



Review of the BBC's Royal Charter

December 2003

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Foreword by the Secretary of State for Culture, Media & Sport

The BBC is a unique institution. Unique in the role it plays in public life. Unique in the way it is funded. Unique in the place it holds in the public's affections.

Like the NHS, it is a quintessentially British institution. The public trusts it. It is part of what defines us as a nation, both at home and abroad. The BBC is recognised throughout the world, where it is seen as a benchmark of quality, integrity and diversity.

We all have a vested interest in the BBC. We pick up the bill for it and many of us turn to it at times of national crisis or celebration. Charter review is our chance to ensure the BBC continues to deliver what we want it to.

This Charter review takes place against a vastly different backdrop to the last one in 1996. The facts bear this out. By the end of 2003, more than 50% of UK homes will have digital television in some form. In 1996 this figure was zero. In 2003, 50% of homes have access to the Internet. An estimated 4% had access in 1996. It is essential that as the digital communications revolution gathers pace the public has a chance to shape the BBC's role within it. The future switchover to digital broadcasting makes this all the more important.

This explosion in choice and technology was a key factor in shaping the recent Communications Act. This major piece of legislation, which received Royal Assent earlier this year, overhauls and simplifies the legal framework for the media industry. It will ensure that the opportunities and challenges created by digital technology and choice are harnessed for the benefit of viewers by promoting competition and investment. The creation of a single regulator, Ofcom, will ensure the highest standards of broadcasting content are retained. In short, it builds the foundations for a healthy and comprehensive broadcasting sector in years to come.

And it is not only in terms of rapid take-up of new technologies that the context for this review is now very different. The changing face of modern Britain – in the diversity of its society and culture, and increased public expectations – makes this review arguably the most complex and significant in the history of public service broadcasting.

That is why I believe this consultation is so crucially important. It is the place where everyone can have a say. Only when people have made their voices heard can we be sure of achieving the one outcome the Government is committed to: the continuation of a strong BBC, independent of Government, both now and in the future.

The remaining stages of Charter Review will in part depend on the outcome of the consultation we launch today. But we do know it will not take place in a vacuum. The consultation will be informed by a host of other projects taking place – including an Ofcom review of public service television broadcasting and DCMS reviews of the BBC's internet and digital services.

Following this, our intention is to publish a Green Paper, which will set out the possible options for the future of the BBC, in late 2004 or early 2005. These options will be firmed up in a later White Paper. Both of these documents will be published for consultation. Parliament will, of course, also have the opportunity to contribute.

The public demands more from TV, the internet and radio than ever before. And it expects more from its main public service broadcaster than ever before.

This is your chance to ensure that the BBC is out there where it belongs – leading from the front. This consultation will shape the work the Government will carry out over the next two years. I invite you to seize this opportunity and play a role in shaping the future of the BBC.

Tessa Jowell.

TESSA JOWELL



Framework for consultation

1. The BBC has been established by Royal Charter from the very early days of its existence. The first Charter ran from 1 January 1927 to 31 December 1936. We are now approaching the end of the seventh Charter.
2. The fixed length of the Charter gives us an opportunity, every ten years or so, to look carefully at the BBC's role, functions and structure. The current Charter comes to an end on 31 December 2006. This document marks the start of an open and wide-ranging process of consultation and review that will set out the framework under which the BBC will operate in the years ahead.
3. The Government would like to receive views on all aspects of the BBC, but it has set one fixed point – that the outcome of Charter review will be a strong BBC, independent of Government. This document sets out some of the issues in considering the future of the BBC, but is not exhaustive. It will provide a framework for a wide-ranging and comprehensive debate of any element of concern of interest to the public.
4. Because of the breadth of impact of the BBC on individuals and society as a whole, the document sets out broad themes to guide discussion. Each theme is reflected in key questions in the relevant section. Respondents should not feel constrained, however, by this framework. It is provided simply as a guide to stimulate debate.
5. The Government invites comments and ideas from as wide a range as possible of viewers, listeners and all other interested individuals and organisations, on all aspects of the BBC. The remaining stages of the review will in part depend on the outcome of this consultation. Our intention is to publish a Green Paper, which will set out options for the future, in late 2004 or early 2005. These options will be firmed up in a later White Paper. Both of these documents will be published for consultation. Your responses will help us decide what further research and analysis needs to be undertaken to inform the Government's thinking on the future of the BBC.

Responses

Responses (preferably by e-mail or other electronic format) should be sent by 31 March 2004 to:

Email

bbccharterreview@culture.gsi.gov.uk

Postal responses

BBC Charter Review Consultation
Department for Culture, Media and Sport
2-4 Cockspur Street
London SW1Y 5DH

We will aim to publish responses within ten working days of receipt, unless confidentiality is requested or there are other overriding reasons – for example if a response contains libellous material – for not doing so.

You can obtain further information from the Charter review website at www.bbccharterreview.org.uk, or by calling the Charter review team on 020 7211 6418.

If you have any complaints about how this consultation has been conducted, please address them to:

Simon Cooper
Department for Culture, Media and Sport
Strategy, Policy and Delivery Team
2-4 Cockspur Street
London SW1Y 5DH

The BBC today

'What do you value about the BBC?'

6. The BBC has played an important part in British society for nearly eighty years. The scale of change in both the BBC and society during that period is immense.
7. Today the BBC employs more than 27,000 people directly, and many more indirectly, provides 8 publicly funded television channels, 10 national radio stations, more than 40 local radio stations and an international radio service, BBC World Service. It provides a wide range of commercial services delivered through dozens of subsidiaries and joint ventures. Its turnover is well above £3 billion.
8. The BBC came into existence in 1922 as the British Broadcasting Company. On 1 January 1927 it was reconstituted as the British Broadcasting Corporation with the grant of the first Royal Charter. The following years saw the BBC establish its identity as an independent broadcaster providing a service of education, information and entertainment for the nation as a whole. In the early years radio was the only broadcasting medium. It was joined by a regular television service, which ran from 1936 until the outbreak of the Second World War. Not until the early 1950s, however, did television take firm hold of the public's imagination, following the Queen's coronation, which was seen by around 20 million viewers. See box for later milestones.

Milestones	
1932	BBC World Service launched
1955	Broadcasting monopoly ended with the launch of ITV in 1955
1964	Launch of a second television service – BBC2
1968	First BBC local radio station launched
1969	Introduction of colour television
1971	First Open University broadcasts
1978	Start of regular radio broadcasts of Parliamentary proceedings
1986	BBC Enterprises (later BBC Worldwide) brings together all commercial activities
1998	Launch of the BBC's first digital television service
Late 1990s	Development of a comprehensive online service

Ofcom PSB review

Ofcom began its first five-yearly review of Public Service Broadcasting in November 2003.

The Communications Act 2003 requires Ofcom to carry out a review of the extent to which the BBC, Channels 3, 4 and 5, and S4C have provided programmes and services which, taken together, fulfil the purposes of public service television broadcasting in the UK. The review does not extend to radio, but covers new media services to the extent that they are linked to television, such as interactivity and television-related online content. It will also consider other media to the extent to which they affect the fulfilment of public service television purposes.

The review is also required to provide recommendations on maintaining and strengthening the quality of PSB television in the future, taking into account the costs of provision and the sources of income available to the public service broadcasters.

The review will seek to address a number of key questions, among them:

- What are the current purposes and definitions of PSB and are they appropriate going forward?
- How best can we quantify and measure delivery of PSB, including its impact on individuals and society as a whole?
- How effectively are the purposes of PSB being delivered by PSB channels 'taken together'?
- What are the costs of provision and how do those costs compare with the benefits derived?
- What are the key market, technology, and audience changes that will impact upon the market as a whole in the future?
- How will this affect PSBs, their competitive position and their funding?
- What are the implications for the purposes, benefits and costs of PSB?
- What are the most effective methods of maintaining or strengthening PSB television in this changing environment?

The review will run in three phases:-

Phase 1 (Nov 2003 to spring 2004): Current Position

Phase 2 (spring to summer 2004): Prospects for the Future

Phase 3 (summer to late autumn 2004): Proposals/Recommendations

The review will be based on thorough research and major public consultation. Its conclusions will be a very important source of evidence for the review of the BBC's Charter as they will help set the BBC in the context of the wider public service broadcasting landscape.

For more details visit the Ofcom website www.ofcom.org.uk or email psbr@ofcom.org.uk

Ofcom: stands for 'Office of Communications' – the regulator for the UK communications industry. From the end of 2003 it will take up its duties as laid down in the Communications Act 2003, replacing the Broadcasting Standards Commission, the Independent Television Commission, Oftel, the Radio Authority, and the Radio Communications Agency.

