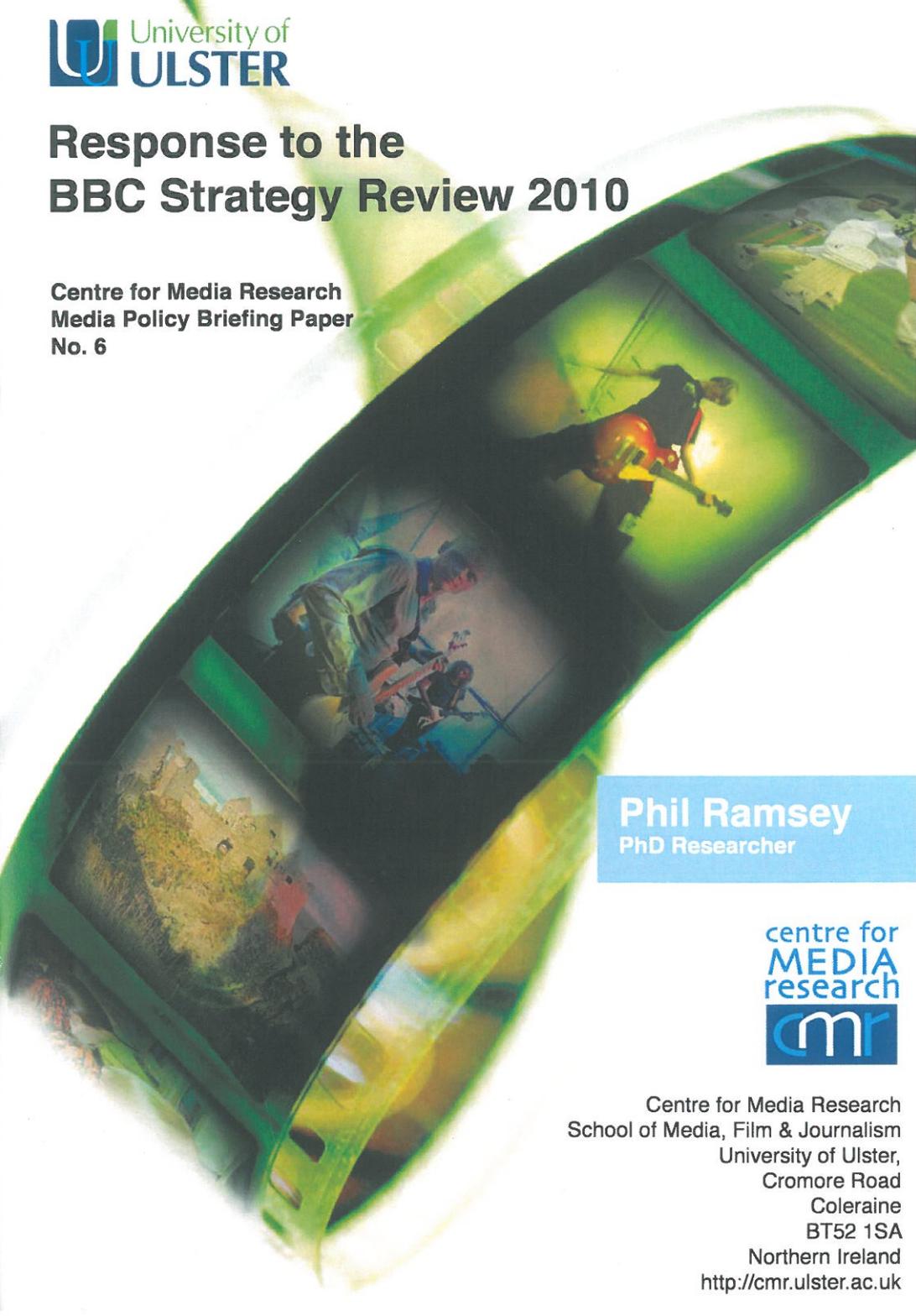


# Response to the BBC Strategy Review 2010

Centre for Media Research  
Media Policy Briefing Paper  
No. 6



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**Preface**

This series of papers has been produced by the Media Policy and Public Cultures research group, of the Centre for Media Research at the University of Ulster, Coleraine, Northern Ireland. The Centre provides a venue for Media Studies research in which questions of media history, media policy, media technologies, cross-cultural flows and new media developments are being explored in diverse ways within an Irish, British and international context.

As part of its remit, the Centre aims to provide an informed voice on contemporary matters of public concern, including the maintenance of national and regional cultures in the face of media globalisation, and to contribute to the public policy agenda in Northern Ireland, the UK and beyond. The Centre seeks to enhance public discussion of the media through authoritative, evidence-based research on media regulation, strategies of support for local media production, and the study of different audiences, including questions of media literacy and citizenship.

The Media Policy and Public Cultures research group carries out research on media ethics; broadcasting policy, including local and regional issues; cultural and heritage issues; media regulation; the impact of changing communication technologies on the young and media literacy. This network exchanges ideas and research findings, and joins with NGOs, media workers' organisations, press freedom campaigns and consumer groups in their debates with regulators, broadcasters and the Government.

As part of its brief, the Policy group reviews and summarises topical issues of media policy and these summaries are published in these briefing papers. The first of these papers concerned the future of the BBC, and included the response made by the

CMR to the British Government's 2005 Green Paper on this question. The second paper, presented a review of Media Literacy policy and provision in Northern Ireland. Other papers included a review of the issues arising from a CMR seminar in April 2005 on children, media and conflict (No. 4), and global media and the rights of children (No. 5). They are published online at <http://cmr.ulster.ac.uk/mediaPolicy.php>.

The group welcomes feedback on any of these papers, and if there are further media policy issues that you feel should be discussed, reviewed, researched, or disseminated, please let us know. The papers are published both as online documents, downloadable from the university website, and in hard copy. If you would like a hard copy, please contact Sally Quinn at [s.quinn@ulster.ac.uk](mailto:s.quinn@ulster.ac.uk).

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## **Summary of Recommendations**

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## Introduction

This media policy briefing paper is intended to be a substantive response to the BBC Trust Strategy Review, which sought responses to *Putting Quality First: The BBC and Public Space*, authored by the BBC Executive in March 2010. This paper, based on a submission to the BBC Trust by the author,<sup>1</sup> seeks to undertake a detailed analysis of its main points, and interrogates some of its key underlying premises. It argues that whilst public support for the BBC remains high in its current form, *Putting Quality First* displays an excessive support for the market, which through greater marketisation will ultimately undermine the rationale of public service broadcasting. However, support for marketisation is shown by the BBC Executive despite evidence to the contrary, which is itself set out in the document. In response, this paper makes five recommendations as to how the BBC Trust should respond to *Putting Quality First* (PQF).

This paper does not address all of the issues that are raised by PQF, but rather addresses the wider relationship between the BBC and the market. As a result it does not address the issues raised in PQF around children's provision, access to archives, or online provision. It addresses the proposed closure of BBC 6 Music, rather than the proposed closure of the BBC Asian Network. This is not to diminish the importance of these subjects, nor should it suggest that the CMR is not concerned about these issues. Rather, in the interests of brevity, the content of this paper will be gathered around three main points: public support for the BBC remains high; PQF displays an excessive support for marketisation; market rationalisation is held to, in a manner that is contrary to the evidence.

