

BBC Strategy Review

March 2010

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Introduction

Under the BBC's Royal Charter it is the responsibility of the BBC Trust to set the overall strategy for the BBC and to determine how the BBC can best fulfil the public purposes that are set down in the Charter.

We decided last summer that the time was right to conduct a major review of that strategy, to decide what the future direction of the BBC ought to be for this Charter period. As a first stage, we agreed with the Director-General that he and his staff should conduct their own review and put proposals to the Trust.

The Director-General's proposals are set out in full below. But this top section sets out, from the Trust's perspective:

- the challenge for the BBC and the questions we asked the Director-General
- our initial reaction to his proposals

Our analysis is based on three years of work that have made clear to us the views the public hold about how the BBC could improve and the areas of BBC activity that most concern the market. From that understanding, we have formed the view that the BBC can do more to sharpen its focus on its core public service mission; to stop doing some things that it doesn't need to do, to improve the value for money it provides; and to reconsider how it can best meet the requirement that it offers something to all parts of the audience.

That assessment underpins our approach to this review and we judge that, at the headline level, the core vision and principles set down by the Director-General provide the right response.

We now want to conduct further work on the proposals that he has put forward for implementing that vision and applying those principles. In particular, we want to find out what licence fee payers think of the proposals, and to test opinions and reactions from outside the BBC.

Where we support one of the Director-General's proposals, and already have the evidence we need to give that support, we have said so. In other areas we have identified the need for further thought and analysis and it is in those areas that we would particularly welcome external comment. We have provided a three-month period for anyone who wants to respond to send their thoughts direct to the Trust.

In the next stage of work, the Trust will use those responses, together with our audience research, to inform our own, more detailed, analysis of the BBC Executive's work. We will then publish a final statement of the BBC's future strategy later in 2010, incorporating:

- the key commitments we will require of the BBC
- the changes we will ask the BBC Executive to make to fulfil each of those commitments
- the set of headline measures the Trust will use to determine, through annual planning and reporting, whether or not the strategy is being delivered

Our reference points – the audience and the market

The Trust bases all its work on the views and interests of licence fee payers – we take very seriously the privilege of licence fee funding and we recognise the direct responsibility we have to those who pay for the BBC to hold it to its public service mission. They tell us that:

- they are proud of the BBC and see it as trustworthy
- they want it to be strong and independent
- they are willing to pay for it

But they also say that:

- they expect good value from the licence fee
- they want their money to be spent on high quality programmes
- they want more programmes that feel new and different

The Trust's focus on the public and on public service is our starting point when considering our other reference point – the impact of the BBC on the market. We try to ensure that the BBC, in pursuing its public purposes, operates in a way that promotes the health of the wider media industry and does not compete unfairly, exclude new entrants or squeeze out smaller competitors.

We took soundings from representatives of a range of media companies during the first phase of this strategy work and heard:

- a confirmation of our view that BBC content could be more distinctive and ambitious in fulfilling its public service mission
- a concern that the BBC is not clear enough about where the boundaries are with the commercial sector, especially online
- a questioning of the value provided by some of the BBC's proposals for partnerships, and of whether the BBC has a genuine incentive to open itself up more to work cooperatively with other companies

The reactions from both audiences and industry raise questions about how the BBC can sharpen its focus on its public service mission, and how it can show more sensitivity to the concerns that other companies have about the impact of its scale and resources.

In its first three years, the Trust has done a lot of work aimed at addressing these concerns and changing the BBC. We have put in place tighter editorial standards and have championed stronger efforts to make programming more distinctive. We have pushed the BBC to curb top talent pay and reduce the salary bill for senior managers. We have encouraged the development of more innovative forms of cooperation and interaction with other broadcasters. We have introduced a tighter remit for the BBC's commercial arm, BBC Worldwide.

However, we also recognise that beyond these individual changes there is a bigger picture. The Trust believes that it needs to do more to help the BBC rediscover a clarity of purpose around a public service mission and to give it the confidence it needs to pursue and fulfil that mission more rigorously.

The strategy review was therefore launched to address some of the bigger questions about the underlying rationale of the organisation, its culture, behaviour and organisation.

Why this review is important now

The BBC's response to the development of digital technologies over the past twenty years has been to invest in an expanding range of new digital services on radio, television and online, including iPlayer. Recently, it has invested in digital infrastructure too through Freeview and the process of digital television switchover. As a result, audiences have come to value the BBC as a trusted guide to new technology as well as a provider of a much broader range of highly valued services.

However, as the current phase of infrastructure investment (particularly in digital terrestrial television and in the digitisation of internal systems) comes to an end, the time is right to reconsider the rationale for and the effects of that expansion. In particular:

- As digital switchover takes place, is the current portfolio of BBC services still appropriate or should it be changed?
- Has an expansion in the number of hours of programming, together with a focus on infrastructure projects, brought any dilution in the quality or distinctiveness of content?

More recently, two other significant changes have taken hold in the market beyond the BBC that nonetheless raise major questions for future BBC strategy. First, there has been a proliferation of new ways for consumers to get the same content using internet-based services. As a result, the traditional BBC model, which closely integrated distribution platforms with content production, is more open to question. Second, and partly as a result of that change, traditional media business models have been squeezed – putting pressure on the type of public service content traditionally provided both by ITV and Channel 4 but also by a range of local newspaper and media companies.

These changes in turn pose questions for the BBC about its relationship with the rest of the industry that it needs to consider further:

- As the number of different platforms increases, what is the best distribution model for BBC content? How can it continue to serve all audiences? Which platforms are most important and where should a boundary be drawn around the BBC's involvement?
- Should the BBC respond to the problems that some commercial businesses are having by looking for opportunities for strengthened cooperation or should it leave other companies alone? Is there a different model of the BBC that is more open and less exclusive in how it creates and manages public space?

The Trust's challenge to the BBC Executive

The Trust set the BBC management five lines of inquiry at the start of this review process that are built on the analysis set out above.

1. How can the BBC best maintain quality and distinctiveness?

The licence fee requires the BBC to try to reach all audiences and that is a fundamental part of our mission. However, there are different ways of achieving that reach and the BBC should look to take the approach with greatest public service benefit. While there may always be some tension between the need to reach people with popular content and the need to hit Public Service Broadcasting heights, that tension can be resolved if programmes are clearly distinctive and of high quality.

What should be provided by a publicly-funded service and what should not? For example, what is the right approach to more popular programming, including the controls placed on talent costs and the prices paid for sport and film rights?

2. Where if necessary could the BBC's focus be narrowed and its scale reduced?

After a period of successful year-on-year efficiency savings across the whole BBC, there now needs to be some radical thinking about either reducing the number/reach of services or in clarifying their boundaries to focus on some clear priorities. It is also worth considering a restructuring of the whole cost base. Otherwise, an attempt to impose across-the-board savings in future years risks destroying some things of value including programme investment and editorial standards.

How could the current scale of the BBC be reassessed?

3. What will a fully digital BBC look like?

Future technology could bring a wholly non-linear, digital BBC experience for those who want it. The offer for licence fee payers is changing as broadcasting shifts from a command-and-control, scheduled analogue world towards this entirely digital approach – although there is a good deal of uncertainty about the pace of this change.

What does the next phase of digital change mean for the BBC and how we can maintain the greatest impact? Will it ever allow the abandonment of some existing linear models entirely? What new commercial models ought to be considered on top of the public service offer?

4. Can the BBC better define the 'public space' it provides?

The public place great value on the non-commercial environment provided by the BBC, which they see as politically and ideologically independent. The BBC offers a cultural and public space in society which isn't trying to sell anything and can be trusted. This explains the pride people say they have in the BBC as well as their disappointment when they feel it has let them down.

Digital change is in general liberating for individual consumers, but it can also be intimidating for some, and it tends to fragment audiences. The BBC can develop its digital and interactive services in a way that builds trust and provides both a public service and a continued sense of shared experience. It can also build a broader public space by working with other public cultural organisations to share and promote a wider range of content.

What implications does this have for the future creative and editorial direction of the BBC? Technologically, what should a digital public space actually look like? Commercially, where should the boundary be drawn between the commercial space of BBC Worldwide and the publicly-funded services?

5. How can the BBC create most value from its scale?

The BBC represents a very large positive public intervention in the media economy, reflected in Deloitte's analysis that puts the economic gross value added of the BBC at £7.7 billion.

Where can those benefits be further increased or exploited? Where are the partnerships across the industry that can create increased value both for the BBC and for others?

The Trust made it clear to the BBC Executive that it should make no assumption, in completing its work, about the future level of licence fee funding. The proposals put forward should provide the management's view of the right future strategy for the organisation, irrespective of the value of any future funding settlement. BBC Management should also be guided by the principle that the BBC should be no bigger than it needs to be to fulfil its mission.

Our view of the BBC's proposals

The detail of the BBC's proposals is set out below and we will not repeat it here. Instead, in this section we offer our immediate reaction and explain where we will want to do more work in the months that follow.

We support the core vision set out in the Director-General's foreword of 'a BBC focused on quality content and enduring values, keeping open a public space for all'. We also endorse the central principles put forward for achieving that vision:

- putting quality first
- doing fewer things better
- guaranteeing access
- making the licence fee work harder
- setting new boundaries

We think these headings add up to a serious and coherent agenda that addresses the challenge that the Trust has set.

Our central concern – and the focus for further work – is to test how far the rest of the strategy will be sufficient to deliver these five headlines and whether there are alternative/better ways of delivering them. What is the range of different approaches that could deliver the Director-General's vision through applying these five central principles, and which of them do licence fee payers prefer?

We will therefore want to test the detail of the proposals against licence fee payers' views and against the concerns that the BBC's competitors have expressed.

We recognise that this sort of strategy, which heads towards a more disciplined and more sharply focused BBC, will require some difficult choices about where to slim down the organisation and we will not shrink from those choices.

However, at this stage we are not formally assessing any specific changes to specific services, including for example those suggested for the Asian Network or 6 Music. Under our formal regulatory processes, to make such changes the Trust would need first to receive formal applications from the BBC, and we would expect the Executive to put those forward only after the Trust has completed its own work and set out its final view on what the BBC's future strategy ought to be.

The strategy proposals that the BBC Executive has given us are proposals for the next four or five years. The Trust also has an eye on the longer-term challenges for the BBC of a more developed digital market and changing economic circumstances where the total funding for public service broadcasting could be under even greater threat. In view of that, we will want to pursue our own thinking, over a slightly longer period, about the implications of those changes including whether, by the time the government comes to review the Charter in 2016, we would want to propose any further changes to the structure of the BBC.

We have set out below in three sections an initial assessment of the detail behind the Executive's proposals, identifying:

- the areas where we feel we already have sufficient evidence to support particular proposals for change
- the areas we will want to pursue further in the next few months, and where we would welcome responses from the industry and the public
- the bigger issues that we think we will need to return to in the medium to long-term

We support:

- the proposal for five clear content priorities:
 - the best journalism in the world
 - inspiring knowledge, music and culture
 - ambitious UK drama and comedy
 - outstanding children’s content
 - events that bring communities and the nation together
- the aim to maximise the percentage of the licence fee spent on content, and to establish a level below which it should not fall
- a more distinctive online service with clearer boundaries and objectives
- changes to improve the distinctiveness of Radio 2, addressing the conclusions of the Trust’s recent service review
- the increase in funding for children’s services, itself a response to the Trust’s review of those services
- the sports rights strategy set out in response to the Government’s listings review

We will want to consider further:

In setting priorities

- how the five content priorities will inform the commissioning process and how far, in practice, they will deliver changes to the audience experience
- how the first priority, the best journalism in the world, will be secured in practice
- whether more should be done to define what we mean by ‘distinctiveness’, and how that can be applied as a lens to judge the output of BBC services
- whether budgetary thresholds of 90% for content/distribution spend, 2.5% on overseas acquisitions and 9% on sports rights are set at the right level, and what qualitative judgements need to be applied alongside such financial measures to get the output right

For particular services

- what the most effective and appropriate boundaries are for the BBC’s website and how far a measure of total budget will address concerns about individual areas of market impact
- whether the right specific boundaries have been identified for radio (around audiences aged 30-50 and for television (around targeted teen services)
- how this strategy fits with the analysis we already have under way in our reviews of BBC One, BBC Two and BBC Four
- what the right balance is for local services between meeting audience expectations of BBC local content and leaving a clear space for commercial providers

For the distribution of those services

- where the limits should be set on the BBC's involvement in future platforms, linked to the Trust's own review of syndication policy
- what 'universality' of access to BBC services should mean in future and where the balance should be struck between pursuing new technology and fixing existing gaps in coverage
- what the next steps might be for the development of the existing free-to-air 'window' on iPlayer, the subsequent commercial windows and the development of an online archive

More widely

- as part of the forthcoming Trust review of Nations and Regions radio services, whether there could be a clearer vision for the BBC in the individual Nations of the UK
- whether the specific proposals for new boundaries and new BBC behaviours are the right ones
- how the BBC's global strategy, incorporating the World Service, World News and bbc.com, should fit in

We believe longer-term thinking is needed about:

- the potential for further efficiencies in BBC spending and cost base (at our suggestion, the BBC executive already has work under way to examine this)
- what the right portfolio of BBC television services will be towards the end of the current Charter, following digital switchover
- whether, at a later date, there are more radical ways of amending the internal structure, culture or incentives of the BBC. First, to anticipate the impact of changing audience attitudes and behaviours in an on-demand world. Second, to try to make it a more open and collaborative organisation and to try to find modes of behaviour and cooperation that would better support the provision of public service broadcasting on non-BBC services

What next?

We will pursue the questions we've set out here through a combination of:

- a public consultation on our website, also launched today
- structured consultation events
- discussion with the Trust's Audience Councils
- engagement with BBC staff
- analysis of existing audience research
- further audience research in specific areas of interest
- continuing work on our television services review, which is already addressing some of the key questions

We would welcome responses to this document from anyone who has an interest, focused where possible on the areas we have said we want to consider further.

Responses

Responses should be sent no later than 25 May to srconsultation@bbc.co.uk or by post to:

**Strategy Review Consultation
BBC Trust
180 Great Portland Street
London W1W 5QZ**

We will use the responses and our own analysis to form a final view on what the future strategic framework for the BBC ought to be. We will aim to provide a provisional view of our conclusions this summer and a final strategy in the autumn.

We will then expect the BBC to put formal proposals to the Trust for those specific changes that follow from this strategy and that require our approval. Those specific changes will be subject to full regulatory scrutiny, including further rounds of consultation where appropriate.



Putting Quality First

The BBC and Public Space

Proposals to the BBC Trust, March 2010

The BBC and Public Space

The BBC's mission is constant and enduring: to inform, educate and entertain audiences with programmes and services of high quality, originality and value. It strives to fulfil this mission not to further any political or commercial interest, but because the British public believes that universal access to ideas and cultural experiences of merit and ambition is a good in itself. The BBC is a part of public space because the public themselves have put it there.

Public space is an open and enriching environment. There are no pay walls in public space. No barriers between the public and the information they need to form their own judgments about the great issues of the day, or between them and the educational and cultural resources which could enrich their own and their families' lives. While commercial media companies have to assign different values to different target audiences—favouring the affluent, for example, or the young—in public space, everyone is as important and valuable as everyone else.

And public space is independent space. There is no place in it for censorship or bias. In public space, citizens have the right to receive impartial and accurate news, to encounter and engage with the full range of opinion. Government and state perspectives are there to be explored and scrutinised like everything else, and do not enjoy special privileges or vetoes.

The BBC is a part of public space, but public space is far bigger than the BBC. It certainly includes other public service broadcasters like Channel 4, as well as many other public institutions: art galleries and museums, public libraries, universities, artistic and cultural bodies, national parks, urban parks and green spaces, great national houses and monuments held in trust, churches, charities and voluntary bodies. Commercial broadcasters, newspapers and websites contribute powerfully to public space when they offer accurate and impartial news free at the point of use, or universally available content to deepen knowledge and broaden cultural experiences.

Public space in the digital age

The digital age should be a golden age for public space. The means of creating and disseminating content of every kind have been democratised. The barriers to entry to the global conversation have collapsed and every day individual citizens reach thousands of others with their ideas and opinions. New categories of public content providers have emerged at community, national and international level, driven more than ever by their users. Wikipedia, Twitter and many other websites broaden and enrich public space in new ways which can be very close to the spirit of public service broadcasting.

But digital also threatens to disrupt traditional public space. Fragmentation of audiences and consumption is weakening traditional media business models, including their ability to support quality content, from international newsgathering to indigenous drama and comedy. Traditional subsidies that enabled commercially funded broadcasters to make socially and culturally valuable content are failing. When, as a result, a piece of valuable content is lost—consider, for instance, the ending of *The South Bank Show*—the effects are multiple: audiences lose a precious connection to the arts world; the UK television industry loses an important documentary platform; but at the same time, many artists and cultural institutions lose a significant pathway to the public. Public space is diminished.

Nor is the global democratisation of opinion and argument as straightforward as it appears. Above the vast and unruly world of the blogosphere, professional media power may actually concentrate in fewer hands. Individual plurality may increase but collective, effective plurality decrease—with societies around the world left with fewer reliable sources of professionally validated news. The risk of bias and misinformation and, in some countries, of state control, may grow. Again, public space is threatened.

The BBC and public space

What should the BBC's role be given this emerging pattern of civic and creative opportunity and risk? First, the BBC should act as one of the main guarantors of public space. It should use its public purposes and the privilege of the licence fee to ensure an uninterrupted flow of investment into high-quality content and into the development and success of the best British talent. It should ensure that the combination of its resources and its values means that audiences at home and around the world always have access to news and information that they can trust. Its programmes and services must reach as broad an audience as possible, creating value for all sections of society and serving all licence fee payers. The BBC's mission to 'make the popular good and the good popular' should continue.

The BBC should also help guarantee the technological underpinnings of public space. While technology and distribution must always be means and not ends for the BBC, it has a special role to develop and back open platforms and standards. It should defend the public's right to choose rather than have choices made for them, and will therefore continue to make sure that open broadcast platforms (like Freeview, Freesat and proposals for internet-connected television) succeed.

Second, the BBC should concentrate more than ever on being a creator of quality. It should focus even more than it does today on forms of content that most clearly build public value and which are most at risk of being ignored or under-invested in by commercial players. It should take significant further steps towards building the distinctiveness and uniqueness of its programmes and services. It should make the universal availability of its archive a key objective over the next ten years, creating an engine for new public value—connecting audiences with the best of everything the BBC has ever made.

Third, the BBC should become a catalyst and connector within public space. It is uniquely well placed to help other institutions and groups reach and enrich the public, and to help the public find and get the most out of those institutions themselves. Partnerships with other cultural and civic institutions should no longer be peripheral and ad hoc, but strategic and central to the BBC's idea of itself. The recent collaboration between the BBC, the British Museum and hundreds of other museums across the UK to create *A History of the World in 100 Objects* shows the way. The BBC should use its reach to help illuminate wider opportunities for the public to discover and learn, and its technologies to help other institutions open up the riches of their archives. It should also learn from those other institutions, opening itself up to them and collaborating to find new ways of serving the public.

But the BBC can only achieve these goals if it becomes much clearer about the limits of its own public space. In the analogue era, the BBC's limits were set by the spectrum available to it and the clear separation between different kinds of media. Given the convergence of technologies, the BBC's limits need to be demonstrably based on its public purposes and to be spelled out to a greater extent up front. Clearly the BBC needs the space to evolve as audiences and technologies develop, but it must be far more explicit than it has been in the past about what it will *not* do. Its commercial activity should help fund and actively support the BBC's public mission, and never distort or supplant that mission. Where actual or potential market impact outweighs public value, the BBC should leave space clear for others. The BBC should not attempt to do everything. It must listen to legitimate concerns from commercial media players more carefully than it has in the past and act sooner to meet them. It needs the confidence and clarity to stop as well as to start doing things.

This strategy establishes clearly what we believe the BBC's priorities and limits should be, and what actions (in content and services, as well as in the way the BBC conducts itself) need to flow from them. This strategy is, above all, a proposal to the BBC Trust and, through it, to the nation. Consultation may alter its provisions but its essence will, we hope, find strong support: **a BBC focused on high-quality content and enduring values, keeping open a public space for all.**

Mark Thompson, Director-General

Putting Quality First—overview

The BBC's mission is to inform, educate and entertain audiences with programmes and services of high quality, originality and value. Its constitutional and financial independence, its heritage and its relationship with audiences give it a unique opportunity to enrich and sustain public space here and around the world. The public expect the BBC to be a wholly reliable source of accurate and impartial news; a tireless supporter of originality and excellence; a guaranteed investor in British talent; and an upholder of the highest values and standards. In uncertain times, they want it to remain central to their own lives and to the life of the UK—a constant companion in moments of crisis and celebration.

But media is changing profoundly, and the BBC must change too. It must articulate its public service mission more clearly than ever before. It must explore new ways of delivering that mission—and of ensuring that the benefits of digital can be enjoyed by all. But it must also recognise the challenges facing other media, and address legitimate concerns about its scope and ambitions.

This strategy directs the BBC to put quality first; do fewer things better; guarantee access to all; make the licence fee work harder; and set new boundaries for itself.

