



MEDIA REFORM COALITION

SUBMISSION TO BBC CHARTER REVIEW PUBLIC CONSULTATION¹

7 October 2015

The Media Reform Coalition was set up in September 2011 to coordinate contributions by civil society groups, academics and media campaigners to debates concerning media regulation, ownership and democracy. We work with partner groups and supporting individuals to produce research and to organise campaigning activities aimed at creating a media system that operates in the public interest.

Executive Summary

The BBC and the Market

The MRC does not accept the premise of the Green Paper that the BBC should be judged primarily on whether its existence impedes other organisations from operating in the UK broadcast market. The BBC should be evaluated simply on the extent to which it is delivering a high quality public service.

Independence

The BBC needs to be more independent of Government and, to that end, the Charter renewal process and the establishment of the license fee must be taken entirely out of the hands of Government. (See questions 15, 18 and 19)

Innovation

The BBC should establish an arms-length, independent commissioning body with a brief to nurture innovation. This should be staffed by people from a wide range of backgrounds and tasked with helping to establish independent, online channels using BBC cross-promotion to help build audiences. This initiative should be funded, not by top-slicing exist programming budgets, but by levies raised from the profits of some of the largest media companies in the UK including Google, Facebook, Sky and BT. (See question 12)

License Fee

The Government should move towards a new form of progressive license fee, collected alongside council tax and similarly 'tiered' so that those living in the biggest houses, in the richest areas, pay more than those living in a one room flat in a poorer area. (See question 11)

Local News

¹ Written by Professor Angela Phillips on behalf of the Media Reform Coalition

There is clear evidence of market failure in the delivery of news to local areas in the UK. Large swathes of the country have access only to one monopoly news provider or have no local news service at all. The BBC should be encouraged to fill the gap where the commercial sector has failed, where possible in conjunction with independent local journalists, and working within existing impartiality guidelines. (See questions 1 and 10)

Introductory comments concerning the BBC's mission, purpose and values

The Media Reform Coalition does not accept the suggestion that the BBC is merely a corrective to 'limited market competition'. It therefore contests the suggestion in the Green Paper, which appears to underpin the consultation, that the BBC should only exist where '[cultural] goods would not be provided in sufficient volume by the market alone' (page 14). Indeed given that, in the one area in which there is clear market failure (the delivery of local news), the BBC has been prevented from getting involved for fear of interfering in a non-existent market, it is clear that this concept of market failure is being used by the commercial sector, not as a means of enabling intervention where it is required, but of preventing it at all costs.

Nor does it accept that market competitiveness is necessarily a spur to higher quality. It is indeed the case that the American HBO service (the only example provided in the Green Paper) is capable of providing high quality drama to a subscription-paying, niche audience in a very large market. However, there is ample evidence that in markets with high levels of commercial competition, the most usual outcome is not high quality, but a drop in quality as time is given over to cheaply made programming for mass audiences. Indeed, as Lord Grade himself said in his 1992 MacTaggart lecture, the most likely reason for the high quality drama, produced by the commercial sector in the UK, is the need for commercial companies to compete with the BBC for quality. This form of competition is clearly a public good that is not recognised or celebrated in the 'rationale for the BBC' as it has been drafted.

Nor does the MRC accept the premise of the document that the private sector organisations have a natural right to provide services in any particular area of endeavour, or that a publicly owned organisation that is responsible to, and therefore responsive to, its licence payers should only be given the right to exist in the case of market failure. Where publicly owned organisations have shown themselves to be capable of delivering a good service at a reasonable price, there are no reasons (other than ideological ones) why that service should be curtailed in order to provide room for private sector organisations that wish to operate in the same territory for profit. The BBC demonstrates on a daily basis that, provided its budgets and freedom are not curtailed, it is as good, if not better than, the profit-making sector at supporting creative endeavour. We believe that the fetishisation of the commercial sector in the delivery of cultural goods needs to be challenged.

