

HOUSE OF LORDS

Select Committee on BBC Charter Review

2nd Report of Session 2005–06

Further Issues for BBC Charter Review

Report

Ordered to be printed 15 February and published 3 March 2006

Published by the Authority of the House of Lords

London: The Stationery Office Limited
£12.00

HL Paper 128-I

The Select Committee on BBC Charter Review

The Select Committee on BBC Charter Review was appointed by the House of Lords on 2 March 2005 with the orders of reference “to consider the review of the BBC Charter”.

Current Membership

Lord Armstrong of Ilminster
Baroness Bonham-Carter of Yarnbury
Lord Fowler (Chairman)
Baroness Gibson of Market Rasen
Lord Holme of Cheltenham
Baroness Howe of Idlicote
Lord Kalms
Lord King of Bridgwater
Bishop of Manchester
Lord Maxton
Baroness O’Neill of Bengarve
Lord Peston

Publications

The report and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee are available on the internet at:
http://www.parliament.uk/parliamentary_committees/bbccharter.cfm

General Information

General information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is on the internet at:
http://www.parliament.uk/parliamentary_committees/parliamentary_committees26.cfm

Contact details

All correspondence should be addressed to the Clerk of the Select Committee on BBC Charter Review, Committee Office, House of Lords, London, SW1A 0PW
The telephone number for general enquiries is 020 7219 5765.
The Committee’s email address is holbbccharter@parliament.uk

CONTENTS

	<i>Paragraph</i>	<i>Page</i>
Summary		5
Chapter 1: Introduction	1	7
Chapter 2: The Licence fee	5	8
The link to RPI	6	8
The BBC's current bid	11	9
Transparency of licence fee negotiations	18	10
The licence fee as a tax	22	11
Chapter 3: The costs of digital switchover	34	14
Chapter 4: Spectrum charging	43	16
Introduction	43	16
Should the BBC pay for spectrum?	44	16
Chapter 5: The BBC World Service	56	19
Introduction	56	19
Public diplomacy and the World Service	57	19
BBC World Service Arabic television	66	21
BBC World Service television	76	24
Chapter 6: Broadcasting in the nations and regions	79	26
Introduction	79	26
The move to Greater Manchester	82	26
The cost of the move	90	28
Ultra-local television	95	29
Independent production in the Nations and Regions	102	30
Chapter 7: The broadcasting of sports	106	32
Introduction	106	32
The role of sport in the BBC's public purposes	108	32
Bringing audiences together	110	32
Encouraging participation in grassroots sports	113	33
Packaging of sports rights	117	34
Listed events	122	35
Regulation of the listed events system	126	36
The broadcasting of cricket	127	37
A BBC sports channel?	138	39
Chapter 8: The broadcasting of religion	141	40
The definition of religious broadcasting	146	40
Religion in the news	153	42
Religion and the BBC's public service remit	157	43
The Central Religious Advisory Committee	167	45
Chapter 9: Summary of recommendations	172	47
The Licence Fee	172	47
The Costs of Digital Switchover	178	47
Spectrum Charging	179	47
The BBC World Service	183	48

Broadcasting in the Nations and Regions	188	48
The Broadcasting of Sports	195	49
The Broadcasting of Religion	202	50
Appendix 1: Membership of the Committee		52
Appendix 2: List of witnesses		56
Appendix 3: Call for Evidence		59

NOTE: (Q) refers to a question in oral evidence and (p) refers to a page of written evidence.

The Report of the Committee is published in Volume I (HL Paper 128-1) and the Evidence is published in Volume II (HL Paper 128-II).

SUMMARY

The BBC is respected for the quality of its broadcasting and for its independence. We support the continuation of the licence fee which has been vital to building the strong and world renowned BBC of today. However we are concerned by how much it has risen in recent years. If the licence fee continues to rise steeply it will damage the Corporation by undermining the public support it currently enjoys.

The licence fee was linked to the Retail Price Index (RPI) in 1988. In every year since 1997 it has risen by more than RPI. The BBC is now asking for a settlement of RPI plus at least 2.3 per cent. We do not support the link between the licence fee and RPI. It gives the BBC less incentive to make economies and efficiency gains. RPI should not be taken as a baseline for licence fee bids.