PUTTING QUALITY FIRST—*focusing the licence fee on five clear priorities to provide:*

- The best journalism in the world
- Inspiring knowledge, music and culture
- Ambitious UK drama and comedy
- Outstanding children's content
- Events that bring communities and the nation together

Putting quality first means, on this strategy, delivering these five clear content priorities at higher quality across all of the BBC's services—including by:

- Reprioritising nearly £600m a year, around a fifth of the BBC's cost base, to higher quality content by 2013 and, on a continuing programme, across everything the BBC does
- Investing £50m a year from within this total to raise quality and originality including across BBC Two, children's output and journalism
- Committing from 2013 not to spend less than 90p in every licence fee pound on high-quality content and getting it to audiences.

DOING FEWER THINGS BETTER—*making tough choices to improve our services*

Doing fewer things better means, on this strategy, significant changes to the BBC's service portfolio:

- Focusing the BBC's website on the five content priorities
 - Halving the number of sections on the site and improving its quality by closing lower-performing sites and consolidating the rest
 - Spending 25% less on the site per year by 2013
 - Turning the site into a window on the web by providing at least one external link on every page and doubling monthly 'click-throughs' to external sites
- Increasing the quality of local radio: boosting investment in local news at breakfast, mid-morning and drivetime using resources released by sharing content at other times
- Recommending the closure of Radio 6 Music: focusing popular music output on Radio 1 and an increasingly distinctive Radio 2, using the resources released to drive digital radio in other ways

- Recommending the closure of Asian Network as a national service, and using the resources released to serve Asian audiences better in other ways
- Recommending the closure of teen offerings BBC Switch and *Blast!*

GUARANTEEING ACCESS—*working to ensure that UK audiences can always:*

- Get BBC services free at the point of use, in ways and on devices that suit them
- Catch up on programmes for free on the BBC's website, at home and on the move
- Access the best of the BBC's current and future library of programmes

Guaranteeing access means, on this strategy:

- Making internet-connected television a reality and a success, and continuing to support other partnerships for free-to-air platforms
- Guaranteeing free access to independent, impartial news including online
- Opening the BBC's current and future programme library, as well as working with partners like the British Library, BFI and Arts Council England to bring other public archives to wider audiences.

MAKING THE LICENCE FEE WORK HARDER—*reducing the cost of running the BBC*

Making the licence fee work harder means, on this strategy, focusing the BBC's spending on what matters most to the public by:

- Reducing the cost of running the BBC by a quarter: from 12p in a licence fee pound today to under 9p by the end of the Charter in 2016
- Reducing senior management numbers, freezing pay and suspending bonuses
- Reinvesting savings in new UK programmes serving the five content priorities
- Striving to make every licence fee pound benefit the wider UK economy by at least £2, and spreading that value across the UK.

SETTING NEW BOUNDARIES—*accepting clearer limits and new behaviours for the BBC*

Setting new boundaries means, on this strategy:

- Reducing spending on imported programmes and films by 20%, capping it thereafter at no more than 2.5p in every licence fee pound
- Capping sports rights spending at 9p in every licence fee pound
- Recognising the lead role commercial radio plays in serving popular music to 30-50 year-olds
- Recognising the lead role other broadcasters play in serving younger teenagers on TV
- Never more local: undertaking not to launch services more local than at present in England
- Defining publicly which areas of activity BBC Online will not undertake.

Clearer BBC behaviour means, on this strategy:

- Prioritising quality over quantity whenever a choice is required
- Making the BBC the most open and responsive public institution in the UK
- Making explicit the BBC's commitment to consider the market impact of major decisions
- Making partnership the BBC's 'default setting' for most new activities
- Ensuring the tough limits set by the BBC Trust's recent review of BBC Worldwide are fully implemented, with new limits on acquisitions and a drive towards non-UK activities.

PUTTING QUALITY FIRST

THE BBC AND PUBLIC SPACE

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I Summary

The BBC exists to inform, educate and entertain

- Fulfilling its public purposes
- To the benefit of the broadest possible audience
- At best possible value

The BBC meets this mission by

- Delivering high-quality, distinctive content via digital media and legacy broadcasting technology
- Sustaining trusted public space, independent of commercial or political control.

This mission—underpinned by commitments to universality, impartiality, accuracy, excellence and distinctiveness—allows the BBC to support a trusted public space at the heart of national life and around the world.

But media is at an inflection point. Digital television switchover is just two years away. Full broadband penetration and technological convergence are now realistic policy aims. Many forms of commercial media face profound disruption and uncertainty, and the traditional balance in UK public broadcasting is breaking down. This is therefore the right moment to take a hard look at what the BBC should do and where it delivers most value.

In summer 2009 the BBC Trust agreed with the Director-General that the BBC should bring forward its next strategy review, with the Trust setting five challenges for the review to address:

1. How can the BBC best maintain quality and distinctiveness?
2. Where, if necessary, could its focus be narrowed and its scale reduced?
3. What will a fully digital BBC look like?
4. Can the BBC better define the ‘public space’ it provides?
5. How can the BBC create most value from its scale?

This strategy is the BBC Executive’s response to these challenges. In the midst of unprecedented change, success will depend on clarity, focus and the courage to make difficult choices when necessary. The BBC must recognise that, while it should still play a critical role in helping to bring audiences and innovative new technologies together, the public will always look to the BBC first and foremost for high-quality content. *Everything in this strategy—its identification of key content priorities, its changes to services, the fresh attack on overhead costs—is directed at delivering better quality content to the British public.*

Putting Quality First

Section 3

Responding to the BBC Trust’s first challenge: five content priorities to determine the BBC’s investment focus until 2016, including everything it does online. Together these priorities represent the essence of how the BBC will meet its public purposes.

The starting point for this strategy is the setting of five clear content priorities, driving a focused approach to meeting the BBC’s public purposes and defining its priorities for new investment. Under this strategy, the BBC will focus on providing audiences with:

The best journalism in the world

Informing civic and democratic life at home and abroad—through independent, impartial and accurate news, current affairs and information

Inspiring knowledge, music and culture

Enriching people's lives—bringing knowledge, music and culture to new minds, eyes and ears

Ambitious UK drama and comedy

Stimulating and entertaining audiences—with stories about their lives and the world around them

Outstanding children's content

Delighting and surprising young audiences—helping children explore their world in a safe public space

Events that bring communities and the nation together

Being there for the whole UK—in moments of crisis, commemoration and celebration through landmark events, sport and entertainment.

These five priorities share a civic and universal aim, with a commitment to providing what markets alone cannot guarantee. They also demand far-reaching changes to the BBC's portfolio of services, its approach to efficiency and its place within a wider public space. These changes will ensure additional investment in content to serve the five priorities, including redirecting nearly £600m a year towards higher quality content by 2013/14 and, on a continuing programme, across everything the BBC does.

This reprioritisation will be done with careful regard to its implications for the wider media sector, and will focus predominantly on areas where market provision is weakening or at risk. So the BBC will, for example, redirect £50m to raise quality and originality including across BBC Two, children's output and journalism—but will also boost the quality and distinctiveness of its daytime television schedules, and will invest in new original British content to replace the acquired programmes and films from abroad which will be significantly cut back as part of this strategy.

By 2012/13, many of the BBC's current major infrastructure projects—including digital television switchover—will be complete. This will allow the BBC to redirect a higher proportion of the licence fee to its core mission of providing high-quality programmes and services and delivering them to audiences. The BBC should commit to spend from 2013/14 at least 90p in every licence fee pound on the creation and distribution of high-quality content, cutting its overhead and infrastructure costs (which have reduced by 50% in the past decade) by a further quarter by the end of the Charter in 2016. Within that 90p guarantee, at least 80p in every licence fee pound should be spent on content creation itself.

Doing fewer things better

Section 4

Responding to the BBC Trust's second challenge: *increasing the quality and distinctiveness of BBC Online, BBC Two, Radio 2, BBC Four and BBC Local Radio; and recommending the closure of Radio 6 Music, Blast! and BBC Switch, as well as Asian Network as a national service.*

Focusing on the five content priorities requires a new, more active approach to managing the BBC's services. This approach would mean specific changes to twelve services and, thereafter, across everything that the BBC does.

BBC Online

The internet is now the BBC's third core medium, joining television and radio as a critical part of the way that it meets its public purposes. Millions of people rely on BBC Online every day, particularly for news. On the web, the BBC can give the most integrated account of itself across text, audio, video and, over time, across an archive of almost everything it has broadcast since its foundation. As the internet comes to the living-room through television sets, it will become more important still—and indeed, one day, may be the only platform and delivery system that the BBC needs to fulfil its public purposes.

The internet then is not an optional extra: it is the future for the BBC, just as it is for so many other organisations. But precisely because the BBC's online services have become so vital to delivering its purposes, they must be held to new and higher standards of distinctiveness, efficiency and openness. Under this strategy, BBC Online will create new content for the web only where it fits the five content priorities, delivers audience impact and is of demonstrably high quality and distinctiveness. The site's quality and consistency will be improved with the closure or consolidation of half of its main sections; its efficiency stepped up; and its links to the rest of the web increased radically.

- To help ensure that this refocusing takes place, the BBC will spend 25% less on BBC Online by 2013, with a corresponding reduction in staffing levels
- The number of sections on the site (its 'top-level directories', in the form bbc.co.uk/sitename) will be halved by 2012, with many sites closed and others consolidated
- New investment will be in pursuit of the five content priorities only, and there will be far fewer bespoke programme websites
- BBC Online will be transformed into a window on the web with, by 2012, an external link on every page and at least double the current rate of 'click-throughs' to external sites.

BBC One

As the BBC's flagship service and the UK's most popular television channel, BBC One will continue to engage a wide audience with programmes of real quality and distinctiveness. Audiences want a central place for captivating and authentic popular drama and British entertainment on BBC One, but they want it to strive even harder for originality and excellence. The channel should continue to create impact with challenging dramas and long-form documentary, with programmes like *Occupation*, *Small Island* and *Wounded* that point the way. BBC One has a vital role in bringing output that fulfils the second content priority—inspiring knowledge, music and culture—to mainstream audiences. In recent years, the space for knowledge output (natural history, the arts, religion) has grown on BBC One with programmes from *Life* to *Seven Ages of Britain* to *The Passion*, but it should expand on this repertoire in areas such as history and science. The overall range and diversity of BBC One, unique in the world for a popular television channel, must and will be maintained.

BBC Two

In recent years BBC Two has commissioned a range of programming that supports its original, distinctive remit: highly original, authored dramas such as *House of Saddam*; ambitious specialist factual pieces like *Yellowstone* and *Andrew Marr's History of Modern Britain*; new approaches to factual topics through formats like *Victorian Farm* and *Mastercrafts*; exciting new comedies like *The Catherine Tate Show* and, more recently, *Miranda*. But as the BBC redoubles its focus on high-quality, original content, BBC Two must change and improve. The BBC will re-establish the channel's reputation as the home of intelligent and ambitious drama, comedy and factual programming—including by:

- Injecting £25m extra investment into BBC Two per year from 2013, to boost the channel's distinctiveness
- Increasing the volume and range of strongly authored drama, reflecting the state of the nation and of the world through contemporary and historical subject matter, including single films and new series
- Ensuring a stronger role for BBC Two comedy, developing UK writers and performers with a unique but accessible take on the world, complemented by more risky, innovative comedies
- Making BBC Two the home of ambitious knowledge-building programmes, with a wide range of specialist subjects and more authored, expert programmes
- Reducing the volume of sport broadcast on BBC Two.

BBC Four

BBC Four will be refocused alongside BBC Two, reaffirming its original commitment to support arts, music, culture and knowledge as well as offering a thoughtful showcase for the best of the television archive. There will be a reduction in entertainment and comedy on the channel. Its remit will continue to evolve in light of a successfully re-shaped BBC Two; the distinct roles of the two channels will be better defined but they will continue to operate in a complementary way—resulting in a stronger, combined contribution to arts, music, culture and knowledge.

BBC Three

BBC Three has built a reputation for innovation and originality through programmes like *Gavin and Stacey*, *Being Human*, *Blood, Sweat and Takeaways* and *The Autistic Me*. It reaches over 11m people a week and brings unique audiences to the BBC. It has learned how to be bold and challenging with programmes that engage young audiences while remaining true to the BBC's values of high quality and distinctiveness. BBC Three's role as a test-bed for the talent and formats of the future, and as a means of engaging younger audiences with content which meets the BBC's five content priorities, will become even more important in the years after switchover. It must maintain its current commitment to investment in original comedy and drama and continue its drive to ensure that its factual output is not just relevant and accessible to its audience but genuinely thought-provoking and valuable.

BBC services for children

Parents say that they are worried about the reducing quantity of UK-made children's TV programming. The BBC's television channels and websites targeted at younger audiences, CBeebies and CBBC, have become increasingly indispensable as the ability of other broadcasters to invest in outstanding British content for children weakens. The BBC will therefore increase its spend by £10m a year from 2013 on high-quality UK-produced content for children—free of

advertisements and commercial influence, thrilling children and making them laugh as well as exciting their curiosity in the world around them.

BBC Radio

This strategy strongly endorses the current creative direction and editorial performance of Radio 4, Radio 3, Radio 1 and 5 Live. Radio 4, the original Home Service of the BBC, is unique in world radio in its quality and range. Radio 3 and Radio 1 not only give enormous pleasure to audiences, but make critical contributions to music and music-making in this country. Radio 1 needs to work hard to ensure it remains distinctive—offering something beyond that offered by commercial stations. It should maintain and, where possible, increase its commitment to UK music, new music and live performance as well as social action programming, specialist music and cross-platform initiatives. No part of the BBC can be exempt from the process of identifying efficiencies and better ways of working, but in the coming years the BBC should take great care to ensure that BBC Radio has the resources further to increase the quality of its output.

Radio 2

Radio 2 is also a much-loved, high-quality BBC service—but it must strive to become significantly and demonstrably more distinctive, applying in full the recommendations of the BBC Trust's recent review and taking specific steps including:

- Shifting specialist and feature programming into higher-profile slots, including regular documentaries, live concerts, comedy and jazz
- Committing to at least 50% speech during daytime
- Continuing to focus on older listeners and not overlapping more than it does today with the audiences targeted by the majority of commercial radio.

The digital radio portfolio

The BBC launched its five new digital radio stations eight years ago in order to popularise, and take advantage of, digital radio technology. Since then, whilst digital radio listening has grown, adoption remains low, and the BBC has concluded that its current strategy for promoting digital radio is inadequate. The BBC's promotion of digital radio must support its strategy for enhancing quality across all services, analogue and digital, and by nurturing not stifling a growing commercial digital radio sector. The BBC must ensure that its investments in digital content are working hard to provide value to licence fee payers.

With this in mind, the BBC's strategy for its digital radio portfolio is to:

- Reduce the number of stand-alone digital networks
- Maintain overall digital investment, targeting spend on a more focused portfolio
- Restructure services where current performance is unacceptable.

The BBC Trust's recent review of Radio 6 Music confirmed that it is popular amongst its fan base and its music offering is distinctive. However, although it has achieved good growth in recent years, it has low reach and awareness and delivers relatively few unique listeners to BBC radio. And whilst 6 Music does not have a target demographic audience, its average listener age of 37 means that it competes head-on for a commercially valuable audience. Boosting its reach so that it achieved appropriate value for money would significantly increase its market impact. Given the strength of its popular music radio offering from Radio 1 and 2 and the opportunity to increase the distinctiveness of Radio 2, the BBC has concluded that the most effective and efficient way to deliver popular music on radio is to focus investment on these core networks.

The BBC therefore recommends that the Trust should consider closing Radio 6 Music by the end of 2011. Accepting the critical role that it must play in driving audiences to adopt digital radio, the BBC should nonetheless maintain its overall levels of investment in original radio content aimed specifically at digital services. It should evaluate the best use of this content investment and of the digital spectrum that the closure of 6 Music would release. The BBC will also review how some of 6 Music's most distinctive programmes can be successfully transferred to other BBC radio stations, and how its support for new and specialist music can be sustained across the BBC.

Radio 5 Live Sports Extra provides a good model for how digital-only services can complement their analogue sister stations, in this case through extending 5 Live's sports commentary. Over the next 18 months, the BBC will strengthen further the editorial links between 1Xtra and Radio 1, whilst Radio 7's current distinctive offering will be developed through new content and closer ties with Radio 4, culminating in the re-branding of the station as 'Radio 4 Extra'.

The BBC Asian Network aims to provide high-quality news and discussion, helping British Asians connect with their cultural and linguistic roots. However, the increasing plurality and diversity of British Asian audiences are stretching the coherence and relevance of this service; its audience reach is in decline and its cost per listener extremely high. The BBC therefore proposes that the Trust considers closing the Asian Network as a national service, exploring a number of options for redeploying its investment and meeting the needs of Asian audiences more effectively. One option is to replace it with a network of five part-time local services with some syndicated national Asian programmes. These would be available on local DAB and local Medium Wave, serving areas with the largest British Asian communities.

Local radio in England

BBC local radio is of great value and importance to audiences up and down the country. It provides a vital space for debate and a key source of reliable, independent news. The BBC's public purpose to serve communities could not be fulfilled without it. However, it can nonetheless improve in its quality and originality, and this strategy therefore proposes reforming local radio in England to achieve just that. Specifically, investing in better quality local journalism within the core listening hours at breakfast, mid-morning and drivetime will be enabled through the sharing of some content across services in non-peak hours.

Local websites will be refocused, meanwhile, to carry only news, sport, weather, travel and local knowledge content. A new 'contract for local' will define a series of BBC commitments and limits, including a commitment to never becoming any more local in England—that is, never to increase the BBC's number of local services on television, radio and online or to make any existing services more local.

BBC Switch and Blast!

Neither of the BBC's current teen offers—BBC Switch on television, and *Blast!* in the learning portfolio—is reaching its target audience effectively. The BBC will continue to serve teenagers through its mainstream services, but recommends that the Trust considers both Switch and *Blast!* for closure. Although the BBC should continue to offer high-quality programmes and services which appeal to teenagers, and should continue to commission some content in all media specifically aimed at younger teenage audiences, it should accept that its role in addressing the gap in public service television for this audience group will be secondary to that of Channel 4 and other broadcasters.

Guaranteeing access

Section 5

Responding to the BBC Trust's third and fourth challenges: *opening the BBC's programme library; continuing and extending the BBC's partnership strategy; supporting free-to-air platforms including for internet-connected television; and issuing a clear statement of what the public can expect for the licence fee.*

The BBC will commit to creating a free and open public space in the digital world, where people can access and share high-quality content that enriches their lives and where independence from commercial and political influence is guaranteed.

The BBC programme library as a resource for the nation

At the heart of the BBC's ambition to strengthen the public space that it creates is its plan to release its programme library—not just the rich archive of the last 88 years, but the daily accretion of hundreds of hours of new programming. The BBC will set a course, through to the end of this Charter period and into the next, to deliver a transformation in the public's ability to search, discover and access the library of content that their licence fees have created. This vision is based around three ideas:

- Protecting the BBC's free-to-air public services so that audiences know where to go first for the freshest and newest BBC content
- Increasing access to the BBC's current and future programme library, making some content permanently available and extending the availability, where possible and appropriate, of the rest
- Positioning the BBC and its archive as part of a large and growing set of public archives made available by UK institutions, acting as an enabling force to link and support them in an increasingly connected public space.

The delivery of BBC programmes and services

BBC services should be available subscription-free and without advertising to all audiences across the UK. The BBC will continue to support free-to-air terrestrial platforms and internet distribution to ensure that this is the case, and that its services are available on at least one platform to every household free at the point of use. Some services and platforms are still not accessible across all parts of the UK and the BBC remains committed to increasing the coverage of those platforms that can deliver universality cost-effectively.

Where a significant platform is not available or not able to deliver to the BBC's standards, the BBC will look to stimulate and shape its development—as it has done for high definition on Freeview and as it proposes to do with others through project Canvas (for internet-connected television). The platforms that the BBC supports will always protect and promote open standards, deliver the benefits of technology to new audiences and provide a sustainable free-to-air alternative to pay platforms. The BBC will continue to ensure access to these platforms to others on a fair, reasonable and non-discriminatory basis.

The BBC will continue to release its content to other platforms, subject to technical capability, protections for the BBC's brand and reputation, and affordability. It will do so on a non-discriminatory basis, using objectively justified criteria to ensure that its investment is effective and that attribution back to the licence fee is preserved.

A clear promise to licence fee payers

Implementing this strategy, the BBC will issue a clear and concise statement that, in return for the licence fee, UK audiences can expect to:

- Get BBC services free at the point of use, in ways and on devices that suit them
- Catch up on programmes for free on the BBC's website, at home and on the move
- Get hold of all recent BBC programmes and be treated to the best of the BBC's library of programmes—with a 'permanent collection' available for free, and paying for other content which would otherwise not be available.

Making the licence fee work harder

Section 6

Responding to the BBC Trust's fifth challenge: driving digital production to modernise the way the BBC makes content; reducing the cost of running the BBC to under 9p in every licence fee pound; and striving to benefit the UK economy by two pounds for each pound of licence fee income.

Today, the BBC is investing to transform the way it produces content and to bring the benefits and efficiencies of end-to-end digital production to all its output. By the end of 2012/13, its production departments will have delivered against an annual c5% efficiency target, reducing their cost base by 25%. Overall, the BBC is on course to release £2bn in cumulative savings by then, meeting its target of 3% overall net savings per year throughout the current licence fee settlement.