The MRC believes that the BBC should be judged on its merits for delivering a high quality public service. It should not be judged on whether its existence impedes

another organisation from establishing a similar service. The commercial sector has risen to the challenge of competing for quality with the BBC and the BBC is clearly essential to upholding that quality. For that reason alone, there is a strong case for ensuring that the BBC is adequately funded across the range of creative and cultural output.

Content Mix

The mission of the BBC has always been to provide for all licence fee payers. If the Government believes that all citizens should have an equal right to high quality material, irrespective of background or income, then it is essential that the BBC is seen to provide for all the people who are paying for it. If it starts to be seen as an organisation that simply caters to an elite minority, the rationale for a universal payment system will collapse and the BBC will not survive. If the BBC does not survive with at least its existing budget and freedom of action, then we can expect to see both a drop in the standards of creative programming and crucially, also a change in the mix of programming so that fewer people will 'stumble across' the kind of information that is currently produced in news and current affairs.

The idea that the internet and commercial channels have made the need for universal access redundant is simply not proven. There is a growing body of evidence suggesting that people living in more commercially driven media environments, without the stimulus of high quality non-commercial programming, are far more narrowly informed than those living in countries in which there is a well supported media public sector (Esser et al 2012, Aalberg et al 2012). This has become more, rather than less, important as evidence grows of the way in which the internet, rather than broadening access to services that 'inform, educate and entertain', in fact narrows access, because of the impact of social media and the algorithms that are employed to make it operate effectively (Phillips et al 2015).

It is in this context that the MRC believes that the BBC governance should be democratised to allow for greater representation from the creative sectors, the world of media research and from people in under-represented communities (see question 15).

Responses to the Questions

The BBC's Public Purposes

These questions are framed around the assumption that the BBC remit should be narrowed. On the contrary, we believe it should be broader. In particular it should include a greater commitment to 'reception diversity'; in other words to ensuring not only that the BBC provides diverse views, but also that the BBC is opened up to a greater diversity of views and that audiences are able to encounter a range of opinions via a variety of platforms.

Question 1

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

The public purposes of the BBC, as they are currently framed, are indivisible. There is now copious evidence to suggest that citizens are brought to engagement with civic society through a variety of channels. Drama and light entertainment often carry educational messages and serendipitous exposure to political and educational material that occurs in the context of other forms of viewing is particularly important for those who are young and politically disengaged. We are already seeing a worrying trend towards democratic disengagement in many developed countries, which appears likely to grow as viewing habits start to fragment in the internet environment. It is therefore of enormous importance that the BBC remains at the cutting edge of emerging technologies with a very broad brief to do everything possible to promote engagement across all ages, cultures and educational backgrounds.

One area where the Public Purposes could usefully be expanded is in the highly contested arena of local news delivery. The UK is very badly served by commercial news providers at both local and regional level. Some areas have no local news service at all and where news services have survived they cover very large areas and are increasingly run as local monopolies and yet, unlike broadcasters, they have no obligation to be neutral in their coverage of local politics. This democratic deficit is clearly a matter of public concern and yet any attempt by the BBC to move into this vacuum and provide a service to licence fee payers, is met by a roar of disapproval from news organisations that have already shown themselves incapable of sustaining local services for news even while they continue to derive profits from local advertisers. The delivery of local news has always been of great importance to the health of the entire news ecology. While commercial services struggle to deliver it, all news organisations are suffering and so indeed are the communities that are under-served and have no means of monitoring the behaviour of their local councils or their representatives in Parliament. The BBC should, therefore, be empowered to move into areas where local news delivery has failed, where possible in conjunction with, and providing resources to, independent local journalists and working within existing impartiality guidelines.

Question 2

Which elements of universality are most important for the BBC?