The BBC's current licence fee bid would result in a fee which will cost about £180 in cash terms by 2014. The Chairman of the BBC told us that the bid was an accurate costing of the proposals that the Government had endorsed for the future of the BBC. However, examination of one part of the bid—the cost of the proposed move to Greater Manchester—has shown that the costs presented could be significantly reduced. We are concerned that the BBC has failed to base its bid on the most cost efficient proposals possible.

Parliament and not Government should set the level of the licence fee. In January 2006, the Office of National Statistics classified the licence fee as a tax for the first time. We are very concerned about the consequences that this decision will have for the BBC's independence. We also believe that Parliament should be given a real opportunity to scrutinise the proposed licence fee agreement which forms the basis upon which it will be asked to increase the fee each year. The National Audit Office should be involved in scrutinising the licence fee bid. Its report should be published in full. For the first time the public and Parliament would have the information necessary to make an independent and informed judgement on the BBC's plans. The licence fee is rising at an unprecedented rate and it is time that it is open to proper scrutiny.

We emphasise however, the BBC is not solely to blame for the level of the bid. The Government are asking the BBC to shoulder costs that previously have been borne out of general taxation. This includes the costs of helping the elderly and disabled with digital switchover. We can see no reason why helping these groups should be borne by the BBC. The Government already accepts that it is responsible for bearing the costs of the licence fee for over 75s. We are also concerned that Ofcom may decide to charge the BBC for its use of spectrum. We recommend that the Government should use its power of direction, granted by the Communications Act 2003, to instruct Ofcom to exempt the BBC and Channel 4 from spectrum charging. We do not believe it is justifiable to raise the licence fee in order to pay the Treasury for a resource that has always been supplied to the BBC free of charge and that the BBC has always used efficiently.

The World Service is one of the undoubted successes of the BBC. Its success comes from being seen as a politically independent and trustworthy news source. The World Service is not, and must never become, a tool of the UK Government. We are therefore concerned by a recent report to the Foreign Secretary that

suggests that the BBC World Service should operate in a manner “consistent with UK governmental medium and long term goals”. The BBC World Service is a UK national asset not a Government asset. We support the recent proposals to re-prioritise BBC World Service services and launch an Arabic language television channel. However we are concerned that the Government are not providing the modest marginal extra financial support to launch this channel on a 24 hour basis as the BBC and other experts have suggested. We also recommend that the BBC conduct a full scale review of its international services including the loss making BBC World.

We support the BBC’s Out of London strategy which aims to ensure more programmes are made outside of the M25. A flagship part of this plan is the proposal to move several BBC departments to Greater Manchester. We support this move which we believe must go ahead irrespective of the next licence fee settlement. We also emphasise that the departments concerned must be moved route and branch. However, we are concerned that the BBC’s original costings were extremely high and were calculated in a rudimentary manner.

The BBC has an important role to play in uniting the United Kingdom around flagship sporting events and in supporting grassroots sports. The cost of sports broadcasting rights has grown considerably in recent years. In order to ensure that viewers and listeners get the best service and that free-to-air channels can afford to bid for sports rights we believe the approach taken by the competition authorities of breaking up exclusive sports rights into packages is the right one. However, with regard to the football Premier League’s live television rights we have concerns about the European Commission’s decision. We do not believe the Commission’s proposal goes far enough to create a competitive market.

Religion is traditional public service broadcasting territory. The BBC must continue to explore innovative ways of approaching religion and other belief systems and the areas of spirituality, ethics and values. We are eager to see more high quality, innovative and thought provoking programmes emerging from the BBC Religion and Ethics Department.