Following from these points, this paper will make five main recommendations: the TV licence should be renamed the BBC licence fee, to remind the public that it also funds a full range of services across radio, the internet, and in other areas; there should be no retreat to a BBC that only provides what the market does not; BBC 6 Music should be retained, and positive arguments for PSB radio should be made anew; the BBC should not be subject to the straitjacket of a "Gross Value Added" measurement - twice that of the licence

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<sup>1</sup> Ramsey, P. (2010) *Submission to BBC Trust Strategy Review Consultation, in response to: Putting Quality First: The BBC and Public Space, March 2010*, <http://www.keepandshare.com/doc/view?id=1944674&da=y>. [Accessed: 01/06/10]. This paper seeks to build on this submission, and the author is grateful to Máire Messenger Davies for additional comments.

fee - but rather operated financially based on the underpinning arguments for Public Service Broadcasting; the mandatory cap of 9% of the licence fee on spending on sports rights should not be imposed.

## **Review of submissions to BBC Trust**

In order to set this paper into context, I will begin by addressing some of the other submissions made to the BBC Trust. Like any major public consultation that the BBC Trust initiates, the Trust received many submissions from a range of interest groups, including unions, church groups, academics and special interest groups in media and broadcasting. I will not review all of the submissions, but rather pick out some key and important additions to the review process. Later in 2010, the BBC Trust are likely to publish a full list of submissions.

Of primary interest to this response is the submission made by BSkyB, given the comments made by James Murdoch - Chairman and Chief Executive, Europe and Asia, News Corporation - about the BBC in his 2009 MacTaggart Lecture (which I will outline below). Sticking firmly to the line held by BSkyB over many years - that the BBC is an unfair barrier to market activity in the UK media sector - the submission calls the proposals in PQF “tactical and cosmetic”, and asserts that the Strategy Review “does not address in any meaningful way how the BBC should be making hard choices and prioritising its resources”.<sup>2</sup> Moreover, the submission reiterates the arguments on marketisation put forward by BSkyB, by stating that there ought to be a: “de-prioritising or stepping back entirely from [...] areas where the market is providing or has the ability to provide more. To do otherwise is to spend licence fee payers’ money inefficiently and to cause distortions to the market without public service justification”.<sup>3</sup>

Calling the proposed closure of BBC 6 Music “arbitrary”, the submission is rather more concerned with BBC activities that impact upon its own activities (given that BBC 6 Music does not compete with any BSkyB services). In other words, its proposed closure is

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<sup>2</sup> BSkyB (2010) *BSkyB - “BBC Strategy Review - BSkyB Response*, p.2, <http://corporate.sky.com/page.aspx?pointerid=1709880a10754fd4930eca9dda6b2801>. [Accessed: 27/05/10].

<sup>3</sup> *ibid.*, p.1.

not of real interest to BSkyB, which would much prefer the focus to be turned onto Radio 1, BBC News and BBC Online. In this respect, BSkyB states: “It is ironic that the BBC is so concerned by the potential future market impact of a niche channel but chooses to pay no attention to the actual market impact caused by its major services, many of which it is proposing to spend more money on”.<sup>4</sup> Finally the author of the submission - Graham McWilliam, BSkyB Group Director of Corporate Affairs - calls into question “the role of the Trust as the guardian of the interests of licence fee payers”.<sup>5</sup> This is similar to the position taken up by Conservative-Liberal Democrat coalition government, which seems to be in favour of replacing the BBC Trust with a Licence Fee Payers Trust, although this has yet to be officially announced.<sup>6</sup> However, this was the position that the Conservative Party held in opposition.

The *Voice of the Listener & the Viewer* (VLV) argued in its submission that the approach over children’s provision in PQF was misconceived, responding that Disney and Nickelodeon cannot be said to be serving children well as: “These channels do provide many good programmes from North America, but none to speak of from the UK, Europe and the rest of the world”.<sup>7</sup> Moreover, arguing that the closure of BBC 6 Music “would be to lose a cultural cauldron that has not been seen before”, VLV stated that it is: “perplexed that in seeking to do fewer things the Executive has chosen two areas where the BBC has been most innovative and led the way: specialist digital radio stations and online. We are not aware that any commercial media organisation is able to provide the content which the BBC intends to cut”.<sup>8</sup> However, VLV stops short of questioning the BBC’s cautious approach to with market impact, stating that it accepts “the force of the argument that the BBC must take care that it does not dominate the market, especially where the commercial sector is able to make a significant contribution”.<sup>9</sup>

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<sup>4</sup> *ibid.*, p.2.

<sup>5</sup> *ibid.*, p.3.

<sup>6</sup> The “Programme for Government” published by the coalition outlined that it would give the “National Audit Office full access to the BBC’s accounts to ensure transparency”, but did not comment on the future for the BBC Trust. See: HM Government (2010) *The Coalition: our programme for government*, London: HMSO., p. 14.

<sup>7</sup> VLV (2010) *Response to BBC Strategy Review May 2010*, p.6, <http://www.vlv.org.uk/documents/1217.10BBCTrustStrategyReview24May2010.pdf>. [Accessed: 27/05/10].

<sup>8</sup> *ibid.*, p.7.

<sup>9</sup> *ibid.*, p.10

The *Citizens' Coalition for Public Service Broadcasting* (CCPSB) in its submission, opposed the proposed closure of the BBC 6 Music and the BBC Asian Network, on the grounds that "that these two proposed closures would violate the principles of quality, distinctiveness, innovation and diversity in public service provision".<sup>10</sup> Taking up a similar position on children's provision to VLV, CCPSB stated: "many of the programmes and channels now available to children, outside of BBC provision, reflect cultures not shared by British children. These programmes reflect, predominantly, American culture".<sup>11</sup> Unlike VLV however, it took up a more robust argument regarding the relationship of the BBC with the market: "We are concerned that adopting a 'precautionary approach to market impact' could limit new and bold thinking in respect of existing and new services [...] the instability of some kinds of commercial funding has meant that the relative stability provided by the Licence Fee has been vital for maintaining standards and levels of provision for users of broadcasting services in Britain".<sup>12</sup>

The *Campaign for Press and Broadcasting Freedom* (CPBF) sought to link the proposals in PQF directly to Murdoch's MacTaggart lecture, and viewed the document as an overtly reactionary response. It argued that: "Despite the stated commitment to continue the BBC's historic aim to 'educate, entertain and inform', many of the proposals put forward in this document appear simply to acquiesce to the view of its commercial rivals and political enemies that the BBC should confine its activities merely to compensating for 'market failure'".<sup>13</sup> The CPBF submission also strongly argues that the BBC ought to defend itself more robustly, rather than acquiescing to those who argue against it:

Commercial companies celebrate their strengths. The BBC, by contrast sounds thoroughly apologetic and defensive. What other highly successful, hugely popular organisation would feel the need to apologise for its success and promise to do less of what it does so well? The BBC has an enviable

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<sup>10</sup> CCPSB (2010) *A Response to the BBC Trust Consultation on the BBC Strategy Review*, p.2, <http://www.publicservicebroadcasting.org.uk/wp-content/uploads/2010/05/CCPSBsubBBCStratReview24.05.10Final-.doc>. [Accessed: 27/05/10].

