficient market share, and contributed to the musical life of the country in ways which would not otherwise happen, to justify its continued existence. The ideal solution would be for a commercial rival to Radio 3 to emerge — which would force it to define much more carefully what were its unique qualities. Certainly competition at the top end of the radio market would be no bad thing.

As for local radio, this has always been a poor relation within the radio service: literally as well as figuratively. The table below shows the unit costs of transmission on the various networks, per hour.

Radio 1	£3,900
Radio 2	£5,700
Radio 3	£7,200
Radio 4	£8,900
Local Radio	£282

Despite the cheapness of the service for each station, the total cost of local radio, at £46 million pounds, is 16% of the total radio budget: slightly less than Radio 2 or Radio 3. In return the stations tend to attract small audiences, because they are of necessity speech-based, and often up against powerful independent rivals. The BBC's justification for its presence in local radio is that it gives the Corporation roots in communities, but £46 million seems a high price

for this. The need for the local BBC stations will be even more questionable as time goes on, as more and more community-based stations are set up. With a network of large-scale local stations, ethnic minority stations, and specific-interest stations complementing the increased number of national stations, there is no obvious gap which the BBC local stations will fill; this paper therefore recommends that it should withdraw from local radio.

But in addition to withdrawing from certain areas of activity, the BBC must also cut waste in spending: a perennial subject of debate. Unfortunately, the organisation's style of internal accounting might have been designed to make comparisons difficult. Yet it is the general experience of those who have left the Corporation to work for independent producers that old inefficiencies long uprooted elsewhere in the industry still persist at the BBC. (The ITV companies used to be as bad.) Two specific scandals are the number of staff used for any given job, greater than outside the Corporation, and the use of 'gold-plated' equipment, especially in radio, where simpler and cheaper alternatives are now widely available. A report commissioned by the Home Office from Price Waterhouse has also criticised decision-making procedures, and was used by the Home Secretary as one reason why the licence fee increase from 1991 should be less than the rate of inflation (a decision which was met by only token protests, suggesting the pips have hardly been squeezed yet). One journalist who has left the BBC to return to newspapers compared his experiences there with Fleet Street before Wapping, and although news and current affairs may be an extreme example (the department's own internal reports on efficiency have been scathing), it is not completely untypical.

The former Chairman of ICI, Sir John Harvey-Jones, who describes himself as a firm supporter of the BBC, has urged radical changes in working practices. In an interview with *The Independent*, he suggested a one third reduction in staff costs, and a halving of top management. And he said that the Corporation seemed not to recognise that delays in decision-making cost money.

Overall the BBC could save considerable sums of money through increased efficiency, while its leaders concentrate on the jobs it needs to be doing. The traditional expansionist attitude is inappropriate in the new broadcasting climate, and the Corporation will have to justify, on a continuing basis, each area of activity in which it proposes to stay.

This would lead to a BBC which is not just leaner and fitter, but better qualified to perform its public service functions. It is likely that external pressure on BBC management will be needed to ensure that efficient use of resources is always in the forefront of its managers' minds. The ways by which this external pressure can best be maintained will be dealt with in Chapter 6, as part of the functions of a new authority which this paper proposes.

The future of BBC funding

Even a slimmer BBC will require large funding, methods for which have been widely canvassed over the past five years. The three main variants, which could in theory provide a stable long-term basis for the BBC, are the continuation of the licence fee, advertising, or subscription. This paper will propose a fourth, involving a combination of a licence fee paid not to the BBC but to a body which promotes quality television; together with radical changes in the way the BBC makes money from its own products.

The licence fee or other public subsidy

The BBC and its supporters by and large propound that the system of licence fees should continue. The alternative form of direct public subsidy, payment from general tax revenues, would remove one important barrier to direct political control, and so be very undesirable. Not only would the size of the grant to the BBC each year then be dependent on extraneous factors such as the position of general public expenditure — inevitably leading to unpredictable fluctuations — but the licence fee would be a permanently 'live' political issue. Direct political pressure on editorial policy, or, almost worse, continuous self-censorship by producers, would become very likely.

Thus direct public subsidy comes back to the licence fee, preferably uprated in line with some automatic measure of inflation, such as the Retail Prices Index, or else with an index of labour costs in the service industries (or in broadcasting generally). Many schemes have been put forward for making the amount of the licence fee independent of political factors, but they all ignore the fee's underlying weakness. In the long term it will remain acceptable only if 'everyone' at some stage is a BBC viewer or listener. And that will become less and less likely as time goes on. To maintain the present system for the sake of 'stability' would serve only to delay a decision until a time when the BBC would be less viewed, and more vulnerable.