Review of the BBC Charter

CHAPTER 1: INTRODUCTION

1. In November 2005 we published our first report on the review of the BBC's Royal Charter. That report focussed on whether the Government's proposals in the Green Paper "Review of the BBC's Royal Charter. *A strong BBC, independent of government*" would really secure that aim. The purpose of that report was to make sure Parliament's opinions on the Green Paper were heard before the Government finalised their plans for the future of the BBC and published the White Paper on the subject.
2. The Government had originally told us that the White Paper would be published in November 2005. In order to ensure that our first report came out in time to influence the White Paper we were forced to constrain our inquiry. We were therefore unable to fully explore all the areas we felt merited scrutiny. As a consequence our inquiry was extended so that we could produce this second report.
3. This report covers areas that we did not have time to consider in our first report and it also returns to some areas we referred to before but felt required further consideration. We note that the Government's White Paper has been delayed several times and is now expected in March 2006. We look forward to the Secretary of State for Culture, Media and Sport coming to give oral evidence to us once the White Paper has been published.¹
4. The membership of the Committee and the financial interests of the members are set out in Appendix 1 and our Call for Evidence in Appendix 3. We received valuable written and oral evidence from the witnesses listed in Appendix 2. In the course of our inquiry we travelled to the Greater Manchester area and to Northern Ireland. We wish to thank all those who contributed to this inquiry. As with our first inquiry we benefited from the invaluable assistance of our Specialist Advisor Professor Richard Collins, Professor of Media Studies at the Open University.

¹ Q 1890 of the Secretary of State's evidence to the Committee's first inquiry (HL Paper 50-I)

CHAPTER 2: THE LICENCE FEE

5. The BBC has been funded by the licence fee since 1923. In our first report we stated that the licence fee system has been vital to building the strong and world renowned BBC of today. We recommended that the system of funding the BBC until 2017 should be through a licence fee.²

The link to RPI

6. The licence fee was first linked to RPI in 1988. From 1988 to 1998 each year's increase matched RPI or was below. However, since 1998 the licence fee has risen by more than RPI each year. We therefore stated in our first report that "Licence fee settlements above RPI should only be agreed if there are exceptional reasons to justify the fact that they exceed the rate of inflation. Many organisations are able to reduce growth in costs below the level of the RPI and there is no reason why the BBC should not be one of them".³
7. During this inquiry we asked Mark Thompson, the Director General of the BBC, why the BBC has needed settlements above RPI for the past eight years when it did without them before. He explained that "The fundamental change which happened at the end of the 1990s was the Government asking the BBC to take a leading role in helping to lead the processes of creating a digital Britain... From the late 1990s onwards, the Government was not merely asking the BBC to continue with its existing analogue age services, but to launch many new services and to take a bigger role involving capital investment and also the running costs of new digital services as part of a new vision for what the BBC should do" (Q 942).
8. While it is understandable that the BBC should be given more money if it is asked to launch new services, it is not clear why this additional sum of money is on top of a baseline RPI rise. Mark Thompson explained that because of efficiency gains the RPI rise would not simply be used to maintain existing services, some of it would go towards new services "In terms of like-for-like services... we should expect to achieve RPI minus, to make deeper savings than we get from inflation, so we can take some of the money we save to put against the various new things which the Green Paper asks us to do... We accept the broad principle that the BBC should accept that it should absorb inflation and become more efficient like every other part of the public and private sector" (Q 1953).
9. While we are pleased to have heard Mark Thompson's reassurance, we think the link to RPI gives the BBC less incentive to make economies and efficiency gains. We also believe that each bid should clarify and separate how much maintaining existing services will cost and how much new services will cost.
10. While we accept that the rate of inflation is one relevant factor when considering the level of the licence fee **we question whether the licence fee should be linked to RPI. We recommend that RPI should not be taken as a baseline for licence fee increases. We further recommend that, if the BBC is to launch new services, the Government should assess the**

² First Report of Session 2005–06; para. 119 and para. 132.

³ Ibid; para. 12.

BBC's funding needs on the basis of careful and robust costings without necessarily accepting that the BBC will need a licence fee increase above RPI.