<sup>11</sup> *ibid.*, p.3.

<sup>12</sup> *ibid.*, p.7.

<sup>13</sup> CPBF (2010) *Response on Behalf of the Campaign for Press and Broadcasting Freedom: BBC Strategy Review*, p.1, Circulated by Julian Petley, Media, Communications & Cultural Studies Association (MeCCSA) - Policy Network (meccsa-policy@jiscmail.ac.uk). Sent: Wednesday, May 26, 2010 10:03:06 AM.

reputation both at home and worldwide, and those who support it simply cannot understand the pusillanimity of its response to the current self-interested and politically motivated campaigns against it.<sup>14</sup>

This point - similar point to one that I will take up later in this response - is so important for CPBF, that it argues that if the BBC does not better defend itself, “it is not only endangering the very principles of public service media which are entrusted to its care but also betraying those whom it exists to serve”.<sup>15</sup>

In a similar sense the *Broadcasting Entertainment Cinematograph and Theatre Union* (BECTU) argues that PQF “can be characterised as a defensive and unambitious strategy for the Corporation”.<sup>16</sup> BECTU states that: “Far from anticipating and deflecting hostile criticism of the BBC, we believe it will simply invite a further and even more critical response from commercial rivals and from those political forces which ultimately seek to limit public service broadcasting and to support a more dominant role for commercial broadcasters”.<sup>17</sup> The view from another sector in society, that of the church, came from the Senior Spokesman on Communications for the *Church of England* (COE), Nigel McCulloch, Bishop of Manchester.<sup>18</sup> He took up a different theme, and highlighted the concern of the COE regarding religious provision on the BBC. Moreover, he highlighted the concern of the COE that “the BBC might strive actively to reflect and explore the views and experiences of those routinely ignored by media. This is not the same as ensuring that every minority group is catered for with some sort of specific content, but rather ensuring that journalistic and other output consciously seeks to reflect representative views from groups often overlooked by other outlets”.<sup>19</sup>

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<sup>14</sup> *ibid.*, p.2.

<sup>15</sup> *ibid.*, p.9.

<sup>16</sup> BECTU (2010) *BBC Trust Consultation on the Strategy Review - BECTU Response*, p.1, <http://www.bectu.org.uk/filegrab/BBCStrategyReviewSubmissionApril2010.pdf?ref=636>. [Accessed: 31/05/10].

<sup>17</sup> *ibid.*

<sup>18</sup> The Bishop of Manchester also has a seat on the House of Lords Select Committee on Communications.

<sup>19</sup> COE (2010) *BBC Trust consultation: BBC Strategy Review, May 2010, Response from the Church of England*, p.3, <http://www.cofe.anglican.org/info/papers/bbctruststrategicrev.rtf>. [Accessed: 31/05/10].

Finally, the *Goldsmiths Leverhulme Media Research Centre* argued in its submission that contrary to the perceived notion that television audiences are declining, “we appear to be watching more, not less, television overall”.<sup>20</sup> Therefore, the group argue, the BBC must resist calls significantly to reorder the shape of Public Service Broadcasting in the UK: “Far from revealing a collapse in public support for the programmes of the BBC, audience ratings continue to show a sustained loyalty to BBC services. This is a delicate ecology that the proposals in the Strategy Review threaten to disrupt. We are far from convinced that they can be justified”.<sup>21</sup> The group in conclusion, cleverly turn around comments made by Murdoch in his MacTaggart lecture:

“To misquote James Murdoch’s vitriolic attack on the BBC, it is not the BBC’s future ambitions that are ‘chilling’ but its lack of ambition and, in particular, should the Trust decide to continue with the programme of cuts and closures, its *lack* of commitment to minority audiences who constitute a vital part of the BBC’s remit”.<sup>22</sup>

These range of responses give a good overview of how strongly opinions are held on the future of the BBC, from various sectors of society. The vigour displayed by B SkyB, to see the BBC scaled back, is equated by the manner in which it is defended by groups like CPBF. This Strategy Review process, whilst met by weighty contributions such as those shown above, was also met by much popular protest, both from celebrities and from members of the public. More than 40 UK entertainers signed a letter to the Guardian, urging that the BBC be protected,<sup>23</sup> and the online campaign pressure group *38 Degrees* organised a petition protesting at the cuts, signed by 80,000 people.<sup>24</sup> Finally, Ed Vaizey the Minister for Culture, Communications and Creative Industries, changed his mind whilst still in opposition on the proposed closure of BBC 6 Music. Initially calling the

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<sup>20</sup> Freedman, D. et al. (2010) *Submission to BBC Strategy Review consultation: Goldsmiths Leverhulme Media Research Centre*, p.1, <http://www.gold.ac.uk/media/submission%20to%20strategy%20review.pdf>. [Accessed: 31/05/10].

<sup>21</sup> *ibid.*, p.2.

<sup>22</sup> *ibid.*, p.5. Emphasis given in original.

<sup>23</sup> Thorpe, V. (2010) “UK’s leading actors urge voters to protect licence fee and keep BBC safe”, <http://www.guardian.co.uk/media/2010/apr/25/stars-bid-voters-safeguard-bbc>. [Accessed: 01/06/10].

<sup>24</sup> Conlan, T. (2010) “BBC 6 Music flashmobs protest against cuts at ‘self-harming’ corporation”, <http://www.guardian.co.uk/media/2010/may/25/bbc-6music-flashmobs-protest>. [Accessed: 01/06/10].

proposed cuts “intelligent and sensible”, he later suggested that the station would be saved.<sup>25</sup>

## 1. Public Support for the BBC remains high

Putting Quality First (PQF) is a document which rightly recognises that public support for the BBC, in its current form and funded by the licence fee, is still very high. This level of support does not seem to have diminished across two decades, despite massive proliferation in the number of media channels and outlets that are available, especially in alternative sources of news. This section will suggest that the BBC ought to publicly promote the extent to which it is supported, and actively argue for its continuance. Whilst those who oppose the BBC in its current form seem to be in the minority, they are often able to widely publicise and promote their arguments, from public platforms and through media channels. This is in addition to the vigorous lobbying of government that is carried out.

### 1.1 The public value the BBC in its current form

It can be observed from various sets of empirical data, that support for the BBC in throughout the UK is extremely solid, with virtually everyone using a BBC service at least once a week (98%).<sup>26</sup> That public service broadcasting is almost universally accessed, is testament to the quality of the content, the diversity of programming, and the extent to which the BBC is trusted by the public (with trust in the BBC at 69%).<sup>27</sup> Moreover, as PQF states, “77% believe that the BBC is an institution to be proud of”.<sup>28</sup> Support for the licence fee has not significantly ebbed across a two-decade period. This is testament to the role that it plays in the popular imagination of the British public, given that in this period the Internet and multi-channel television boomed. The public still overwhelmingly support a

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<sup>25</sup> Kahn, U. (2010) “BBC 6 Music should be saved, say Tories”, <http://www.telegraph.co.uk/culture/tvandradio/7346296/BBC-6-Music-should-be-saved-say-Tories.html>. [Accessed: 01/06/10].