9. The BBC is part of a broadcasting landscape that, in television, includes several public service broadcasters (PSBs) and commercial broadcasters that have no public service broadcasting remit. The other PSBs are ITV; Channel 4; Channel 5; S4C and Teletext (but only the BBC and S4C are publicly funded). In radio, the BBC is part of a diverse environment that also includes many commercial radio stations at both national and local level. Charter review as a whole will consider the BBC's position as part of that wider broadcasting landscape. It will take into account the findings of Ofcom's current review of public service television broadcasting (see box on page 8 for more details), which will itself provide an opportunity for the public to give their views on the scope and delivery of public service objectives by the broadcasting market.
10. At the same time we have expected the BBC to deliver value for the licence payer and an element of competition with other public service broadcasters, with the aim of driving up quality. A key question is whether we have the right relationship between the BBC's output and what is provided commercially.
11. We would like to have your views on the contribution that the BBC has made to national life throughout its existence and the role it plays today – both domestically and internationally – in terms of the impact on individuals and society at large, and how this might have changed. We are interested in whether the BBC's founding values – 'to educate, inform and entertain' – still hold good and how we can judge their delivery in the modern broadcasting world.
12. We are interested in what you value about, for example:
 - the BBC's contribution to the democratic process, for example through coverage of news, current affairs and political debate
 - its educational impact, for example through specialist educational programming on radio, television and online, including the forthcoming digital curriculum, broader genres (eg documentary, drama, entertainment, children's programmes and religion), and through print media, at all levels – schools, further and higher education and lifelong learning
 - its role in supporting and promoting sport, through coverage of a wide range of events and activities
 - its patronage of the arts, including film and sponsorship of the creative industries more widely, for example through its role as a major commissioner of new work
 - its impact on the broadcasting sector, for example through training the industry, driving up quality, stimulating the health of independent producers and acting as a source of cutting-edge research and development
 - its international face, including the World Service, those of its online services directed at residents of foreign countries, and commercial services designed for a non-UK audience, eg BBC America
 - its role in fostering communities through services in Scotland, Wales, Northern Ireland and the English regions, minority services and programming, including the role of local radio
 - its role in supporting digital television take-up and helping implement switchover in the best interests of citizens and of the nation as a whole

- any other areas where the BBC makes an important contribution
 - whether any of these should be changed in the future.
13. We are also interested in how the BBC adds value in these areas, against the context of a broadcasting environment in which other organisations are playing an increasingly important part – for instance, in 24-hour news services, on the international stage, in local radio for the nations and regions and in sporting coverage. And there is an important question about how far the BBC should go in providing programming, like entertainment, similar to that available from other broadcasters. Are there particular forms of entertainment that the BBC should provide because other broadcasters find it more difficult to invest in them? And if the BBC continues to deliver mainstream entertainment, what is the market impact on commercial operators, and is this justified by the quality of what we see and hear and the effect it has on standards across all broadcasters?
14. Finally, the BBC has set out its public purposes for the Charter period in a number of policy statements (see box for details). We are interested in your views on how well the BBC has achieved the purposes set out in those statements.

Statements of the BBC's public purposes since 1992	
2000	The BBC's response to the Davies review of the future funding of the BBC
1998	<i>People and programmes</i>
1996	<i>Extending choice in the digital age</i>
1993	The BBC's response to the Government Green Paper <i>The Future of the BBC</i>
1992	<i>Extending choice</i>

Key questions

- **What do you think of the BBC's contribution to the life of the United Kingdom and to the wider world? Should this change over the next decade and, if so, how?**
- **What value does the BBC add to the wider provision of public service broadcasting?**
- **How well has the BBC met its purposes over the Charter period? What evidence do we have that the way in which the BBC does this is successful compared to other broadcasters?**
- **What is it about the BBC that makes it unique? How do we make sure that it is distinct from other broadcasters? Are there better ways to deliver some of the contribution that we have traditionally relied on the BBC to provide?**
- **How well does the BBC serve the constituent parts of the United Kingdom, including Scotland, Wales, Northern Ireland and the English regions? What changes, if any, would you like to see?**
- **Is the current balance between national, regional and community level programming right?**
- **Does current regional and community content reflect the diversity of the regions and communities served, and deliver what you want? If not, what should be changed?**

A changing landscape

'How should the BBC adapt to cope with changes in technology and culture?'

15. The pace of change is accelerating. New technologies are being developed and brought to market at an ever-increasing rate. In just the seven years of the current Charter period we have seen:

- widespread take-up of the internet – at October 2003, 50%¹ of UK homes had access, compared to an estimate of fewer than 4% in 1996 and 9% in 1998.

The main ways of receiving television and radio programmes

Terrestrial

The traditional method of television and radio reception. Transmitters send signals that are received via an aerial. Both analogue and digital signals can be transmitted this way, but the digital signals must be decoded by a set-top box or an integrated digital television set. Digital radio can also be received by a Digital Audio Broadcast (DAB) radio set.

Cable

Television services are relayed through a wire laid below the ground that passes between the cable network and the home, accessed through a set-top box.

Satellite

Television and other digital transmissions are relayed directly by satellite and are received by a special dish-shaped antenna. A box decodes the digital signals. Some digital signals are encrypted and can only be viewed if the user has a viewing card.

- a huge increase in the delivery of digital television and radio through satellite, cable and terrestrial transmission (see box). By the end of 2003, nearly 50% of UK homes will have digital television in some form. In 1996 this figure was zero. At the end of September 2003, 200,000 digital radios had been sold in the UK. And, as the multichannel environment has expanded, the BBC's television audience share (see box) has diminished – down from around 45% in 1996 to 35% today – a phenomenon that has affected all public service broadcasters (although the total reach of the BBC's television and radio services was 92.7% in 2002/03).

Share and reach

Audience **share** is the amount of viewing of or listening to a particular programme or channel, over a particular period. It is given as a percentage of all viewing or listening over that period.

Audience **reach** is the percentage of people viewing or listening to programmes for a defined period. The standard period is three consecutive minutes for television, fifteen for radio. So, if the reach of a particular BBC TV channel in a particular week was 50%, it means that 50% of viewers watched that channel for at least 3 consecutive minutes.

¹ Office for National Statistics

- the DVD player become commonplace and begin to challenge the dominance of the video recorder. At the beginning of 2003, DVDs were present in around 25% of UK homes. That figure is predicted to rise to more than 35% by the end of 2003.

Digital TV is a recently-introduced way of transmitting to the home the pictures and sound which make up a TV programme, together with other services like text and interactivity. It gives many advantages over the 'analogue' television transmission system that we have been using for nearly seventy years.

Because the information needed to make up the TV programme is 'coded' into a digital stream of ones and noughts – like the way a computer works – the technical quality can be much better and more consistent. The digital stream is compressed to take up much less spectrum, so that the space needed in the past for just one analogue television channel can now carry several digital programmes and interactive services. This means a much greater choice of services if you are a digital viewer.

- huge reductions in the cost of data storage, enabling, for example, entire films and other content to be stored on a home PC.

Multichannel homes have access to multiple television channels other than BBC1, BBC2, ITV, Channel 4 or S4C, Five and Teletext on one television set.

- significant take-up of broadband, enabling delivery of broadcast content direct to a PC or similar device. At October 2003, there were more than 2.6 million broadband subscribers in the UK. In 1996 the number was negligible.

Broadband – A range of fixed line, wireless and satellite technologies capable of delivering interactive content, applications and services at a high rate of data exchange – enabling, for example, high speed, 'always on' internet access.

- significant take-up of broadband, enabling delivery of broadcast content direct to a PC or similar device. At October 2003, there were more than 2.6 million broadband subscribers in the UK. In 1996 the number was negligible.
 - the advent of personal video recording (PVR) devices which allow users much greater control over what they watch and when.
16. It is reasonable to expect that technology will change more over the next ten years than it has in any decade since the BBC was established in 1926.
 17. It is not just technology that is changing, but also culture and practice – the way people use technology. For example, more and more people are listening to radio broadcasts over the internet – indeed some broadcasters, including the BBC, offer the opportunity to listen to radio programmes at different times to the original broadcast. Audiences are taking more control of what they receive and how they receive it. And all of this needs to be set against the context of the changing face of modern Britain.

Digital switchover

The main public service channels (BBC1, BBC2, ITV, Channel 4/S4C and Five) are currently transmitted in both analogue and digital form (see glossary). Due to technical and other limitations, only about 75% of households are able to receive digital terrestrial services. Switching off analogue transmissions will allow broadcasters to increase digital terrestrial coverage, giving consumers greater choice.

Switching off analogue transmissions will free up channels for new services that will benefit consumers and the economy and will lead to long-term cost savings for broadcasters.

Digital switchover will be a major transition, with significant implications for viewers and broadcasters as well as manufacturers, retailers and non-domestic television users. Viewers will need to install equipment capable of receiving digital broadcasts, whether via satellite, terrestrial or cable in order to continue receiving services for all televisions and video recorders.

For the BBC and the other public service broadcasters, switchover will require the conversion of the existing terrestrial broadcast network to digital, and a reordering of the existing digital channels. Switchover will require very detailed planning, and will be rolled out region by region. It is expected to take at least four years to complete from the date of first conversion.