Advertising

One other much-canvassed means of financing the BBC is advertising. The traditional objection to this is that if the Corporation had to

compete with ITV and Channel 4 for advertisers the consequent ratings war would drive all competitors down-market, making it impossible for either side to fulfil its public service obligations. This might well be so, as might be the accompanying fear that there simply would not be enough advertising revenue go round (and events in the second half of 1990 have served as a reminder that advertising revenue, like share prices, can go down as well as up). But the real objection, which encompasses these fears, is more fundamental, and was summed up in the Peacock report, which recommended against advertising on the BBC:-

'The main defect of a system based on advertising finance is that channel owners do not sell programmes to audiences, but audiences to advertisers....So long as the present duopoly remains in being and competition is limited to a fringe of satellite and cable services, the introduction of advertising on television is likely to reduce consumer choice and welfare. It could do so both by driving the BBC into a ratings war and by putting financial pressure on ITV companies, which would make it more difficult for them to meet IBA requirements. The result could be an inadequate supply of programmes which many of us watch some of the time and some of us watch most of the time, but which do not achieve top audience ratings.'

The other associated argument against advertising on the BBC is the difficulty of measuring the intensity of a viewer's desire to watch a programme. Under an advertising-supported system, viewers can express a preference only by watching or not watching a programme. They cannot, as it were, put a price on their desire to watch. Therefore, the public will not be satisfied as much as it might be, because the advertiser must sensibly aim for the largest audience — say an hour of light entertainment — while viewers would have been more satisfied by two half hours of programming which might appeal to two different minorities more intensely than the light entertainment programme. Even those measurement systems which do attempt to quantify viewer satisfaction cannot cope with hypothetical alternatives.

There is, then, no guarantee that viewers would be more satisfied with a system financed only by advertising — even without taking

into account public service obligations, and the benefits derived from them. It should also be said at this point that the ITV companies will be entering a new world under the 1990 Broadcasting Act, and that it would be unfair to the successful bidders for the ITV franchises to allow a new and immensely powerful competitor for advertising revenue to be unleashed on them during their franchise. They, as much as the BBC, are expected to observe the duties of public service broadcasting, and the fact that the two sides have not been seeking revenue from the same source has helped both of them to compete for audiences in terms of quality as well as quantity.

For all these reasons, allowing advertising on the BBC is not recommended.

Subscription

The other main proposed source of finance for the BBC is subscription, and this was the solution preferred in the long term by the Peacock Committee. It gave five main reasons for it:-

- (1) as a step towards accustoming viewers to pay for channels directly;
- (2) to end resentment about paying a compulsory licence fee;
- (3) optimism about the BBC's ability to attract subscription income;
- (4) as a stepping-stone from pay-per-channel to pay-per-programme; and
- (5) to reduce the dependence of the BBC on the government of the day.

Reasons 1 and 4 have now been rendered less cogent by the existence of film subscription channels on satellite services. Reasons 2 and 5 are certainly valid, but do not necessarily entail subscription. Reason 3 is at the heart of the matter, because no-one has suggested that the BBC would obtain 100% take-up of services under a subscription system — which would thus break a cardinal rule of public service broadcasting, that high-quality programmes should be available universally. And the willingness of people who could afford to pay for BBC channels to do so aggravates the criticism. To meet even its present budget, if the BBC were receiving income from only 80% of its present viewers (which is at the top end of Peacock's estimates for possible subscribers) they would each have to pay more than present licence-payers. This would put pressure on the BBC to

become a high-price, premium service, producing high-quality programmes for relatively up-market viewers. No doubt good programmes would be made, but they would not be serving one of the essential purposes of the BBC, to be available to every viewer.

Even if the obligation of universality is disregarded, subscription has severe drawbacks. First, the cost of its collection would be greater than that of the licence fee. Estimates from Andrew Ehrenberg and Pam Mills of the London Business School suggest that it would be about 5-10% extra, based on the experience of the French Channel Canal Plus and cable operators, even allowing for a reduction in the evasion rate (now running between 6% and 8%). Second, existing sets would have to be adapted to allow for signals to be encrypted, and then decoded by the subscribing households. If this procedure went ahead without any government or other assistance it would take about 20 years before existing sets were replaced. Conversion would be quicker, at a cost of between £50 and £100 per set; but whatever system was adopted, at some stage the political decision would have to be taken to exclude those who had not been converted. Since many of these would be the elderly and the poor, such a decision would be unpolitical, to say the least.