<sup>26</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.23

<sup>27</sup> ICM Poll for The Guardian, 2-3 September, 2009, [http://www.icmresearch.co.uk/pdfs/2009\\_sept\\_guardian\\_about\\_the\\_bbc\\_poll.pdf](http://www.icmresearch.co.uk/pdfs/2009_sept_guardian_about_the_bbc_poll.pdf). [Accessed: 19/05/10].

<sup>28</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.23

lice-fee funded BBC, which is seen by the majority of the public to offer good value for money. As PQF states:

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, on a par with 2009 figures.<sup>29</sup>

Highlighting the extent to which support for the continuation of the licence fee has been maintained throughout the multi-channel and Internet age, PQF also states that :

Peacock found that c80% of people were willing to pay for the BBC; Ofcom in 2008 found almost exactly the same figure.<sup>30</sup>

The licence fee however, ought to be better represented by the BBC, and its value for money ought to be actively highlighted and reinforced. This should be a matter for active communications and positive public relations from the BBC. As Jonathan Freedland argued in the *Guardian*:

If I were the BBC, I'd never let the [£145.50] annual figure pass my lips. It should say the BBC costs each of us [£12.13] a month. Not bad for five TV channels, five national radio stations, several more digital ones, a local radio station in every corner of the land, one of the planet's largest newsgathering operations and a world-class website.<sup>31</sup>

In the interest of probity, the annual figure ought to be made public. However, there is something compelling about Freedland's argument for publicising the monthly cost of the licence fee, rather than the annual cost. Monthly costs are common place for most other subscription services, especially as the use of the monthly direct debit has become so

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<sup>29</sup> *ibid.*

<sup>30</sup> *ibid.*

<sup>31</sup> Freedland, J. (2009) *BBC support shows we still love Auntie*, <http://www.guardian.co.uk/commentisfree/2009/sep/04/bbc-poll>. [Accessed: 19/05/10]. I have changed the figures to reflect the changes since Freedland wrote this, but the central point remains unchanged.

engrained in society. Subscription-based media are always advertised as a monthly cost.<sup>32</sup> When the monthly cost is seen alongside other media services - such as Sky and Virgin Media - it does indeed represent remarkable value for money.

However, in my view, calling the licence fee the “TV licence” is misleading, and does not help in the defence of the BBC in its current form. Straight away, the funding that goes from the licence fee to a plethora of radio and Internet services, are descriptively eliminated. Rather, the licence fee, funds a most diverse organisation, as displayed in Fig 1. It is possible that large sections of the public do not realise that licence fee goes towards all the activities of the BBC, and thus the legitimacy of the licence can be much more easily questioned. Whilst some may argue that they do not watch BBC television, few could truly claim that they do not use any of the BBC’s services (see footnote 26). Despite a small portion of the licence fee which is “top-sliced” (and used for other purposes):

**The TV licence should be renamed the BBC licence fee, to remind the public that it also funds a full range of services across radio, the internet, and in other areas.**

This would lead to the licence fee being more accurately named, and would allow for a better defence of its existence.

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<sup>32</sup> The current cheapest package advertised by BSkyB is £18/month. Whilst this price includes free phone and broadband provision, it must be noted that to receive additional content to that which is commonly free-to-air with FreeView or FreeSat, costs much more. On 01/06/10, a Sky package to include entertainment, movies and sport (those distinctive Sky elements) cost £48.50/month. Figures available at: <http://www.sky.com/quickbuy/build>. [Accessed: 01/06/10].

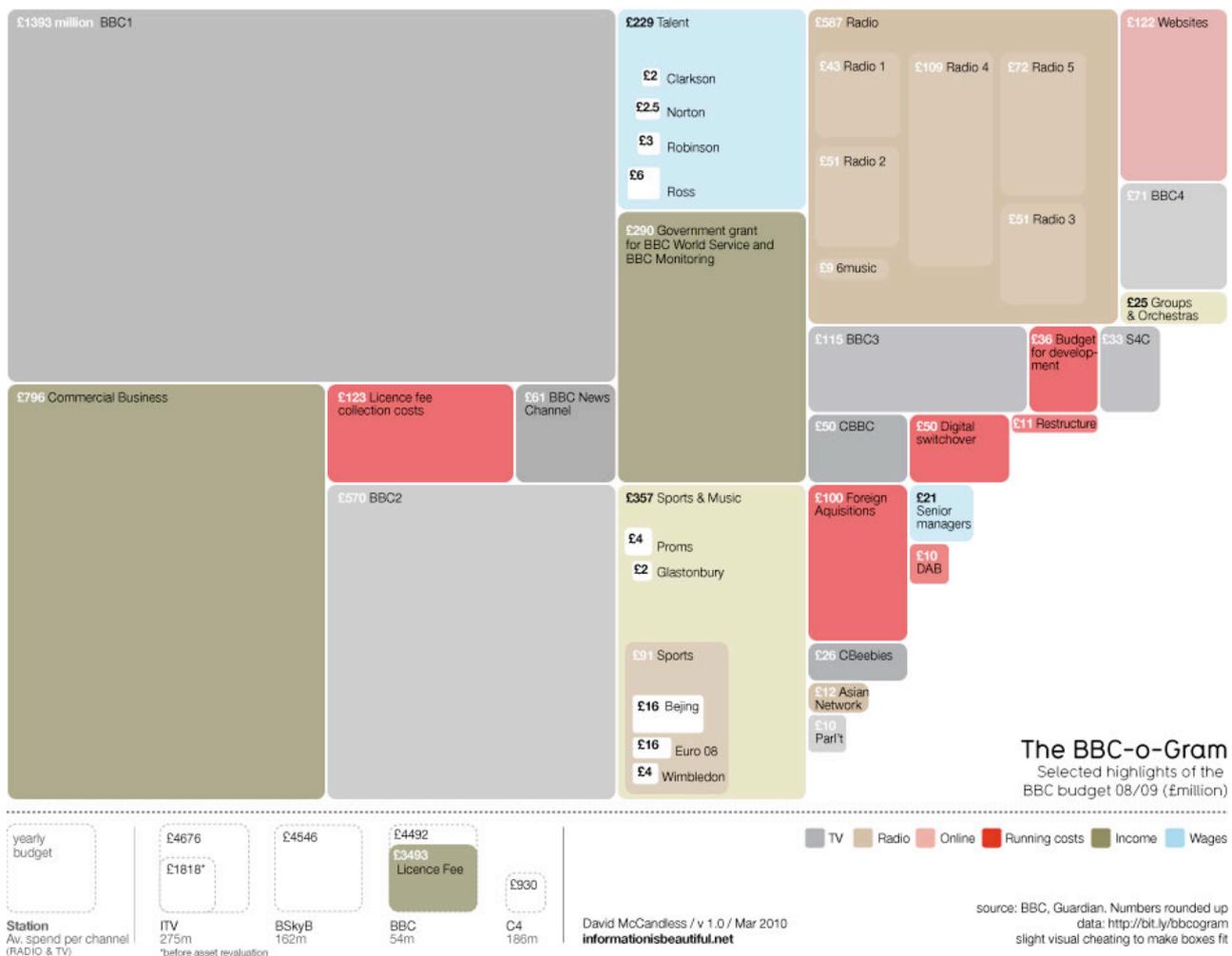


Fig 1. “The BBC-o-Gram”.<sup>33</sup>

## 1.2 The public expect an all encompassing BBC

As PQF shows, the public expect a BBC which provides a range of services, across a range of genres. Contrary to the often heard argument that the BBC should only provide what the market cannot, findings show that the public value programming (on television) on news, sport, drama, comedy, films, children's, amongst many others. As PQF shows