Switchover will not be successful if consumers are not ready. We will only announce a timetable when we are satisfied that everyone who can get the main public service channels in analogue form will receive them digitally, and when we are satisfied that digital television is an affordable option for the vast majority of people.

18. Ten years from now, it is quite possible that people will, for example, make widespread use of mobile devices to receive broadcast content on the move, and use personal recording technology to, in effect, determine their own schedules. And this is all in the wider context of perhaps the most significant broadcasting revolution since the introduction of colour television – the switching off of the analogue signal and wholesale move to digital broadcasting – see box for more details. We are interested in views on what role the BBC should play in digital switchover.
19. All these changes – technology, culture and practice, and digital switchover – will be key factors throughout Charter review.
20. So the Government is seeking views on the opportunities that a changing broadcast environment might offer the BBC, the threats it might pose and how the BBC might have to change to cope with them.

Key question

- **How should the BBC respond to the development of new technologies and to changing viewing and listening habits?**

Publicly-funded services and functions

'What do you think of the television, radio and online services the BBC provides?'

21. The BBC provides a range of licence fee-funded services, including:
- TV channels – BBC1 and BBC2, BBC 3 and 4, CBeebies, CBBC, BBC News 24 and BBC Parliament
 - Radio services – Radio 1, Radio 2, Radio 3, Radio 4, Radio Five Live, Five Live Sports Xtra, Radio 1 Xtra, BBC 6Music, BBC7 and BBC Asian Network, as well as 38 local radio stations and six covering the nations
 - BBCi – the BBC's interactive services, including online services, interactive text and interactive digital television

Availability of BBC television and radio services through analogue and digital transmission

Some BBC services are available through both analogue and digital transmission. Others – the BBC's new services – are only available digitally.

Service	Analogue	Digital
Television		
BBC 1	✓	✓
BBC 2	✓	✓
BBC 3	✗	✓
BBC 4	✗	✓
CBBC	✗	✓
CBeebies	✗	✓
BBC News 24	✓	✓
BBC Parliament	✓	✓
Radio		
Radio 1	✓	✓
Radio 1 Xtra	✗	✓
Radio 2	✓	✓
Radio 3	✓	✓
Radio 4	✓	✓
Radio Five Live	✓	✓
Five Live Sports Xtra	✗	✓
BBC 6 Music	✗	✓
BBC 7	✗	✓
BBC Asian Network	✗	✓
BBC World Service	✗	✓

NB BBC News 24 and BBC Parliament are currently available via analogue cable. There are plans to make BBC 3, BBC 4, CBBC and CBeebies available through this platform shortly.

- Services in the nations and regions – BBC Scotland, BBC Northern Ireland, BBC Wales and BBC English Regions

In addition, the BBC World Service is funded by a grant in aid administered by the Foreign and Commonwealth Office.

22. Against this background, the Government is seeking views on the BBC's publicly funded services, including the World Service. To help with responses, we have provided a full list of the BBC's publicly funded services as an Annex to this consultation document. The list includes the remit for each service, as published in the BBC's Statements of Programme Policy 2003/2004 (www.bbc.co.uk/info/statements2003), the expenditure on each service², and the audience share³, where relevant. We are interested in your views on how well the BBC's individual services meet their published remits and how well, taken as a whole, they deliver the BBC's purposes.
23. We also wish to explore whether the balance, range, size and scope of the services taken altogether is the right one to fulfil the BBC's future role and deliver the level of service the public expects. For example, we are interested in whether the BBC should continue to provide a mix of genres – 'something for everyone' – which has been a key principle underlying the BBC's output since it was established. This is reflected in the current provision of a wide range of programming, from education to entertainment, drama to documentary, sport, arts and culture, children's programming and religion. Alternatively, some people argue that the BBC should only fill gaps left by commercial broadcasters. The answers to these questions have far reaching implications, including:
- the scale and cost of the BBC's activities
 - the impact of the BBC on the broadcasting market in general and on its individual competitors
 - the quality of programming available free to the public
 - the BBC's contribution to society

And they will all be affected by changing technology, culture and practice, and by digital switchover.

24. We are also interested to hear about the benefits of services, such as subtitling and audio description (see box for more details), which are designed to help the BBC fulfil its duty to ensure that blind and partially-sighted people and those who are deaf or hard of hearing can also enjoy its programmes.

Audio description

Audio description is an extra TV soundtrack for visually impaired people. It takes the form of a commentary inserted between dialogue and describes things like action sequences, costumes, facial expressions and body language.

² BBC Annual Report and Accounts 2003-4

³ BARB September 2003

Key questions

- **What do you think of the publicly-funded services provided by the BBC, on television, radio and online? What changes, if any, would you like to see?**
- **How well do the BBC's publicly-funded services deliver its core purposes?**
- **In what way should the BBC's services differ from those of commercial public service broadcasters and other purely commercial broadcasters in order to add value? To what extent should the BBC provide 'something for everyone'?**

Commercial services

'Should the BBC run commercial services?'

25. Since it was set up as the British Broadcasting Company, the BBC has engaged in commercial activities. For example they publish magazines like the *Radio Times* and *Top of the Pops* magazine, they sell DVDs and audiobooks and they engage in joint ventures such as UK Gold. The Charter allows the BBC to exploit its assets commercially in secondary markets, but the Secretary of State's approval is required under the Charter for some of the BBC's commercial activities. No public funds must be used, or put at risk, by commercial activities.
26. BBC Worldwide is the BBC's main commercial subsidiary and generated £123 million in income for the BBC's public services in 2002/2003 through the promotion of BBC programming and content. As part of the licence fee settlement in 2000, the BBC was expected to increase its commercial revenue. This means that more value can be squeezed out of BBC successes, like the Teletubbies, and re-invested in programme making. The result is that more money can be spent on publicly-funded services without necessarily having to increase the licence fee. Some argue, however, that the BBC's commercial activities prevent its competitors from investing in new activities and that the UK as a whole loses out in the long run.
27. One of the key principles of the BBC's commercial policy is that it should trade fairly. The BBC's commercial policy guidelines and fair trading commitment, drawn up and enforced by the BBC Governors, are designed to ensure that commercial activities within the BBC comply with competition law, support the BBC's core purpose as a public service broadcaster and do not involve cross-subsidies from public funds. You can find out more about the Commercial Policy Guidelines and Fair Trading Commitment at www.bbc.co.uk/info/policies/commercial_guides.
28. The Government invites views on the BBC's commercial services, their effect on the broadcasting and wider media markets, and the associated issues of its commercial policy guidelines and fair trading commitment.
29. To help people with their responses, we have provided a full list of the BBC's commercial services as an Annex to this consultation document.

Key questions

- **Do you think the BBC should continue to run commercial services alongside its licence fee-funded services?**
- **If the BBC should continue to run commercial services, how should we ensure that the relationship between the public and commercial services is fair to the BBC's commercial competitors?**
- **Should there be any limits on what the BBC is allowed to do commercially and, if so, what should those limits be?**

Paying for the BBC

'How should we pay for the BBC?'

30. The BBC's main source of funding is the television licence fee. A TV licence is required to install or use a television receiver to receive any television programme service. The principle behind these arrangements is that the BBC should be funded by all television viewers, irrespective of the channels they watch. The BBC World Service is funded by the Foreign and Commonwealth Office because it is recognised that that has not been a proper call on the licence fee payer.
31. TV licence fees are currently £116 for colour television and £38.50 for black and white. The fees will rise to £121 for colour and £40.50 for black and white from 1 April 2004. These increases represent year 5 of a funding settlement for the years 2000/01 to 2006/07 introduced by the Government in response to the July 1999 report of the independent review panel on the future funding of the BBC chaired by Gavyn Davies (the Davies Report). Under this settlement, television licence fees rise each year by 1.5% above inflation as measured by the Retail Price Index (RPI). The increases are designed to enable the BBC to provide a strong and distinctive schedule of high quality programmes and remain at the forefront of broadcasting technology. The settlement includes a requirement for the Corporation to raise around £1.1 billion through efficiency savings and increased income over the same period.
32. People aged 75 or over get a free television licence, paid for out of public funds. Pensioners and disabled people living in nursing and residential homes and in certain types of sheltered housing are entitled to a £5 licence fee while registered blind people receive a 50% discount. These concessions are paid for by licence fee money. Special arrangements are also available for hotels and hospitality areas, under which a single licence fee is payable for the first fifteen rooms or units with television installed, with a further fee for every additional five units with television.
33. The BBC's total licence fee revenue in 2002-03 was £2,658 million, including £371 million for free TV licences for over-75s.
34. Additional sources of funding for the BBC's UK public service broadcasting in 2002-03 were:

Source	Amount (£m)
BBC commercial businesses	147
Open University	0.1
Other ⁴	22.6
Total	169.7

⁴Other income includes the provision of content and services to overseas broadcasters, concert ticket sales and exploitation of the programme archive

35. We have had a very long running debate about how to pay for the BBC. A wide range of funding models has been proposed and examined (see box for further details). The conclusion so far has always been that the licence fee, although not perfect, is the best solution. However, as recommended in the Davies report, this Charter review will take a fresh look at the issue in the context of the changing environment and technology. The Government welcomes views and will look carefully at whatever options emerge.

