

Speech by Tessa Jowell, Secretary of State for Culture, Media and Sport

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Public Service Broadcasting in the Digital Age and the New BBC Services

This television conference and this speech have been eclipsed by the horrific attacks on America. It is not easy to regain our commitment to the business of ordinary life when we cannot help but think continually of the wave of grief and loss which has swept over our friends in America. A sudden loss in a single family is heartrending enough but to imagine it multiplied thousands of times in the space of a few minutes is quite beyond anyone's power to express.

It is, however, perhaps apposite for this audience to remind itself once again of the extraordinary powers and responsibilities which lie in the hands of the media at moments like this, as we experience the power of television to bring the most shocking and unimaginable events into our homes as they happen. There is no doubt that the ability of people to watch history unfold before their eyes does itself affect that history. All of us now hold those images in our minds, and the world will be different because we do.

The images are powerful, and so the journalism of explanation becomes even more important. Across the country people will have been impressed by the news output on our screens in the last few days. This professionalism and skill serves the British people well.

I would like to do three things in my speech to you this evening:

\$ First I should like to outline the Government's view of the development of digital television in the context of a technologically modern, adept and inclusive society;

\$ Secondly I should like to set out the developing role that the Government sees for Public Service Broadcasting in the digital future of thousands of channels available to households;

\$ And together they provide the context for the third part of my speech, the decision on the BBC's new services.

The Digital Future

Two years ago the dot.com industry was riding the wave. Fizzing excitement as the industry created streams of twenty-something millionaires. Since then the bubble has burst and the whole technology, media and telecommunications sector is suffering. However the promise of the revolution still stands. In that sense what the technology sector is facing is more like the collapse of the railway companies in the 19th Century rather than the wild speculation of the dutch tulip fever of the 17th Century. For tulip fever there was no sustainable or underlying value. However, the railways transformed the social and economic structures of the Victorian era just as the internet and digital technologies today have already changed the way we live and work and will continue to have a major impact even if some of the companies in the forefront of change will themselves disappear.

Just look at the rate and scale of penetration of the technology:

Already most companies, virtually all schools and colleges, and four out of ten homes are on the internet. Improving the speed and reliability of connections, reducing the cost to users, and bringing on cheaper, better services are all happening apace. Internet and television technologies are beginning to converge.

But fast-moving change carries risks as well as creating opportunities. Markets will drive usage and take-up but they are value free. It is for Government to be vigilant in ensuring access for all. The digital divide could become a new driver of inequality. Left to the market, many households risk being left behind.

That would be bad for our economy, bad for our democracy, and bad for our society.

All households must be enabled to participate in the digital future.

Broadcasting is part of shaping that digital future. Over the next few years the relationship that people have with their television sets has the potential to change dramatically. No longer just a passive leisure time instrument but something which will allow us to shop, book hotels and travel tickets, ask questions, deal with government agencies, send e-mails, to name but a few of what we are promised.

What has received too little attention is how we increase the momentum to extends this potential and these opportunities to all who wish to share them. As with many aspects of our modern world, change has many partners. Government is part - but only part - of a bigger process.

It remains our aim to switch over from analogue to digital between 2006 and 2010. This is a challenging timeframe, and achieving it depends on a successful alliance between government, the industry, and crucially, the public. A clear objective is important to drive the investment in, and the development of, the technology by the industry.

It is also important to set a clear framework for the dialogue with the viewing public. People cannot be coerced into the digital environment, they must be persuaded that the move is right for them as individuals. They must be convinced that this is what they want in their home for themselves and their family.

Already the market reaches 30% of households. BSkyB has 5.5 million subscribers, NTL and Telewest have 1.5 million, and already ITV Digital have 1.3 million.

That is why it is important that we work with the key public and private stakeholders to develop an effective digital action plan. Trials to boost transmission power, the Go Digital pilots and the launch of the DVB logo all help, but more is needed and we will publish the plan soon. This will include effective use of the spectrum and we will shortly be publishing a consultation document on the principles on which the spectrum should be planned for provision of digital television services in the longer term.

The technologies are changing rapidly, as are the consumer markets. No-one can say with any certainty what all those developments will be. It is not Government's job to pick winners, to lay out some 1930s style plan that pretends to define exactly how we will get from here to there.