This question contains a logical flaw. Universality implies something that cannot be limited or reduced to its elements. A universal licence means that the BBC must cater to everyone in as much as it is possible for it to do so. If everyone pays for the BBC then everyone must feel that they are being served by it and that their contribution in cash terms is modest compared to their enjoyment of the product. As soon as the purpose of the BBC is narrowed, it breaches the trust it has with its paymasters. Its purposes need to be as broad as possible to allow for the constantly changing requirements of the audiences it serves. It must be free to engage with its

audiences where they are, on every platform, and in terms that its paymasters can appreciate and enjoy. It is essential to the concept of universality that the BBC should be responsible to licence payers and not to the Government or any proxy of the Government.

Question 3

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

The potential values set out in the Charter document appear largely un-contentious. However the inclusion of 'Efficiency/Value for Money' sits very uneasily in a set of values that cover independence, impartiality, quality, transparency, distinctiveness and diversity. Efficiency and value for money are accounting terms that have little to do with values. Every organisation has to live within its means and to do so has nothing to do with values. The inclusion of this term in a future Charter would leave the BBC open to attack by those who wish to curtail its ability to function within a highly competitive field. It is a means of providing a stick with which commercial competitors can beat the BBC and, as such, it should be removed from this list.

What the BBC Does: Scale and Scope

The entire premise of this set of questions assumes that the commercial sector has a right to its place in the sector and that publically funded or publically owned services should make room for them. This is not a premise we would accept and we are answering the question using different assumptions as a starting point.

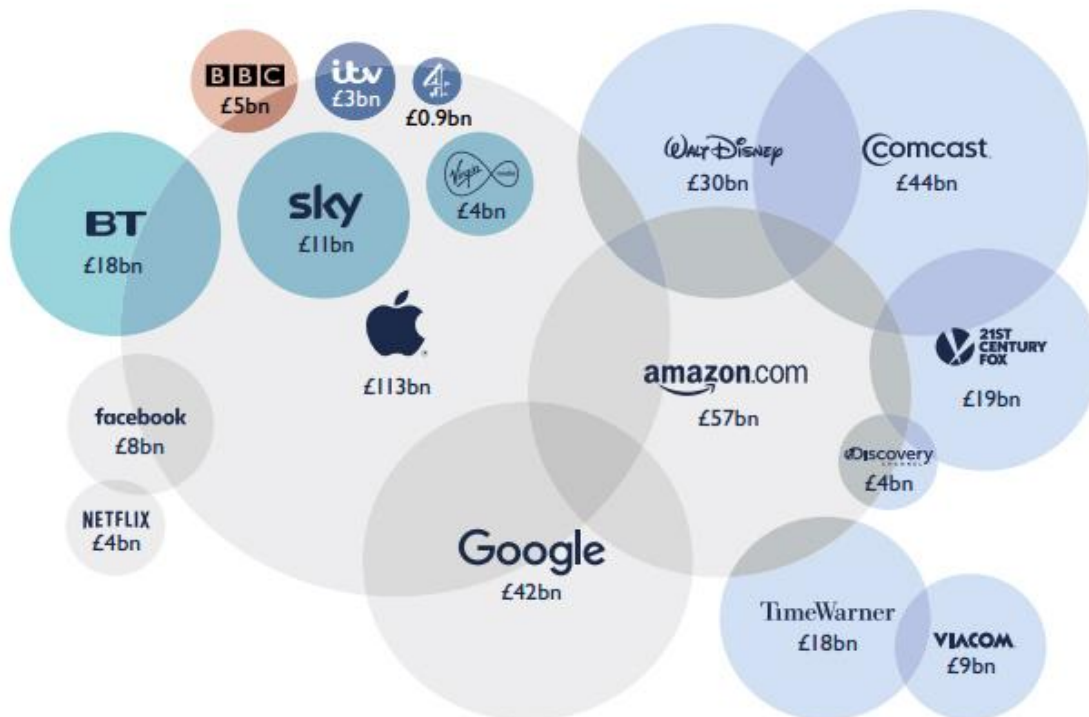
Question 4

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

Much has been made of the size of the BBC relative to other media organisations. As the illustration below shows, it is not the BBC that is 'crowding out' but American corporations that have been allowed to grow, unchecked, to become not just oligopoly providers at home but across the world.