Some alternative funding options

The Davies review considered a number of alternative options for paying for the BBC. None of them were considered to offer a better solution than the licence fee under the conditions that would prevail over the lifetime of the Charter. The Government accepted the conclusions of the Davies review in these areas as being right for the period that the review examined. We are interested in whether they remain valid now, and in the future, as well as any other options that we should consider.

Direct funding

The Davies review considered the possibility of **direct funding**, either through general taxation or grant, and **mixed funding** systems. The review concluded that direct funding had tended to create broadcasters that were inextricably linked to political moods and had the potential to lose management or editorial independence, whilst mixed funding undermined the principle of fixed and independent funding and would be vulnerable either to reductions in mandatory funding or eventual transformation into a full commercial broadcaster.

Advertising

Although the Davies review determined that the sums raised through advertising on the BBC would be massive, it concluded that the introduction of advertising on BBC public services would be neither desirable nor practical, on the following grounds:

- It would be likely to alter the range and quality of BBC programmes
- Commercial pressures could threaten the freedom and independence of programme makers and schedulers
- Advertising on BBC programmes would be intrusive into programme content, reducing viewer satisfaction
- It would reduce the advertising revenues of Channel 4 and existing and prospective commercial television services, and of the press
- Advertising becomes a less certain source of income as the number of competing services grows
- In a number of European countries, reliance by public service broadcasters on advertising has resulted in ratings wars, falling audiences and reduced revenues, and there is evidence of an adverse correlation between advertising and the proportion of output dedicated to factual, children's and cultural programming
- Evidence suggests that taking advertising would generate complaints from commercial broadcasters and would raise regulatory queries about the legitimacy of public funding

Sponsorship

Sponsorship is a form of advertising limited to a statement in a programme that it is being financed by a particular organisation. The Davies review found that sponsorship would be less intrusive than advertising, but did not recommend it for the following reasons:

- There would be a risk that income from programme sponsorship might alter the balance of the BBC's programmes, by putting pressure on the BBC to make more programmes which are attractive to sponsors
- It would be unlikely to provide sufficient revenue to finance more than a small proportion of programmes and would cover only a fraction of the BBC's programme costs
- It would inevitably draw advertising or sponsorship revenue away from Channel 4 and commercial broadcasters, or the arts and other sponsored events
- Sponsorship might be an unsuitable method of financing some kinds of programme – for example, news and current affairs and educational programmes

Subscription

The Davies review found that subscription could take several forms, ranging from a single fee for certain BBC services to paying to watch individual programmes. It set out what it saw as the downsides of subscription:

- It would be available only to those willing to pay and would therefore negate the fundamental public purpose of free-to-air services and universal access for the nation as a whole
- If programmes or services were encrypted to ensure payment of the subscription, this would discourage people from sampling a wide range of programmes and could reduce the availability of programmes for those less able to pay
- There would be a financial incentive for the BBC to place its best offerings on pay channels, or single programme pay-per-view, which would further undermine the licence fee concept

36. We do not intend to look in detail at the **level** of the BBC's funding until the conclusions of Charter review are clear. It is only when we have decided the shape and the scope of the BBC's activities that it makes sense to do so.

Key questions

- **Does the licence fee remain the best way to pay for the BBC's public services?**
- **If not, what alternatives would you like to see explored?**
- **Does the BBC deliver value for money?**
- **Does a grant-in-aid via the Foreign and Commonwealth Office remain the best way to pay for BBC World Service?**

Organisation and infrastructure

'Is the BBC organised in the most effective and efficient way?'

37. Whatever the package of services and functions provided by the BBC, there are a number of ways in which the Corporation could be organised to provide it. At one extreme might lie a very small core organisation commissioning almost all its programmes and services from external sources. At the other could sit a much larger body, using in-house resources to carry out all of its activities. Between the two ends of the spectrum there are likely to be very many variations of scale, shape and complexity.
38. At present, there is a mix of in-house production and external commissioning, varying from service to service. For example, since 1990 the BBC has been required to commission 25% of its television output from independent producers, and the Communications Act 2003 makes provision for a quota to continue. There is no statutory quota for radio, but in 1991 the BBC established a voluntary target to commission 10% of radio output for its analogue radio networks from independent producers. In practice, around 13% of output is commissioned from independent producers.
39. The Government is seeking views on how the BBC should best be organised to marshal the BBC's resources to deliver the services and functions that the public wants and expects. It invites comment across the full range of issues – for example:
- the pros and cons of a single organisation providing television, radio and online services
 - the BBC's responsibilities as an employer, and its role in relation to training the next generation of the broadcasting industry – including its own staff and people in other organisations, its role in fostering new talent and acting as a national store of broadcasting expertise
 - the BBC's role as a commissioner of programmes, films, music and other forms of creative output, and the balance between in-house productions and those commissioned from external providers
 - the handling of the BBC's estate, including its property strategy – its programme of building and renewal – and the location of its operations
 - its role in research and development, particularly when set against the background of the rapidly changing technological environment. For example, the BBC's research facility at Kingswood Warren is considered to be on the cutting edge of broadcasting technology and has contributed to many of the most important techniques to emerge in recent years.

Key questions

- **How should the BBC be organised to deliver its functions and services? Should it continue to operate as a single organisation?**
- **Does the BBC broadcast the right balance of independently produced and in-house productions? How important is it that the BBC makes programmes as well as commissioning them?**
- **How should we ensure that the BBC continues to foster world-class broadcasting talent?**

Governance, regulation and constitution

'How should the BBC be governed and regulated?'

40. The BBC's existence as a public corporation is, and has been since 1 January 1927, provided for by a Royal Charter. The Charter sets out the BBC's objectives in broad terms and establishes its power and responsibilities, including, for example, its power to acquire, hold and dispose of property. It requires the BBC to set up structures to enable the views of people in Scotland, Wales, Northern Ireland and the English regions to be heard. In short, the Charter allows the BBC to act and to carry out functions over a set period of time.
41. The Charter is supported by an Agreement, which defines the range of services the BBC is to provide and the terms on which they will be provided. It is effectively a contract between the Secretary of State for Culture, Media and Sport, on behalf of the Government, and the BBC.
42. The Charter provides for the appointment of the BBC's Governors – currently twelve in number – by the Crown. Some of the Governors' powers and duties are specifically listed in the Royal Charter. The duties include setting clear objectives and promises for the BBC's services and monitoring how far they have been met; ensuring that the BBC is directed and managed in the public interest and is accountable to licence fee payers and Parliament; ensuring that the BBC complies with its Charter, Agreement and other regulatory requirements; ensuring that the BBC complies with the law and maintains high standards. They also include the duty to consult the National Broadcasting Councils about the needs and interests of audiences in Scotland, Wales and Northern Ireland.
43. The BBC's governance has changed over the decades, as successive Charters introduced new requirements, and as the BBC improved its own accountability systems. For example, the 1996 Charter introduced duties for the BBC to consult the public and seek Government approval for new services and new responsibilities for the National Broadcasting Councils.
44. A number of measures in the area of transparency, fair trading and accountability were implemented as part of the February 2000 licence fee settlement with the aim of opening up the BBC to much more external scrutiny. For example, the Secretary of State for Culture, Media and Sport has a regulatory role in approving new publicly-funded BBC services and certain commercial services. The assessment criteria used in the approvals process have been published.
45. The BBC has introduced changes to its internal governance arrangements (*Governance in the Ofcom Age*, February 2002) in preparation for the BBC Governors' role in the new common regulatory framework set out in the Communications Act and the BBC Agreement. The changes include a clearer delineation of the functions of the Governors and the Executive Committee and the nature of the business undertaken by the two bodies.
46. Under the terms of the Communications Act 2003 and associated amendments to the BBC Agreement the core responsibilities of the BBC Governors are retained. However, the Act introduced a number of new external requirements, to be monitored and enforced by Ofcom. They include quotas for independent productions, most programme code standards, eg taste and decency, the minimum level of original productions, regional programme making,

provision for the deaf and visually impaired and international obligations. The BBC will be required to secure Ofcom agreement to any reduction in the provision of news, current affairs or regional programming (including the peak-time provision) below current levels. In addition, Ofcom has concurrent responsibility, with the Office of Fair Trading, for competition regulation in the communications sector.

47. The BBC's Governors have a dual role of, on the one hand, strategic oversight, acting effectively as non-executive Directors, and on the other regulating the Corporation on behalf of the public interest. Comments are invited on whether these arrangements continue to be appropriate. Do they, for example, put the BBC in the best position to deliver on its commitments to its audiences whilst at the same time preserving its strength and independence from Government?
48. The Government also wishes to explore the mechanisms by which the duties, responsibilities and powers of whatever governance model can best be exercised. This might include an examination of the appropriate degree of separation between the Governors and the management of the BBC, and how codes of practice such as the producers' guidelines – which set out the editorial principles and standards to be observed by programme makers on areas such as impartiality, accuracy, fairness, editorial independence and appropriate standards of taste and decency – are enforced.