It is Government's job to be clear about the direction that we are taking. To be clear about the immediate steps that we want to agree with the industry. To be clear that we want an open and continuing dialogue with consumers - so that we make the journey together.

The digital change-over is already underway. The broadcasting ecology of the last twenty years has been successful. We must now take the successes of the past and build a new ecology that will continue to deliver what people want and need.

Public Service Broadcasting in the Digital Age

This brings me to the key judgements about Public Service Broadcasting.

Since TV broadcasting began in earnest after the Second War, PSB in general and the BBC in particular have served British viewers and listeners well. The BBC is a loved and respected institution. When asked in polls what makes people proud to be British the BBC is up there with the NHS, the Queen and our armed forces. It is not an affection that should ever be taken for granted or should be set in amber, which is why the BBC must change and adapt as the world around changes.

PSB is not synonymous with the BBC, its writ runs much wider. ITV and Channel 4 make major contributions and will continue to do so. It is our job to create the space in the digital environment for PSB and the BBC to continue to flourish, but to do so alongside a vibrant market.

This is not some small point. The BBC is well-regarded, but history has shown time and again that it has responded to the spur of competition to modernise, take risks, and give viewers and listeners what they want. Equally the market has needed the BBC to set standards, to lead on education and news, to take risks on ratings, to train, to bring on new talent.

This tension - between the market and PSB - has worked well. Take a current example. Football and cricket coverage has been transformed by Sky, Channel 4 and now ITV. But the BBC was still able to fight back with its professional coverage of England against Germany and Albania. As a result of competition, coverage is better and the sports concerned are certainly richer.

We must now work to build in the digital environment the creative tension between the broadcasters that has done well on analogue.

In the extended consultation there were voices who said that there was no role for PSB in the digital future. The sheer volume of potential channels would mean that all niches could be served in a highly flexible digital marketplace so why should the BBC be allowed to stifle the real risk takers?

I disagree with this argument.

People want and trust public service broadcasting. Many broadcasters contribute, but it is the BBC which is the beacon, a role it will take into the digital age. PSB practice is not timeless, but PSB virtues are enduring. They will be as valid in the digital future as they have been in the analogue past. We do still need PSB. But that begs the question - what is it? The answer is not Ait-s what the BBC does@.

There is broad agreement in the public mind about the qualities of PSB. Diversity, high quality, education, innovation, entertainment, information, original production, accessibility, inclusion of minorities and free access. There was also consensus that these are pre-requisites for good television and without them certain strands of programming would disappear altogether and that quality would diminish. As ITC research showed, viewers did not trust market forces alone to deliver quality television. So the Reithian core of PSB-s role to educate, inform and entertain is still relevant and still valued. Core values that enjoy a higher level of support among the general public than broadcasters sometimes have the confidence to recognise.

I would like to offer a longer, more practical definition:

\$ PSB allows for non-commercial motivations.

\$ It can guarantee independence and ensure impartiality, not merely in news but

across a wide range of programming.

\$ It must seek to educate - in general programming as well as in specialist educational output.

\$ It must be universal and inclusive, serving all tastes and cultures.

\$ It can sustain a robust production capacity here, when the market alone might often find it cheaper to buy-in programming from abroad.

\$ It can be high quality

\$ It can innovate

\$ And perhaps most of all it can challenge the audience and extend its taste and knowledge, as well as deliver the tested and familiar.

The values of Public Service Broadcasting are as valid in the crowded-channel future as they were in the four-channel, or even two-channel past.

The BBC has served the nation well and the most recent licence fee review in 1999 emphasised that we could risk losing what other nations envy. We will want to look at the BBC's role again in 2004 when we begin to review the BBC's Charter but for the moment, its responsibility is to create a strong public service broadcasting presence. While other broadcasters are involved, it is for the BBC to carry the flag for PSB in the new environment.

That would not be an argument if the BBC were inhibiting competition. But that is not so.

When it began the BBC had 100% of viewers and 100% of the programming budget. In the cosy duopoly - while the ITV companies enjoyed their licence to print money - the BBC still had about 45% of the audience and about half the programming budget. But things have changed.