The question is leading and misrepresents the facts. The BBC is not expanding, instead it has shrunk since its last Charter settlement as a result of the licence fee reduction imposed upon it in 2010 by an amount variously estimated at between 16% and 20%.

Global revenues for media companies⁴⁴



source: BBC, <https://twitter.com/aboutthebbc/status/640798475551158273>

However it should be a matter of pride – to Government and to licence fee payers – that the forward-thinking and creativity of the BBC has ensured that the corporation has remained a player at a time when almost all globe-striding endeavours are American owned. In the context of such unchecked global ambition, it is more essential than ever that the BBC is allowed to maintain its position in order to protect both audience choice and the British creative industries.

Failure to protect the BBC, on the misguided assumption that the market would move in and provide an equivalent, or perhaps even better service, for British audiences, is misguided. As sociologist Pierre Bourdieu has pointed out: 'One of the paradoxes is that competition has the effect ... in fields of cultural production under commercial control, of producing uniformity, censorship and even conservatism' (Bourdieu 2005: 44).

Equally misguided is the assumption that outsourcing production to commercial companies will be of benefit to the British creative industries. The evidence of the move towards outsourcing over the last few years has already shown that, where first a thousand independent flowers bloomed, in a very short period of time independent British production houses have been swallowed up by (mostly) American companies.

If British cultural production and creation is to be safeguarded into the future, and audiences are to be well-served, it is essential that the BBC is allowed to continue to grow as a market for cultural products, but also that it continues to provide a role in both production and training for cultural workers.

Question 5

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

If we look at other markets, for example in Norway or the USA, we see that the existence of public broadcasting has had little negative impact on the health of the commercial sector and a positive impact on the education, knowledge and (arguably) cohesion of societies (Aalberg and Curran 2012). The collapse of local and regional newspapers in the US was in no way prevented by the non-existence of publicly funded broadcasting.

The predators, both in the USA and in the UK, were huge global companies: Facebook and Google and the local free advertising networks which deprived local news organisations of their income. In Norway, on the other hand, with its publicly funded broadcasting and state supported newspapers, the news-reading habits of local people have not changed significantly. Norwegians still watch TV (though in diminishing numbers as in the rest of Europe and America) but they continue to read their local press either on paper or online. Norwegians have not seen the collapse of the local and regional press though they still face similar problems in terms of finding ways to monetize their online news offerings.

There is no evidence that, diminishing the supply of news by strangling the BBC, would in any way solve the problems of the commercial news organisations. These problems lie in finding a solution to the advertising crisis. Audiences need to be served with news programming while the commercial sector struggles to find an alternative solution. As the USA well demonstrates, turning off the supply of publicly funded news in order to support commercial efforts, will not only not work, it will ensure that increasing numbers of the young and the poorly educated are cut off from any source of news and current affairs information.

Question 6

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

The BBC has demonstrated that the public sector can take a lead in innovation and that, when it does so, it keeps its public purposes, rather than the needs of its shareholders, firmly in mind. The result has been that the British audiences and licence fee payers are the winners. The iPlayer, for example, is available free to all of us. It is most unlikely that a similar development in the private sector would have provided such a material boon to audience members. The investment in the BBC has paid off at every turn. If we invest less we will benefit less and the likelihood is that innovations will either emerge in the USA or, even more likely, that home-grown

innovation will then be bought up by US companies who will sell it back to us at a profit to their share holders rather than to British innovators and audiences.

We are now entering un-charted territory in terms of changing audience behaviour. Emerging research (Phillips 2015) shows that young people in the UK are particularly dependent on social media for news and that the news they are receiving is fragmented and often entirely entertainment-oriented. While commercial services provide a service that young people like, they have no obligation to sustain citizenship or civil society. That is an important objective for the BBC and one that it cannot possibly serve unless it goes where these young people actually live: online and in social media. If the BBC is to provide for a new generation of people who get much of their news and cultural content within fragmented online services, it is essential that it continues to innovate and to learn about changing audience behaviour.