Accuracy and impartiality

The Communications Act 2003 makes Ofcom responsible for policing the codes that all broadcasters, including the BBC, are obliged to follow. These codes govern general programme and advertising standards as well as more specialist areas covering fairness to individuals, privacy, sponsorship, accuracy and impartiality. However, in the case of the BBC, responsibility for regulation of accuracy and impartiality will remain exclusively a matter for the BBC Governors. The Governors will continue to exercise their responsibility under the Charter and Agreement for ensuring that:

- programmes 'contain comprehensive, authoritative and impartial coverage of news and current affairs in the United Kingdom and throughout the world to support fair and informed debate at local, regional and national levels'.
- the BBC treats controversial subjects with 'due accuracy and impartiality, both in the Corporation's news services and in the more general field of programmes dealing with matters of public policy or of political or industrial controversy'.

These responsibilities are set out in the Producers' Guidelines – a code of ethics that everyone who makes programmes for the BBC is required to observe, often through a contractual obligation. You can access the Producers' Guidelines at www.bbc.co.uk/info/policies/producer_guides.

Ofcom is responsible for regulating accuracy and impartiality for all other broadcasters.

49. We would also like to know whether the BBC's Royal Charter and the supporting Agreement remain the best foundation for the BBC's existence as we move into the twenty-first century. Also for consideration are how Governors are appointed and the best means for giving people living in Scotland, Wales and Northern Ireland a strong voice.

Key questions

- **Do you think that, in the regulation of the BBC, there is the right balance between the Governors and Ofcom?**
- **Does a Royal Charter continue to be the most appropriate basis for the establishment of the BBC?**

Accountability

'How do we ensure that the BBC is properly accountable to the public and Parliament?'

50. We need effective mechanisms to make sure that the BBC delivers against its promises and commitments, whilst at the same time maintaining its strength and its independence from Government.
51. The BBC's accountability to Parliament is reflected primarily through the Royal Charter – made under the Royal prerogative – and Agreement between the BBC and the Secretary of State for Culture, Media and Sport, on behalf of the Government. Although there is no legal requirement to do so, the Royal Charter and the Agreement are debated by Parliament before coming into force. In addition, under the Charter, the BBC's Annual Report and Accounts must be submitted to the Secretary of State and laid in Parliament. The BBC is also subject to inquiry by the Culture, Media and Sport Select Committee. The BBC's Annual Report and Accounts are presented to the Culture, Media and Sport Select Committee for scrutiny by MPs before being made public.
52. In the case of the BBC World Service, although it remains strictly editorially and managerially independent, its funding by grant-in-aid from the Foreign & Commonwealth Office (FCO) means that it is accountable to the FCO for its expenditure against performance-related targets. For this reason, it is subject to scrutiny by the House of Commons Foreign Affairs Committee.
53. The BBC is also accountable to the National Audit Office (NAO) – an organisation independent of Government that scrutinises public spending on behalf of Parliament – and the Public Accounts Committee of the House of Commons for the value for money of the collection and enforcement arrangements of the television licensing system, although not for the delivery of value for money across its activities as a whole. Following debates on the Communications Act 2003, changes are to be made to the relationship with Parliament and with Government, including consideration of the role of the NAO (see box).
54. For the wider public, the BBC's published Statements of Programme Policy set out the objectives for each service. The BBC regularly consults the public about these Statements and whether the BBC is delivering the promises within them. You can find out more about the Statements of Programme Policy at www.bbc.co.uk/info/statements2003.
55. In addition, the Councils (the Broadcasting Councils for Scotland, Wales and Northern Ireland and the Regional Advisory Councils) are appointed by the Governors to advise them on programme and service objectives for BBC Nations and Regions and BBC Network Services and to monitor whether the BBC delivers them. Their views are reflected in the Annual Reviews of BBC Scotland, Wales, Northern Ireland and the English Regions.
56. The views of special interest groups covering issues such as race, gender and disability will be sought through new forums drawn from membership of the Advisory Councils.
57. The Governors' World Service Consultative Group has provided the Governors with an independent review of the range and quality of the BBC World Service, while the Central Religious Advisory Committee advises the BBC on religious broadcasting policy and programmes.

NAO access to the BBC

Up until now, the National Audit Office (NAO) has been able to examine the value for money of the BBC's television licence fee collection activities, but not to consider the way in which the Corporation spends its licence fee revenue. However, during the passage of the Communications Act, the Government accepted a proposal put forward by Lord Sharman, designed to offer Parliament further reassurance on the value for money of the BBC's licence fee funded operations, while safeguarding the Corporation's editorial independence and preserving the position of the BBC Audit Committee.

The new arrangements will be introduced via amendments to the BBC Agreement, which the Government intends to introduce by the end of the year to coincide with the commencement of the Communications Act. The key features will be as follows:

- Following a dialogue between the BBC Audit Committee and the Comptroller and Auditor General, the Committee will establish a programme of reviews. Individual reviews will be allocated to organisations including the NAO. Any reviews undertaken by the NAO will be free of charge to the BBC;
- Reports by the NAO, or contractors, will be submitted to the BBC Audit Committee and will then be presented in full to Parliament by the BBC Governors, together with the Corporation's response, in a timely manner but probably at the same time as the publication of the BBC's Annual Report and Accounts;

It will be a matter for Parliament to decide how the reports should be considered.

The Government expects, by the time the current Charter expires, to have sufficient evidence to judge the effectiveness of the new arrangements.

58. The Programme Complaints Unit (PCU) deals with complaints about BBC licence fee funded services and liaises with the Broadcasting Standards Commission (whose functions are shortly to be subsumed within Ofcom). The Governors' Programme Complaints Committee (GPCC) is responsible for ensuring that complaints from viewers and listeners are properly handled and for hearing appeals against decisions by the PCU or by directors of BBC divisions on serious complaints.
59. At present the BBC owes its first duty to the licence payer and audiences made up of licence payers. Whatever Charter review concludes is the appropriate future funding mechanism, BBC accountability will, however, remain a crucial issue.
60. We are seeking views on the best arrangements for ensuring that the BBC is fully accountable to the public for its performance. What should be the nature of the contract between the BBC and the public, and how should it be enforced? Is the BBC sufficiently responsive to the needs and concerns of licence fee payers, and if not, how might that be remedied?

Key question

- **Is the BBC sufficiently responsive to its viewers and listeners and to Parliament? What improvements, if any, could the BBC make?**

The destination

61. The themes set out in this document are designed to help respondents form their views on all aspects of the BBC, at all levels of detail. They are not intended to be restrictive, and if there are issues that the Government should place more emphasis on, or other questions that should be asked, we would like to hear about them.
62. They do, however, support one overarching question: what kind of BBC do we want for the future?

Summary of themes and key questions

The BBC today

'What do you value about the BBC?'

- What do you think of the BBC's contribution to the life of the United Kingdom and to the wider world? Should this change over the next decade and, if so, how?
- What value does the BBC add to the wider provision of public service broadcasting?
- How well has the BBC met its purposes over the Charter period? What evidence do we have that the way in which the BBC does this is successful compared to other broadcasters?
- What is it about the BBC that makes it unique? How do we make sure that it is distinct from other broadcasters? Are there better ways to deliver some of the contribution that we have traditionally relied on the BBC to provide?
- How well does the BBC serve the constituent parts of the United Kingdom, including Scotland, Wales, Northern Ireland and the English regions? What changes, if any, would you like to see?
- Is the current balance between national, regional and community level programming right?
- Does current regional and community content reflect the diversity of the regions and communities served, and deliver what you want? If not, what should be changed?

A changing landscape

'How should the BBC adapt to cope with changes in technology and culture?'

- How should the BBC respond to the development of new technologies and to changing viewing and listening habits?

Publicly-funded services and functions

'What do you think of the television, radio and online services the BBC provides?'

- What do you think of the publicly-funded services provided by the BBC, on television, radio and online? What changes, if any, would you like to see?
- How well do the BBC's publicly-funded services deliver its core purposes?
- In what way should the BBC's services differ from those of commercial public service broadcasters and other purely commercial broadcasters in order to add value? To what extent should the BBC provide 'something for everyone'?

Commercial services

'Should the BBC run commercial services?'

- Do you think the BBC should continue to run commercial services alongside its licence fee-funded services?
- If the BBC should continue to run commercial services, how should we ensure that the relationship between the public and commercial services is fair to the BBC's commercial competitors?
- Should there be any limits on what the BBC is allowed to do commercially and, if so, what should those limits be?

Paying for the BBC

'How should we pay for the BBC?'