The decision on the new services is about how the BBC fits into the future of hundreds of services available to every home. There are already 250 services available to digital households. The BBC has just 5 of them now and would have 7 if all its new proposals went ahead. The BBC now has just a quarter of viewing in digital homes. Its annual budget sounds large - just under , 2.5bn, but BSkyB and the ITV companies' earnings are in the same league and while the newer entrants have as yet small UK earnings most are backed by the programming resources of the world's largest media companies. Compared to the earnings of the big global players like AOL/Time Warner - \$18bn - Bertelsmann - \$10bn - Vivendi - \$36bn - News Corporation \$35 - Disney - \$38bn - and Viacom - \$54bn - the BBC is a sardine, and not the shark of the lobbyists' imagination.

(A metaphor that occurred to me as I watched Blue Planet last night - a fine piece of public service broadcasting, and one I imagine that did well in the ratings.)

The BBC is big but not over-mighty. It should have an important but not over-powering presence in the digital future - a presence not only shaped by the competition, but which also helps shape the competition as the two interact.

But with the enviable and popular certainty of income the BBC presence is more than addressing market failure. In this sense the licence fee can be seen as part of the nation's venture capital for creativity. The BBC has the duty to be creative, not just reactive; to lead markets as well as follow them, to be able to offer the audience the familiar and

reassuring alongside the new and the challenging. TV is more than just giving people what they know they already want. It is also about surprising and challenging, inviting audiences to share experiences they had not previously known even existed.

Critics will say that the BBC has shown every willingness to drop its PSB past in the life and death struggle for ratings. And it is true that ratings must not be the only guiding principle for BBC services. To meet the PSB requirement for universality they must touch as wide a range of people as possible, popular shows must have their place in its schedules, but the test should be as much audience reach as audience share, and compulsive competition with commercial services should never be the scheduling principle.

Nor is it the case that such scheduling is bound to be less attractive than programmes designed for the mass market.

Blue Planet, Walking with Dinosaurs and Simon Schama's history series all achieve ratings the equal of say, Premier League Football, and some game shows and popular dramas. A Quality is not a euphemism for Unwatched.

The New Services

The BBC have now come forward with their proposals for four TV services in place of Choice and Knowledge, and five new radio services.

These are the first approvals to be given under the new more open procedure. The published guidelines set out the main concerns that I have had in mind. These include:

- how each service matches the BBC's primary public service role and how it furthers any or all of its public purposes
- whether the value of the service to the public is proportionate to its likely impact on the market. That includes, of course, considering the distinctiveness of each proposal

I have also taken into account the accessibility of the services and that the Board of Governors is satisfied that the new services represent value for money for licence fee payers.

In looking at these issues I have taken careful account of the information the BBC has submitted and also the many responses to our own consultation as well as to advice from officials. I have come to a decision about each service individually and have attached a number of conditions in order to reflect the BBC's intentions and to ensure that the services match the role and remit of the BBC

On becoming Secretary of State in June I also extended the period of consultation, to give me the personal opportunity to meet as many of the interested parties as possible.

The decision letter has been released, and I will just go through some of the points, but you can all study the text of the letter to see the factors I took into account in reaching the decision.

In reaching my decision I want to see the BBC play to its historic PSB strengths in the digital environment of the future - if I were searching for a cliché, I might even call it traditional values in a modern setting.

That is why I am giving the BBC permission to go ahead with those services which in my

opinion are distinctive, provide a genuine public service broadcasting offer and challenge rather than duplicate what is already available from the competition.

BBC4 is a distinctive, well-defined service intended to create a forum for debate and aimed at anyone interested in culture, arts and ideas. It addresses the BBC's public service remit to inform, educate and entertain on a mixed genre service in an area where niche services predominate. It will have a high level of new content, and high domestic including European production.

I am imposing conditions on this new service, including ones that build on the BBC's own commitments to a broad mix of programmes including global news and current affairs. I am also setting the BBC the task of developing the increasing opportunities for interactivity with the audience.