... 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

<sup>33</sup> McCandless, D. (2010) “The BBC-o-Gram: Selected highlights of the BBC budget 2008/2009”, <http://www.informationisbeautiful.net/2010/the-bbc-o-gram/>. [Accessed: 20/05/10]. Used under the terms of the Creative Commons Attribution Non Commercial licence. For details see: <http://creativecommons.org/licenses/by-nc/3.0/>. [Accessed: 31/05/10].

idea of a 'narrow market failure' BBC confined simply to the genres that commercial broadcasters leave behind.<sup>34</sup>

Indeed, the BBC's offerings across a range of genres consistently meet a very high standard, and remain incredibly popular. This is shown in the independent awards that the BBC wins, and in the extent to which programme formats are exported to international markets. Moreover, the *Goldsmiths* submission to the Strategy Review (as outlined on p. 11) shows that in terms of ratings in the domestic market, it is the BBC's ratings that are holding up, whilst we see a decline in the ratings at commercial broadcasters. Freedman et. al state that "the total share for Sky programmes (including all of its sports, movies, news and entertainment channels) has actually fallen from 11.7 per cent in 2002 to 6.8 per cent in 2008 [...] Contrast this to the 14.3 million viewers, an audience share of 53 per cent, who tuned in to watch BBC1's Christmas 2008 special of Wallace & Gromit".<sup>35</sup> Therefore:

**There should be no retreat to a BBC that only provides what the market does not. Rather there is an expectation from the public that the BBC will provide a range of TV genres, including that which commercial TV otherwise offers.**

## **2. PQF displays an excessive support for marketisation**

PQF displays a belief in a market-led media environment, that almost seems to defy the very arguments that underpin public service broadcasting (PSB). Rather than defending the position that the BBC takes up, PQF instead ascribes a place to the market which is at odds, and ultimately opposed to the role of the BBC. This contradiction in terms is not taken into account however, despite - as I will show in section 3 - the evidence that PQF itself contains. This is a deep contradiction in the proposals put forward by the BBC Executive, and is a point that the BBC Trust ought to address in its Strategy Review.

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<sup>34</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.20

<sup>35</sup> Freedman, D. et al. (2010) *Submission to BBC Strategy Review consultation: Goldsmiths Leverhulme Media Research Centre*, p.1, <http://www.gold.ac.uk/media/submission%20to%20strategy%20review.pdf>. [Accessed: 31/05/10].

## 2.1 Explicit arguments for greater marketisation in the media sector

PQF consistently displays an excessive support for marketisation, and employs the language of market fundamentalism throughout. This is unfortunate, given that the very premise of PSB runs counter to greater marketisation in the media sector, and the very existence of the BBC depends on making strong arguments to the contrary. Indeed, the arguments for greater marketisation - as vigourously outlined by James Murdoch in his MacTaggart Lecture (2009) - have recently been redoubled.<sup>36</sup> In his speech, Murdoch unleashed one of the most fundamentalist attacks on the BBC to date, including a line of arguing which compares the current media regulatory framework to the perceived 'archaicness' of creationism, and sets up un-regulated free-markets as the Darwinian way.<sup>37</sup>

For Murdoch, "In the regulated world of Public Service Broadcasting the customer does not exist: he or she is a passive creature – a viewer - in need of protection".<sup>38</sup> PSB is seen overtly as a block to further profit, and the individual is considered a consumer first, rather than a citizen. The good that PSB brings to a healthy democracy and for the active citizen, is discounted. Rather, Murdoch sees this in inverted terms:

Most importantly, in this all-media marketplace, the expansion of state- sponsored journalism is a threat to the plurality and independence of news provision, which are so important for our democracy.<sup>39</sup>

Moreover, his argument that BBC journalism equates to the "dumping" of "state-sponsored news" in the media sector, is placed solely in the interest of BSkyB and News International.<sup>40</sup> As I have shown, the majority of the public support the licence fee model, and trust in BBC news is high. Rather, Murdoch would have news provision in the UK

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<sup>36</sup> James Murdoch is Chairman and Chief Executive, Europe and Asia, News Corporation.

<sup>37</sup> James Murdoch argued: "The number who reject Darwin and cling to the concept of creationism is substantial. And it crops up in some surprising places. For example, right here in the broadcasting sector in the UK. The consensus appears to be that creationism – the belief in a managed process with an omniscient authority - is the only way to achieve successful outcomes". See reference below.

<sup>38</sup> Murdoch, James (2009) *MacTaggart Lecture: The Absence of Trust*, <http://image.guardian.co.uk/sys-files/Media/documents/2009/08/28/JamesMurdochMacTaggartLecture.pdf> [Accessed: 20/05/10]

<sup>39</sup> *ibid.*

<sup>40</sup> *ibid.*

completely liberalised, with the Sky News channel and skynews.com as major players. It seems that the fundamentalist arguments for marketisation that Murdoch sets forward, have one ultimate aim: the dissolution of the BBC in its current form. Media ought to be subject to full market liberalisation, the argument goes, and that it is only the market that can provide news freely in a democracy. As he argued in his MacTaggart lecture: “There is an inescapable conclusion that we must reach if we are to have a better society. The only reliable, durable, and perpetual guarantor of independence is profit”.<sup>41</sup>

In its response to the Murdoch lecture, the BBC Trust offered a rather timid response, stating “We have to be careful not to reduce the whole of broadcasting to some simple economic transactions. The BBC's public purposes stress the importance of the well-tested principles of educating and informing, and an impartial contribution to debate in the UK”.<sup>42</sup> On the specific issue of its own status that Murdoch raised - stated that: “As to the BBC Trust, let me underline that it is here to strengthen the BBC for the benefit of licence fee payers, not to emasculate it on behalf of commercial interests”.<sup>43</sup> However, a even more robust statement on the matter ought to have been issued. Whilst the arguments for the dominance of the market are explicit in Murdoch's lecture, there is a much more subtle tone taken in PQF. However, I want to argue that the market logic that is outlined in PQF, could be in its own way as potentially damaging to the future status of the BBC.

## 2.2 Evidence from PQF of excessive support for the market

Writing in the foreword of PQF, Director-General of the BBC Mark Thompson states that: “Where actual or potential market impact outweighs public value, the BBC should leave space clear for others”.<sup>44</sup> In other words, public value must outweigh potential market value in order for the BBC to operate in a given area. The BBC is required to

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<sup>41</sup> *ibid.*

<sup>42</sup> BBC Trust (2009) *BBC Trust response to 2009 MacTaggart Lecture*, <http://image.guardian.co.uk/sys-files/Media/documents/2009/08/28/bbc-mactaggart-response.pdf>. [Accessed: 20/05/10].