- Does the licence fee remain the best way to pay for the BBC's public services?
- If not, what alternatives would you like to see explored?
- Does the BBC deliver value for money?
- Does a grant-in-aid via the FCO remain the best way to pay for BBC World Service?

Organisation and infrastructure

'Is the BBC organised in the most effective and efficient way?'

- How should the BBC be organised to deliver its functions and services? Should it continue to operate as a single organisation?
- Does the BBC broadcast the right balance of independently produced and in-house productions? How important is it that the BBC makes programmes as well as commissioning them?
- How should we ensure that the BBC continues to foster world-class broadcasting talent?

Governance, regulation and constitution

'How should the BBC be governed and regulated?'

- Do you think that, in the regulation of the BBC, there is the right balance between the Governors and Ofcom?
- Does a Royal Charter continue to be the most appropriate basis for the establishment of the BBC?

Accountability

'How do we ensure that the BBC is properly accountable to the public and Parliament?'

- Is the BBC sufficiently responsive to its viewers and listeners and to Parliament? What improvements, if any, could the BBC make?

Annex A: BBC publicly-funded services

Service	Remit ⁵	Expenditure ⁶ (£m)	Audience share ⁷ (%)	Audience reach ⁸ (%)
Television and news				
BBC1	BBC One is a mainstream public service channel with a broad range of high-quality, British, popular programming covering all genres. It aspires to be in touch with the modern UK and introduces new and exciting ideas and tastes to its audiences. BBC One seeks to offer something of value for everyone. The channel aims to have ambition in everything it broadcasts, making serious subjects accessible and relevant to a wide range of different audiences. BBC One also has a unique role as the channel to which people turn at times of national significance, giving it a particular responsibility for covering major events. BBC One aims not only to provide outstanding local and regional services but also to reflect life in different parts of the UK with its main network schedule.	858.9	25.5 ⁹ 19.7 ¹⁰	81.0 ¹¹ 76.5 ¹²
BBC2	BBC Two aims to attract a wide audience to challenging, intelligent television by bringing ambition, creativity and innovation to everything it does. The channel has a mission to go deeper into what really interests and inspires people today. It aims to leave something with the viewer at the end of every programme – be that a new thought, an aspiration for the future or a new passion and involvement in subject areas. BBC Two aims to get under the skin of the modern world – whether through history, science, documentaries, arts and current affairs, or drama, comedy and popular factual programmes. We will extend this range by showcasing in the region of 100 hours of the best of BBC Four programming on BBC Two. BBC Two will ensure that serious subjects are given further regular coverage at the heart of prime time. BBC Two complements BBC One's sports coverage but also offers sports that we have made our own, such as snooker. BBC Two will continue to reflect the geographical and ethnic diversity of the UK in mainstream output.	367.4	10.8 ¹³ 6.9 ¹⁴	64.5 ¹⁵ 54.2 ¹⁶

⁵ BBC Statements of Programme Policy 2003/2004

⁶ BBC Annual Report and Accounts 2002-3

⁷ BARB and RAJAR Quarter 3 2003

⁸ BARB and RAJAR Quarter 3 2003

⁹ All homes

¹⁰ Multichannel homes

¹¹ All homes

¹² Multichannel homes

¹³ Total viewing summary

¹⁴ Multichannel homes

¹⁵ All homes

¹⁶ Multichannel homes

Service	Remit ⁵	Expenditure ⁶ (£m)	Audience share ⁷ (%)	Audience reach ⁸ (%)
Television and news				
BBC3	<p>BBC Three is an inherently multicultural, interactive, digital channel with a mission to engage a demanding audience of young adults with ambitious, stylish programming from 7pm until around 4am every day. The channel is committed to a mixed schedule of news, current affairs, education, music, arts, science and coverage of international issues, as well as to high-quality, innovative drama and entertainment programmes.</p> <p>BBC Three will stand out as a uniquely British channel for this age group, where at least 90% of the output is home-grown and more than 80% is genuinely new and specially commissioned for the channel. Not only is this a commitment to the audience and the UK creative industry, it also makes BBC Three a place where new talent can launch ambitious projects with the support and involvement of established on and off screen talent.</p>	75.5	0.7	12.5 ¹⁷
BBC4	<p>BBC Four aims to be television's most intellectually and culturally enriching channel, providing a range and depth not found elsewhere, and bringing an international perspective to the output, from news to documentaries, cinema and performance. BBC Four provides intelligent news and comment on events in the UK and around the world, reflects and contributes to the country's cultural life through a broad range of music, arts and events, and provides opportunities for voices not often heard in the mainstream. The channel gives the space to contextualise and go deeper into the subjects it examines.</p> <p>BBC Four aims to be outward-looking, providing real alternatives – the benchmark for quality in digital broadcasting.</p>	41.2	0.2	3.1 ¹⁸

¹⁷ Multichannel homes

¹⁸ Multichannel homes

Service	Remit ⁵	Expenditure ⁶ (£m)	Audience share ⁷ (%)	Audience reach ⁸ (%)
Television and news				
CBeebies	<p>CBeebies is a digital-only television channel that offers a range of new high-quality, mainly UK-produced, educative and entertaining programmes for children under the age of six. Available from 7am to 7pm, the service provides a consistently safe environment for the BBC's youngest audience.</p> <p>CBeebies will include more educational programming throughout the day than any other channel aimed at this age group. It will be supported by an additional interactive television service and website. These will aim to provide further learning opportunities through games and stories, to encourage shape and colour recognition, categorisation and memory development.</p>	39.9	1.3	8.0 ¹⁹
CBBC	<p>CBBC is a digital-only television channel that offers new, mainly UK programming in a mixed-genre schedule for the six to twelve age range. The channel is available from 7am until 7pm each day, and aims to be truly interactive, giving all children the opportunity to become involved.</p>		0.3	3.8 ²⁰
BBC News 24	<p>BBC News 24's primary purpose is to provide serious and compelling journalism, drawing on long term investment in first-hand reporting from BBC correspondents in all parts of the UK and across the world. We deliver fast, comprehensive coverage of events as they unfold – at regional, national and international level – and specialist analysis to put the news in context.</p> <p>We will strengthen our commitment to a distinctive 'broadsheet' agenda which is more analytical, more international and broader in its outlook than other UK news channels.</p>	23.8	0.5	6.2 ²¹
BBC Parliament	<p>BBC Parliament is a digital television channel which offers comprehensive coverage of all the parliaments and assemblies governing the political life of the United Kingdom. It is the only UK channel dedicated to politics, 52 weeks of the year.</p>	2.7	Not available	Not available

¹⁹ Multichannel homes

²⁰ Multichannel homes

²¹ Multichannel homes

Service	Remit ⁵	Expenditure ⁶ (£m)	Audience share ⁷ (%)	Audience reach ⁸ (%)
Radio²²				
BBC Radio 1	BBC Radio 1 aims to offer a high-quality service that is relevant to its young target audience and their lives. Music is at its core but this is augmented by other distinctive public service elements including original news, features and informative advice campaigns on the issues that matter to the audience. The network aims to deliver the best new music, with a music policy covering all the relevant genres.	17.2	8	20.8
BBC Radio 2	BBC Radio 2 aims to bring a wide range of popular and specialist music, news, current affairs, comedy, readings and social action campaigns to a mainstream audience. In addition, we are committed to offering a variety of religious output catering for the diverse beliefs of our audience.	21.6	15	23.8
BBC Radio 3	BBC Radio 3 covers live music and the arts, broadcasting a wide range of cultural activity. The network offers more than traditional classical music, including world music and jazz as well as drama and debates on the arts. Live and specially recorded music is a priority in the schedules. BBC Radio 3 will help to sustain the creative economy of the UK through its patronage of composers and performers, including the six BBC performing groups.	30.2	1.2	4.1
BBC Radio 4	BBC Radio 4's central purpose is to use the power of the spoken word to offer programmes which aim to be surprising, searching, revelatory, entertaining and in-depth. The network seeks to engage and inspire its audience with diverse and penetrating coverage of a complex and changing world, offering the most in-depth coverage of news and current affairs.	64.8	11.3	17.8
BBC Radio Five Live	BBC Radio Five Live broadcasts live news and sport 24 hours a day, aiming to react to news and events as they happen and present them in a modern and accessible style. We aim to cover subjects in depth, using wide ranging analysis and debate to inform, entertain and involve listeners. We also provide extensive live sports coverage, supported by the BBC's global newsgathering operations and our portfolio of sports rights. Programming is made up of 75% news and current affairs and 25% sport.	53.8	4.2	10.9

²² See also 'Nations and regions'