But neither the digital revolution nor the need for the BBC to pursue the goal of higher quality at lower cost will end in 2013. The Corporation is planning now for the next wave of technological change and for even more radical improvements in efficiency. In content production, the BBC will continue to use smarter technology, improved connectivity and multi-platform working to produce content of the same quality at markedly lower cost. This will also open up the BBC's entire library of current and past content for all programme-makers to access in real time. But future content efficiencies will be targeted carefully: for, after more than two decades of year-on-year efficiencies, some programme budgets cannot be reduced much further (if at all) without damaging quality.

A critical focus, therefore, will also need to be on overhead and infrastructure costs. The BBC has roughly halved the proportion of the licence fee spent on these over the past ten years. During the next licence fee period, up to 2016/17, the BBC should set itself the target of reducing overhead and infrastructure costs by a further quarter, to under 9p in every licence fee pound—with the savings ploughed back into high-quality content which focuses on the five content priorities. The Director-General will be responsible to the BBC Trust for reaching this target, and performance against it will be included in the BBC's annual report and accounts.

By 2013, the paybill for senior managers will have reduced by 25% and senior management numbers by 18% compared to 2008/9. The BBC should look for reductions beyond that. Top talent, property and distribution costs should all be targeted. Further savings should be realised through more efficient use of staff and production assets.

The BBC should also make a step-change towards simplicity in its operations and structure, dismantling the remaining elements of its traditional hierarchy and replacing them with a flatter, more dynamic and flexible structure that reflects the nature of the BBC's new challenges: wholly

focused on serving the public with fewer management layers; better team-working and pan-BBC collaboration; and stronger performance management.

The traditional BBC employee proposition needs to be replaced with a new one to help ensure it has a flexible, creative, and passionately committed workforce for the future. Broadcasting is already a far more mobile industry than it once was; even today, many newer employees only expect to stay at the BBC for part of their career, perhaps leaving to bring the benefits of the training and creative experience they have enjoyed at the BBC to other broadcasters and productions—only to return later on with fresh skills and creative energy developed elsewhere.

Working for the BBC from now on will mean constant new opportunities but also constant change. The BBC can and must offer everyone who works for it the best training and career development in world broadcasting, and an unrivalled creative space in which to do their best work. At a time when others in the industry are being forced to curtail their investment in training, the BBC should maintain its financial commitment here at £45m per year and share the fruits of that investment with the wider industry: training staff who may go on to work elsewhere, and providing face-to-face training direct to freelancers and industry organisations. Working with the rest of the industry to provide training is a key partnership role for the BBC, and part of its mission to act as a catalyst within public space.

While the BBC's clear focus is on content and services, it nonetheless has a responsibility to conduct itself in ways that maximise its benefit to the wider economy. The BBC has therefore, as an integral part of developing this strategy, worked with Deloitte to construct a standard methodology to measure its 'gross value added' (GVA) to the UK economy—and, using this methodology, to report on its performance regularly. Deloitte estimate the BBC's current GVA at around £7.7bn a year, and the BBC will strive to carry on benefiting the UK economy by at least double the amount that it receives through the licence fee.

The BBC will also continue to play a unique role in supporting the creative industries across the UK. 50% of network television programmes will be made outside London by 2016, with 17% made in Scotland, Wales and Northern Ireland. 40% of radio spend will be outside London by 2016. New creative centres of excellence across the UK will in turn help to improve the way that the BBC reflects different parts of the country, as well as benefiting their surrounding areas.

Setting new boundaries

Section 7

The BBC will, as part of this strategy, operate within clearer and more predictable limits—providing greater clarity to others.

The proliferation and convergence of media technologies make this a tough time to draw boundaries. Any successful media organisation will have to make more frequent and riskier bets on technology to stay relevant, and the BBC is no exception. The different and shifting economic viability of individual genres, moreover, also makes it a tough time to draw limits around content investment. Despite this complexity, there are ways in which the BBC, with a relatively stable income and remit, can and must set clearer limits for itself. In the past, it has not differentiated sufficiently between excessive and unreasonable attacks and legitimate concerns about its activities by commercial media players. It must take the latter seriously and demonstrate its determination to respond to reasonable and evidence-based complaints about the boundaries of

its scope promptly and effectively. Many of the proposals already outlined suggest areas where the BBC will step back, restrict investment and set boundaries.

Limiting activity, including by:

- Recognising the lead role that commercial radio plays in serving popular music to 30-50 year-old audiences, through the proposed closure of 6 Music and the refocusing of Radio 1 and Radio 2
- Recognising the lead role that Channel 4 and other broadcasters can play in addressing the gap in public service television for younger teenagers, through the closure of targeted teen propositions
- Reducing spending on programmes from abroad by 20%, from £100m today to £80m in 2013, and capping it thereafter at never more than 2.5p in every licence fee pound
- Setting a limit on what the BBC can spend on sports rights, at an average of 9p in every licence fee pound
- Leaving room for local newspapers and others to develop in a digital world by keeping the BBC's current pattern of local services, and not launching new services in England at any more local a level than today
- Focusing original content on BBC Online on the five content priorities only, and excluding whole categories of online activity such as web search, communications and non-content related social networking.

Clearer BBC behaviour, including through:

- Placing the BBC's values, and the need to earn the public's trust through honesty and integrity, at the heart of everything the BBC does on and off air
- Always putting quality before volume, whenever a choice is required
- Ensuring that all investment in new platforms and delivery mechanisms only goes ahead under new, clearer criteria
- Defending the BBC's impartiality and its independence from political and commercial influence
- Making the BBC the most open and responsive public institution in the UK
- Taking a precautionary approach to market impact, within existing as well as proposed new services
- Becoming a better partner both with other broadcasters and media players, and with other public institutions—always exploring the possibility of partnership first when considering new technologies and other initiatives
- Recognising that the BBC is not just an important part of public space, but a vital catalyst and connector for other public institutions.

The BBC will also set clearer limits on its commercial activities. BBC Worldwide will continue its mission to relieve pressure on the licence fee payer through complementary commercial activities, but it will do so:

- Strictly and demonstrably within the terms of the Trust's Commercial Review 2009
- By moving to a more international focus, deriving at least two-thirds of its revenue from outside the UK by 2015
- Looking to move away from physical media (such as magazines) in the UK.

2 The BBC's mission in a changing context

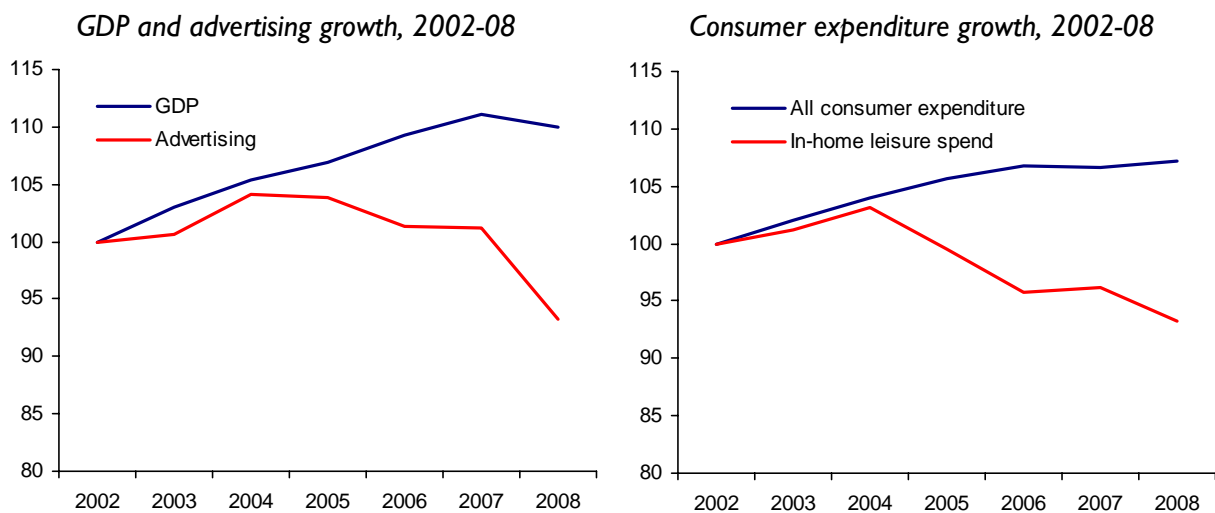
2.1 A changing media landscape

The context in which the BBC delivers its mission is changing rapidly, as technologies and industries converge and as content and competition become increasingly global. The UK has an enviable tradition of investing heavily in its own content, which has in turn delivered striking worldwide successes across genres and formats. However, as a number of market reviews have demonstrated, at least four main developments are now undermining the traditional model for the free-to-air delivery of high-quality, original UK content:

- The shifting balance of industry funding
- New roles in the value chain
- The rising costs of content and distribution
- Regulatory uncertainty.

Shifting balance of industry funding

The media sector is currently experiencing a slowdown across almost all income sources. Advertising and consumer leisure spending—two engines of media industry revenue—both grew well in excess of the UK's overall economic growth through the 1990s, while public financing through the licence fee rose at a similar pace. Since 2002, these forces have been disrupted: advertising growth has become decoupled from economic growth, and consumer leisure spending has fallen.

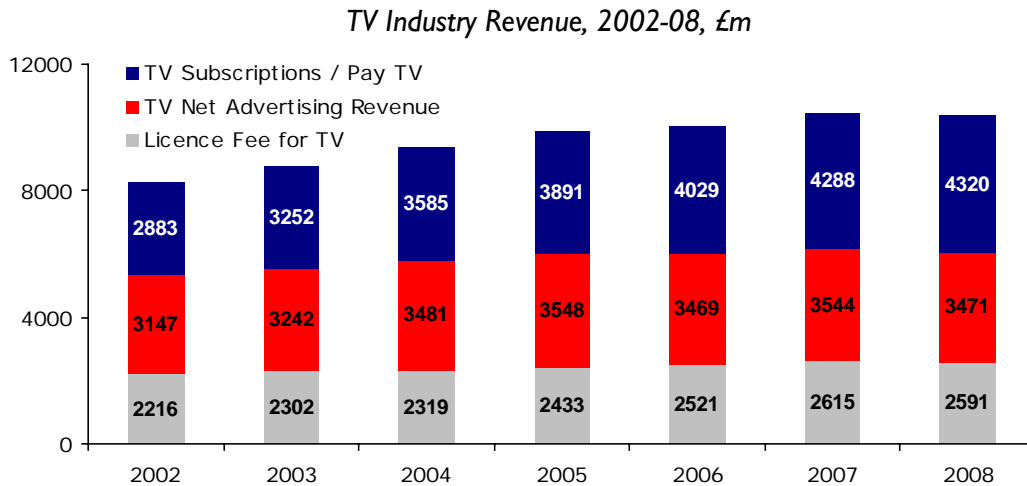


Source: Office for National Statistics, Advertising Association Statistic Yearbook 2009, Leisure Industries Research Centre Leisure Forecasts 2009-2013 & Leisure Forecasts 2005-2009, Oliver & Ohlbaum analysis, 2008 prices, 2002=100

Revenues of all advertising-funded companies have come under further strain with the emergence of online search and classified advertising as a competitor for media spending. These new models offer advertisers far more accountable ways of engaging consumers in transaction-based relationships, even if they cannot yet substitute for television's ability to reach millions and build brands. Other structural pressures have hit specific parts of the media sector. For example, TV advertising rates have fallen due to a 20% expansion of supply in advertising capacity in the

five years to 2008,¹ coupled with regulatory controls such as Contract Rights Renewal. With the recent recession accentuating these pressures, the programming budgets of free-to-air broadcasters—and content spend across all advertising-dependent media—are at risk.

Pay TV has, almost alone, defied this trend: rising 7% a year between 2002 and 2008.² As a result, the balance of commercial income streams for television is shifting and in 2003 subscription became the primary source of funding for the industry.



Source: Ofcom Communications Market Report, 2009

A much lower proportion of subscription-based operators' revenue is re-invested into programme spend: 36% for pay satellite, compared to 51% of free-to-air broadcasters' revenues.³ Moreover, approximately two-thirds of the largest pay operator's programming budget is set aside for sport and acquiring films, which are only available to homes taking premium channel packages.⁴ The remainder covers the costs of Sky's own channels and payments to third party channels—the schedules of which are often comprised of repeats and acquisitions. As a result, the additional funds coming into the sector through consumer payments are not being converted into investment in original UK content at anything like the rate managed by the licence fee-funded BBC or advertising-funded public service broadcasters. Nor does it seem likely, given the overall decline of home leisure spend, that direct payments can fully substitute in the future for reductions in traditional sources of funding like advertising.

The emergence of new roles in the value chain

Broadcast and internet-delivered technologies are converging and this is changing the structure of the traditional media value chain. The barriers to entry are lower than ever and platform operators, device manufacturers and new competitors are now trying to become intermediaries between audiences and content providers. If they are successful, these 'gatekeepers' will be able to impose a toll on the content passing through them—ultimately reducing the flow of funds back to content production. These newer entrants may well be based outside the UK with few

¹ Enders Analysis, 'Broadcaster Challenges of the Digital Age,' February 2009. Adults 16+

² Nominal figures. Oliver & Ohlbaum, 'Market Report for the BBC,' September 2009

³ Screen Digest, 'European TV Programme Spending', June 2009

⁴ 3 Reasons, based on company reports and filings

direct obligations to UK audiences.⁵ As such, this development represents a risk to the public space in UK media: both to its size and to its defining qualities of universal access and indigenous production.

Rising costs of content and distribution

This increased intensity of competition across the value chain also drives up costs. Platform operators and even device manufacturers can now bypass broadcasters to bid for rights and talent directly, escalating competition and prices. Additionally, the premium paid for established top talent will grow as content providers try to reduce the creative risk in commissioning content.

With the advent of new networks and platforms, cost management is also more difficult in distribution. As the number of standards and devices proliferates, the multi-platform delivery (and required re-versioning) of content and programming continues to reduce the funding available for its creation.⁶

Regulatory uncertainty

After a period of widespread deregulation in the early 1990s, followed by a clear shift towards 're-regulation', UK media is now facing much greater uncertainty. The value of regulatory assets such as free access to spectrum has fallen, and they are no longer able to guarantee traditional levels of high-quality public service broadcasting from commercial broadcasters. Competition policy and public policy, meanwhile, can act at odds with each other resulting, at the very least, in delayed responses to sector needs.⁷ With pressure on both top and bottom lines and few levers to pull, the commercial sector is being forced to withdraw or reduce investment in many content areas that deliver significant public value.

2.2 The BBC and its audiences today

In the midst of this complexity and change, licence fee payers are clear in their expectations of the BBC. Audiences' overwhelming priority for the Corporation is outstanding content for themselves and their households—and, unsurprisingly, their views of the BBC as an institution are shaped mainly by its performance in this task.⁸ While different households value different programmes and services, all expect the BBC to deliver a broad range of genres and fresh, high-quality content that they personally value.⁹ Although the linear schedule still dominates, audiences increasingly consume BBC content on different platforms. Many continue to choose free-to-air alternatives to subscription services, and also value innovative services like iPlayer.

⁵ For example, Google's online video platform YouTube has recently agreed syndication terms with British broadcasters based around revenue sharing agreements. Enders Analysis has estimated that the broadcasters will take 15-20% of revenue in ad sales commission and 60% share of the rest, with Google collecting the remainder

⁶ The BBC's own distribution expenditure has grown by over 30% between 2003/4 and 2008/09

⁷ The Competition Commission is currently reviewing the Contract Rights Renewal remedy which applies to ITV1, the DCMS has just completed a public consultation on product placement, and Ofcom has just launched a review of the advertising regulation within its remit (e.g., advertising minutage)

⁸ Sparkler for BBC, qualitative research, August 2009

⁹ TNS for BBC, 2,163 UK adults 15+, August 2009

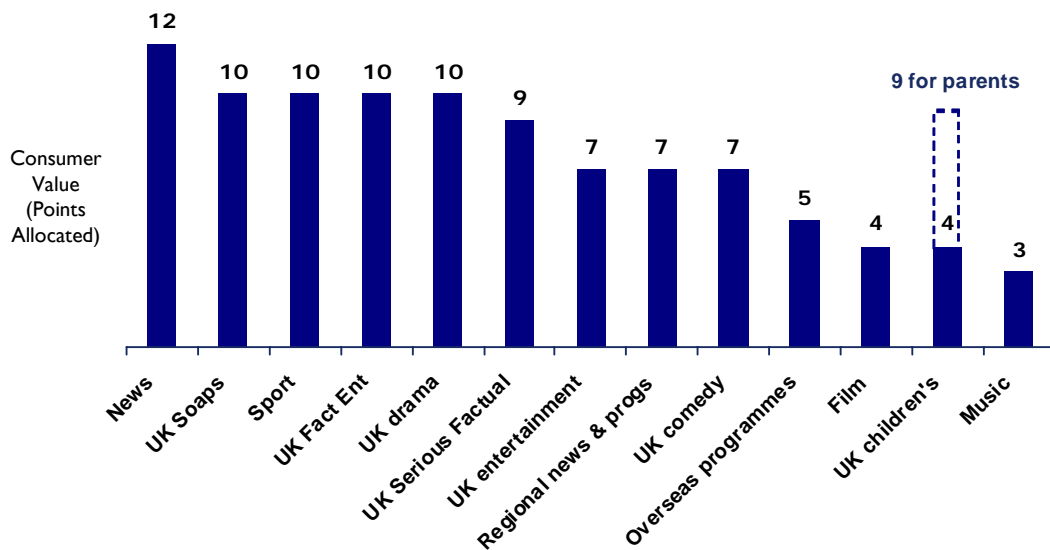
High-quality content

'Great programmes and content' is the top reason given by those who value the BBC highly, with half of high approvers giving this as the reason for their opinion.¹⁰ 'Programme quality' is the number one reason given when people have a lower opinion of the BBC: cited by one in three of the 12% of the public who have a less positive view of the BBC.¹¹

Audiences expect a broad range of programmes and services from the BBC. Ofcom research has shown that four out of five members of the public (79%) expect the BBC to provide more programmes that suit their tastes and interests than other broadcasters.¹² In research for the BBC, audiences expect the BBC to provide for all, with 84% agreeing that the BBC should provide programmes and services that appeal to everyone's tastes.¹³

It is also clear that audiences continue to support the BBC providing a broad range of television genres. There is a clear ranking among genres, with news leading the way. But the BBC's mission to 'entertain'—in the broadest sense covering more popular genres like continuing drama series, factual entertainment and straight entertainment—receives strong support. Audiences do not back the idea of a 'narrow market failure' BBC confined simply to the genres that commercial broadcasters leave behind.

Genres on television that audiences want the BBC to provide for their household



Respondents were asked to distribute 100 points between programme types depending on how much they and their household value watching them from the BBC. Source: TNS, 2,163 UK adults 15+, August 2009

Content delivered via digital platforms is a vital part of this story. On television, whilst viewing to BBC terrestrial channels has been declining year-on-year (along with all terrestrial channels), viewing to BBC digital channels is increasing. BBC Three reaches 11.3 million people a week and now attracts 36% more 16-34 year-olds in digital homes than it did three years ago.¹⁴ On radio,

¹⁰ YouGov for BBC, 765 BBC high approvers 18+, December 2008

¹¹ YouGov for BBC, 357 BBC low approvers 18+, December 2008

¹² Ipsos MORI for Ofcom, 2,260 UK adults 16+, October – December 2007

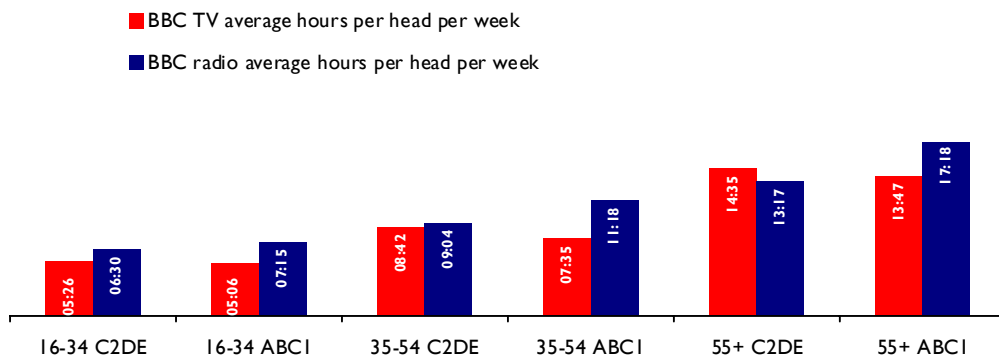
¹³ Ipsos MORI for BBC, 4,577 UK adults 16+, May 2008

¹⁴ 11.3 million from BARB, 4+, average weekly reach (15 minutes consecutive), wk 1 – wk 52 2009. 3 minutes consecutive reach = 15.1 million individuals, 4+. 36% more 16-34 year-olds reached: from 20.1% in 2006 to 27.3% in 2009

4.1 million adults now tune into BBC digital radio stations each week.¹⁵ The BBC website had 29.5 million UK unique users on average per week in January 2010, up from 13.7 million in January 2006¹⁶—with the service now reaching 54% of adult internet users in a week.¹⁷

Inevitably, there are challenges in providing a range of programming when different households value different programmes and services. As the chart below shows, while audiences consume at least 11 hours per head per week on average across BBC television and radio, there are marked differences in the level of consumption amongst different audience groups. Consumption of BBC programmes and services rises with age and peaks for 55+ ABCI audiences.