<sup>43</sup> *ibid.*

<sup>44</sup> Thompson, Mark (2010) in *Putting Quality First: The BBC and Public Space*, p.3.

adhere to strict guidelines regarding the commercial impact of its activities. As summarised by the BBC:

If pursued properly, such commercial activities help to realise the value of licence fee payers' assets and generate income to be ploughed back into public service broadcasting. It is important that whenever the BBC undertakes activities it does so in a way that is consistent with its fair trading obligations.<sup>45</sup>

Indeed, as the *Fair Trading Guidelines* set out, the BBC Trust “requires the BBC, whilst always ensuring the fulfilment of its Public Purposes and taking into account its other obligations in the Charter and the Agreement, to endeavour to minimise its negative competitive impacts on the wider market”.<sup>46</sup> Whilst this point refers specifically to commercial activities, we can derive a wider point from it. There is a risk that the interpretation of these guidelines could be applied so narrowly, and that their application could become so universal, that the very premise for PSB becomes eroded to the point of collapse.

For example, if the BBC was rigidly applying the principle of “minimising negative competitive impacts”, the continuation of BBC Radio 1 would be instantly under threat, and one could argue that the massive news operation that the BBC operates online is prohibitive to the UK news market. In the case of BBC Radio 1, its abolition, or selling to the private sector, would massively increase the market for commercial radio, and the advertising revenues that its huge audiences would attract would massively boost the profits of an established private buyer from the radio sector. However, if PSB retains any credibility, it does so in the arguments for the cultural value that BBC Radio 1 generates, though the broadcasting of new and niche music, to specialist audiences, and through its promotion and delivery of free live events.

Despite this, PQF seemingly opens the door to further market encroachment. Rather than defending its PSB status, we are told that in relation to the redirecting of

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<sup>45</sup> BBC (2009) “Fair Trading Guidelines”, <http://www.bbc.co.uk/aboutthebbc/policies/fairtrading/>. [Accessed: 20/05/10].

<sup>46</sup> BBC (2009) *Fair Trading Guidelines*, p.8, [http://www.bbc.co.uk/aboutthebbc/policies/fairtrading/pdf/fairtrading\\_guidelines\\_260210.pdf](http://www.bbc.co.uk/aboutthebbc/policies/fairtrading/pdf/fairtrading_guidelines_260210.pdf). [Accessed: 20/05/05].

funds: “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”.<sup>47</sup> So the argument follows in PQF that the BBC should strengthen in what the market cannot deliver, but where the market can deliver, the BBC should move no further, or indeed retreat.

This is very much the case with the proposed cutting of BBC 6 Music and the BBC Asian Network. The arguments that could be forwarded against BBC Radio 1 (but which is as yet protected), have seemingly now been wielded against these two radio stations. In the case of 6 Music, PQF states:

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.<sup>48</sup>

In other words, the argument in PQF is that in order for BBC 6 Music to deliver enough public value, the extra development that it needs would be detrimental to the market. However, this argument only holds together if the view is taken that the content of BBC 6 Music is similar to that which commercial radio provides. Despite obvious and structural differences between what BBC 6 Music delivers and what alternative commercial radio delivers, this is not taken into account by PQF:

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.<sup>49</sup>

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<sup>47</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.8.

<sup>48</sup> *ibid*, p.39.

<sup>49</sup> *ibid.*, p.56.

Thus - the argument unfolds - why sustain BBC 6 Music when the market would gladly get its hands on the audience that would be freed up by its closure, and the profits that would follow? Indeed, as one might expect, commercial radio providers have shown interest in BBC 6 Music, with the Chief Operating Officer of Absolute Radio - a major market provider - intervening to suggest that “6 Music could be run more efficiently if it was run by Absolute Radio”.<sup>50</sup> However if BBC 6 Music is shut down as PQF proposes, the market will not deliver anything of comparable cultural value. Moreover, once this argument is operationalised (‘the stable door opened’), invariably the calls will come for the closing or selling off of BBC Radio 1 (‘the horses will bolt’).

Once the arguments for greater marketisation begin to prevail, almost any activities of the BBC can be argued against from a market position. Take for example the blocking of the corporation’s plans to launch BBC iPhone applications, announced in February 2010. In March 2010, the BBC Trust decided to put the plans on hold, conceding to criticism from groups such as the Newspaper Publishers Association (NPA), that argued “that the corporation would ‘damage the nascent market’ for apps”.<sup>51</sup> This case shows explicitly that if the BBC Trust simply acquiesces to every demand from the market that the BBC should not expand its offering, the activities of the BBC would simply stall, and begin to fall behind what the public would expect a fully modern PSB to offer. That a fully digital BBC is currently not allowed to offer any iPhone applications, is upon consideration quite remarkable. In order to prevent arguments for greater marketisation to gain traction:

**BBC 6 Music should be retained, and positive arguments for PSB radio should be made anew.**

### 2.3 Rationalising the BBC and the licence fee in overtly economic terms

Having discussed excessive support for the market in PQF, I now want to suggest that the proposal document seeks to rationalise the the BBC and the licence fee in overtly

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<sup>50</sup> McCabe, M (2010) “BBC says 6 Music will not rebrand as BBC Radio 2 Extra”, <http://www.mediaweek.co.uk/news/996856/BBC-says-6-Music-will-not-rebrand-BBC-Radio-2-Extra/>. [Accessed: 01/06/10].

<sup>51</sup> BBC News (2010a) “BBC iPhone applications postponed”, <http://news.bbc.co.uk/1/hi/8593206.stm>. [Accessed: 01/06/10].

economic terms. By this I mean that PQF discusses the licence fee too generally in terms of its wider economic value, rather than considering the intrinsic cultural value that the licence fee generates for the BBC. If you like, this is the difference between considering the “economic capital” of the licence fee and the “cultural capital” of the licence fee.

For example, PQF states explicitly that, “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”.<sup>52</sup> The BBC - working alongside Deloitte - has sought to do this by coming up with the measurement, “gross value added” (GVA). This is a way of measuring the benefit that the licence fee brings to the economy. Based on this formula, PQF states that:

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.<sup>53</sup>

This figure could be considered in two ways. Firstly, this could be considered as a positive figure, as it shows that the licence fee is actually economically productive, rather than economically reductive, as some would suggest (see comments by James Murdoch above). Secondly, however, the very premise of taking a measurement like this could be considered a negative thing, and it is this position that I want to take up. Subjecting the licence fee, and the very existence of the BBC to an economic measurement, goes against one of the most central arguments for PSB. As I have shown above, PSB does not exist because it is economically beneficial to the economy; rather it exists to provide programming of cultural and democratic importance, over and above what the market could or would provide.

Whilst the licence fee is currently economically productive - as the GVA shows - one wonders what would happen if in the future the GVA was economically reductive (the BBC providing less value to the economy than the licence fee is worth. Rather, it seems that a measurement like the GVA is operationalised to actually impact upon decisions taken by the BBC:

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<sup>52</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.15.