In short, the Peacock Committee envisaged a multi-channel environment where eventually viewers would pay to watch individual programmes, as well as the packages of programmes that make up channels. This may become technically feasible, and it would certainly expand choice for those who participated. As such the vision is admirable. But why reduce the choice now open to everyone willing to pay the licence fee to receive what is widely agreed to be an excellent general service, by turning any of the existing terrestrial channels into subscription services? Making the BBC's channels available only on subscription would eliminate choice for non-subscribers, and so would reduce choice overall.

The alternative

If the licence fee becomes increasingly untenable, but the main alternatives to it are unattractive, what remains? The answer is a mixed system of funding for the BBC, which builds on the strengths of the existing system, while encouraging the Corporation to become increasingly efficient and commercially minded. The main strength of the licence fee system, from a purely financial point of view, is that it is

simple to collect, easily understood, and not, for all the occasional *furor*, particularly unpopular (for the moment at least). The evasion rate, at 6%-8%, is about the same as that for vehicle licences; and since the latter is a more readily detectable offence, this suggests that observance of the TV licence is relatively good. The licence fee therefore has a future, but the key to its success will be to divorce it from simply funding the BBC, and to expand its role until it becomes the basic support for quality television on all channels.

The Public Service Broadcasting Authority

The most far-reaching proposal of this pamphlet for preserving the benefits of public service broadcasting on the BBC, in a way which will be seen fairer than at present, is that licence fee monies should be paid not to the BBC but to a new body — the Public Service Broadcasting Authority. The PBSA would be given the explicit brief of promoting high-quality television across the board.

The aim of the PSBA would be both to promote the production of high-quality programmes, and also to ensure that they are shown at times when maximum numbers watch. One of the ways it would meet its aim would be to preserve the existing remit of the BBC. But it would also be responsible for encouraging other broadcasters to bid for funds to make suitable programmes — and for deciding how much of the licence fee income should go to broadcasters other than the BBC. The PSBA would be responsible to the Home Secretary, and its Chairman and other part-time board members would be appointed in the same way as the Governors of the BBC or members of the ITC (which regulates ITV and Channel 4 under the 1990 Broadcasting Act).

One obvious question is 'what sort of programmes would the PSBA fund?'. The answer lies somewhere between 'everything the BBC at present does', and 'the arts and current affairs programmes that can't attract big audiences.' It would certainly include documentaries, educational programmes, one-off plays and drama series.

The question 'What is quality television?', would clearly lie at the heart of the PSBA's remit. The only honest answer to this question is a subjective one. But, for better or worse, the same difficulty does not preclude public subsidy in other fields of culture, and according to this paper, the PSBA should ensure that the programmes available included areas which expanded the range of output further than if audience size as the sole criterion. It has been argued that the desire to produce 'minority' or 'innovative' programmes merely reflects the arrogance of an élite caste of television producers. But this paper's argument is not that some of what has been described as 'quality broadcasting' is somehow morally superior to game shows, sport, or

soap operas. It is, rather, that the viewer is best served by a system which provides, without any great effort to hunt out specialist interests, a variety of types of output, all made to the best of the producer's ability, and not simply designed to win ratings. Other countries have always admired Britain's success in this endeavour. It would be perverse to abandon this aim, just because technology has progressed far enough to allow so many minority interests to be served simultaneously.

In its early years, the PSBA would mainly support the BBC. It would be part of the PSBA's role not just to fund individual programmes, but to ensure that the programmes it was funding were scheduled at appropriate times (and on the appropriate channels). Obviously the body could not be involved in detailed scheduling, but to preserve the BBC's full public service role, it is important that the 'worthier' programmes are not confined to late-night or minority channels. The PSBA would be responsible for financing the BBC's remaining radio channels as well as the television channels. It is hard to see ways in which these stations could generate significant income without infringing their public service remit, so the PSBA would remain responsible for financing them even in the long-term².