Amount of BBC TV and radio consumed per week on average per head



Source: BARB wk 1 – wk 52 2009; RAJAR, quarter 4 2009 12-month weight

It would be wrong to draw the conclusion that the BBC must rebalance its output in order to provide equally to all licence fee payers. First, some of the BBC's offering is valued by all audiences. When asked to select the elements of the BBC that they value most highly, the four most universally mentioned are 'freedom from advertising', BBC One, BBC news and BBC sport.¹⁸

Second, as the chart below shows, audiences who watch and listen to the BBC the most also rely on it the most. BBC output constitutes a greater share of their television and radio consumption, and their tastes are less likely to be met by other broadcasters. It is the over 65s—the audience group with already by far the greatest consumption of BBC services today—that would most like the BBC to air more programmes that suit their interests and preferences.¹⁹ By comparison, other audience groups can find content to match some of their tastes beyond the BBC: young audiences place relatively more value on programmes from outside the UK, and C2DE audiences value soaps and entertainment relatively more²⁰ (provision that is economically sustainable by, and therefore readily available from, other UK broadcasters).

¹⁵ RAJAR, 15+, quarter 4 2009 with 12-month weight. Figure quoted includes the World Service. Excluding the World Service, average weekly reach is 3.0 million

¹⁶ BBC server logs, January 2006 and January 2010

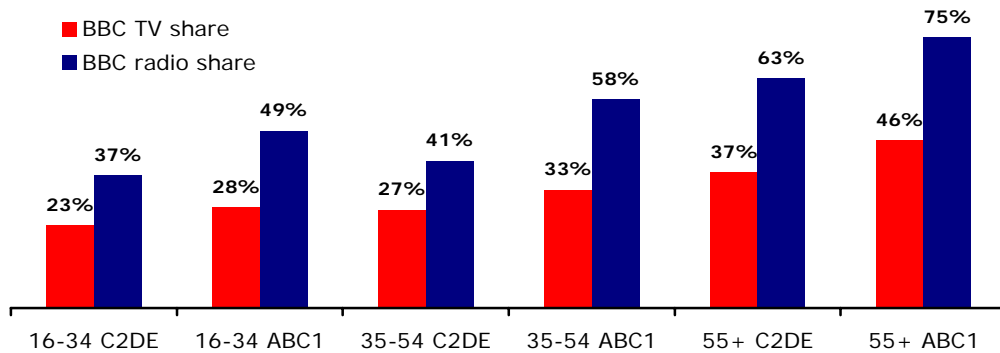
¹⁷ Cross-Media Insight survey by GfK NOP for BBC, 650 respondents per week 16+, December 2009

¹⁸ TNS for BBC, 2,163 UK adults 15+, August 2009

¹⁹ Ibid.

²⁰ TNS for BBC, 2,163 UK adults 15+, August 2009

BBC TV viewing as a share of all TV viewing and BBC radio listening as share of all radio listening

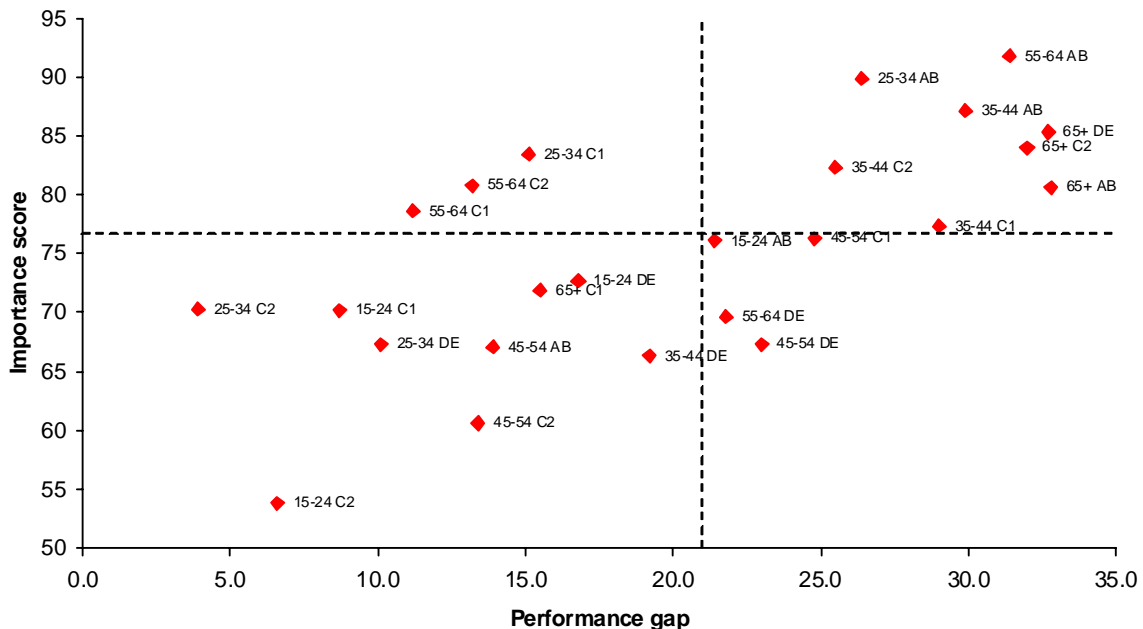


Source: BARB wk 1- wk 52 2009; RAJAR, quarter 4 2009 12-month weight

The BBC therefore needs to weigh up both the share of media consumption that it contributes as well as its absolute level of consumption to different groups of licence fee payers. In balancing these, an even distribution of consumption across audience groups is not necessarily the right aim.

As significant for the BBC are audience perceptions of quality and distinctiveness. Surveys into audience perceptions of how well the BBC delivers its purposes have exposed a significant gap in the delivery of 'fresh and new ideas'. The gap between the BBC's performance and the importance that audiences ascribe to this priority is most pronounced amongst older and ABC1 audiences, as the chart below shows.

'The BBC has lots of fresh and new ideas'—importance, performance and gap between, by demographic



Source: Public Purpose Remit Tracking Study by BMRB for BBC Trust, 2,260 UK adults, 15+, autumn 2008 and spring 2009. For importance, respondents were asked how important it is that 'The BBC has lots of fresh and new ideas'. For performance, they were asked the extent to which they agreed that 'The BBC has lots of fresh and new ideas'. Performance gap is calculated: performance score minus importance score; gap numbers are negative numbers

High-quality delivery

Audiences also expect the programmes and services the BBC provides to be available on the platforms and in the formats they want. Despite an explosion in ways to consume content, the linear schedules still dominate. Just 0.4% of radio listening is not live.²¹ A clear hierarchy still exists where the vast majority of television content is viewed live (90% of all viewing), followed by content recorded either through a VCR or PVR (7%), and then catch-up of content already shown, watched either through the television or on the PC (3%).²² However, appreciation scores for television programmes that are time-shifted are higher than for those viewed on the day of broadcast—for example, averaging 84.5 for viewing time-shifted with a PVR compared to 80.4 for same-day consumption.²³

Audiences support the work of the BBC, in partnership with others, to develop technology and to provide free-to-air alternatives to subscription models. For example, 70% of respondents believe that the BBC should invest some of the licence fee in activities like Freeview in order that new technologies can be brought to as many people as possible.²⁴ Innovations like iPlayer are highly valued. Since its launch on Christmas Day 2007, iPlayer has experienced huge growth in usage, from 11 million requests in January 2007 to 120 million in January 2010.²⁵

The BBC as an institution

Each week 98% of the public use a BBC service, with public support for the Corporation remaining strong.²⁶ Even in a digital age that offers almost endless media choice, 85% of all adults say that they would miss the BBC if it was not there;²⁷ 77% believe that the BBC is an institution to be proud of.²⁸

In spite of the far greater media choice available today, attitudes towards the BBC and the licence fee have changed remarkably little. Perceptions of value for money are the same as levels recorded when Professor Alan Peacock reviewed the BBC over 20 years ago: 57% felt that it was good value for money in 1985,²⁹ on a par with 2009 figures.³⁰ Peacock found that c80% of people were willing to pay for the BBC;³¹ Ofcom in 2008 found almost exactly the same figure.³²

It is the BBC's programmes and services that drive the public support for the institution. Warmth towards the BBC's heritage and loyalty towards the institution can also contribute, together with regard for its Britishness and belief in its trustworthiness, innovation, global reputation and public service role. But in the main, audience support comes from an appreciation of and relationship with BBC content; the amount and frequency of consumption; and perceptions of its quality and variety.

²¹ Brand Driver, 1,907 UK adults 15+, April 2009

²² Forecast for 2009 based on analysis by Oliver and Ohlbaum using BARB and company records

²³ Cross Media Insight survey by GfK NOP for BBC, 650 respondents per week, June – November 2009

²⁴ YouGov for BBC, 5,097 online adults 18+, June 2008

²⁵ 2007: Livestats. 2010: iStats and return path data

²⁶ Cross Media Insight survey by GfK NOP for BBC, 650 respondents per week, 2009

²⁷ Public Purpose Remit Tracking Study by BMRB for BBC Trust, 1,143 UK adults 15+, spring 2009

²⁸ ICM for Guardian, 1,001 GB adults 18+, September 2009

²⁹ 57% thought that the licence fee was 'very good value' or 'fairly good' value when told the annual cost. NOP for the Committee on Financing the BBC (Chairman: Professor Alan Peacock), 1,990 adults, October 1985

³⁰ 57% thought the licence fee was 'very good value' or 'fairly good value' when told the annual and monthly cost. Public Purpose Remit Tracking Study by BMRB for BBC Trust, 1,990 UK adults 15+, autumn 2008 and spring 2009

³¹ NOP for the Committee on Financing the BBC (Chairman: Professor Alan Peacock), 2,047 adults, October 1985

³² Holden Pearmain for Ofcom, 2,474 UK adults 18+, June 2008

3 Putting quality first

Focusing the licence fee on five clear priorities to provide:

- *The best journalism in the world*
- *Inspiring knowledge, music and culture*
- *Ambitious UK drama and comedy*
- *Outstanding children's content*
- *Events that bring communities and the nation together*

Putting quality first means delivering these five clear priorities at higher quality across all of the BBC's services—including by:

- *Reprioritising nearly £600m a year, about a fifth of the BBC's cost base, to higher quality content by 2013 and, on a continuing programme, across everything the BBC does*
- *Investing £50m a year from within this total to raise quality and originality including across BBC Two, children's output and UK and international journalism*
- *Committing from 2013 never to spend less than 90p in every licence fee pound on creating high-quality content and getting it to the public.*

Quality is the characteristic audiences prize most highly from the BBC after freedom from advertising.³³ Audience expectations for quality are rising across all platforms, however. The best programming from the US is now routinely broadcast in the UK; high definition television is growing; and British consumers access rich web content from around the world.

Extensive research shows that audiences believe the BBC could improve its ability to produce 'fresh and new ideas'.³⁴ This view is most strongly held amongst older and ABC1 audiences, despite (or perhaps because of) the fact that they watch and listen to the BBC more than any other audience group.

Perceptions of what the BBC should provide are clearly also shaped by what other broadcasters supply. On television, advertising-funded broadcasters are under greater pressure than ever, while subscription revenues to pay television—although growing strongly—provide relatively little payback to the UK creative sector.

In response to these and related trends, the BBC's strategy for high-quality, distinctive content will be built around four characteristics—the combination of which will define the BBC's distinctiveness across a broad range of genres and output.

- *Excellence*: the highest production standards and the best talent to keep British content competitive with the best in the world
- *Originality*: original production providing range and depth; fresh and new ideas; and creative and editorial ambition to meet public expectations
- *Trustworthiness*: meeting the public's expectations in editorial standards and impartiality, and providing a benchmark for broadcasting in the UK
- *Building on British talent*: focusing on content made for the UK, finding the next generation of British writers, directors and performers and helping support UK creative industries across the country.

³³ TNS for BBC, 2,163 UK adults 15+, August 2009

³⁴ Public Purpose Remit Tracking Study by BMRB for BBC Trust, 2,260 UK adults 15+, autumn 2008 and spring 2009

By examining a detailed evaluation of audience expectations; analysing the drivers of the BBC's reputation for quality; and by considering the actual and likely future state of commercial provision of content across different genres, the BBC has defined the five clear content priorities that will sit at the heart of this strategy. They are designed to direct the BBC's investment priorities as well as to define its reputation for quality—by guaranteeing that it provides:

The best journalism in the world

Informing civic and democratic life at home and abroad—through independent, impartial and accurate news, current affairs and information

Inspiring knowledge, music and culture

Enriching people's lives—bringing knowledge, music and culture to new minds, eyes and ears

Ambitious UK drama and comedy

Stimulating and entertaining audiences—with stories about their lives and the world around them

Outstanding children's content

Delighting and surprising young audiences—helping children explore their world in a safe public space

Events that bring communities and the nation together

Being there for the whole UK—in moments of crisis, commemoration and celebration through landmark events, sport and entertainment.

3.1 The best journalism in the world

The BBC strives to be a standard-bearer for accurate, timely, impartial and wide-ranging journalism within the UK and across the world. It will focus increasingly on areas where it adds most value and is truly distinctive such as: eyewitness reportage; international newsgathering; specialist analysis and explanation; investigative journalism; and current affairs. It will aim to reach 80% of the UK population on a weekly basis and continue to be the most trusted news provider. New priorities will include the following:

- Strengthened specialist analysis, in particular in science, the environment and social affairs
- Increased business coverage at a local and global level
- Strengthened commitment to international newsgathering and reportage in parts of the world with growing geo-political importance such as China and Brazil
- Enhanced commitment to scrutinising the local democratic process, including through multiplatform coverage of local government and politics through *Democracy Live*
- Enhanced coverage of UK arts and culture, following the recent appointment of a new Arts Editor.

News Online will remain a highly accurate, impartial and trustworthy source of news, analysis, background information and debate about stories of significance and seriousness. It will always be free at the point of use, free of advertising and other commercial messages, and available at home and on the move. However, some sections will be adapted to reflect a renewed focus on quality.

- There will be more prominence for audiovisual content, BBC original journalism, and expertise and analysis from correspondents and editors
- The BBC news archive will be made much more widely available to the British public, opening up a unique national resource
- In local online, the BBC will focus on its core editorial areas of news, sport, weather, travel and local knowledge, and improve the quality of its existing websites.

Impartiality in the public space

In public space everyone can get a fair hearing and have access to the lifeblood of healthy debate: impartial news and information. Ofcom research found that 87% of adults thought impartiality in news important,³⁵ and in a report by Ipsos MORI 84% of people thought that ‘although it may be difficult to achieve, broadcasters must try very hard to give the public a fair and informed view on events and issues’.³⁶

The internet is enabling UK audiences to access a wider range of news and information than ever before. The internet can sometimes act as an echo-chamber, however: reflecting similar views back at people and often directed by commercial interests, pre-selected preferences, or in many countries by state control. Multichannel TV, meanwhile, has allowed many more players to enter the international news market. UK households can now receive Fox News alongside news channels of the Islamic Republic of Iran (Press TV), the Chinese state (CCTV-9) and the TV arm of the Russian state news agency (Russia Today).

The BBC’s duty to impartiality is now regularly disputed, with arguments by some that there are other imperatives so important that it should sometimes set it aside. In the case of the DEC appeal for Gaza, it was humanitarian need. In the case of *Question Time*, it was the alleged need to exclude a party like the BNP from normal political discourse. But a BBC that compromised its impartiality and independence for any reason, even one that some people might think important, would no longer be the BBC.

3.2 Inspiring knowledge, music and culture

Building knowledge is central to the BBC’s mission. At its best, it has brought new and educational content to the nation: opening up the arts, science and history. The BBC’s role in music is unique in the UK, with the BBC’s radio portfolio in particular providing a platform for a huge range of new music, much of it live and much of it specialist.

Linear programming on radio and television looks highly likely to continue for some time to be the most effective way to reach wide audiences, exploring factual subjects, the arts and culture in real depth and introducing a wide range of music. But the BBC is also beginning to respond to evolving audience expectations online. It will continue to support formal learning through propositions like *Bitesize*, while also unlocking the potential for learning from across the BBC’s output. Priorities in this area will include:

³⁵ TNS for Ofcom for ‘New News, Future News’, 1,011 UK adults 16+, November-December 2006

³⁶ Ipsos MORI for BBC Trust, 2,048 UK adults 15+, October 2006

- A recommitment to thought-provoking, intelligent and ambitious factual output on BBC Two, through programmes like Simon Schama's *Obama's America*, *The History of Now*, and *How Earth Made Us*, as well as through programmes that entertain while building knowledge such as *Mastercrafts*. While some familiar programmes can continue to rate highly for originality, the BBC will also aim to maintain a healthy rate of refreshment and renewal, moving on from some approaches or subjects once they begin to tire or lose their sense of creative energy
- The BBC will improve the quality and distinctiveness of daytime television, where the schedule sometimes lacks the diversity and originality to which it should aspire. Additional investment will enable the BBC to increase UK originations—particularly consumer and current affairs and UK original drama—and reduce reliance on acquired programmes
- Radio 4 will increase its commitment to highly ambitious knowledge projects, like *A History of the World in 100 Objects*, along with a new Knowledge Board within the BBC established to drive this type of content across genres and platforms
- In music, Radio 2 will feature more live concerts and jazz in prominent early evening slots, and there will be more regular documentaries exploring music and cultural subject matter. *BBC Introducing* will aim to connect Radio 1 and IXXtra with music makers at the grass roots, offering practical advice as well as a platform for the best emerging talent across the schedules
- Online, the focus will be on showcasing the best of the BBC's knowledge output, with many existing sites being merged and consolidated into a stronger offer (e.g., in Nature). Music online will aim to deepen the impact of major events (e.g., Proms, Glastonbury), guide users to the best of BBC on-air music output and provide additional context and links to the wider web
- Knowledge-building propositions will also be a starting point for deeper learning experiences through campaigns that encourage people to take action and learn new skills, for instance through a three-year *Hands-on History* project
- A reinforced commitment to formal learning, building on the success of *Bitesize* for pupils and *Class Clips* for teachers, while unlocking the educational potential of the BBC's whole output.

BBC Two

BBC Two was launched as an alternative channel to BBC One, as a home for more ambitious programming with experimentation and inventiveness at its heart. Over recent years BBC Two has commissioned a range of programming that supports its original, distinctive remit: highly original, authored dramas such as *House of Saddam*; ambitious specialist factual pieces like *Yellowstone* and *Andrew Marr's History of Modern Britain*; new approaches to factual topics through formats like *Victorian Farm* and *Mastercrafts*; and exciting new comedies like *The Catherine Tate Show* and, more recently, *Miranda*. The channel has maintained its audience in peak,³⁷ while continuing to compare well for quality and originality against other UK channels.³⁸

But as the BBC reaffirms its mission to focus on high-quality, original content, BBC Two has a key role to play in addressing the 'fresh and new ideas' gap where it is most acute: among older, higher socio-economic audiences.³⁹ With an additional investment of £25m a year from 2013 on top of new funding already going into music, arts and drama—and subject to the BBC Trust's review of television services—BBC Two will showcase the most intelligent and original programmes the BBC has to offer with authority and wit.

It will strengthen its role as the **home for ambitious knowledge-building programmes through a wider range of output, and less sports coverage**. Its treatment of specialist subjects will be deeper, seeking to engage viewers hungry for meaning and it will create more space for programmes featuring expert, passionate presenters with something to say.

Rebuilding a reputation for **signature television drama** will mean introducing a more consistent presence for drama on the channel, with original, strongly authored series, serials and single dramas that reflect the state of contemporary Britain and provide a unique space for UK writers and directors to explore new forms, topics, concepts and stories.

BBC Two will also establish a **stronger and more distinctive role in comedy**—supporting the cult classics of the future, as well as new comedy with the potential to become the mainstream hits of tomorrow.

3.3 Ambitious UK drama and comedy

The BBC provides a stage for the best of the UK's writing and performing talent to reach a wide audience. This role is becoming more important as commercial broadcasters increasingly find it hard to invest in a broad range of programming, and the incentives to take risks and innovate decline—though, fortunately, commercial broadcasters have not exited entirely from this kind of output, e.g., *Red Riding* on Channel 4 or *Collision* and *Benidorm* on ITV1.

Audiences expect the BBC's drama and comedy to continue to reach new heights, and the popularity of imported US drama is creating higher quality benchmarks. In many ways the BBC is already responding to these challenges, with new and high-quality dramas on BBC One (e.g., *Occupation*, *Criminal Justice*) as well as fresh approaches on BBC Three (e.g., *Being Human*).

³⁷ BARB, 4+, share and average weekly reach (15 minutes consecutive), 2005 – 2009 (wk 1 – wk 52)

³⁸ GfK NOP for BBC, online Pulse panel of 20,000 UK viewers 16+, 2009; PSB Tracker by GfK NOP for Ofcom, 7,000 UK adults, 16+, 2008

³⁹ Public Purpose Remit Tracking Study by BMRB for BBC Trust, 2,260 UK adults 15+, autumn 2008 and spring 2009

In comedy, the risk profile seems higher than ever, with successful new shows extremely hard to create and nurture. Yet, there is intense audience hunger for new ideas and talent, as shown by the public response to recent breakthroughs like *Gavin and Stacey*. The BBC's portfolio of channels has proved effective in developing new comedy, often providing the space—particularly on BBC Three—to innovate and try new things before offering them to broader audiences. On radio the BBC remains the sole provider of comedy and drama in any scale, and the BBC's role in investing in new writers and performers is vital.