Service	Remit ⁵	Expenditure ⁶ (£m)	Audience share ⁷ (%)	Audience reach ⁸ (%)
Radio²²				
BBC Five Live Sports Extra	BBC Five Live Sports Extra is designed to bring a choice of action to sports fans. The network will extend choice when there are live sporting events taking place by providing alternative sports coverage on DAB digital radio, digital television and, when rights allow, the internet.	1.7	0.1	0.6
1Xtra	1Xtra from the BBC is dedicated to playing the best in contemporary black music for a young urban audience. It covers 'street' genres such as UK garage, drum and bass, hip hop and R'n'B, showcasing new UK talent and music in genres dominated by the USA, all presented by fresh new DJ talent from across the country. By providing relevant speech from a dedicated news team and a weekly discussion programme, alongside weekly live music from around the country, 1Xtra aims to ensure that its audience gets a station that is targeted at their needs and dedicated to their lifestyles – both now and in years to come.	4.0	0.1	0.7
6 Music	6 Music from the BBC is a digital radio service concentrating on music and artists that are not well supported by other radio stations, including classic archive concerts and sessions with new UK artists.	4.0	0.1	0.3
BBC 7	BBC 7 is a speech-based digital radio service with a mission to provide pure entertainment and attract a new audience to speech radio. BBC 7 is zoned around types of programmes so that people can build up a habit of knowing that at a certain time of day a certain type of output will always be available. The network offers comedy, features, drama, readings and news. We also aim to be the home of children's live speech radio, featuring daily children's programming.	2.2	0.1	0.6
BBC Asian Network	BBC Asian Network broadcasts primarily in English to British Asian communities across the UK. The station is a one-stop shop where listeners can get daily national and international British Asian news, sport and music ranging from the latest in Asian sounds to favourite film tracks. BBC Asian Network is fully interactive and, through email, phone-ins and message boards, is the forum for debating both the weighty issues and the everyday matters that command the attention of British Asian communities.	3.1	0.4	1.0

Service	Remit	Expenditure ²³ (£'000)
Interactive		
BBCi	BBCi encompasses the BBC's interactive services across the web, television and mobile devices. BBCi's long-term objective is to support the development of a digital UK – encouraging audiences to enter the interactive digital world and helping them realise its full benefits. BBCi provides a wide range of distinctive content, both complementing and going beyond the BBC's broadcast services, offering audiences opportunities to explore and go deeper into topics and issues of interest. Through BBCi, the BBC aims to develop a new, more accountable and responsive relationship with audiences. Where appropriate, BBCi enables them to participate in or contribute to BBC programmes and services. BBCi also offers opportunities to communicate with the BBC and with each other, in communities built around shared passions, interests and localities.	72.3 ²⁴
Nations and regions		
BBC Scotland	BBC Scotland's remit is to deliver high-quality and distinctive programming and services which reflect and contribute to the culture and interests of Scottish audiences. Through a diverse range of services – BBC One Scotland, BBC Two Scotland, BBC Radio Scotland, BBC Radio nan Gaidheal and BBCi Scotland – we aim to be Scotland's national broadcaster. We aim to be a force for cultural cohesion, providing a national news agenda, stimulating political and social debate, giving access to the most important sporting events, and creating programmes on all platforms which reflect distinctive Scottish perspectives and tastes. We also aim to reflect Scottish culture and society, and the distinctive Scottish world view, to the UK-wide audience.	211.1 ²⁵ 130.8 ²⁶
BBC Northern Ireland	BBC Northern Ireland aims to provide something of value for everyone in the community, through a wide range of distinctive programmes and services which reflect the diversity of local society, enrich debate, nurture culture and serve as a trusted guide to information and news. BBC Northern Ireland will supply a rich range of television programming, across a wide range of genres, on BBC One, BBC Two and BBC Two NI Digital. BBCi Northern Ireland will continue to provide the premier forum for online news and aims to enrich audience interaction online. Through BBC Radio Ulster and BBC Radio Foyle, BBC Northern Ireland will continue to provide unique local services of speech, music and sport.	
BBC Wales	BBC Wales aims to provide high-quality and distinctive programming which reflects the unique culture of Wales in both English and Welsh. We deliver this through a range of services – BBC One, BBC Two, BBC 2W (digital), BBC Radio Wales, BBC Radio Cymru, BBCi Wales and BBC Cymru'r Byd, as well as our Welsh language television output on S4C. We seek to enrich the lives of our audiences with services that stimulate and inform debate, nourish local communities, celebrate and support Wales' sporting and cultural life, and explore Welsh interests and passions. We will reflect Welsh life and Welsh talent to Wales, to the rest of the UK on the BBC's networks and, through online, to the world.	
BBC English Regions	BBC English Regions aims to provide a trusted service of news, current affairs, politics, music, sport and weather through regional television, local radio, BBCi local websites, open centres and BBC buses.	

²³ BBC Annual Report and Accounts 2002-3

²⁴ BBCi on the internet. The expenditure on Digital Text and Interactive Television over the same period was £9.5m

²⁵ Total expenditure on national and regional television

²⁶ Total expenditure on national, regional and local radio

Service	Remit	Expenditure ²³ (£'000)
BBC World Service		
BBC World Service	The aims of the BBC World Service are: <ul style="list-style-type: none"> • To be the world's first choice among international broadcasters for authoritative and impartial news and information, trusted for its accuracy, editorial independence and expertise • To be a global hub for high-quality information and communication • To project Britain's values of trustworthiness, openness, fair-dealing, creativity, enterprise and community • To provide a forum for the exchange of ideas across cultural, linguistic and national boundaries • To promote the English language, learning and interest in a modern, contemporary Britain • To offer a showcase for British talent across the world 	216.3 ²⁷

BBC wide commitments

The BBC's Statements of Programme Pledges also set out a number of commitments that go across the whole organisation. They are reproduced below:

The BBC's commitment to audiences goes well beyond the programme policy for individual services. We also make significant commitments which apply to all our services.

Diversity

The BBC aims to offer something for every age group and every cultural group as well as every part of the UK. We will continue to seek new ways of attracting audiences from the UK's ethnic minorities through both mainstream and targeted services.

We will also strive to improve the ratio of people from ethnic minorities among our staff. Our aim is for 10% of our staff, and 4% of our senior staff, to come from ethnic minority backgrounds by the end of 2003.

Initiatives to attract new talent will include The Writer's Room, which has ethnic minority and Northern writing talent as its first priorities. Bollywood Shorts, a nation-wide short film competition for a British interpretation of Bollywood, aims to result in five commissions for BBC Four. BBC Radio Drama will also launch an initiative to attract new and diverse acting talent. A new apprenticeship scheme for technical trainees will be developed alongside other diversity initiatives in the BBC.

Nations & Regions

Newly appointed Community Editors at many local radio stations will drive this agenda further.

²⁷ Annual Review 2002/2003

Access

The BBC is a member of the Broadcasters' Disability Network and aims to:

- increase the presence of disabled people on air and on screen
- increase the number of disabled people in all areas of the workforce
- increase access to services, on and off air
- ensure access to its buildings

We have a special duty to ensure that blind and partially-sighted people and those who are deaf or hard of hearing can also enjoy our services. We exceed the current ITC targets for subtitling, signing and audio description and are committed to subtitling all our output by the end of 2008. When the Communications Bill²⁸ becomes law, we will also be bound by Ofcom's code relating to provision for deaf and visually-impaired people.

Access to services is covered by Part 3 of the Disability Discrimination Act. We have agreed policies and have produced a Production Handbook which lays down expectations for programme makers. We will continue to monitor how well these guidelines are being operated. We also have Guidelines for Visually Impaired TV Audiences and are implementing recommendations resulting from research on broadening access to BBCi.

Universal availability of BBC services

We will continue to ensure that all our services remain universally available and free-to-air, and that licence payers are able to access them through new media as technology develops. Our digital services are available on Freeview, satellite and cable in the manner and to the extent that each platform allows.

Support for UK production

We aim to serve the whole UK. This means support for British production, and our new services provide significant new opportunities. As in previous years, around 90% of our television output will be made in the EU/EAA, almost all of it in Britain.

We are also committed to ensuring that a reasonable proportion of BBC programmes for a UK-wide audience are made in Scotland, Wales and Northern Ireland, and in the English regions outside London and the South East. This covers broadly one-third of our programmes. The Board of Governors will be working with Ofcom to establish industry quotas for the future.

Independent production

The BBC always aims to meet the quotas set for the percentage of independent and European productions broadcast under the terms of the Broadcasting Act 1990 (and the Communications Bill when it becomes law) and the Television without Frontiers Directive. We consistently broadcast around 90% European output across our television channels. We expect this to also be the case this year, and to meet the European independents quota of 10%.

We will also publish a new code of practice for our dealings with independent UK producers and agree new terms of trade with them. We remain fully committed to our voluntary pledge that 10% of eligible hours on our

²⁸ The Communications Act received Royal Assent on 17 July 2003

national analogue radio networks will be made by independent producers. We view this as a floor, not a ceiling, and we will work to open up commissions, where appropriate, to independent producers in order to develop the UK production sector.

Training

The BBC will continue its substantial investment – around £40 million a year – in ensuring that all staff have the opportunity to develop their skills and to learn new ones. We will also continue to make a significant contribution to industry-wide training initiatives, as well as running schemes designed to attract new people to the broadcasting industry such as BBC Talent, which now offers four schemes across the UK.