Question 7

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

Evidence commissioned by the BBC demonstrates that audiences are not all equally well served. In particular young people, ethnic minorities and the Scottish Welsh and Irish communities feel under-represented and there is evidence that the BBC under-performs at local level because it has been barred from providing a local news service due to competition concerns expressed by failing local news organisations. The decision to pass responsibility for the over 75s licence-fee waiver directly to the BBC will only make this imbalance worse. Most evidence suggests that older people are well represented by the BBC and it is not their services that are most likely to suffer the impact of the inevitable cuts that this subsidy will impose on the rest of the service. The cuts will be felt most by those who already underserved. BBC3 is already due to go online only and, according to statements by Tony Hall, it seems likely that children's services and BBC4 will follow. Greater representation cannot be achieved by cuts in services. What is required is a more thoughtful approach to democratising the BBC so that more diverse voices are heard in decision-making at all levels.

Question 8

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

The question of genre mix is not one in which the DCMS should interfere. This is clearly an editorial issue that should be well outside the remit of any Government department if the BBC is to retain any semblance of independence.

The question of differentiating a public service remit from a commercial remit is one that has not been solved but that is partly because it is the wrong question. There is nothing inherent in the BBC's remit that suggests that it should refrain from producing material that is popular. Indeed part of its remit is to entertain. There is no reason to assume that it should be forced out of areas where commercial services are competing, provided that it is meeting its obligation to the license payers. On the

other hand, if ratings are used as the main arbiter of success in fulfilling a public-service remit, there is a clear concern that minority audiences and less popular programming will be overlooked. One way of tackling these contradictions may lie in greater devolution of responsibility but this carries inherent risks and the BBC is necessarily risk-averse because of the level of scrutiny it endures.

The answers lie in forms of governance, which allow a greater degree of freedom to people lower down the chain of command. This can only be achieved if the BBC is not living under constant existential threat from Governments that use the Charter Renewal round as a means of bringing it to heel. It is by devolving decision making that institutional assumptions are disrupted, making room for fresh ideas. It is clear that BBC3 and 6 Music have had more freedom to break with tradition because they are under less scrutiny than the more mainstream programmes. Indeed it is at the fringe (the areas where arguably the DCMS would like to see less activity) that the BBC is most able to innovate. It would not be wise for the BBC to consolidate in ways that bring everything under the total command of the centre. That way lies atrophy rather than innovation.

Question 9

Is the BBC's content sufficiently high quality and distinctive from that of other broadcasters? What reforms could improve it?

Success in the creative and cultural field is never guaranteed. Some projects will fail while some will succeed. As the BBC innovates, other broadcasters are watching and where the BBC finds success, for example in the case of *Bake Off* and *Strictly Come Dancing*, other broadcasters are likely to follow. When this occurs, the original appears to be less innovative because it has been copied. This conundrum must also be considered in the light of plans (discussed below) to outsource all programming in future. If the BBC are not in charge of any of their own production they will have to compete in the market for format ideas and shows which are also potentially on offer to other broadcasters. It seems likely that, as is the case with *The Voice*, which is a bought-in format, they will be found wanting in terms of their own purposes on the grounds that the work produced is not sufficiently 'distinctive'.

Quality, distinctiveness and innovativeness are elusive qualities that are most likely to be nurtured in organisations that allow a high degree of autonomy to individual creative units. The BBC at its best is capable of nurturing such units, particularly so in relation to its ground breaking technological innovations. Where it has greater difficulty is in its production – particularly in relation to news and current affairs – because a culture of crisis management means that every decision has to be scrutinised for fear of public repercussions. Thus the very requirement for transparency and accountability is inclined to lead to sclerosis and timidity. The only way to correct this is to allow for a much greater degree of fluidity in decision-making and this can only happen if the BBC is freed from the fear of Government intervention whenever a mistake is made. A creative and distinctive BBC would be an organisation that has far greater freedom of action, far greater tolerance of mistakes and a far more stable income.