Excellence, originality and variety will continue to form the basis of the BBC's strategy in drama and comedy. New priorities will include:

- BBC One, as the principal platform for UK drama, will continue to invest in high-quality programming with broad, family appeal. It will tackle challenging and important subject matter through its drama and encourage a high level of creative ambition and risk-taking in long-running drama
- The BBC will aim to re-establish BBC Two's reputation in drama through an increase in the volume and range of strongly authored programmes which reflect the state of the nation and of the world through contemporary and historical subject matter (e.g., *House of Saddam*, *The Last Days of Lehman Brothers*). This will mean single films as well as new series and serials, and there will be more opportunities for writers to experiment with new forms, concepts and topics. BBC Two will also cement its role as the principal showcase for UK films in which BBC Films has invested
- BBC Two comedy will take on a stronger identity, developing UK writers and performers with a unique but accessible take on the world (e.g., Miranda Hart, Stephen K Amos), complemented by more risky, innovative comedies in the vein of *Psychoville* and *Rab C Nesbitt*. There will be a more consistent approach to piloting new comedies and the BBC will encourage the development of the next generation of mainstream sitcoms for BBC One through focusing on the development of scripted comedy for BBC Two and BBC Three
- On Radio 4, there will be an emphasis on more major commissions and seasons containing ambitious, innovative and creatively stretching programming. For example, in early 2011 the network will be scheduling *Life and Fate*—an epic novel about 20th century Russia that is relatively unknown in the UK—in every drama slot over a fortnight
- Online, the BBC will reduce the number of bespoke programme websites, relying more on automated programme pages. Where it does invest, it will do so only for high-quality shows with real audience impact.

3.4 Outstanding children's content

The BBC's role in UK children's content is becoming increasingly important as commercial business models come under pressure. But the BBC faces its own challenges. Children are treated to the best from outside the UK by providers such as Disney and Nickelodeon, raising the bar for creativity and quality. Economic pressures in the children's content market make it harder to raise third-party investment for BBC programmes, and the competition for attention across platforms has put the reach of the BBC's offer under pressure.

Despite these pressures, the BBC remains resolutely committed to providing high-quality, UK-produced content for children. Its role in providing content that encourages learning, supports

understanding of the world and which makes children laugh—all within a trusted ‘safe space’ free of advertising—is more vital than ever. The BBC will therefore, on this strategy:

- Increase its investment in children’s programming by £10m a year from 2013, building on the additional investment of £25.5m over three years already secured in this licence fee period. It will guarantee this higher proportion of spend on children’s output until the end of the present Charter in 2016. Among other priorities, this investment will support new originations on CBBC in drama, comedy and factual and reduce repeat rates on CBeebies
- Refresh output on CBBC which aims to contribute to the BBC’s global and citizenship purpose, enhancing the quality and range of content from *Blue Peter* and *Newsround*, increasing the awareness of citizenship and social issues via a range of other programmes such as drama, and creating more tie-ins with events on other BBC channels
- Recommend to the BBC Trust extending the finishing time of the CBBC channel. CBBC currently comes off air at 7pm even though children’s television viewing peaks between 7pm and 9pm.⁴⁰ As a result, when children are watching in their greatest numbers, they are unable to see CBBC. Audience research with parents and children suggests that a close-down time of up to 9pm would be desirable to give older children access to the service for longer. The BBC recognises the understandable desire amongst some (generally parents rather than children, it must be said) to finish TV viewing earlier in the evening. The BBC will consult carefully with parents and children to assess the possible implications, recognising that there is likely to be a range of views on the subject
- Increase the focus of the children’s websites on a smaller number of higher-impact propositions and reduce the volume of programme websites.

3.5 Events that bring communities and the nation together

The BBC remains a national gathering point at times of celebration, commemoration and entertainment. Audiences depend on the BBC at times of crisis (such as the recent snow and floods); when they have a simultaneous choice, they overwhelmingly prefer to turn to the BBC at moments of international sporting excellence (e.g., *World Cup Final*); they participate through the BBC in national or cultural events (e.g., *Service of Remembrance*); and they also sometimes share in the national conversation when a piece of drama, comedy or entertainment (e.g., the recent live edition of *EastEnders*, the final of *Strictly Come Dancing*) itself becomes a talking-point or a major event in households across the land. In sport and entertainment, ITV continues to share a similar heritage and reach (e.g., *The X Factor* and *Champions League Football*). Nonetheless, the range and diversity of the events the BBC supports; its presence across TV, radio and digital media; and the fact that it reaches out across the whole of the United Kingdom; all these factors give the BBC a unique responsibility to reflect the big moments in national life. Far from losing relevance, media fragmentation and societal change may make this responsibility even more critical in the years ahead.

There is a strong political consensus that sporting events with a special national resonance should continue to be protected for the widest possible television audience. The Government’s recent Listed Events review emphasised the BBC’s responsibility to show the biggest sporting events on a universal, free-to-air basis—a responsibility which is greater still in the difficult economic circumstances facing other free-to-air terrestrial broadcasters. Audiences continue to

⁴⁰ 83% of 6-12 year-olds watch TV at least once a week between 19:00-21:00 (3 minutes consecutive). BARB, 2009

attach significant value to this role.⁴¹ The BBC is clearly not the only terrestrial, free-to-air broadcaster and it will need to set some clear priorities and make sure it does not distort a market in which there is both considerable commercial and public value.

Entertainment, meanwhile, has the ability to draw the nation together in a way that few other genres can—from national events like *Comic Relief* or *Children in Need* to the finals of *Strictly Come Dancing*. But ITV1's *The X Factor* and *Britain's Got Talent* continue to provide a welcome and successful challenge to the BBC. Audiences now expect Saturday night event TV with this level of ambition. The attraction and value of BBC One as a destination for entertainment has not waned, but the evidence suggests that the BBC needs to continue to refresh and upgrade its programmes if it is to keep up with the best.⁴² To address this, the BBC will:

- Continue to provide a home for major sporting events, free-to-air, as well as a broad range of other sport. The strategy for sports rights will, however, prioritise the list of the most important events for free-to-air coverage followed by sports with particular public service potential (such as Olympic sports and the Commonwealth Games) and others that deliver significant value to licence fee payers, recognising that the BBC needs to set a clear limit on how much it can invest
- Mobilise itself across all its services in 2012 to deliver coverage of the Olympic Games, as the biggest sporting event ever held in the UK. Working with many others, the BBC will bring the UK together around a series of events across the year, from the Diamond Jubilee to the Cultural Olympiad, driving digital take-up and encouraging participation
- Continue to play a valuable role in deepening the impact of big events through BBC Online, often providing a rich range of additional content for audiences to explore (e.g., *Glastonbury*, *Children in Need*). Online will also be the primary platform for coverage of Olympic sports in the run-up to 2012, as well as providing an archival legacy beyond the Games
- Keep BBC One a home for 'big experiences for big audiences' through the scale and ambition of its Saturday night entertainment, ensuring its shows can continue to have impact with broad audiences and fuel the national conversation.

⁴¹ Research indicates that UK people regard the biggest sporting events as a core element of public service broadcasting as they generate benefits to society (Ipsos MORI, 2,543 UK adults 16+, May 2009; Ipsos MORI for Ofcom's Second PSB Review (Phase One), 2,260 UK adults 16+, October – December 2007)

⁴² Public Purpose Remit Tracking Study by BMRB for BBC Trust, 2,260 UK adults 15+, autumn 2008 and spring 2009

Internet-connected television and new forms of creativity

The next few years should see the emergence and increasing adoption of a variety of ways to bring the internet to the television (IPTV) including through the BBC's proposed 'Canvas' partnership. Video on demand, interactivity, together with a far wider choice of programmes, content and services, will be delivered via the main screen in the living room thereby transforming the viewing experience.

The BBC will provide on-demand programming to internet-connected television via the iPlayer. It will also build on the interactive content already available through the red button to create rich content experiences that can deepen the impact of its programmes and services, as well as exploring new forms of content that fit this new medium.

The 2012 Olympics will provide an excellent opportunity for the BBC to maximise the creative potential of internet-connected television. Audiences will be able to access a wider range of Olympic sports on the main television screen than ever before, including those minority sports that otherwise might not get much airtime. It will put viewers in much greater personal control of their viewing, enabling them to watch the events that they want to watch, when they want—and they will also be able to connect with other viewers with similar interests, sharing their passion for the sports they love.

Other genres that the BBC aims to explore with this new kind of programming include children's, where a safe and trusted environment with high-quality content would be highly valued, and entertainment, where the audiences for event programming like *Children in Need* can often enjoy something that immerses them in a live experience.

3.6 Increasing the BBC's investment in content

Today, the BBC is investing heavily in digital projects and broadcasting infrastructure. To meet its sixth public purpose of bringing the benefits of new communications technology to audiences, the BBC committed to funding and co-ordinating the build-out of the digital terrestrial television network; developing and launching a free satellite service; and increasing the coverage of the DAB digital radio network. It also proposed to move services and production departments out of London and build a major new production base in the North of England.

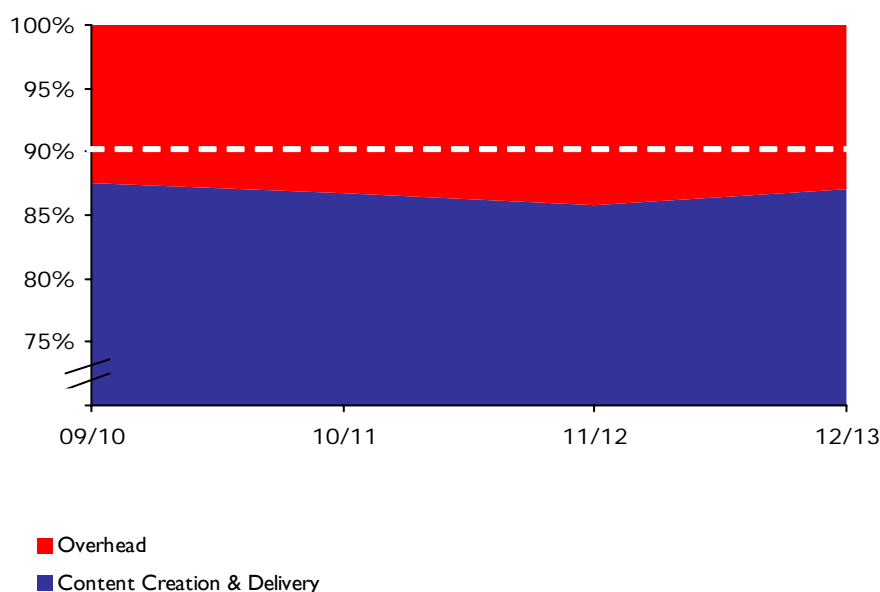
During the process of agreeing the current licence fee settlement, further responsibilities were placed on the BBC, including committing c£800m of licence fee income to supporting digital switchover through the Digital Switchover Help Scheme and funding for Digital UK.

While the great majority of licence fee income continues to be devoted to programmes and content, a larger share has come to be used for infrastructure and digital projects during this transition phase. The amount able to be used for the BBC's primary purpose of informing, educating and entertaining has been reduced in proportion.

Today around 79% of the BBC's public service expenditure (net of collection costs and exceptional items) directly funds content,⁴³ with around 9% on the delivery and transmission of that content to audiences⁴⁴ and around 12% on overheads (including the BBC's responsibilities to deliver digital switchover).

But the proportion of spend that the BBC has available for content creation is set to decline between 2010 and 2013, driven mainly by the increasing pace and cost of digital switchover as well as delivering the final phase of major infrastructure projects. Consequently, content and delivery spend as a proportion of licence fee expenditure will account for c86% in 2011/12, despite moderate growth in absolute terms.

BBC spend on content and delivery (N.B. truncated vertical axis)



Note: Includes digital switchover; excludes collection costs and re-structuring

As the BBC enters the next licence fee settlement period, it will shift the balance of spend back towards content. The BBC will guarantee to spend at least 90% of its net public service expenditure on the making of content and delivering it to audiences—up from a forecast 86% in 2011/12. Within that 90% guarantee, at least 80% should be spent on content creation itself. Today, overheads and infrastructure investments are around 12% of licence fee expenditure. The BBC expects to reduce this by a quarter to under 9% of the licence fee by the end of the current Charter in 2016, driven partly by the removal of digital switchover funding but also by reducing the costs of running the BBC itself.

Quality content remains at the heart of the BBC's relationship with the public,⁴⁵ so this strategy would, above all, meet the expectations and demands of licence fee payers. But it would also reinforce the BBC's mission to condition and raise standards within the UK broadcasting market. Digital ubiquity has, contrary to many predictions, actually reinforced and not diluted demand for

⁴³ Investment which directly enables the creation of content and audience-facing propositions or which enhances the quality of content/audience experience.

⁴⁴ Investment made to ensure content reaches audiences and licence fee payers effectively and efficiently, at the right time and in the right place.

⁴⁵ TNS for BBC, 2,163 UK adults 15+, August 2009

quality content and the BBC's role in setting standards and encouraging investment has become more and not less important.

Investing more in content would also help to relieve pressure on the creative industries. Programming budgets at commercial broadcasters have been significantly reduced and the BBC has become even more valuable as a stable investor in the independent production and post-production sectors, and therefore to thousands of associated jobs.

A report by Deloitte published alongside this document⁴⁶ suggests that the stability of the BBC's investment in the independent production sector, facilitated by licence fee funding, leads to lower risk and therefore cheaper capital for the sector—a virtuous circle which leads to a more competitive sector with lower costs, winning more business in the UK and around the world. The BBC plays a unique role, too, in supporting the creative industries outside London: for instance through its commitment to making 50% of network television programmes outside London by 2016, with 17% made in Scotland, Wales and Northern Ireland.

This sustained focus on high-quality content will involve new forms of digital and online creativity as much as television and radio programmes and services. Digital media opens up exciting new opportunities to create new kinds of content and services specifically made for and native to interactive media, providing audiences with the wider benefits that the internet can offer rather than simply supporting other platforms. The BBC's new online political portal *Democracy Live* is a good example of this, bringing together live and on-demand coverage of all of the UK's political institutions and the European Parliament. Its video-rich system includes a 'speech-to-text' technology which allows users to search and skip to the actual words spoken in a video, delivering a new ability to research, scrutinise and document the democratic process. Delivering the BBC's public mission in the future will require more of these kinds of web-native techniques and shifts in the relationship between content and technology—quality content grounded in the BBC's purposes and editorial objectives, but presented in new and imaginative formats.

Out of the total of nearly £600m, the proposals in this section for new investment and a focus on the five content priorities together affect about £150m or more than 4% of the BBC's annual spend.

⁴⁶ Deloitte, *The Economic Impact of the BBC*, 2010

4 Doing fewer things better

Doing fewer things better means significant changes to the BBC's service portfolio, including:

- *Focusing the BBC's website on the five content priorities*
 - *Halving the number of sections on the site, and improving its quality by closing lower-performing sites and consolidating the rest*
 - *Spending 25% less on the site per year by 2013*
 - *Turning the site into a window on the web by providing at least one external link on every page, and doubling monthly 'click-throughs' to external sites*
- *Increasing the quality of local radio: boosting investment in local news at breakfast, mid-morning and drivetime, and sharing content across services at other times*
- *Recommending the closure of Radio 6 Music: focusing popular music output on Radio 1 and an increasingly distinctive Radio 2, using the resources released to drive digital radio*
- *Recommending the closure of Asian Network as a national service, and using all funding released to serve Asian audiences better in other ways*
- *Recommending the closure of teen offerings BBC Switch and Blast!*

Until very recently, the BBC had been able to maintain and indeed increase investment in traditional services while launching new digital ones. In a period where the licence fee, public finances and the revenues available to commercial media are all constrained, however, it is no longer possible or desirable to do this. Switchover also changes the original rationale for some of the BBC's digital services, while audience usage of those services and their effectiveness at delivering the BBC's public purposes vary significantly. The BBC will therefore need to make tough choices within its portfolio to ensure that the services it offers focus on the five content priorities and meet new, higher thresholds of quality and distinctiveness.

4.1 BBC Online

The internet is now the BBC's third core medium, joining television and radio as a critical part of the way that it meets its public purposes. Millions of people rely on BBC Online every day, particularly for news. On the web, the BBC can give the most integrated account of itself across text, audio, video and, over time, across an archive of almost everything it has broadcast since its foundation. As the internet comes to the living-room through television sets, it will become more important still—and indeed, one day, may be the only platform and delivery system that the BBC needs to fulfil its public purposes.

The internet is not an optional extra then; it is the future for the BBC just as it is for the rest of the broadcasting and communications sectors. But precisely because the BBC's online services have become so vital to delivering its purposes, they must be held to new and higher standards of distinctiveness, efficiency and openness. This strategy—with its emphasis on quality and distinctiveness; five clear content priorities; and better delineating BBC activity—includes a full rationalisation of BBC Online.

A 'quality first' strategy for BBC Online will mean:

- Creating content for the web only where it fits one of the five content priorities and is high quality and distinctive: for instance, an impartial news service free at the point of delivery or a children's website free of advertising and in an environment that parents can trust
- Making broadcast programmes available on demand, alongside the component parts of those programmes (segmentation), programme information (full catalogue) and additional, complementary content (programme support)
- Finding new and imaginative ways of bringing audiences to the BBC's broadcast content through propositions (like the BBC's Wildlife Finder) which maximise the public value of archive programming
- Transforming itself into a window on the web, guiding audiences to the best of the internet as well as partnering with external providers.

Refocusing BBC Online

To fulfil this remit, BBC Online will require a new, harder focus on quality and distinctiveness. All online content should feel justified and purposeful: not extraneous or encyclopaedic, but within a distinct editorial purpose. This commitment will be backed with a new, tighter system of performance management requiring the routine 'weeding' of the site and the placing of its remaining content into fewer, better organised categories. There will also be very clear and demanding criteria for justifying new activity (i.e., that it must serve at least one of the BBC's five content priorities; help meet the BBC's public purposes; demonstrate a high level of editorial relevance and quality; be continually refreshed; provide value to a wide range of audiences; and demonstrate sensitivity to market impact).

The number of sections on the site (its 'top-level directories', which the public find through addresses in the form: bbc.co.uk/sitename) will be halved by 2012, with many sites closed and others consolidated, so that the sharpened focus of BBC Online will be visible in the structure of the service:

- Some sites that are currently live will be closed, such as */celebdaq*, */sportdaq*, */naturestop40*, */lastmillionaire*, */jamiakane*, */bbcpartners*, */openweekend*, */actingup*, */amiafreak*
- A number of sites that have already been 'mothballed' will also be closed, such as */amazingmrspritchard*, */streetdoctor*, */keyskills*, */strictlydancefever*, */filmfestival*, */underdogshow*
- Some sites will be consolidated under larger audience-facing propositions, such as */history* or */drama* e.g., */spooks*, */robinhood*.

Further changes include:

- BBC News Online focusing its specialist analysis and interpretation on a generalist, not specialist, audience
- Refocusing the entertainment news category to reflect a more serious, concise agenda with stronger coverage of the media industry, culture and the arts
- Restricting local sites in England to news, sport, weather, travel and local knowledge (where 'local knowledge' means supporting BBC initiatives such as *Coast* and *A History of the World in 100 Objects* where there is local relevance, but not general feature content)
- Having fewer bespoke programme sites in the knowledge category in general, consolidating remaining sites within fewer and more recognisable categories (e.g., */nature*)

- Removing generic content in areas such as the *Recipe Finder* and */film*—including instead content which has featured on BBC programmes or content to which the BBC has added distinctive editorial value.

To ensure that this refocusing takes place and to extract increased efficiency, the BBC will spend 25% less on BBC Online by 2013, with a corresponding reduction in staffing levels—also reflecting the growing maturity and commoditisation of web design and technology.

The BBC will also aim to share the benefits of its scale more effectively and connect more actively with the rest of the web, including by 2013:

- Making sure there is at least one external link on every page of the website where editorially appropriate, making the best of what is available elsewhere online an integral part of the BBC's offer to audiences
- Doubling the number of monthly 'click-throughs' to external sites, from 10m a month to over 20m.

The website that emerges from these changes should still reach a wide audience, but will do so with a much clearer sense of overall purpose—focusing on a smaller number of audience propositions, and supporting squarely the BBC's five clear content priorities.

4.2 BBC television and radio

In common with other major British broadcasters, the BBC has created a channel portfolio that aims both to serve mass audiences and target particular programmes at particular audiences. In general, the BBC's investment tends to match the value that audiences receive from each service: BBC One and Two together receive by far the biggest investment and return the largest audiences. Other services, like Radio 3 or local radio, are intrinsically more expensive per user owing to their niche appeal, the necessary costs of fulfilling their part of the BBC's public service mission (for instance, in supporting classical music-making), and/or their requirements for extensive infrastructure. Some services like Radio 1 and Radio 2, meanwhile, are particularly effective uses of the licence fee, delivering significant value in relation to cost.