Would the PSBA become the BBC Board of Governors by another name: a collection of the great and the good who regard with oversolicitude the institutions over which they preside, only too easily falling into thrall of the interests of their charges? This is a danger. But there is no visible alternative to the appointment of PSBA members by the Home Secretary, since this would at least ensure that some measure of democratic control would be retained through the Home Secretary's responsibility to Parliament. I envisage a board of perhaps 12 members, four full-time and the rest part-time, which would present an annual report to the Home Office on its activities.

Safeguards would have to be built into its composition. It would need to be politically and culturally diverse, it would need to draw its members from a wide base. There should be a provision that the authority should not simply be London-based, but should have offices

2. The alternative would be to re-invent the radio licence, and all the objections that apply to the television licence in a fragmenting market apply equally strongly to radio, with the added practical difficulty that people have lost the habit of buying a radio licence, and so could be expected to resist its return. In the longer term, the PSBA might consider using a small part of its funds to finance non-BBC radio programmes of a suitable kind.

in at least three regional centres, and that these centres should be represented on the main board. No part-time member of the main board should be allowed to serve for longer than three years. In addition, none of the part-time members of the board should be representative of existing producer interests. It would be easy for the PSBA to become a parody of the Arts Council, with access to large sums of public funds, and the power, to some extent, to nanny public taste. One way to avoid or mitigate the power of cliques is to ensure that there is no overlap whatsoever between those who are applying for funds and those who are receiving them. So the terms of reference for the appointment of the part-time members of the board of the PSBA should exclude existing broadcasters, and demand diversity in regional and cultural background, and, a point not considered in existing appointments, age. There is no denying that the selection of members of the Board needs much more attention than this paper can give it. Naturally the senior full-time staff would need to be experienced in broadcasting, which is why they should be in a small minority on the board, to avoid an inward-looking organisation.

If all these restrictions suggest a large bureaucratic structure, then this too must be avoided. The money the PSBA is allowed to spend on its own operations must be strictly limited. Since it would be in control of all the funds from the licence fee, the collection of which would become the PSBA's responsibility, there should be an upper percentage limit (perhaps less than 1%) of the total of these funds which the PSBA could spend on its organisation. The Authority's functions would include monitoring the results of its previous spending (as Parliament would do as well), and assessing bids for future funding. It would not need a very large staff: perhaps a few hundred.

A principal task of the main board would be to decide the percentage of its income it would give to the BBC. This should from the start be less than 100%, in order to give the BBC the incentives to generate more of its own income. In its early days, however, it would give only a trickle of its income for programmes not on the BBC. The speed with which this trickle increased would have to depend on judgements made at the time about the ability of the corporation to increase its income.

As a result, pressure for increased efficiency would be extremely strong. Clearly the Authority would need some kind of contingency

reserve, in case the BBC was called on to cover unexpected and expensive long-running news, such as the Gulf War, but one of the good consequences of its existence would be a permanent external check on wasteful spending at the BBC.

The Authority's responsibilities, however, would go beyond merely collecting the licence fee, setting the proportion of it to be granted to the BBC, and ensuring that the BBC constructed its schedule in such a way as to encourage a mixed pattern of viewing. It would also monitor the BBC's output, to ensure that each sector of the output with which the PSBA was concerned was receiving an appropriate amount of airtime, and of funding. In practice, the Authority would wish to set indicative targets for the overall budget for each of the BBC's departments in which it took an interest, and construct its total grant out of these individual elements. This would ensure that the BBC had to justify its balance of spending to an external body. Of course, the BBC could use its internally generated funds to subsidise any area of worthy programming which it felt was being under-valued by the PSBA. But on top of the basic grants, the BBC would receive a 'public-service premium' for preserving its mixed programming. This would act as a practical incentive to weight the schedules appropriately.

Once the PSBA's grants had been made, it would have no further direct involvement in BBC programme-making. It would not preview series or individual programmes, nor would it attempt to stop the BBC showing programmes of which it might disapprove. As long as the BBC was making the sorts of programmes which it indicated to the PSBA it was planning to make, in each individual area, and as long as each of its channels was not evidently constructing non-public-service schedules, it would have fulfilled its obligations to the PSBA. It would no part of the job of the PSBA to stop the BBC making 'The Generation Game'. But it would be a matter of concern to the PSBA if an evening's schedules on BBC1 contained nothing but light entertainment. The PSBA's sanctions would be financial ones, consisting of a withholding of part of the 'public service premium', and possible changes in the proportion of its income awarded to the BBC.