Question 10

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

One assumption underpinning this consultation is that the mere act of outsourcing to the private sector will improve quality and distinctiveness. There is no empirical evidence for this. The experiment in outsourcing did, earlier in its history, facilitate the development of a large number of independent companies, all of whom were able to bid for BBC work. Very quickly this process became impossible to manage and rules were brought in to stem the flow and separate out those companies deemed most likely to be able to sustain large budget production and those who could bid for one-off productions. Then, as the independents built up a reputation they started to be bought up, largely by companies based abroad. Thus we find ourselves in the current position where 'consolidation' in the field means that many of the originally independent companies, who are already producing a range of what most people would see as 'core' BBC programmes, are no longer independents and take up the bulk of the contestable WOCC quota (squeezing out BBC production). They are themselves part of large corporations and many of the people who were responsible for them have moved from the BBC to these companies where they can command higher salaries.

Now the BBC is proposing to change the quota system to make all programming (bar news and current affairs and children's) contestable. The likely result of this is that more BBC talent will 'cross the floor' to work for independent companies, offering greater inducements. The suggestion that the BBC studios be allowed to compete with the independents will increase insecurity without reducing scrutiny of, for example, salary levels. The result is likely to be that the BBC loses talent, which it will then have to buy back from the independent companies. However, instead of having control over its own programming, it would then have to compete for programmes in the open market against far larger organisations with much deeper pockets. It is hard to see any benefit at all to the BBC from this new arrangement. Indeed this looks very much like an attempt to destroy BBC distinctiveness from the inside.

Local News and the BBC

There has also been discussion of the BBC entering into some kind of arrangement with local news providers on the completely unproven premise that the BBC provides 'unfair competition'. Since the BBC does not at this time provide a local news service, only a regional one, this complaint is not grounded in any evidence. The local press has seen its advertising market slashed but that is not the fault of the BBC and it is not up to the BBC to recompense the losses of over-leveraged media chains.

Discussions about content sharing at local level are an interesting development but the BBC has public service obligations that do not apply to the local press. While local newspapers are free to campaign in elections, BBC journalists cannot do so and

it would be wrong for BBC content to be re-purposed in any way that would breach impartiality regulations. The use of local newspaper reporters, trained to provide content that could be used by the BBC, would not get around the problem. The way in which material is now used online and in social media, means that context is often removed. It would be damaging to the BBC if reporters used in BBC programming were also seen to be providing content that was explicitly biased. Any move towards collaboration at this level must therefore involve discussions about safeguards.

There certainly does need to be a means of injecting more money into local news production but, if the BBC is 'top sliced' to prop up the failing local press, it will simply lose journalists. Money is indeed required but it might be more useful to require Google and Facebook to provide an independent levy for the support of local democracy than to take it from one of the few providers that is still capable of providing a regional news service and is doing so within broadcasting regulations which require balanced coverage of political issues.

Funding

Question 11

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

There is clearly a need to modernise the license fee. There is no rational basis for a system that requires those who watch *Bake Off* at the time it is transmitted, to pay for it, while those who consume BBC news online get their services for free. Nor is it reasonable that a young single mother can go to prison for failing to pay her license fee while a 75 year-old millionaire gets her or his TV viewing for free.

What is required is a system that is independent of the Government (and therefore not subject to political manoeuvring), universal and progressive. The simplest way forward would be to adopt the German arrangements which attach a payment for broadcasting to the payment of council tax. The levy could then be tiered so that those living in the biggest houses, in the richest areas, pay more than those living in a one room flat.