On television, whilst spend and perceived value are generally quite well calibrated, there are parts of the portfolio that require closer examination. For example, BBC Four's reputation for quality is high⁴⁷ and it covers knowledge, music and culture with depth and range. But it will need a clearer remit and focus alongside a re-positioned BBC Two.

The BBC continues to face challenges reaching teenage audiences with targeted and effective public service broadcasting. The BBC Switch zone on BBC Two is sub-scale, reaching less than 5% of its target audience who are watching TV at the time.⁴⁸ Equally, *Blast!* (the BBC's creative learning offer for teenagers) does not represent good value for money compared to similar outreach activity.

⁴⁷ GfK NOP for BBC, online Pulse panel of 20,000 UK adults, 2009; PSB Tracker by GfK NOP for Ofcom, 317 self-reported viewers of BBC Four 16+, 2008

⁴⁸ BARB, 12-17 year-olds who watched any TV during Switch's broadcast hours (15 minutes consecutive), wk 1 – wk 52 2009

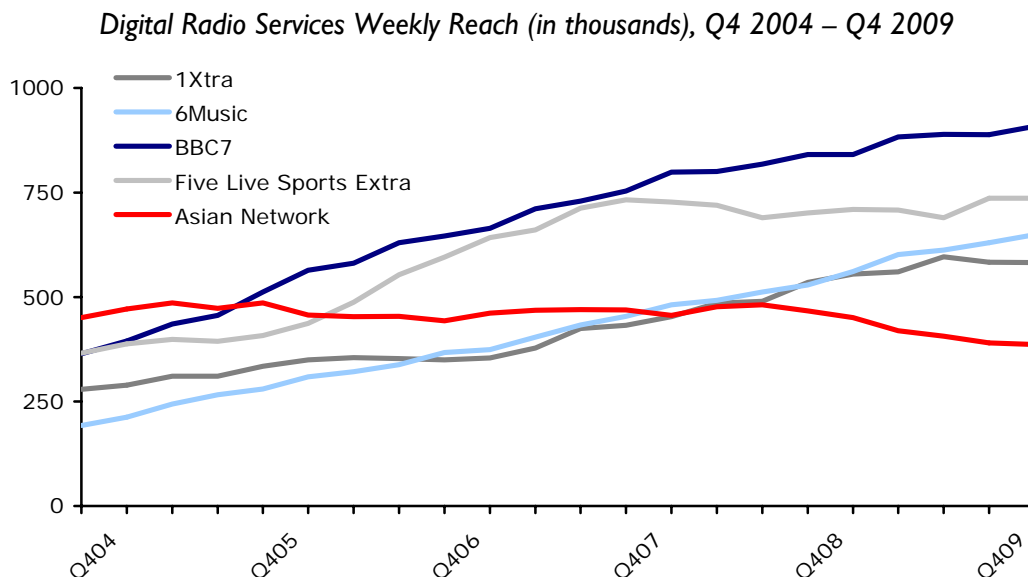
On radio, many of the BBC’s stations represent impressive value for money—in particular, Radio 1 and Radio 2. Others make a unique and significant contribution to the purposes of the BBC which provide a very strong case for their levels of investment (e.g., Radio 4, 1Xtra). 5 Live has an important role as the home of sport and breaking news on BBC radio, and will be a key pillar of the BBC’s commitment to its new home in the North. Some parts of the digital radio portfolio as well as English local radio, however, need concerted action.

The BBC’s digital radio portfolio was launched in 2002 as part of a strategy to help drive the take-up of digital radio and to widen choice for licence fee payers. Since then, digital radio usage has grown, and evidence suggests that the BBC’s new services have been a factor. However, adoption of digital radio remains low, with only around one in three adults listening digitally,⁴⁹ and awareness of BBC’s digital-only radio services is, on average, around 20% of UK adults.⁵⁰

The BBC’s promotion of digital radio must support its strategy for putting quality first, and while the digital-only services produce many hours of distinctive programming, their smaller budgets make it difficult for them to match consistently the quality provided by the analogue stations.

The BBC recognises the significant industry benefits of the transition to digital radio, creating more space for competition and innovation with the longer-term benefits of lower distribution costs. Given the strength of the BBC’s overall presence in the radio sector however, it must seek to promote the growth of digital radio by nurturing—not stifling—a growing commercial digital radio sector. The BBC must also ensure that its investments in digital content offer the potential to deliver good value to licence fee payers.

Some stations have clearly been more successful than others in building a sustainable audience base. The Asian Network in particular has failed to build on its early growth and has lost around 20% of its listeners over the past three years.⁵¹ The service’s current scale appears insufficient to justify the level of BBC investment as a network radio service.



Source: RAJAR, 12-month rolling average

⁴⁹ RAJAR, quarter 4 2009

⁵⁰ Pan-BBC tracking study by TNS for BBC, 700 interviews per month, quarter 4 2009

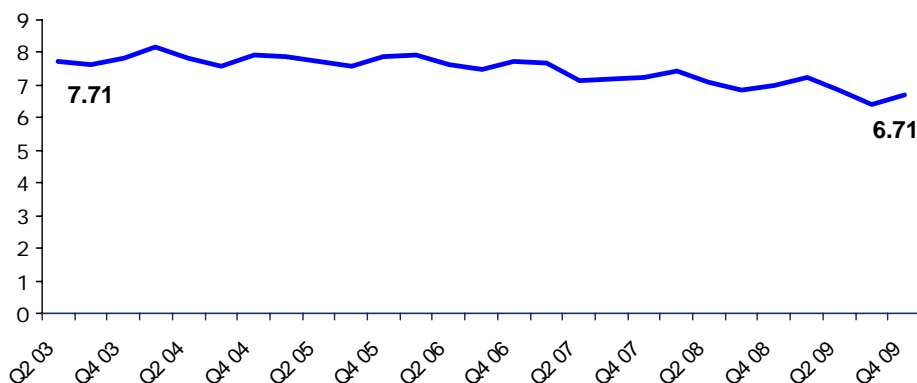
⁵¹ From 0.96% average weekly reach in 2006 (Q4 12-month weight) to 0.77% in 2009 (Q4 12-month weight), RAJAR, 15+

Radio 6 Music presents a different challenge. Although small in audience, reaching around 700,000 listeners a week,⁵² it plays a wide range of music that listeners do not hear elsewhere and it introduces many listeners to music that is new to them.⁵³ The BBC Trust’s recent review of Radio 6 Music confirmed that it is popular amongst its fan base and its music offering is distinctive. However, although it has achieved good growth in recent years, it has low reach and awareness and delivers relatively few unique listeners to BBC radio. And whilst 6 Music does not have a target demographic audience, its average listener age of 37⁵⁴ means that it competes head-on for a commercially valuable audience. Boosting its reach so that it achieved appropriate value for money would significantly increase its market impact. Given the strength of its popular music radio offering from Radio 1 and 2 and the opportunity to increase the distinctiveness of Radio 2, the BBC has concluded that the most effective and efficient way to deliver popular music on radio is to focus investment on these core networks.

BBC Local Radio in England is highly valued by its target audience. It reaches 17% of the adult population in England a week (37% of this audience do not listen to BBC network radio at all) and it is particularly important for older audiences.⁵⁵ Its distinctiveness lies in its nature: a speech-led service for local communities focused on news, local information, sport and weather, built on a bedrock of local journalism.

However, local radio reach is in decline: between 2003/04 and 2008/09 BBC Local Radio lost 15% of its audience.⁵⁶ Performance has been highly variable across the portfolio with the losses concentrated in big urban areas—79% of the net decline in reach has been driven by nine stations.⁵⁷ The losses have been amongst those born before 1945 now aged 65 and over, who have either turned off radio altogether or migrated to Radio 4 and national commercial stations. To stop the decline, the service needs to renew itself, focusing on its distinctive mission and improving quality so it can reach its heartland older audience more effectively.

BBC Local Radio in England Reach (millions), 2003/04 – 2008/09



Source: RAJAR, 15+, with 3-month weight

⁵² BBC 6 Music had an average weekly reach of 695,000 UK adults in quarter 4 2009, RAJAR

⁵³ BMRB for BBC Trust for Radio 6 Music Service Licence Review, 175 UK adults 15+ who had listened to 6 Music in the last four weeks, May – June 2009

⁵⁴ RAJAR, quarter 4 2009 with 12-month weight

⁵⁵ RAJAR, 15+, local radio in England TSA, quarter 4 2009 with 12-month weight

⁵⁶ From 20.1% average weekly reach in 03/04 (Q1 04 12-month weight) to 17.1% in 08/09 (Q1 09 12-month weight), RAJAR, 15+

⁵⁷ RAJAR, 2003/2004 and 2008/2009. Figure relates to ‘in-area’ listening

4.3 Focusing the portfolio on quality and value

As the BBC's flagship service and the UK's most popular television channel, **BBC One** will continue to engage a wide audience with programmes of real quality and distinctiveness. Audiences want a central place for captivating and authentic popular drama and British entertainment on BBC One, but they want it to strive even harder for originality and excellence. The channel should continue to create impact with challenging event and serial dramas and with long-form documentary; programmes like *Occupation*, *Small Island* and *Wounded* point the way. BBC One has a vital role in bringing output that fulfils the second editorial priority (inspiring knowledge, music and culture) to mainstream audiences. In recent years, the space for knowledge output—natural history, the arts, religion—has grown on BBC One with programmes from *Life to Seven Ages of Britain* to *The Passion*. It should expand on this repertoire in areas such as history and science. The overall range and diversity of BBC One, unique in the world for a popular television channel, will be maintained. Its distinctiveness will also be assessed as part of the BBC Trust's on-going review of television services.

BBC Three was launched in 2003 with the aim aiming of providing young audiences with high-quality, original, challenging and engaging content across a range of genres. It has built a reputation for innovative British comedy with programmes such as *Gavin and Stacey* and *Little Britain*; created highly original and award-winning dramas such as *Being Human*; and brought large numbers of young audiences to serious topical issues through programmes such as *Blood, Sweat and Takeaways* and *The Autistic Me*. It reaches over 11 million people a week⁵⁸ and its brand resonates with its target audience.⁵⁹ It brings unique audiences to the BBC—it is one of the five most important BBC services in driving unique reach⁶⁰—and it adds significantly to BBC's television portfolio share among the young. It has learned how to be bold and challenging with programmes that engage young audiences while remaining true to the BBC's values of high quality and distinctiveness. The latest in Ofcom's annual surveys of PSB in the UK shows that viewers' ratings of the quality of programming on BBC Three are on a par with ratings for ITV1 and Channel 4.⁶¹ BBC Three's role as a test-bed for the talent and formats of the future and as a means of engaging younger audiences with content which meets the BBC's five content priorities will become even more important as viewing continues to fragment in the years after switchover. It must maintain its current commitment to investment in original comedy and drama and continue its drive to ensure that its factual output is not just relevant and accessible to its audience but genuinely thought-provoking and valuable.

This strategy strongly endorses the current creative direction and editorial performance of **Radio 4, Radio 3, Radio 1 and 5 Live**. In their very different ways, they are strikingly distinctive services which are highly valued by their listeners. Radio 4, the original Home Service of the BBC, is unique in world radio in its quality and range. Radio 3 and Radio 1 not only give enormous pleasure to audiences, but make critical contributions to music and music-making in this country. Radio 1 needs to work hard to ensure it remains distinctive—offering something

⁵⁸ 11.3 million from BARB, 4+, average weekly reach (15 minutes consecutive), wk 1 – wk 52 2009. On 3 minutes consecutive reach 15.1 million individuals 4+ are reached per week

⁵⁹ TNS for BBC, 2,163 UK adults 15+, August 2009

⁶⁰ Cross-Media Insight survey by GfK NOP for BBC, 650 respondents per week 16+, 2008/2009

⁶¹ Based on the percentage of self-reported regular viewers of each channel giving a score of 7 or more out of 10 for 'It shows well-made, high quality programmes': BBC Three - 66%; ITV1 - 66%; Channel 4 - 67%. PSB Tracker by GfK NOP for Ofcom, 'Public Service Broadcasting: Annual Report 2009', 7,000 UK adults (self-reported regular viewers: BBC Three - 541; ITV1 - 3,587; Channel 4 - 2,339), 16+, fieldwork 2008

beyond that offered by commercial stations. It should maintain and, where possible, increase its commitment to social action programming, to specialist music and to cross-platform initiatives. No part of the BBC can be exempt from the process of identifying efficiencies and better ways of working, but in the coming years the BBC should take great care to ensure that BBC Radio has the resources further to increase the quality of its output.

In other parts of the portfolio, however, the BBC proposes to adapt or close a number of its services.

Adapting services

Changes to BBC Two to enhance its quality and distinctiveness have already been described. Further changes to BBC services are outlined below.

BBC Four will be refocused alongside BBC Two, reaffirming its original commitment to support arts, music, culture and knowledge as well as offering a thoughtful showcase for the best of the television archive. There will be a reduction in entertainment and comedy on the channel. Its remit will continue to evolve in light of a successfully re-shaped BBC Two; the distinct roles of the two channels will be better defined but they will continue to operate in a complementary way—resulting in a stronger, combined contribution to arts, music, culture and knowledge.

Radio 2 will strive to become significantly and demonstrably more distinctive, applying in full the recommendations of the BBC Trust’s recent review (see box below).

Asian Network aims to provide high-quality news and discussion, helping British Asians connect with their cultural and linguistic roots. However, it has had a difficult transition to a national digital service. Changes in its strategy have led to an inconsistent listening experience and the national station has been less successful at replicating the sense of community which was fundamental to the growth of the original local Asian service. The increasing plurality and diversity of British Asian audiences are stretching the coherence and relevance of the service; its audience reach is in decline⁶² and its cost per listener is very high. The BBC therefore recommends that the Trust considers closing the Asian Network as a national service, together with a number of options for redeploying its investment and meeting the needs of Asian audiences more effectively. One option is to replace it with a network of part-time local services⁶³ with some syndicated national Asian programmes. These would be available on local DAB and local medium wave, serving areas with the largest British Asian communities. The BBC welcomes the opportunity to engage with audiences and stakeholders to explore this and other possibilities.

IXtra and **Radio 7** will be aligned more closely with their parent stations. Radio 5 Live Sports Extra provides a very good model for how digital-only services can naturally complement their analogue sister stations, in this case through extending 5 Live’s sports commentary offering. Over the next 18 months, the BBC will strengthen further the editorial links between IXtra and Radio 1, whilst Radio 7’s current distinctive offering will be developed through new content and closer ties with Radio 4—culminating in the re-brand of the station as ‘Radio 4 Extra’.

⁶² For example, falling from an average weekly reach of 471,000 adults 15+ in quarter 4 2004 to 386,000 in quarter 4 2009, RAJAR 15+

⁶³ For example, five total survey areas cover 66% of Asian Network’s total audience, 15+ (and 77% of the listeners who tune into Asian Network but not to any other BBC radio), RAJAR quarter 4 2009 with 12-month weight.

Radio 2

Radio 2 covers a broader range of musical genres than any other BBC service. Its speech output embraces the arts, religion, current affairs, documentaries and comedy. The station's welcoming tone and the quality of its broadcasting line-up have made Radio 2 the most listened to radio station in the UK—with daytime audiences peaking at around five million listeners.⁶⁴

The BBC will increase Radio 2's commitment to specialist and speech programming, in particular through scheduling that means these programmes are easier to find and reach more listeners. Speech output will make up more than 50% of daytime programming. Changes will include:

- **Documentaries** scheduled in a regular slot, four times a week, exploring musical and cultural themes in an accessible and entertaining style
- **Live concerts** showcased in a new weekly early evening slot, featuring both new and archive performances by iconic musicians and the BBC Concert Orchestra
- **Comedy** in a regular Saturday night slot to present a new line-up of commissions which reflect Radio 2's core values and which are clearly different from Radio 4 output
- **Jazz** in a weekly 7pm show presented by Jamie Cullum, and from a new commitment to coverage of the Cheltenham Jazz Festival
- Highlights and excerpts from **specialist and speech output** becoming a regular feature of daytime programmes, to raise awareness amongst daytime audiences of the full breadth of Radio 2's output
- **Campaigns and celebrations** will become a more regular component of Radio 2's calendar. During these times many areas of the schedule, including daytime programmes, documentaries and concert performances, will be drawn together to mark major events or campaign priorities
- **Media literacy** will be an increasingly important component of Radio 2's public mission,⁶⁵ and the station will seek more ways to encourage first-time users to explore digital and interactive services.

The BBC faces some complex audience challenges in Scotland, Wales and Northern Ireland and the North of England. The performance of the BBC's own services can vary significantly across the UK. Other broadcasters are struggling to invest in programmes and services for the Nations and are reducing production spend outside London.

The BBC will remain fully committed to services that both reflect parts of the UK to the whole and serve specific areas with content that meets their needs and interests (such as the BBC's

⁶⁴ RAJAR, quarter 4 2009 with 12-month weight

⁶⁵ 2.7 million of Radio 2's listeners never use the internet. RAJAR, quarter 4 2009 with 12-month weight.

radio stations in Scotland, Wales and Northern Ireland). The main parts of this long-term strategy include:

- A shift in the physical centre of gravity of the BBC, with a major new centre in the North of England by 2012 as well as centres in Glasgow, Cardiff and Belfast
- Increasing the number of television programmes made outside London: with 50% of network television programmes made outside London by 2016, and 17% made in Scotland, Wales and Northern Ireland; 40% of radio spend (including Five Live) outside London by 2016
- Building on these new creative centres of excellence to reflect different parts of the country better
- Improving the quality of opt-out services for Scotland, Wales and Northern Ireland with higher-impact programmes that reflect distinctive voices and experiences, with an ambition to showcase the best of local programming on the BBC's UK television networks
- Enhance the quality and range of journalism that reflects the whole UK through a portfolio of UK-wide, nations and local news services
- Continued support for the UK's indigenous minority languages including through a renewed strategic partnership with S4C, and through Ulster Scots provision and BBC Alba.

The BBC's strategy for local radio in England will be adapted to improve quality and stem the decline in reach. Changes will include:

- A renewed emphasis on speech radio and journalistic content which holds local democracy to account
- Greater focus on key slots: breakfast, mid-morning and drivetime, with an audience focus on the over 55s
- A new commitment to 100% speech at drivetime
- A new monthly programme in the schedule to hold the elected and the powerful in local politics to account
- A music policy more relevant to the audience, with current and recent chart hits representing no more than 15% of weekly music output
- A consolidation outside the key slots of breakfast, mid-morning and drivetime, so that higher-quality speech content can be shared across services. This will release funding to invest in better quality local news within the core listening hours.

Closing services and ceasing activity

All BBC services deliver value to some audiences, and the BBC does not take the decision to close services lightly. Further, under the terms of the BBC's Charter and Agreement, proposals for the closure of BBC services require a public value test (PVT). Subject to BBC Trust consideration and approval, the BBC recommends the following service closures under this strategy.

- Closing Radio 6 Music by the end of 2011. Accepting the critical role that it must play in driving audiences to adopt digital radio, the BBC should nonetheless maintain its overall levels of investment in original radio content aimed specifically at digital services. It should evaluate the best use of this content investment and of the digital spectrum that the closure of 6 Music would release. The BBC will also review how some of 6 Music's most distinctive programmes can be successfully transferred to other BBC radio stations, and how its support for new and specialist music can be sustained across the BBC

- The BBC will continue to serve teenagers through its mainstream services, but recommends both *Switch* and *Blast!* for closure—as neither brand (BBC *Switch* on television and *Blast!* in the learning portfolio) is reaching its target audience effectively. Although the BBC should continue to offer high-quality programmes and services which appeal to teenagers—from Radio 1 to BBC One—and should continue to commission some content in all media which is specifically aimed at younger teenage audiences, it should accept that its role in addressing the gap in public service television for this audience group will be secondary to that of Channel 4 and other broadcasters. It will look to build a multiplatform team at its new base in Salford, focusing on distinctive formal learning but also providing younger audiences with valuable content through a range of BBC services
- The BBC also recommends, as noted above, the closure of the Asian Network as a national service—redirecting freed resources to serve Asian audiences better in other ways.

The proposals in this section to refocus or close a number of services and to repurpose content across the BBC's portfolio together affect over £300m or nearly 10% of the BBC's annual spend.

5 Guaranteeing access

Working to ensure that UK audiences can always:

- *Get BBC services free at the point of use, in ways and on devices that suit them*
- *Catch up on programmes for free on the BBC's website, at home and on the move*
- *Access the best of the BBC's current and future library of programmes*

Guaranteeing access means, on this strategy:

- *Making internet-connected television a reality and success through the proposals for project Canvas and continuing to support other partnerships for free-to-air platforms*
- *Guaranteeing free access to independent, impartial news including online*
- *Opening the BBC's current and future programme library, as well as working with partners like the British Library and British Film Institute to bring other public archives to wider audiences.*

A rich and vibrant public space is central to the UK's democracy, culture and character. Museums, galleries and public spaces are thriving and the public's appetite for UK-produced content, impartial news and advertising-free programming remains as strong as ever.⁶⁶ The digital era opens up a new realm of public space, with new forms of creativity and access to an almost unlimited choice of content.