Apart from being the BBC's primary source of finance, the PSBA would also be responsible for encouraging high-quality programmes on other networks. In the early years of its life, this would be a secondary function, but it should become more important as time went on, and the BBC found ways of raising more of the money through its

own efforts. One difficult decision to be made at the start is whether the PSBA should give any money to the ITV companies, as well as to producers making programmes for satellite or cable, or Channels 4 and 5. One argument against doing so is that they each have a regional monopoly for universally available and popular commercial television, and so could be expected to stand on their own. (Channel 4 will be selling its own advertising airtime after 1993, but will not be seeking a mass audience, as its remit will be unchanged.) In addition, the companies awarded franchises to start in 1998 will have made their bids without expecting any public subsidy — so why should they be given one? On the other hand, it may well be the case that some of smaller regions will find themselves without the resources they need to make any good programmes in economic downturns, and the PSBA could justifiably support them, initially perhaps through partial funding of specific projects. In general, though, funding the ITV companies should not be a high priority for the PSBA, at least until the first franchises come up for renewal in 1998. However, any attempt to argue that ITV should have its public service obligations relaxed if it is not given equal access with the BBC to the PSBA should be fiercely resisted. The ITV companies will still have their valuable regional monopolies, and in return for this, must retain some public duties. From the viewer's perspective, competition at the public service end of the market will be as important as ever. The point has been well made by Professor Peacock, looking back at his Committee's report:-

'The consumer interest is certainly not going to be properly served by conferring a cultural and educational monopoly on the BBC of the kind which operated before the establishment of independent television. Even if the BBC made every effort to represent alternative points of view on matters of education and culture, it would be perceived as a powerful controller of our thought processes. In any case, the consumer would not have a direct, continuous and immediate method of comparing such alternatives unless he was in a position to choose the programmes himself. Consumer sovereignty requires that there should be a range of alternatives among suppliers of public service programmes as well as purely commercial programmes.'

I would go further than Professor Peacock, and say that there should

be alternatives in suppliers of public service channels, as well as of public service programmes.

As well as setting out targets for the reduction of the BBC's percentage of public funds, the PSBA could set additional targets for the percentage of BBC programmes produced by independent production companies. The BBC has to date been tardy in observing the 25% independent quota demanded by the Government, and an additional push towards compliance would be in order. For certain contracts, the PSBA could organise competitive tendering between the BBC itself and outside producers. All this, apart from increasing the diversity of access to the BBC's own airwaves, would encourage much greater efficiency in the use of BBC studios and other in-house facilities, whose real costs would then be transparent in their tenders.

For non-BBC awarding of funds in its first years, the PSBA should concentrate on cable channels, which will be in the early stages of picking up audiences, and may be tempted to go down market. The PSBA could contribute towards raising standards in the expanding commercial sector by judicious patronage on cable channels in their initial growth phase. As for satellite channels, too, intelligent funding of prestige projects may well raise expectations about the appropriate general level of programming. The Authority's remit would enable it to ask the question whether a specific project would have been commissioned anyway, to avoid the possibility of public money merely being substituted for private investment. Since the copyright of programmes would not rest with the PSBA, future potential profits should also be taken into account by the authority when making grants. In practice, much of the Authority's money for non-BBC projects might be used for partial funding, effectively guaranteeing the first run of arts or documentary programmes.

Finally, one must answer the question 'Where would the rest of the BBC's money come from?' There would be little merit in collecting the proceeds of the existing licence fee and then distributing even 10% of it elsewhere, unless the BBC could engineer a rapid and sustained expansion of its own revenues. BBC Enterprises has made a good start on exploiting BBC resources, but so far the money raised is not large. (Even though BBC Enterprises is the biggest seller of programmes in Europe, its revenues are in tens of millions of pounds, measured against an annual BBC budget of £1.2 billion.)