However while the license fee transitions to a new system it is imperative that

- It is not used as an opportunity to reduce BBC income
- Future changes in funding levels are passed over to an independent body and taken out of the hands of Government
- A comprehensive public education campaign is undertaken to explain to license payers exactly what is happening and why a payment of less than £3 a week is a bargain, not a burden.

Question 12

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

This question goes to the heart of the BBC's independence. It is wrong that the Government should be able to 'lean on' the BBC in the run-up to every Charter review in order to get it to undertake activities that are not part of its remit and have often not even been publicly discussed. The roll out of broadband, Digital Switchover and, more recently, the World Service and the allocation of responsibility for free licenses for the over 75s have been foisted on the corporation at the expense of the license fee payers when arguably they should all have come from general taxation.

The question of contestable funding also raises questions about independence and governance. Already a fair proportion of the BBC budget is contestable, or ring-fenced, for commercial companies to provide content. The suggestion here is to take funding out of the control of the BBC and give it to some other organisation to allocate. This appears to introduce an element of internal diversity but it is hard to see how it would work in practise and it is most unlikely to improve 'efficiency'.

Establishing an alternative, commissioning infrastructure would be expensive and if these alternative commissioners were competing for the same slots as the BBC commissioners, it would also introduce a level of uncertainty and of redundancy in BBC production leading almost certainly to staff lay-offs. If the alternative commissioners were allocated separate ring-fenced parts of the schedule, it might work better (although it would still mean cuts in BBC staff), but it is hard to see how it would be possible to avoid the 'more of the same' pressures that tend to arise in circumstances of increased competition for audience attention and there would still need to be a level of collaboration to ensure a balance of material across the schedules.

A better option might be to establish an independent commissioning body with a specific brief to nurture innovation (much as Channel 4 originally provided), staffed with people from a wide range of backgrounds (including representatives of ethnic minorities and the regions), tasked with establishing a number of online video channels using BBC cross-promotion to help them find audiences. The problem of oversight would still arise (given the very tight public service obligations of the BBC) but if these were arms-length, independent operators with a looser relationship to the BBC, some of the difficulties might be overcome. With the help of these laboratories, new independent channels would be given the opportunity to establish themselves and the best of them would either become commercially successful (and cut their BBC ties), or attract the attention of commissioners on terrestrial channels. However this should not be achieved by cutting existing programme budgets but via new funding possibly via levies on the profits of some of the UK's largest media companies such as Google, BT and Facebook.

Question 13

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

This constant reiteration of this question has become a means by which the Government and the press have sought to alienate license payers. The cost of the BBC (less than £3 a week) is significantly lower than any subscription service and is

also lower than fees raised in a number of other European countries. The only relevant benchmark for senior creative personnel would be others in the same industry. While the consultation is fixated on the 74 highly paid, very senior, members of the BBC staff, it does not consider at all the impact of competition and uncertainty at the bottom, where more and more creative staff are employed on short term contracts. The outsourcing of programming to the commercial sector has had the effect of increasing insecurity and lowering levels of pay for new entrants while increasing pay and remuneration to those at the top who own often shares in media companies which they are then incentivised to sell on. This merry-go-round has the inevitable effect of reducing the number of home-owned media companies and increasing the outflow of both talent and profit.

Question 14

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

It is difficult to understand why the question of privatisation is even on the table. If the BBC is doing well commercially, and reinvesting its earnings in the BBC, this helps to keep the license fee low. To sell it off would be robbery as it belongs to license-fee payers. It is impossible also to understand why a successful company that is doing well in an international market and brings back all its profit to the UK, should be threatened with privatisation in order not to compete in the same market with commercial companies, most of which are owned abroad and bring none of their profits back to the UK.