Accountability

In line with the objectives set by the Governors, we will aim to earn greater appreciation for the BBC as an open and trusted public organisation. We will seek inspiration and learn from our audiences, relish feedback, and respond honestly to what they have to say to us.

Annex B: BBC commercial activities

(Figures taken from Annual Report and Accounts 2002/2003)

• Subsidiary undertakings

UK Public Service Broadcasting operation owns 100% of the issued share capital of the following companies which are incorporated in Great Britain:

BBC Commercial Holdings Limited
 BBC Resources Limited
 BBC Free To View Limited
 BBC News Limited
 BBC Property Limited
 BBC Property Investments Limited
 BBC Property Development Limited (dormant)
 Centre House Productions Limited
 BBC Digital Programme Services Limited
 BBC Subscription Television Limited (dormant)
 BBC Investments Limited (dormant)

• Subsidiary undertakings

The Group also holds the controlling interest in the following principal subsidiary undertakings which are held by BBC World Service which owns 100% of the issued share capital:

Held by BBC World Service:

BBC East Asia Relay Company Limited (incorporated in Hong Kong)
 BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)
 BBC Radiocom (Hungary) KFT (incorporated in Hungary)
 BBC Radiocom (Praha) s.r.o. (incorporated in the Czech Republic)
 BBC Radiocom (Slovakia) s.r.o. (incorporated in the Slovak Republic)
 BBC Romania SRL (incorporated in Romania)
 BBC Polska Sp. z.o.o. (incorporated in Poland)
 BBC do Brazil Limitada (incorporated in Brazil)
 BBC Radiocom Deutschland GmbH (incorporated in Germany)
 BBC Croatia d.o.o. (incorporated in Croatia)
 BBC World Service Trust*

* *The BBC World Service Trust is a charitable company limited by guarantee, of which the BBC is the sole member*

The Group also holds the controlling interest in the following subsidiaries, which unless otherwise stated are incorporated in Great Britain:

	Holding of ordinary shares
	%
Held by BBC Commercial Holdings Limited:	
BBC Worldwide Limited	100
BBC World Limited	100
BBC Ventures Group Limited	100
Held by BBC Ventures Group Limited:	
BBC Technology Holdings Limited	100
BBC Broadcast Limited	100
Held by BBC Technology Holdings Limited:	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100
Kingswood Warren Ventures Limited (renamed BBC Vecta Limited in May 2003)	100
BBC Technology Holdings LLC (incorporated in the USA)	100
BBC Technology Consultancy LLC (incorporated in the USA)	100
Held by BBC Worldwide Limited:	
Publishing	
BBC Magazines Inc. (incorporated in the USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
BBC Audiobooks Limited (formerly Chivers Press Limited)	100
Programme distribution	
BBC Worldwide Americas Inc. (incorporated in the USA)	100
BBC Worldwide Music Limited	100
UK Programme Distribution Limited	95
BBC Worldwide Japan KK Limited (incorporated in Japan)	100
BBC Worldwide France SARL (incorporated in France)	100
BBC Worldwide Germany GmbH (incorporated in Germany)	100
BBC Worldwide Canada Limited (incorporated in Canada)	100
Channels	
New Video Channel America LLC (incorporated in the USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
Investment companies	
Worldwide Americas Investments Inc. (incorporated in the USA)	100
BBC Worldwide Investments Limited	100
BBC World Service Television Limited	100

Worldwide Channel Investments Limited	100
Worldwide Channel Investments (Europe) Limited	100
Worldwide Channel Investments (Ontario) Limited (incorporated in Canada)	100
Internet	
beeb Ventures Limited	86.9
Held by BBC World Limited:	
BBC World Distribution Limited	100
Satellite News Corporation Limited (incorporated in Japan and renamed BBC World Distribution Japan Limited in April 2003)	100
BBC World (Singapore) Private Limited (incorporated in Singapore)	100
BBC World (Australia) Pty Limited (incorporated in Australia)	100
BBC Worldwide (India) Private Limited (incorporated in India)*	75

* *BBC Worldwide Limited holds the remaining 25% interest in the ordinary shares of this company*

• Interests in joint ventures

The Group has a 50% equity interest in the following joint ventures which are all incorporated in the UK, unless otherwise stated:

Name of entity	Activity	Partner	Accounting date
UK Channel Management Limited	Channels	Flextech	31 December 2002
UK Gold Holdings Limited	Channels	Flextech	31 December 2002
UKTV New Ventures Limited	Channels	Flextech	31 December 2002
UKTV Interactive Limited	Channels	Flextech	31 December 2002
JV Programmes LLC [†]	Channels	Discovery Communications Inc.	31 December 2002
BBC Haymarket Exhibitions Ltd	Publishing	Haymarket Exhibitions Ltd	31 December 2002
Insight Property Partnership	Property	Land Securities Trillium Ltd	31 March 2003
DTV Services Limited*	Marketing	Crown Castle UK Ltd BskyB Ltd	6 months to 31 March 2003

[†] *Incorporated in the USA*

* *33% equity interest*

During the year the BBC entered into a new joint venture, DTV Services Limited, to provide marketing services for digital channels on a terrestrial platform in the UK. The BBC set up a subsidiary, BBC Free to View Limited (see Note 13c), to hold the BBC's digital terrestrial multiplex licence and its equity interest in the joint venture to ensure the costs of this joint venture are managed separately from licence fee funded activities.

For a number of years the BBC, through its subsidiary BBC Worldwide, has had major partnership deals with Flextech, the content division of Telewest Communications plc, for the production and marketing of subscription channels in the UK and with Discovery Communications Inc. for incorporating new channels around the world and providing new co-production funding for programmes. These alliances operate the joint ventures listed above.

The Group share of turnover for the Haymarket joint venture was £4.2million (2002 £6.4million) and its operating surplus share was £0.7million (2002 £0.3 million).

The joint venture with Land Securities Trillium Limited provides a range of property and development services to the BBC. Related joint ventures and associate companies have been set up to develop particular BBC properties.

The following disclosures represent the Group's equity shares of the assets and liabilities of its joint ventures based on the results for the latest accounting periods as shown above.

• Interests in associates

The Group holds significant interests in the following principal associates which, except where otherwise stated, are incorporated in Great Britain:

	Holding of issued ordinary shares
	%
Held by UK Public Service Broadcasting:	
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	*
The Commonwealth Broadcasting Association	*
Radio Joint Audience Research Limited (RAJAR)	50
Held by BBC World Service:	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited	50
WRG-FM SA (incorporated in Switzerland)	40
Held by BBC Worldwide Limited:	
Publishing	
Frontline Limited	23
Channels	
UKTV Pty Limited (incorporated in Australia)	20
Animal Planet (Latin America) LLC (incorporated in the USA)†	50
People and Arts (Latin America) LLC (incorporated in the USA)†	50
Animal Planet LLC (incorporated in the USA)†	20
JV Network LLC (incorporated in the USA)†	50
Animal Planet (Asia) LLC (incorporated in the USA)†	50
The Animal Planet Europe Partnership†	50
Animal Planet Japan KK (incorporated in Japan)†	33
Animal Planet Japan LLP (incorporated in the USA)†	50
Jasper Broadcasting Inc. (incorporated in Canada)	20
Jasper Junior Broadcasting Inc. (incorporated in Canada)	20
Animal Planet Canada Company ULC (incorporated in Canada)†	23
Held by BBC Resources Limited:	
3sixtymedia Limited	10
Held by BBC Property Limited:	
White City Development Partnership	**

* Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters

† Discovery associate

** 50% partnership share

Annex C: Useful references

The Future Funding of the BBC, Chairman: Gavyn Davies (July 1999)
http://news.bbc.co.uk/hi/english/static/bbc_funding_review/reviewco.pdf

Financing the BBC, Chairman: Professor Alan Peacock (July 1986)
ISBN 0 10 198240 2

The Future of Broadcasting, Chairman: Lord Annan (March 1977)
ISBN 0 10 167530

Communications Act 2003 & Explanatory Notes
<http://www.hmso.gov.uk/acts/acts2003/20030021.htm>

BBC Annual Report & Accounts 2002/3
<http://www.bbc.co.uk/info/report2003/>

BBC Statements of Programme Policy 2003/4
<http://www.bbc.co.uk/info/statements2003/>

History of the BBC
<http://www.bbc.co.uk/thenandnow/history/>

BBC Fair Trading Commitment and Commercial Policy Guidelines
http://www.bbc.co.uk/info/policies/commercial_guides/

Producers' Guidelines
http://www.bbc.co.uk/info/policies/producer_guides/

BBC Governance in the Ofcom Age
<http://www.bbc.co.uk/info/policies/governance/pdf/bbcgovernancebooklet.pdf>

The BBC Governors' World Service Consultative Group; *BBC World Service Annual Review 2002/2003*
http://www.bbc.co.uk/worldservice/us/annual_review/2002/downloads.shtml



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