<sup>53</sup> *ibid.*

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.<sup>54</sup>

I want to suggest that this approach is misconceived. Rather than striving to maintain an economic value twice the value of the licence fee, the BBC ought to operate along financial models which are outside the reach of marketisation. This is the premise on which the BBC was established, and the argument for publicly funded PSB only holds up if this is the case. As a result:

**The BBC should not be subject to the straitjacket of a “Gross Value Added” measurement - twice that of the licence fee - but rather operated financially based on the underpinning arguments for Public Service Broadcasting.**

### **3. Market rationalisation is held to, to an extent contrary to the evidence**

Similar to the use of the GVA, which seeks to make the argument that economic value to the economy ought to be double the cost of the licence fee, I want to argue that PQF takes the wrong approach to the role of the market, contrary to the evidence. Curiously, this is evidence which is itself set out in PQF.

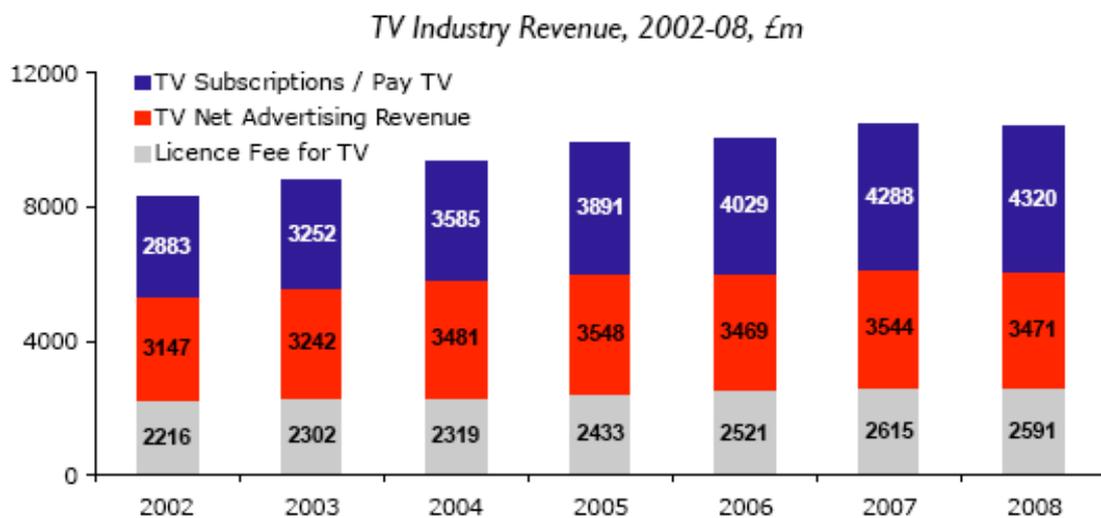
#### **3.1 The market value of television is greater than the value of the licence fee to television**

As PQF shows, market activity in UK television is greater than the money that the licence fee injects into television (shown in Fig. 2). In every year from 2002-2008, the

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<sup>54</sup> *ibid.*, p.53.

money that the market has generated in terms of advertising and subscription is greater than the money that the licence fee invests in television. These figures clearly run contrary to the argument from James Murdoch, that “You don’t need to scratch the surface very hard to see that opportunities for media businesses are limited, investment and innovation are constrained, and creativity is reduced”.<sup>55</sup> Indeed, one would be hard pressed to justify that a potential television market for BSyB of £7.8 billion in 2008 amounts to “opportunities” that are limited. Thus, a market fundamentalist position here is counter-intuitive, given that the market in commercial television outweighs the contribution from the licence fee.



Source: Ofcom Communications Market Report, 2009

Fig. 2, “TV Industry Revenue, 2002-2008”.<sup>56</sup>

### 3.2 Money from the licence fee in television is more likely to be invested in UK content

Money which comes from the licence fee, is reinvested into UK content at a greater rate than money that which comes from subscriptions. As PQF also shows, the budget of BSkyB (not named) is narrowly focused on sport and film:

<sup>55</sup> Murdoch, James (2009) MacTaggart Lecture: The Absence of Trust, <http://image.guardian.co.uk/sys-files/Media/documents/2009/08/28/JamesMurdochMacTaggartLecture.pdf> [Accessed: 20/05/10]

<sup>56</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.18.

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. 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.<sup>57</sup>

As PQF explains further:

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.<sup>58</sup>

Again we see that arguments for greater marketisation are counter-intuitive here, assuming one takes up the position that it is a positive thing that money is invested in UK content. If the market was outperforming PSB on this, then arguments for greater marketisation would be warranted. However, given that the opposite is true, PQF's support for the market position seems very much unjustified.

### 3.3 On major sporting events, politicians and the public want PSB to secure rights for free-to-air broadcast

Similarly, PQF discusses the value of the licence fee funded BBC, in relation to sporting events. The tradition of listing sporting events - which must be shown free-to-air - remains a popular move, and one that ought to be protected, and indeed entrenched. PQF states:

There is a strong political consensus that sporting events with a special national resonance should continue to be protected for the widest possible

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<sup>57</sup> *ibid.*

<sup>58</sup> *ibid.*

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 attach significant value to this role.<sup>59</sup>

Like the arguments outlined above on BBC 6 Music, this poses a fundamental question on how public service broadcasting should function, which is binary in its form. Should major sporting events be provided free-to-air, or should they be liberalised, and open for market competition, as the market would prefer? The debate on the listing of sporting events is one for government, not for the BBC. However, as a brief aside, it is worthwhile to note the radical action that the Irish Government want to take on this issue, by forcing events such as rugby's Heineken Cup back onto free-to-air, after years in the pay-TV market.<sup>60</sup>

However, in terms of what the BBC compete for, in the TV rights market for events that are not listed, we again see a deference to the market which is not warranted. PQF, proposing a spending cap of 9% on sports rights across a four year period, states:

“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”.<sup>61</sup>

The suggestion here is that the market, due to its volatility and competitiveness, should be able to count on a BBC that has tied its own hands on sports rights. A mandatory cap ushers in an age when outside of the listed events, it would be possible that the BBC will not be able to secure any sporting events, if the market can outbid the 9% threshold. Deference to the market in this area will be damaging in the long-run, and like the proposed closing of BBC 6 Music, strengthens the arguments from the market against public-service broadcasting as a concept. As a result:

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<sup>59</sup> *ibid.*, pp. 30-31.

<sup>60</sup> BBC News (2010b) “Minister 'gambling with Irish rugby'”, [http://news.bbc.co.uk/1/hi/northern\\_ireland/8691366.stm](http://news.bbc.co.uk/1/hi/northern_ireland/8691366.stm). [Accessed: 24/05/10].

<sup>61</sup> BBC (2010) *Putting Quality First: The BBC and Public Space*, p.57.