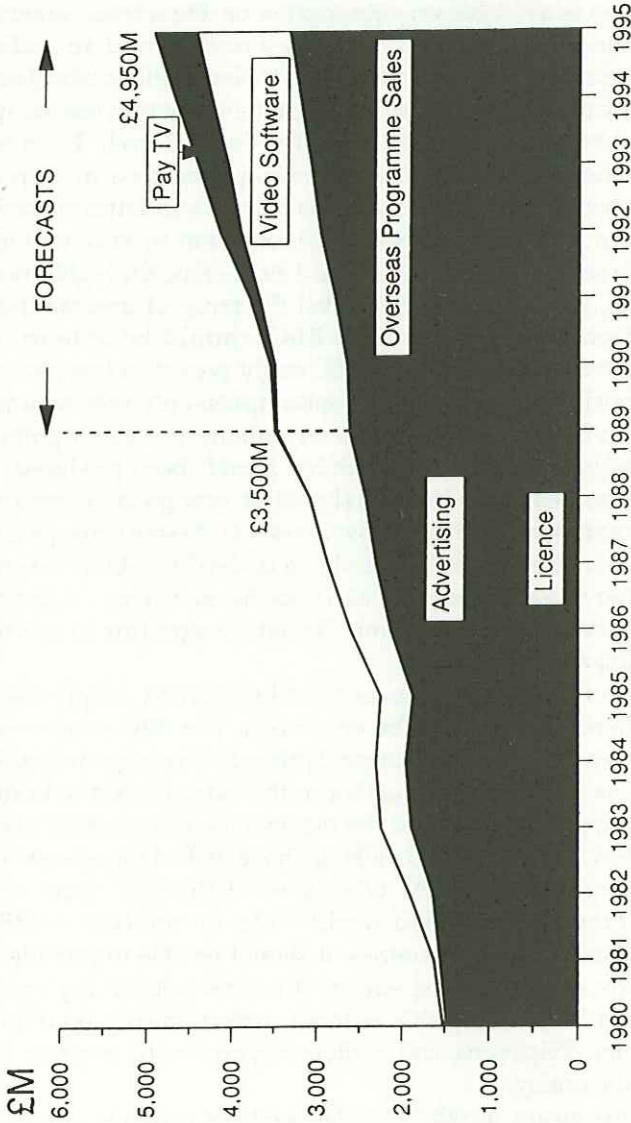
The long-term answer lies in marketing the range of BBC

programmes on the back of a world-wide television service that is itself profitable. The first signs of this are already emerging. BBC TV Europe is available on subscription on the Intelsat satellite. This is a mixture of BBC 1 and 2, and has already found an audience. In the spring of 1991 the World Service TV News will be launched, and given the success of its radio counterpart, this may provide the spur both for viewers around the world and for the BBC itself. In an era when all advanced countries are becoming used to a multiplicity of TV channels, some of them available only on subscription, the BBC has the chance to become a world-wide television success, on the lines of its radio service. A channel that had as its spine the highly-respected BBC News, and which also provided the range of programmes, both past and present, made by the BBC, should be able to carve out a worldwide market. Or the BBC might provide a free news and culture channel, to cross-promote a subscription-only entertainment channel. Given that all these options essentially involve a great deal of re-broadcasting of output which has already been produced, profitability once audiences are built up should be very good. At present, a satellite transponder (channel) to cover much of Western Europe costs about £5 million. The Middle East could be covered for about the same amount. So the initial investment need not be enormous — and the rewards considerable for a serious British competitor in a world market trailblazed by CNN.

The financial benefits for the BBC, beyond simply the subscribing audience, would also be enormous. The BBC possesses a valuable archive, which in this country is already proving a money-spinner. The BBC is the biggest competitor in the video market in Britain, which is growing rapidly. Indeed the money raised from video sales and rental in 1989 was about £800 million. That equalled the amount of licence fee money spent by BBC television. If the BBC were to market its programmes on video world-wide, on the back of BBC channels available in many countries, it should be able to provide itself with a steady, and increasing stream of income outside any external control. It would be doing this without compromising its domestic public service obligations, and without relying on the taxpayer for the initial capital outlay.

This means of self-financing need not preclude other efforts by the BBC to increase income from joint productions, or from sponsorship. But the potential of these methods of revenue-raising are extremely

TELEVISION RELATED REVENUE 1980 to 1995 (In 1989 prices)



Sources: BBC Annual Reports, ITVA, Advertising Association, ITV Annual Reports, Business Monitor, British Videogram Association, Henley Forecasting, RTS Forecasting Model

limited in comparison with the sums the BBC needs for its running costs. And sponsorship has its dangers too; since it is in truth merely the genteel end of the advertising market. As a result, the BBC would be competing for advertising money, and this direct competition for funds with ITV would be open to the same objections as if both sides took advertising: namely, that public service considerations would be downgraded.