The BBC is well-placed to help sustain a new era of digital public space. It has a strong track record of helping people understand and use new technologies: its promotional campaigns build awareness; its online tools like *Webwise* can show people how to get started; it makes sure that digital developments are brought to the widest possible audience. The BBC has a particularly important role in guaranteeing that the benefits of digital will be available to all, creating a space without exclusivity or prejudice and which does not depend on postcode or ability to pay.

5.1 Opening up the BBC's library of programmes

At the heart of the BBC's access strategy is an ambition to liberate its programme library—not just covering the archive of the last 88 years, but the daily accretion of hundreds of hours of new BBC programming and all the supporting materials that go with them. This will be a gradual, long-term project, and will need to be delivered through a mix of public service and commercial activities, with strong partnerships in both areas. The benefits to the UK as a whole will be significant, with the potential both to create a substantial and growing educational and cultural resource for citizens, and to stimulate new forms of creativity and commercial activity.

For the BBC itself, this vision requires it to focus on making content worthy of keeping forever. It has implications for all parts of the content lifecycle, from the moment of commissioning, to a programme's premiere on a BBC public service, to the terms on which it may be released for exploitation on commercial channels. The emerging vision is based around three main ideas:

- Protecting the BBC's free-to-air public services so that audiences know where to go first for the freshest and newest BBC content in an advertising-free environment

⁶⁶ TNS for BBC, 2,163 UK adults 15+, August 2009

- Increasing access to the BBC's current and future programme library, making some content permanently available and extending the availability, where possible and appropriate, of the rest
- Positioning the BBC and its archive as part of a large and growing set of public archives made available by UK institutions, acting as an enabling force to link and support them in an increasingly common network.

The BBC believes that by working closely with partners (including producers, rights-holders, distributors, regulators and other broadcasters and public institutions) it is possible to align interests in a way that will deliver a fair and sustainable balance of public access, market sensitivity and financial benefit, increasing both public and commercial value and ensuring licence fee payers extract the full benefit of their investment in content.

Protecting the BBC's public services

No part of the BBC's offer is more important than its core public service channels and networks. These are the means by which newly commissioned content is premiered and made available to the widest possible audience. But in future, audiences may increasingly come across BBC back-catalogue programmes on different and competing linear and on-demand services. To protect the BBC's primary public services and ensure that audiences gain the maximum value from them, the BBC will make the following commitments:

- All BBC-commissioned programmes or content will premiere first on BBC public services; no content will be made commercially available before its planned public release
- After its first showing, licence fee payers will be guaranteed on-demand catch-up to stream or download temporarily without further payment. This catch-up window should be designed so that it minimises confusion for consumers, maximises the availability and public value of all the programmes the BBC commissions, and responds to what consumers expect from time-shifting services.

Increasing the availability of BBC programmes

The staged release of content in different formats and on different platforms at different times has always been and will continue to be at the core of both public services and commercial business models. However, once content is made available online, audiences increasingly look for it to continue to be there. This matters greatly for broadcasters and rights-holders, too. If there are no legal ways to get hold of programmes beyond the catch-up window, the consequence can be either piracy (for the most popular content) or invisibility (for more niche or specialist programming). Neither builds public value, nor is there any benefit to producers or broadcasters.

Since the BBC does not own or even control the rights across all its programmes, it will need to partner with rights-holders and commercial providers if it is to keep as much as possible of its output available to audiences. Also, the funds it can invest in improving availability will be limited. A successful strategy for the BBC to facilitate the release of its programme library therefore depends on achieving two complementary goals:

- A 'permanent collection' of BBC archive content, selected for its historic, educational or cultural importance, free at the point of use for consumers and linked to the collections of other public institutions (see next section)

- A thriving commercial market supplying access to other BBC back-catalogue content, with services that can showcase content from the BBC's programme library, give credit back to the BBC, and create financial value for the BBC and its partners.

Permanent digital ownership of individual programmes and series is a particularly effective means of securing availability for BBC-commissioned content directly after catch-up, through both public service and commercial means. The BBC will actively encourage and support exploitation of its back catalogue, provided it is done on clear and transparent terms, and in ways which support the BBC's overall mission to maximise access to public service content. The BBC will, accordingly, aim to facilitate the availability of as much content as possible in permanent digital ownership formats, such as download-to-own, with all programme pages on BBC Online linking appropriately to relevant digital retailers.

5.2 The BBC programme library as a resource for the nation

The highest commercial value of the BBC's current programme library resides in a relatively small proportion of what it estimates to be approximately one million hours of content held in storage. The remainder is, in common with the collections of other great public institutions, a resource held in trust on behalf of the UK but currently accessible only to professionals or specialist researchers. The BBC believes that those sections of this library that have exceptional cultural, historic or educational value should, over time, be opened up within BBC Online as a publicly accessible 'permanent collection'.

The focus of this permanent collection is driven by two of the five content priorities set out in section 3. First is the content which comprises the definitive and impartial **journal of record** of the UK as a whole and its engagement with the world: over eighty years of BBC journalism in the form of daily news bulletins, broadcasts and scripts, together with the live broadcasts of key events. This unique and irreplaceable collection of content would be made available to audiences as a national resource, searchable and available for syndicated use by the BBC's public service partners as well as by schools or other educational institutions.

The second focus of the BBC's public archive activities will be on **culture, knowledge-building and learning**. Here, the BBC will create partnerships with the wider cultural sector, where many archive-holding institutions have both complementary content and a shared set of public purposes. Just as commercial partners help to determine those parts of the BBC library with most value in the market, so these public partners can help identify and release other parts of the BBC's holdings where public value is highest, especially when combined with other relevant assets held in their collections. The recent partnership with the Henry Moore Foundation and Tate Britain to release the BBC's complete collection of programmes on Henry Moore as a free public resource is a good example of this.

The BBC already has agreements in place with several key public archive partners. For example, it is working with the British Library on a wide-ranging project spanning the management, storage and distribution of archive content. It is partnering with the British Film Institute (BFI) to support key projects including Screen Heritage UK, and with Arts Council England to explore the potential of increased digital access to arts content. This emerging network of institutional partnerships points to a broader role for the BBC as a catalyst and enabler of public space. The cultural and arts sector in the UK is increasingly becoming a visible and vital part of the digital landscape: museums, galleries, arts and learning institutions are making their own video and

online content, and are rightly ambitious to secure direct access to audiences via internet-enabled media. The BBC can and will bring real value to this emerging digital public space: its skills in content production; its approaches to data, digitisation, linking and rights; and its direct relationship with audiences and expertise in the development of digital platforms.

5.3 Securing the routes to public space

Public space does not just depend on making content available. Audiences must be able to access services that provide that content, find what they are looking for once there and consume it in a high-quality environment where the context and values of the original producer or broadcaster are preserved. The BBC, in particular, has a responsibility to make its programmes and services available free at the point of use.

The BBC has always been involved in the delivery of its content. In the 1920s it built and established the UK's first radio transmitter network; it later built on this same infrastructure to deliver the new medium of television. But as the market has evolved, the BBC's role has shifted. The BBC outsourced its radio transmission network in the 1990s and has since largely moved toward working in partnership, establishing free and open platforms such as Freeview and Freesat. All these ways of distributing content have contributed to the BBC's public space—creating a free-to-air set of platforms which support open standards and which are available to all.

The BBC continues to play a particularly important role in securing the technological underpinnings of digital public space through its long-term commitment to research and development. The BBC's R&D team has been developing open technology environments since its earliest radio network transmissions and has built wider commercial value to the UK by creating and sharing technology across the industry. This approach has run through a host of technology partnerships from colour TV, NICAM Stereo, DIRAC and most recently DVB-T2 enabling high definition on digital terrestrial television. The majority of significant developments in broadcast media over the last century have been influenced by the BBC's R&D department.

However, as technologies converge and devices proliferate, there is an increasing number of organisations developing media technology and building platforms. The BBC will need to be clear on both the principles it commits to in order to protect public space and also the market conditions that justify it partnering or building a new platform. These principles will ensure that all investment in new platforms and delivery mechanisms only goes ahead under clear criteria.

1. BBC public services should be available without a subscription and without advertising to all audiences across the UK, in ways that meet audience expectations for quality and ensure credit and attribution back to the licence fee. The BBC will continue to support free-to-air terrestrial platforms and internet distribution to ensure that this is the case and that its services are universally available to every household on at least one platform, free at the point of use. Some services and platforms are still not accessible across all parts of the UK and the BBC remains committed to increasing the coverage of those platforms that can deliver universality cost-effectively.
2. Where a significant platform is not available or not able to deliver to these principles, the BBC will look to stimulate and shape its development—as it has done for high definition on Freeview and as it proposes to do with Canvas and internet-connected television. The

platforms the BBC supports protect open standards, deliver the benefits of emerging technology to new audiences and provide a sustainable quality free-to-air alternative to pay platforms. The BBC will continue to offer access to these platforms to others on a fair, reasonable and non-discriminatory basis.

3. The BBC will continue to release its content to other platforms, subject to technical capability, protections for the BBC's brand and reputation, and affordability. It will do this on a non-discriminatory basis, using objectively justified criteria to ensure its investment is effective, and will welcome similar non-discriminatory behaviour from platforms that take BBC content. The BBC will need to be mindful of value for money as delivery mechanisms increase in number. Its ability to develop bespoke technical versions of its products will be limited by cost considerations, and it will adopt a standardised and non-discriminatory approach to the way it makes these products available.
4. The BBC will also ensure that users access BBC content through the most appropriate aggregations, with credit and attribution back to the licence fee. Users have strong relationships with BBC destinations (e.g., BBC One, Radio 4, iPlayer, BBC News online) and these destinations offer context for the content the BBC makes available. Through user experiences and recommendations, they allow the BBC to guide audiences to new public service content they might not have expected to enjoy. BBC destinations allow the BBC to set quality thresholds and meet audience expectations. This approach to syndication is already in use for linear channels, and the BBC will commit to the same approach with internet-based destinations such as the iPlayer. The BBC Trust is currently reviewing the BBC's syndication guidelines.

5.4 A clear promise to licence fee payers

The proposals and approach described in this section will protect the BBC's public services and create a public space where quality can flourish; make many more BBC programmes available; release commercial value; protect the current routes to public service content, and open up new ones. In combination, they offer licence fee payers a clear promise about what they get in return for their licence fee. This promise can be simply expressed as follows.

UK audiences can always:

- Get BBC services free at the point of use, in ways and on devices that suit them
- Catch up on BBC programmes for free after transmission, on the BBC's website at home and on the move
- Get hold of all recent BBC programmes and be treated to the best of the BBC's library of programmes in trusted environments—with a 'permanent collection' available for free, and paying for other content which would otherwise not be available.

6 Making the licence fee work harder

Making the licence fee work harder means, on this strategy, focusing the BBC's spending on what matters most to the public by:

- Reducing the costs of running the BBC by a quarter: from 12p in a licence fee pound today to under 9p by the end of the Charter
- Targeting £2bn in cumulative savings by 2013
- Reducing senior management numbers, freezing pay and suspending bonuses
- Reinvesting savings in new UK programmes
- Striving to make every licence fee pound benefit the wider UK economy by more than £2.

6.1 Increasing the efficiency of the BBC's operations

Efficiency programmes going back to the early 1990s have resulted in major changes to the size and shape of the BBC. Overheads as a proportion of the total licence fee have reduced from c24% in 1999 to around 12% today (including infrastructure costs). Most administrative functions have been outsourced, with the systems and processes purchased externally simplified and reduced in cost. Overall, the BBC now directs approximately half of all its total expenditure to external suppliers.

Today, the BBC is investing to modernise its production base and to bring the benefits and efficiencies of digital production to all its output. By the end of 2012/13, its production departments will have delivered against an annual c5% efficiency target, reducing their cost base by 25%. Overall, the BBC is on course to release £2bn in cumulative savings by the end of this licence fee period in 2012/13, meeting its target of 3% overall net cash savings per year throughout the current licence fee settlement.

An effective BBC of the future

Neither the digital revolution nor the need for the BBC to pursue the goal of higher quality at lower cost will end in 2013. The Corporation is planning now for the next wave of technological change and for even more radical improvements in efficiency.

In making content, the BBC will continue to use smarter technology, improved connectivity and multi-platform working to produce content of the same quality at markedly lower cost. This will also open up the BBC's entire library of current and past content for all programme-makers to access in real time. But future content efficiencies will be targeted carefully: after more than two decades of year-on-year efficiencies, some programme budgets cannot be reduced further without damaging quality.

A critical focus, therefore, will also need to be on overhead and infrastructure costs. The BBC has roughly halved the proportion of the licence fee spent on these over the past ten years. Between 2013 and 2016, the BBC should set itself the target of reducing overhead and infrastructure costs by a further quarter to under 9p in every licence fee pound by the end of the Charter—with the savings ploughed back into high-quality content which meets the five content priorities. The Director-General will be responsible to the BBC Trust for reaching this target, and performance against it will be included in the BBC's annual report and accounts.

Efficiency in practice

To deliver a reshaped organisation, the BBC has begun to identify specific savings opportunities that could be delivered once the current 'Continuous Improvement' programme is completed at the end of 2012/13. Further work in this area will continue over the next two years.

Simplifying the BBC's operations and structure: The BBC should make a step-change towards simplicity in its operations and structure, dismantling the remaining elements of its traditional hierarchy and replacing them with a flatter, dynamic and flexible structure that reflects the nature of the BBC's new challenges: wholly focused on serving the public with fewer management layers, better team-working, pan-BBC collaboration, job titles which pass the tests of clarity and commonsense, stronger performance management, and more empowered leaders.

Reducing the cost of managing the BBC: In October 2009, the BBC published new proposals to reduce the cost of senior management, including cutting the BBC senior management pay bill by 25% and seeking to reduce total numbers of senior managers by 18% over three and a half years. A new remuneration policy is being implemented that sets out the clear and explicit discount against the private sector that is expected when setting senior manager pay. All senior manager posts will be reviewed when they become vacant and more management talent will be trained within the BBC to senior management level rather than relying on external hiring. These new policies will continue to reduce the numbers and cost of senior management further, beyond the proposals announced in 2009.

Creating greater flexibility: The traditional BBC employee proposition needs to be replaced with a new one to help ensure it has a flexible, creative, and passionately committed workforce for the future. Broadcasting is already a far more mobile industry than it once was; even today, many newer employees only expect to stay at the BBC for part of their career, perhaps leaving to bring the benefits of the training and creative experience they have enjoyed at the BBC to other broadcasters and productions—only to return later on with fresh skills and creative energy developed elsewhere. Working for the BBC from now on will mean constant new opportunities, but also constant change. What the BBC can and must offer everyone who works for it is the best training and career development in world broadcasting and an unrivalled creative space in which to do their best work.

Using staff and production assets more effectively: As the BBC becomes a fully integrated multimedia business, it will increase the number of staff with multiple skills to enhance the agility of the organisation and reduce downtime. Additional savings can be generated by extending this concept across organisational structures, moving to cross-platform, cross-channel, multi-location working. This will also improve the use of fixed assets, including the BBC's eight state-of-the-art creative hubs across the UK.

Reducing the costs of property: The investment the BBC is making today in its digital broadcasting and production infrastructure will create opportunities after 2012 to improve the way it uses its buildings. Occupancy will be increased across the Corporation through benchmarking and there will be more disposals, reducing the size of the overall estate. The BBC will also explore more efficient models for its local infrastructure across the UK, for instance by using new production technology that can allow a greater consolidation of back-office facilities within main regional centres.

Managing compliance more effectively: The BBC's processes and procedures for monitoring, managing, and responding to compliance requirements have become more complex as the

regulatory environment has changed. The BBC will examine the volume of activity it is responding to, and reduce the cost of engaging in these activities. This will be achieved by automating processes, simplifying requirements, and speeding up decision-making and approvals, while protecting the BBC and its audiences.

Controlling talent costs: The BBC Trust’s review of talent costs found that, on the whole, the BBC is already achieving deals which represent value for money. However, after a period in which there has been significant inflation in top talent pay, the market has turned and the BBC has committed to reducing the amount spent on top talent progressively over the next few years. There are a number of recent examples where the cost of contracts has been reduced on renewal. In addition, the systems used by the BBC to challenge deals will be improved with greater independent information; it will take a more systematic approach to considering its bargaining power around the levels of exposure that talent can receive and the ability to work across different genres; and it will find ways to demonstrate its efforts to achieve the best deals more openly to the public in order to generate greater confidence amongst licence fee payers that value for money is being achieved. The BBC will also be more transparent through the publishing of the total talent costs incurred on an annual basis, allowing licence fee payers to see whether costs are being properly controlled but balancing this against the likelihood that full disclosure would lead to fresh upward pressure on pay.

Reducing the costs of distribution: The cost of distributing the BBC’s services is predicted to rise significantly as platforms proliferate, which will reduce the amount the BBC can spend on content. After switchover is complete, the BBC will contain and reduce, where possible, its distribution costs. It will continue to make content available universally to all licence fee payers. But the BBC must act in a cost-effective way, which limits how much it can spend in making its content available on all platforms. This will involve some difficult choices, but in an era of constrained funding it will be vital to examine future distribution opportunities and the current distribution portfolio against objectively justified criteria—including cost—in order to reduce how much the BBC spends.

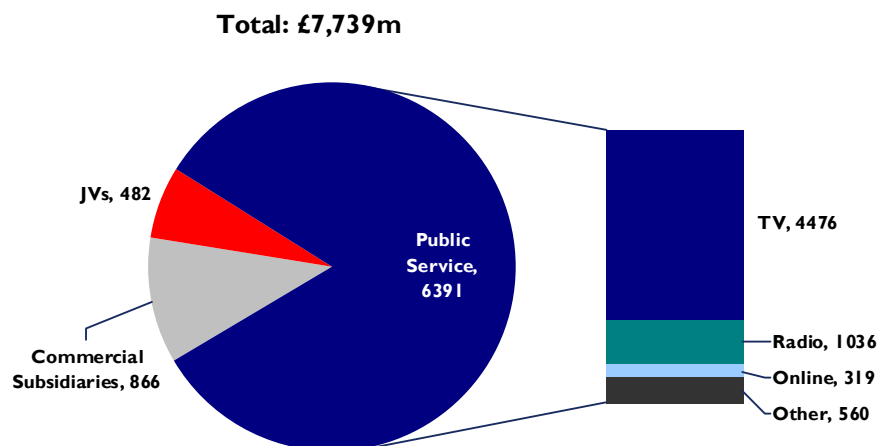
Reducing the costs of out-sourced contracts: The BBC spends £1.3bn externally with third-party suppliers (excluding spend on independent producers). The BBC remains committed to seeking further savings by competitive procurement of its requirements.

6.2 Increasing the BBC’s positive impact on the UK economy

The BBC exists to provide high-quality programmes and services. But in meeting this mission, broader benefits stretch into the digital and creative industries—which in turn spill over into the wider economy.

As part of this Strategy Review, the BBC commissioned a study by Deloitte to quantify the impact of the BBC’s activities on the UK economy. Deloitte’s report, published alongside this one, shows that the BBC contributed at least £7.7bn to the UK economy in 2008/09—generating over two pounds of economic value for every pound of the licence fee.

Gross Value Added by the BBC



Source: Deloitte, *The Economic Impact of the BBC, 2010*. 'Gross Value Added' is an estimate of value generated for the UK economy as a result of an organisation's activity

Specifically, Deloitte estimate that:

- BBC TV, Radio and Online services contribute at least £4.5bn, £1bn and £300m respectively to the UK economy each year
- BBC Worldwide and the BBC's other commercial operations contribute £866m to the UK economy as well as directly returning profits back to licence fee payers
- The BBC's activities in Scotland, Wales and Northern Ireland contribute £330m, £248m and £131m respectively to the UK economy
- BBC activity supports around 7,000 jobs in Glasgow, Cardiff and Bristol, which generate around £200m of economic value
- The BBC's role in digital developments such as Freeview and digital switchover helped these processes complete far earlier than they would have done otherwise, leading in total to an extra £170m created for the UK economy in 2008/09 alone
- BBC training leads to a benefit of around £60m each year of improved productivity to the creative economy
- The BBC's activities sustain around £1.4bn of economic value—roughly a third—in the UK's independent TV production sector, a key part of the UK creative economy.

The report demonstrates that funding through the licence fee is a vital source of stability across the whole UK broadcasting industry as the economy slows. As other broadcasters struggle to invest in a broad range of programming, the licence fee's importance as an engine of creative investment in British talent and as an engine of growth for the UK economy is more important than ever. Deloitte's economic value analysis will help the BBC to understand the impact of some of its key decisions. Therefore, the BBC will on this strategy:

- Report regularly on the overall value it delivers, based on the model developed by Deloitte, and publish analysis of its value to the UK economy
- Strive to maintain an economic value of at least twice the value of the licence fee while recognising the importance of spreading that value across the UK.

The proposals in this section to make the licence fee work harder will release efficiency dividends of on average £100m per year for reinvestment in new content.