**The mandatory cap of 9% of the licence fee on spending on sports rights should not be imposed. Rather, the BBC should be free to compete with other broadcasters to secure the rights to sporting events.**

## **Conclusion**

This media policy briefing paper has highlighted the extent to which the BBC is supported by the public in its current form; the excessive support for marketisation that the BBC Executive seem to support (which would ultimately be at the expense of the existence of the corporation); and the extent to which this support for the role of the market actually runs counter to the evidence set out in PQF. Given the current political climate, the BBC should be making clear arguments for its role in society, rather than acquiescing to the demands of the market. When proposed cuts - to come from within - preempt the greater cuts which are surely on the horizon, the BBC Trust ought to stand firm. In opposition, prior to the reality of coalition government, the Prime Minister David Cameron suggested that he was the “most pro-BBC Conservative leader there's ever been”, but also argued the BBC needs to “focus on what matters most”.<sup>62</sup> In 2009, Cameron attempted in Parliament to freeze the licence fee, but was overturned. It would seem that very likely that this move could be attempted again, only this time with a parliamentary majority (albeit in coalition).

Away from party politics however, there is a wider political question to be asked: what sort of media sector do we want in the UK? If it is to be one with an active and well funded PSB such as the BBC, then strong arguments must come; in particular, from the academy. The wider ideological issue of public provision versus marketisation must be put firmly on the debating table. The arguments from the market will always be robust, and as I have shown the market is not afraid to address the wide ranging ideological issues. Figures like James Murdoch will set out a robust agenda, as was the case again in May

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<sup>62</sup> Plunkett, J. (2010) “David Cameron: I'm the most pro-BBC Tory leader ever – but it needs to cut”, <http://www.guardian.co.uk/media/2010/apr/27/david-cameron-pro-bbc-leader>. [Accessed: 01/06/10].

2010 when he criticised the British Library over plans to digitise its newspaper library.<sup>63</sup> Strong arguments for public service broadcasting must be made, and strongly backed up with evidence that contradicts calls for greater marketisation.

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<sup>63</sup> Murdoch argued: “Like the search business, but motivated by different concerns, the public sector interest is to distribute content for near-zero cost – harming the market in so doing, and then justifying increased subsidies to make up for the damage it has inflicted”. See Wray, R. (2010) “James Murdoch attacks British Library for digitising newspapers”, <http://www.guardian.co.uk/media/2010/may/21/james-murdoch-attacks-british-library>. [Accessed: 02/06/10].

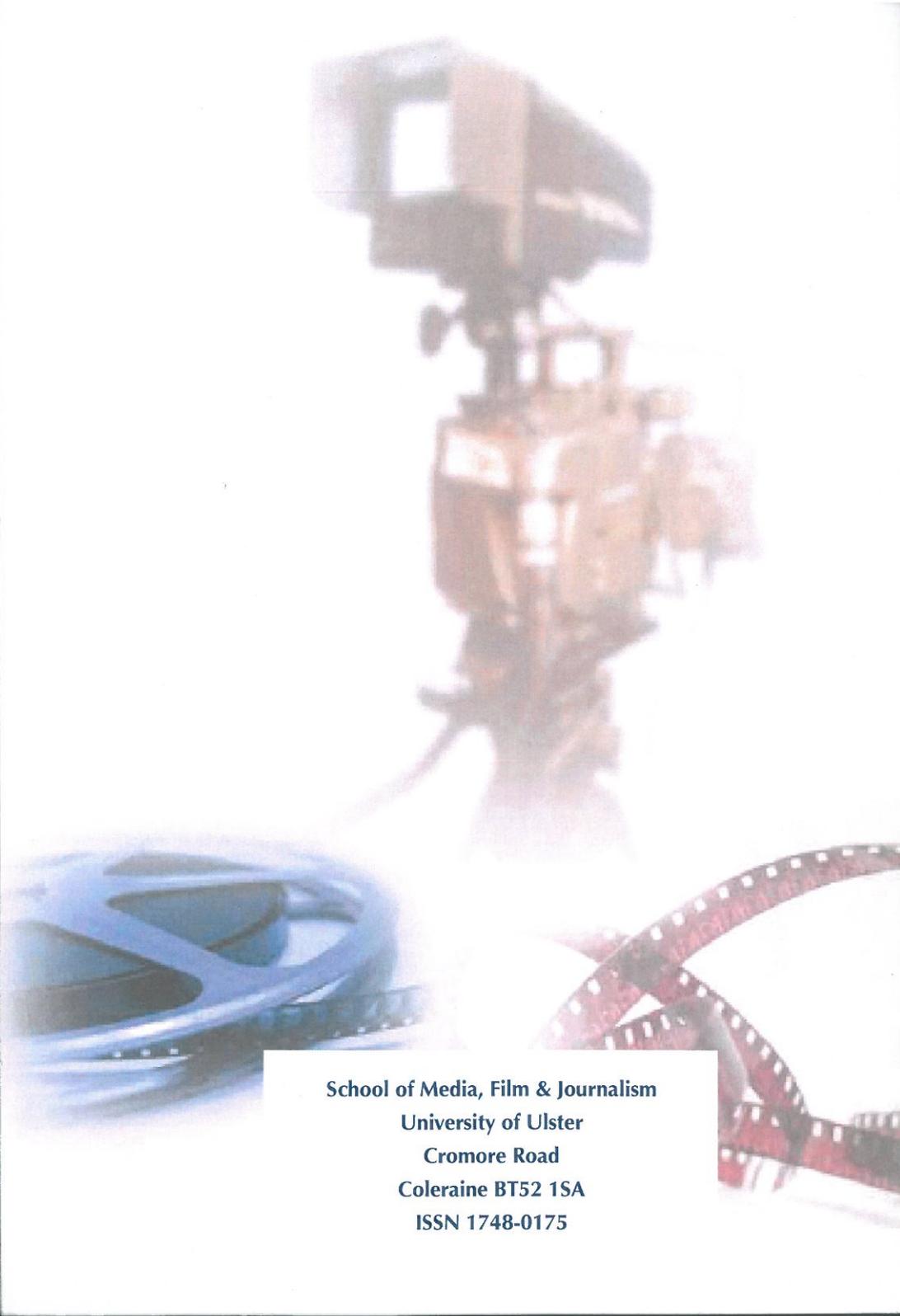
## **Summary of Recommendations**

- R1 The TV licence should be renamed the BBC licence fee, to remind the public that it also funds a full range of services across radio, the internet, and in other areas. (p.14)**
  
- R2 There should be no retreat to a BBC that only provides what the market does not. Rather there is an expectation from the public that the BBC will provide a range of TV genres, including that which commercial TV otherwise offers. (p.16)**
  
- R3 BBC 6 Music should be retained, and positive arguments for PSB radio should made anew. (p.21)**
  
- R4 The BBC should not be subject to the straitjacket of a “Gross Value Added” measurement - twice that of the licence fee - but rather operated financially based on the underpinning arguments for Public Service Broadcasting. (p.23)**
  
- R5 The mandatory cap of 9% of the licence fee on spending on sports rights should not be imposed. Rather, the BBC should be free to compete with other broadcasters to secure the rights to sporting events. (p.27)**

## **About the Author**

Phil Ramsey is a PhD researcher in the Centre for Media Research, School of Media, Film & Journalism at the University of Ulster, Coleraine. He is writing a thesis on the Habermasian public sphere under New Labour, 1994-2010. Other publications include an entry in the Sage *Encyclopedia of Political Theory* (with Robert Porter), and a *Compass Thinkpiece*, entitled: “Digital citizenship and inclusion: a social democratic agenda”.

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