Governance and Regulation

Question 15

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

The BBC, in common with many other public bodies, suffers from far too much re-arrangement of its governance. Every time a crisis arises, there are high-level resignations, copious apologies and even then the assumption is always that there is something wrong with the structure. The assumption this time around seems to be that the Trust has failed to punish the BBC sufficiently for the Savile scandal (although the Director General resigned over it), and for the over-payment of severance (although severance payments have now been cut back along with pay at the top of the organisation). The speed of discovery, apology and reparation at the BBC leave private sector companies in the shade and yet still more sanctions are sought: the paper suggests in the shape of fines. The reality is that the BBC lives in a culture of fear which stifles innovation and that any further attempts to punish those in control will only exacerbate the buck-passing tendencies that prevent the experimentation that should be at the heart of the corporation.

When changes are made to governance, they rarely impact on the issues that are of real concern to regular audiences – that the BBC is not sufficiently representative of

minority groups, not sufficiently distinctive and not sufficiently democratic in its decision-making. Indeed these concerns are unlikely to be addressed, or even understood, by a Trust that is heavily weighted towards business expertise, as opposed to expertise in understanding audiences, culture, diversity, technology and innovation. It is surprising, for example, that there appears to be nobody on the Trust appointed for their expertise in media research and a total dearth of expertise in the arena of theatre or film.

An immediate improvement could be made to ensure greater responsiveness simply by making sure that each Trustee represents and is accountable to a specific area of the BBC's remit and is responsible for convening regular consultations with experts in their field of interest. By opening up the representation at the top of the organisation there would be a greater incentive to allow more air to penetrate further down. If commissioners feel that they have support right at the top for innovation they are more likely to take risks.

If, as seems likely, a unitary board is recommended with a back-stop regulator, then it is essential that board members and regulators are selected for their knowledge of the media industry and license-payers rather than simply because they have experience at board level elsewhere. Furthermore, any such structures must be demonstrably independent of government and BBC Executive and composed of individuals who are able to represent licence fee payers and to protect the public interest in communications.

Question 16

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

Public Value Tests were established as a means of maintaining the BBC's position in a cultural field that was rapidly moving away from public service and into the embrace of full marketisation. PVTs allowed the BBC to find ways of describing its activities in market terms and safeguarding its position in the UK and in the EU. As such it was never more than a convenient means of protecting new initiatives and, to a certain extent, it has been successful.

However there is no inherent reason why the BBC should have to judge its own activities in terms of its market impact, rather than solely in terms of its own effectiveness. As long as the British people choose to maintain a service that they pay for, via a universal fee, they have a right to expect that the services that emerge, paid for by them, will be as good as they can be, irrespective of any possible (or imagined) impact on a market that they do not control.

While PVTs may be useful in the short term, the best long-term remedy would be to campaign to protect public service organisations from the incursions of the market, by establishing special legal protection at EU level.

Question 17

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

Part of the response to the question on governance is also relevant here. If there was better representation for a wider section of the community and a wider number of interests on the BBC Trust, or on a unitary board, many of these issues could be resolved by internal reform.

Question 18

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

The BBC is funded via a special arrangement, which is supposed to maintain an arms-length relationship with the Government. It is essential that its independence of Government is not eroded but increased. To this end a regulator, independent of Government and Parliament, should be established under the Charter for the purpose of appointing the Trust and/or the independent board members and of establishing the license fee. This would take these critical decisions out of the hands of Government and establish real independence. The Trust/ and or unitary board (see question 15) should be broadened and made into a more representative body, advised by committees with relevant expertise in a greater range of areas (in addition to financial control), which would provide for greater accountability to the wider community and would be responsible for appointing the Director General.

Question 19

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

The BBC needs a stable framework in order to insulate itself from the constant worry of government intervention. At the same time there needs to be a means of intervening should it be necessary. An eleven-year Charter Renewal period should be established as the norm, (to ensure that it does not coincide with elections) with the possibility of early review to be triggered in the event of unforeseen changes in circumstance, if both the Trust (or the regulator) and the BBC deem it necessary. As we have said in answers to questions 15 and 18, the decision about the license fee and any framework changes, must be taken out of the hands of the Government to avoid the problem of political interference in the future.

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