7 Setting new boundaries

Setting new boundaries means, on this strategy:

- *Recognising the lead role that commercial radio plays in serving popular music to 30-50 year-old audiences, through the proposed closure of 6 Music and the refocusing of Radio 1 and Radio 2*
- *Recognising the lead role that Channel 4 and other broadcasters can play in addressing the gap in public service television for younger teenagers, through the closure of targeted teen propositions*
- *Reducing spending on programmes from abroad by 20%, from £100m today to £80m in 2013, capping it thereafter at this level of 2.5p in every licence fee pound*
- *Setting a limit on what the BBC can spend on sports rights at an average of 9p in every licence fee pound*
- *Leaving room for local newspapers and others to develop in a digital world by keeping the BBC's current pattern of local services, and not launching new services in England at any more local a level than today*
- *Focusing original content on BBC Online on the five content priorities only, and excluding whole categories of online activity such as web search, communications and non-content related social networking.*

Clearer BBC behaviour means, on this strategy:

- *Placing the BBC values and the need to earn the public's trust through honesty and integrity at the heart of everything the BBC does on and off the air*
- *Always putting quality before volume, whenever a choice is required*
- *Ensuring that all investment in new platforms and delivery mechanisms only goes ahead under new, clearer criteria*
- *Defending the BBC's impartiality and its independence from political and commercial influence*
- *Making the BBC the most open and responsive public institution in the UK*
- *Taking a precautionary approach to market impact within existing as well as proposed new services*
- *Becoming a better partner both with other broadcasters and media players, and with other public institutions, and always exploring the possibility of partnership first when considering new technologies and other initiatives*
- *Recognising that the BBC is not just an important part of public space itself, but a vital catalyst and connector for other public space institutions*
- *Ensuring the tough limits set by the BBC Trust's recent review of BBC Worldwide are fully implemented—with new limits on acquisitions and a drive towards non-UK activities.*

7.1 Setting new boundaries

Serving different audiences

The benefits that the BBC strives to provide—including a well-informed public; engagement with the democratic process; fuelling and sustaining a national conversation—are clearly increased when it has a recognisable and regular impact on a broad range of audiences. However, this does not mean that the BBC's aim should be to attempt to maximise its share of audience consumption equally on every platform across all audience groups, regardless of the implications. Rather, its ambitions to reach all licence fee payers should be based around its need to inform, educate and entertain broad audiences to meet its public mission, mindful of the role that other broadcasters can also play in public service broadcasting.

For instance, it is clear that commercial radio effectively delivers mainstream popular music broadcasting to younger and middle-aged adults. This audience is commercially attractive and the BBC's digital services in this space (for instance, Radio 6 Music) do not currently deliver significant enough public value to justify their intervention. For this reason and others, the BBC therefore believes that the most effective strategy for its popular music radio services is as follows:

- To ensure that Radio 1 focuses on its target audience of 15-29 year-olds, providing them with documentaries, social action campaigns and accurate, impartial and independent news at the heart of daytime output, together with music programmes that introduce unfamiliar and innovative songs and which support artists at the forefront of new music
- To implement the findings of the recent Trust review on Radio 2, including the need to ensure that the average age of the station's audience (50) does not fall and, if at all possible, goes up.

Similarly, Channel 4 has always had a strong appeal to younger audiences and its reputation for originality and risk-taking connects particularly strongly with those younger audiences who tend to be the most difficult to reach for advertisers and for public service broadcasters. Recognising this, the BBC will continue to serve teenage audiences on radio through Radio 1 and 1Xtra as well as through BBC Online. However, on television it will recognise the role that Channel 4 and other broadcasters are likely to play in meeting the gap that has been identified in public service television for younger teenagers. It will close its teen-focused proposition BBC Switch and concentrate on serving these audiences and providing plurality and competition through mainstream services.

Reducing and limiting BBC expenditure

In two areas in particular, the BBC will reduce or cap its investment so that the industry can have clarity but audience needs can still be served.

Acquired programmes make a vital contribution to the BBC's public purpose to 'Bring the UK to the world and the world to the UK'. Through their production values, talent and ambition, they can also challenge British broadcasters to raise their game. Whilst most programmes are acquired from the USA, the BBC licensed programmes in 2009 from 29 different countries including Korea, Chad, South Africa and Iran. As well as showcasing the best foreign-language drama—e.g., *Wallander* (Sweden), *Spiral* (France) and *Best of Youth* (Italy)—BBC Four shows around 25 film premieres in its World Cinema strand each year. The BBC also acquires a range of films to satisfy the differing tastes of viewers on other channels—from high-quality family films on BBC One (e.g., *Shrek* and *Finding Nemo*) to older-appeal intelligent titles on BBC Two (e.g., *Good Night, and Good Luck*, *Apocalypto*) to challenging young appeal films on BBC Three (e.g., *Kidulthood*).

However, the BBC has a particular responsibility to invest the licence fee in the UK's creative industries, supporting talent and producers particularly when other broadcasters are finding it hard to sustain their commitments. This places a particular constraint on the way that the BBC should approach programmes that are acquired from overseas; these programmes—in the main—cannot be an editorial priority for the BBC. The BBC will therefore reduce its spending in this area by 20%, bringing investment down from £100m today to £80m in 2013, capping it thereafter at this level of 2.5p in every licence fee pound. There will be no acquired series in BBC One peak-time. The BBC will still be able to meet audience expectations—for instance, for

an uninterrupted family film at Christmas or to support a strand like *Storyville*—but its behaviour and investment will be clearer.

Similarly, to make its behaviour more predictable in a volatile and competitive market while ensuring it continues to deliver a strong and valued portfolio of sport to audiences, the BBC will cap the amount it spends on **sports rights** at an average of 9% of the licence fee across a four-year period (recognising that the actual spend varies significantly across years according to the transmission pattern of certain events). The BBC will also continue to look for opportunities to share sports content with other broadcasters on TV where this is justified in terms of audience expectation and value for money. The BBC will also not insist on exclusive access to radio sports rights, unless there is an overwhelming audience or public value case to do so.

Local and online services

Local services are an area where the BBC's proposals have been criticised for their possible impact on commercial providers. Licence fee payers continue to place a high value on regional and local content from the BBC⁶⁷ and it must meet this demand as one of its core purposes. However, the BBC needs to respond to the changes affecting other local news providers. As a first step, it will develop a new 'contract for local' that sets out the BBC's role as well as the limits to its ambitions. Namely, that:

- BBC Local Radio will be a speech-led service delivering high-quality, distinctive journalism that complements what local commercial radio provides and remains targeted at an older audience
- In local online, the BBC will only produce material in its core editorial areas of news, sport, travel, weather and local knowledge. It will not provide listings, local guides or similar feature material
- The BBC will be no more local in England than it is today on all platforms—that is, it will not increase the BBC's number of local services on television, radio and online.

BBC Online will only create content that serves the five content priorities. In addition, there are a set of web-native activities that the BBC itself will not undertake, including:

- The BBC's search activity will be limited to its own website and associated external links; it will not do general web search for all-web content
- It will not run its own general communications services such as email, webmail or instant messaging
- It will not create stand-alone social networking sites, with any social propositions on the BBC site only there to aid engagement with BBC content. The BBC will also ensure that its social activity works with external social networks
- There will be no specialist content for a specialist audience, such as business-critical information in specialist fields, legal, financial (including trading tools) or other professional content.

⁶⁷ Public Purpose Remit Tracking Study by BMRB for BBC Trust, 2,260 UK adults 15+, autumn 2008 and spring 2009

7.2 BBC behaviours

The BBC values must always be at the heart of everything the BBC does on and off the air. These values represent the aspirations of the organisation; they guide its day-to-day decisions and shape its individual and collective behaviour. In a large and diverse organisation—spread as it is across different geographies and types of output—the values provide the Corporation with a sense of unity and a common understanding of how to work together. They also clarify what is different about the BBC and how it enriches the lives of the public who pay for it:

- Trust is the foundation of the BBC: we are independent, impartial and honest
- Audiences are at the heart of everything we do
- We take pride in delivering quality and value for money
- Creativity is the lifeblood of our organisation
- We respect each other and celebrate our diversity so that everyone can give their best
- We are one BBC: great things happen when we work together.

These values provide a strong sense of purpose for the organisation and are a strong fit with this strategy. Quality and creativity, in particular, are core BBC values and are the primary goals of this strategy. The BBC must always put quality first: recognising that it is better to serve a smaller audience with a higher quality programme than a bigger audience with a lower quality one—though better still to bring a large audience to a truly excellent programme. The BBC's mission to 'make the popular good and the good popular' continues to ring true today.

Defending the BBC's independence

Other BBC values remain equally important. The BBC's editorial and operational independence is crucial to how it retains the trust of its audiences. The British public believes strongly that the BBC should be independent.⁶⁸ But outside the UK—including in Europe—the independence of public service broadcasting is itself in question.

For the BBC, the main guarantee of independence and impartiality is its Royal Charter which, once granted, removes the BBC from direct political control for a decade and spells out its independence, not just in editorial matters but in the overall management of its own affairs.

Similarly, the tradition of funding settlements that span a number of years helps prevent the BBC facing annual rounds of intense political pressure while ensuring the BBC is not left free from financial accountability. Annual settlements would make it more difficult for the BBC to resist the temptation not to offend the Government for fear of an immediate financial penalty and would undermine the public's trust in the BBC's impartiality. All the UK's major political parties accept the need for these safeguards and protections and continue to support them.

The BBC Trust is the guardian of the BBC's independence, ensuring that external interests never exercise undue influence on the BBC's editorial or operational autonomy. It is also responsible for effective stewardship of the licence fee and the BBC's other resources. The licence fee is also an important part of protecting the BBC's independence, as the foundation for its direct relationship with the public.

⁶⁸ Cragg Ross Dawson for DCMS to inform the renewal of the BBC's Royal Charter, 'BBC Charter Renewal: qualitative research on key issues', February 2005

Many commentators have suggested that the pace of technological change may make the current licensing regime unsustainable. In particular, increasing consumption of on-demand content might mean, on this argument, that substantial numbers of viewers shift away from any form of live viewing completely (for which a television licence is required), undermining public support for the licence fee itself. Analysis does not appear to support this argument, however. Overall viewing of television is increasing on average: 2009 levels of viewing were higher than in 2008, on top of an already substantial increase in 2008 compared to 2007.⁶⁹ The definition of a television receiver covers all devices upon which people currently watch live TV and the definition's insistence that TV must be watched live is not an immediate problem. BARB data of viewing via the television shows that in a week only 0.3% of viewers watch only recorded TV⁷⁰ and over a year that figure is almost zero. In an ongoing survey that covers television viewing via the TV and PC, around 0.1% of UK adults consume on-demand television programming via the PC only and no other TV in a week.⁷¹ While the use of video-on-demand continues to grow, few, if any, external forecasters are predicting that this will significantly supplant live viewing, even amongst 16-24 year-olds. Indeed, new internet-connected televisions will bring viewing, and on-demand viewing in particular, back to the TV set—further strengthening it as the heart of household media consumption.

The most open and responsive public institution in the UK

Social and technological changes, particularly through the internet, should bring the public new power in their relationships with institutions like the BBC. Responding to this, on one level, is about the BBC being open in explaining its actions and decisions and responding to criticism, while defending its essential editorial freedom. More fundamentally, it is about bringing the audience into the process of production, with audiences having a new relationship with programmes and services as their reactions become integrated with and shape the content itself.

People feel strongly about the BBC and its output. Audience input or feedback—whether before or after content is created—is becoming an increasingly valuable creative stimulus for producers. Entering into a dialogue with the audience around BBC content, responding to their comments, enabling them to rate content and attach descriptive labels or tags to it and recommend it to others, is a powerful—and as yet mostly untapped—resource. Participating in, linking to or otherwise showcasing the public discussions that audiences have about BBC content is also important; the BBC does not have to host the discussion itself.

These characteristics of digital public space are transforming the BBC's relationship with audiences. Some of the unspoken truths on which the BBC has often operated—that professionals know best; that control is always the way to ensure quality; that audience contributions are valuable but must be crafted or editorialised to be of most value; that the audience must only be given the finished product; that professionals will create more content than the audience—are being contested and overturned. To fit itself for the future, therefore, the BBC must demonstrate a willingness and an ability to engage in an open discussion about itself, its values and its operations. How the BBC fulfils its public mission will become a dialogue between the BBC and its audiences and contributors—meeting the public's demands for greater levels of visibility, openness and accountability.

⁶⁹ BARB, average minutes (daily) per head, 2007-2009

⁷⁰ BARB, 52 week average, 3 minutes consecutive, wk 1 – wk 52 2009. Figure for 15 minutes consecutive is 0.4%

⁷¹ Cross-Media Insight survey by GfK NOP for BBC, 650 respondents per week, 16+, July-December 2009. On a daily basis, collects data on the 16 channels that cover 72% of TV viewing and collects on-demand PC viewing on days 2-7 (experience of iPlayer, at least, shows that on-demand viewing peaks at day 2 - iStats). Also asks whether respondents have watched TV via the PC over the course of a week

The BBC must deliver information about itself and its operations not just to the minimum that it is obliged to, but in a way which sets a high standard for openness, simplicity and accountability. It has already taken important steps towards its commitment to make it a leader in public sector transparency, with disclosures that go much further than many comparable organisations. Over the past five years, it has sought to comply with both the spirit and the letter of the Freedom of Information Act, responding to many thousands of requests about the BBC's management, regulation and processes while safeguarding the BBC's editorial independence, maintaining its impartiality and protecting its freedom to be creative. It is in direct communication with thousands of licence fee payers every day, through phone calls, emails and letters.

But the BBC must do more to be proactive in its dealings with its audience. It will communicate better with licence fee payers, seeking to help them understand how the television licence fee is used and improving the information shared on the TV licensing website. It will open itself up physically, providing more opportunities for audiences to interact with the BBC from the inside, including greater access to the award-winning tour of Television Centre. It will strive for greater transparency in its editorial decision-making explaining, where appropriate, the editorial decisions and dilemmas faced by teams across the BBC while protecting its creative independence. Initiatives like the Editor's Blog and *Newswatch* show the way, creating opportunities for the public themselves to question and challenge the BBC's decision-makers in an open forum.

Considering the impact of the BBC's decisions on others

It has become increasingly important for the BBC to be able to demonstrate more transparently that it considers how its actions might affect others. In addition to the BBC Trust's regulatory obligations to consider the BBC's market impact (for instance, during Public Value Tests), the BBC's Fair Trading rules are a key feature of this regime and incorporate—amongst other guidelines—an explicit obligation on the BBC to have regard to its competitive impact. This is given effect through the implementation of the Competitive Impact Principle (CIP).

The CIP is a critical factor for public service activity and involves consideration of how an activity fulfils the BBC's public purposes, its impact on competition on the wider market in which it operates and how any negative impacts can be minimised. Since the CIP came into effect in 2007 the BBC's fair trading systems have been (and continue to be) enhanced to create greater transparency and rigour. These enhancements include:

- Formal processes in a number of specific areas of activity (e.g., BBC Online, sports rights and on-demand syndication) have been significantly strengthened to ensure the BBC formally and demonstrably considers these issues
- The documentation retained by the BBC to support its advice and assessments has been increased to provide more auditable evidence of compliance
- The BBC's commercial activities are the subject of rigorous processes to ensure compliance with the Charter and Agreement, including annual reports to the Trust
- The number and range of staff that undertake fair trading training has been expanded.

There is increasing awareness and heightened recognition across the BBC of the importance of incorporating fair trading into BBC activity. The competitive impact principle is now involved at earlier stages in the development of proposals. Staff recognise its importance and its implications for the way they approach new activities. Through these processes—and to an increasing

degree in the future—the impact of any new major BBC activity will be subject to greater scrutiny and its impact on others will be minimised.

Working in partnership

Freeview, Freesat, HD, DAB and Salford are examples of projects designed to deliver more choice, higher quality, new investment and new creative opportunities. None of them would have been possible without strong and supportive partners—and a BBC willing to accept the responsibilities and shared leadership inherent in every good partnership.

Partnership is now the default model for the BBC on almost any new large-scale issue. Partnership is also a way of unlocking the scale, resources and know-how of the BBC in ways which can significantly support other broadcasters and providers of public service content, yet without weakening the BBC itself. Working in partnership brings its own issues: the high profile of some partnership announcements has led to high expectations amongst the industry. Negotiating and operating a successful partnership can be a difficult process as the various parties seek to reconcile their differing interests. Legal and regulatory hurdles can be challenging. The BBC is still some way from being the ideal partner—unsurprisingly its scale can count against speed and agility, and its people are not necessarily experts in partnership development.

Despite this, many of the BBC's current partnership proposals have gained widespread support from across the media industry, including project Canvas, the BBC/commercial Radio Player, sharing video news and the Bristol City Partnership—where the BBC is working with a range of local partners to develop a city-wide digital production hub.

Other proposed partnerships have had less success. The BBC's proposed partnership in the area of regional news was not seen as sufficient to address the challenges identified in commercial provision. Other solutions for plurality in local and regional news have now been proposed and the BBC continues to be open to ideas as to how its infrastructure can be deployed to help meet audience and public policy objectives. The BBC Trust rejected the proposal for the BBC to form an online federation giving access to public service broadcasters' content via iPlayer.

But there is much the BBC can continue to do to open up its resources to other creative businesses. Training will be a particular focus: broadcasters across the sector are working together to increase skills and maximise the efficiency of their training investment. The BBC continues to train thousands for careers across the media sector, via BBC Academy courses, traineeships, bursaries, apprenticeships and work experience schemes. It also acts as a catalyst for creativity, by offering support and skills so that children and adults can learn to make films, write, sing, dance, compose, play in bands—and have access to platforms to display their work. Partnerships were central to the launch of the BBC Academy in December 2009, which makes the BBC's dedicated training centre for journalism, production, leadership and technology freely available in the UK.

Digital technology will be another priority. The BBC already shares many of the technology innovations it develops, for instance high definition technologies for digital terrestrial television. The BBC could go much further: sharing its expertise in digital production, or publishing programme data frameworks or rights clearance models for others to use. BBC Online, in particular, can play an important role, both through its underlying technology and through the traffic it can share with others.

Much of the BBC's physical estate and infrastructure can also be used more effectively to benefit the BBC and the wider industry. The Bristol City Partnership provides a model which can be rolled out elsewhere, reinforcing links with local creative industries, and ensuring the benefits of partnerships are spread to a much broader range of companies and locations.

In all these areas, the BBC's overall approach to partnerships will be as open as possible; non-exclusive access to BBC partnerships will be a starting-point. The BBC's culture will also need to change: becoming more open to views and opinions from outside and more willing to let others lead proposal development. Only then can the full value of partnership be unlocked and the benefits of the BBC's scale be maximised.

7.3 BBC commercial activity

The BBC has commercial activities for one reason only: to serve the British public better. It seeks to exploit the assets and intellectual property (IP) created by licence fee investment—such as programme rights and licences—in commercial markets in order to keep the BBC's call on the public purse as low as possible.

In 2008, the BBC Trust asked the Executive to establish a clear scope and mandate for BBC Worldwide together with appropriate boundaries for its development. This review took place in the context of a wider debate around the need for clearer limits on BBC Worldwide activity. There were seven main findings in the Commercial Review, designed to bring clarity to the overall remit and scope of BBC Worldwide and to focus it on BBC intellectual property, while allowing it to continue to deliver benefits to the BBC, to licence fee payers and to the wider creative economy at home and abroad. Implementation of all findings is already complete or well underway. For instance:

- BBC Worldwide is already in the process of disposing or outsourcing non-core assets (e.g., audio books, where the sale is underway)
- BBC Worldwide is now developing a new strategy to refocus its business more internationally. Under this strategy, it is looking to exit non-BBC branded channels overseas. It is using its marketing budget more to promote the BBC brand internationally and plans to ensure that two-thirds of revenues are generated outside the UK by 2015. It is also looking at operations in the UK and a strategic review of magazines is underway
- The transparency and operation of the 'first look' arrangement—an exclusive negotiating period of 30 days on BBC intellectual property, subject to agreeing market rate pricing—is being strengthened. This includes testing a bigger and more representative sample of BBC intellectual property in the market; more rigorous recording of this and other pricing data; a tightening and clarification of processes between the BBC and BBC Worldwide; and the publication, in the BBC Annual Report, of a note on the operation of first look during the year
- BBC Worldwide's future growth is now principally organic with future mergers or acquisitions by exception and under stricter guidelines. The BBC is finalising criteria that BBC Worldwide will need to meet to justify any future merger or acquisition activity
- BBC Worldwide's governance has been revised to create greater clarity and to comply with the Combined Code (a code of practice for the governance of major corporations). Agreed changes that have now been implemented include streamlining the BBC Worldwide Board and revising Board membership.

The combination of these changes, together with BBC Worldwide's own strategic review, will result in a major reshaping of the business over the coming years, involving a move away from traditional physical media businesses towards a greater focus on digital media and stronger international businesses. The BBC continues to believe that BBC Worldwide has an exciting future as part of the BBC and that it can continue to help the wider creative industry within these clearer limits and boundaries.

BBC Worldwide's international strategy will also be considered within a review currently underway of the BBC's overall global strategy, which aims to draw together the different strands of public service and commercial activity outside the UK into a more coherent and effective portfolio. This review is expected to report later this year.

8 Conclusion

The BBC's mission is as relevant today as it was nearly 90 years ago: to inform, educate and entertain to fulfil its public purposes at best possible value to the widest possible audience. This strategy is intended to deliver a BBC focused on high-quality content within clearer limits, keeping open a digital public space for all. Not a BBC in retreat, but a strong and confident BBC capable of living up to the expectations of an increasingly demanding audience.



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