The service for the under-6s can also proceed, subject to conditions. It is also distinctive and well-defined, offering advertising-free, mixed-genre television to young children. It would have a high proportion of domestic and original production and will not rely on cartoons unlike much of the competition which tends to have high levels of acquired production and a heavier dependence on cartoons. It will also have a high educational content.

The proposed service for older children is similarly well-defined and distinctive. Although there is a large number of services addressing this age group the BBC offer differs by being mixed-genre, including news, interactivity, and factual programming as well as drama, comedy and entertainment. It too will have a high level of original and domestic production.

The children's channels will be supported by many parents, and I hope that the BBC will now be able to create services that will be a legacy from us to future generations of children.

Conditions will include a requirement to maintain the genre mix in peak times with live programmes including news bulletins at the core of its schedule. The service must not go head-to-head with the competition solely with acquired programming.

As currently described, I am not convinced that BBC3 is distinctive. There are already a number of other broadcasters in this part of the market and the plans available from the BBC are insufficiently clear for me to be confident that the proposed service will offer public value proportionate to the impact on the market. I have therefore asked the BBC to continue broadcasting Choice in the evening while they prepare a further submission for my consideration.

The radio services provide a different problem. Digital take-up on radio has been painfully slow, and equipment prices remain high.

More than any other institution the BBC has the capacity to build the digital radio market. It is proposing to offer distinctive and attractive new services to audiences not currently well served across the UK.

A strong BBC presence on digital radio should increase listeners and further encourage manufacturers to bring new products on to the market at prices that people can afford.

Network X will provide a national service aimed at those who like contemporary urban black music. It will feature new music, much of it by UK artists and have a high proportion of live music. This will differentiate it from the existing local FM stations which also broadcast black music. These tend to be much more focussed on American and

chart music and usually have a much lower speech content than is proposed for AX@.

Network Y, covering popular music of the 1970s to 1990s will similarly operate in a national market not well supplied by FM competition, and not at all covered on digital radio.

Network Z will have a wider range of speech programming than any existing commercial service. It could help to build the digital audience with its very distinctive offer, which would in the long-run make the digital market more attractive to commercial broadcasters.

The proposed Asian network will expand an existing regional service. It addresses the BBC's duty to meet the needs and tastes of us all. Many British Asians will welcome a national station which meets their needs.

5 Live sports Plus is a sensible proposal to use the digital environment to make better use of sports rights already held for broadcast on BBC radio. It will be subject to the condition that it can only be used for these overflow purposes - it must not be used to acquire rights for its own purposes.

Service Conditions and the Commitment to Review

A variety of arguments have been made against each of the new services. That is why I am serious about the conditions I have attached to each of them, and am extremely serious about the commitment to review.

The general conditions on the new services are important. They will ensure:

- \$ high levels of domestic production
- \$ high levels of original or commissioned production
- \$ recognition of cultural diversity; and
- \$ high quality production

Equally important are the conditions on the new services which must not be allowed to damage the PSB requirements for BBC 1 and 2. It is no part of Government's job to get involved in programming and scheduling but the BBC must not use the new services to reduce its range on BBC1 and BBC2.

I wish to give the clearest guarantee that I can - these new services are to extend the BBC's offer in the digital environment, not reduce its range of offer on its main services.

I should now like to turn to the requirement to review the performance of the new services.

The purpose of the review will be to measure the BBC's performance against its promises. Has the new output been distinctive? Has it featured a high level of original and domestic production? Have BBC 1 and BBC2 maintained, or ideally improved, their output of challenging PSB?

Equally importantly - Has the BBC maintained its promise to produce distinctive services that add to consumers' choice and do not just repeat what others are doing? Is the BBC leading and challenging the market or is it simply competing head on?

The review will not be long drawn out. I intend it to begin in 2004 and to be complete by August that year. While there is no need yet to identify the person who will lead the review I can say that she or he will be robust, independent and expert. I can assure you all that the approvals, including all the BBC's promises, will be thoroughly scrutinised.

These conditions and reviews will strengthen public confidence in the BBC. It can be proud of what it has done for itself, its audience and the nation. If it maintains its historic standards on BBC 1 and 2 and on its radio services, if it reaches out to new audiences in the digital world, if it challenges the market to do even better, then it has nothing to fear and everything to gain.