Over the long term, the PSBA would have to monitor not just the BBC's output, but also its market share. Although no-one would expect the BBC to retain all its existing mass audience, it would hardly be fulfilling its mandate if its audience was limited to, say, under 10% per cent of the population. One aim of the mixed funding system suggested here is to preserve, or capture, a large audience for high-quality programmes. At the same time, after the present round of ITV franchises expire, the PSBA may find that it wants to contribute more to Channels 3 and 4. If the BBC were really successful in selling itself and its programmes around the world, then the licence fee could become almost a residual source of income, used via the PBSA by all broadcasters to improve the range and quality of their output. (If that were to happen, then the need to index-link the licence fee would be called into doubt.)

A system which combines the PSBA with a more enterprising BBC promises flexibility for all. The BBC would be in control of its own financial destiny, able to avoid the 'death by a thousand cuts' that may well be entailed by continuing dependence on the licence fee. The PSBA would be able gradually to reduce the percentage of its income it gave to the BBC, and, in time, also effectively reduce the licence fee in real terms. At the same time it would help to maintain channels which included high-quality output among less demanding material, and other specialist channels of quality material. If it eventually transpired that all the functions at present served by the BBC could indeed be provided by the market (with assistance from the PSBA), then the BBC could wither away, or be transformed into a much smaller and more concentrated broadcasting organisation. If, as is more likely, there is a continuing role for the BBC, the PSBA will act as an important non-governmental check on the Corporation's efficiency and performance.

Summary and conclusions

The proposals in this pamphlet are designed to preserve a strong and viable BBC unless and until the service the BBC provides can clearly be made available through other means. The pro-and-anti BBC camps have been conducting a sterile debate, with one side arguing that the system should be dismantled, and the other side defending the status quo: with too little attention paid both to the genuine benefits which the existence of the BBC confers on broadcasting, and to the problems that the BBC will face in a fragmenting market.

The principle underlying the proposals is that public subsidy can legitimately be used to provide universally available services for which there is a demand, and which the market may not be able to provide. This applies to broadcasting as much as health care or transport. In broadcasting the subsidy has been provided in the form of licence fee income, and for practical reasons it would be desirable to continue this system. But what it is important to preserve is not so much the BBC itself, but the tradition of public service broadcasting which has delivered to viewers and listeners a wide range of excellent programmes. It may be that some time in the future this tradition will be seen to be compatible with a system in which all the operators are commercial. But this is not the case now, so it is the hope of the author that the essential parts of the BBC will flourish, under a financing system and corporate ethos that encourages self-confidence and freedom of expression. At the same time there should be freedom for many competitors to provide their own range of services. In this way, the standards that British broadcasting has been proud of will be preserved, while the choice that used to be denied will be available. It is an enticing vision.

Summary of recommendations.

- (1) Public service broadcasting is an admirable concept which should be retained as a goal. It involves:
 - (a) independent news and comment which is universally available;
 - (b) a mix of programmes with a range of cultural content;
 - (c) the ability to report important national events as shared experiences; and,

- (d) a contribution to the quality of citizenship.
- (2) The licence fee system, with all proceeds going to the BBC, will become increasingly indefensible as more channels become available, and the BBC's audience share, in television and radio, declines.
- (3) The BBC, in some form, is worth preserving because,
 - (a) it is available to practically every household;
 - (b) the mixed programming it provides introduces viewers to new experiences which they would not have if less popular programmes were confined to off-peak hours or specialist channels; and,
 - (c) it helps the sense of community by providing universal access to those events which are nationally important.
- (4) The existing BBC should be slimmed down. Radios 1 and 2 should be privatised, and there is no role for the BBC in local radio.
- (5) There is still much waste for the BBC to cut.
- (6) In future, the licence fee should be paid not to the BBC, but to a body which will support public service broadcasting more widely (the Public Service Broadcasting Authority).
- (7) The PSBA should gradually reduce the percentage of its income it gives to the BBC, and the Corporation should earn more money by becoming a world-wide television broadcaster, and using this to increase the sales of its own programmes and videos.
- (8) For the next round of ITV franchises the PSBA should not give money to ITV companies. That could be re-assessed after the first 10-year licences have expired.
- (9) The PSBA would encourage high-quality programmes on satellite and cable channels, with either full or partial funding. It should also encourage the use of independent producers on the BBC, to increase diversity and to reduce costs.
- (10) The PSBA should ensure that the BBC retained its mixed programming, and that a significant proportion of high-quality programmes were broadcast at peak times.

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