The BBC's current bid

11. In November 2005 the BBC proposed a licence fee increase from April 2007 of RPI plus 2.3 per cent a year for seven years. The amount of the BBC's bid will rise once the costs of providing targeted help with digital switchover are added (see chapter three). How much the targeted help will cost is not yet known. We calculate that if the rate of inflation over the seven years is the Bank of England's inflation target of two per cent then a RPI plus 2.3 per cent rise (i.e. 4.3 per cent annually) will result in a licence fee of about £180 in cash terms by 2014. In 2004–05 the BBC received just over £2.9 billion from the licence fee.⁴ Based on the calculation above it would receive approximately £4.3 billion annually from the licence fee by 2014.
12. The Government are still in negotiation with the BBC about its November 2005 proposal for the next licence fee settlement. The Minister for Media and Tourism, James Purnell MP, stated that the BBC's proposal was being considered by the Government as the BBC's "opening bid" (Q 1875). However, Michael Grade, the Chairman of the BBC, disagreed with the Government's assessment of the BBC's proposal as an opening bid. He told us that "what we presented to the public in that bid was as accurate a costing as we could possibly manage given the number of variables in it at that time... So that bid is not an opening bid, it is a costing for the vision which has been endorsed by the Government" (Q 1939). Although we note what Michael Grade said, we are sceptical that the BBC's proposal for the next licence fee settlement was made in the belief that it would be treated as anything other than an opening bid.
13. Although Michael Grade asserted that the bid is as accurate a costing as the BBC could possibly manage (Q 1939) evidence suggests that it could be reduced. We have examined one part of the BBC's bid in more detail than any other. That is the cost of the proposed move of several BBC departments from London to Greater Manchester. The BBC originally estimated that this would cost between £530 and £640 million. In the four months since the BBC launched its licence fee bid the projected total cost of the move to Greater Manchester has been cut by 33 per cent (p 145).
14. When we questioned Mark Thomas, the Director of the BBC North Project, he told us that the figure in the original bid was the "easiest calculation" based on a "lift and shift model" (i.e. replicating the same facilities as in London for the departments that are moving) (QQ 562, 561). The BBC has since told us that the costs have come down because "considerable work has been undertaken by the project team to turn the original plans for a high level strategy to a detailed implementation plan, a process which has allowed us to introduce efficiencies into the plans" (p 146). We will discuss the cost of the proposed move later in the report. Its relevance here is that our scrutiny of only one part of the BBC's licence fee bid has shown that the BBC's costings were rudimentary and could be significantly reduced. It is worthy of note that in a matter of a few months the BBC was able to reduce one part of its licence fee bid by 33 per cent (from approximately £600

⁴ BBC Annual Report and Accounts 2004-05, page 94.

million to approximately £400 million (Q 562)) and has admitted that the figure in the bid was based on the easiest calculation possible rather than on a real estimate of how best value could be provided.

15. We also note that the BBC's current licence fee bid suggests that the Corporation will need £300 million to cover the costs of a possible future charge for the use of spectrum. This is a huge amount—it is more than 10 per cent of the money that the BBC currently receives each year from the licence fee payer. This cost is included despite Ofcom not yet having decided whether the BBC will have to pay for its use of spectrum or how much broadcasters might be charged for spectrum. Because the BBC face a possible spectrum charge during the next licence fee period it has included a notional charge—one it might not have to pay. We will return to the question of whether the BBC should pay for spectrum in chapter four but here we note that this is another very grey area of the BBC's bid.
16. We are concerned that if the licence fee continues to rise then public opposition to the licence fee will grow. However, Michael Grade does not share our concern. He stated that “We and our sponsoring department have done a great deal of research which suggests, at various different levels, that there is very, very little resistance to the current levels and the projected levels” (Q 1945). However the fact is that audience figures for BBC television services are declining at the same time that the cost of the licence fee is rising. It is unfortunate that at a time when viewers have more alternatives to the BBC than ever before the costs for accessing BBC services should be rising. We believe this is likely to reduce public support for the fee.
17. **We therefore recommend that the BBC and the Government should work to minimise future licence fee rises. The licence fee should only rise significantly if there are exceptional and well substantiated reasons for it to do so.**

Transparency of licence fee negotiations

18. In our first report we recommended “that the criteria used in setting the level of the licence fee should be open and transparent. The role of the NAO should also be expanded to include responsibility for assessing the efficiency of the BBC and evaluating its funding requirements when the proposed level of the licence fee is set. It should be given the access necessary to do this. The NAO should advise Parliament accordingly”⁵.
19. We believe that an independent, objective and non-political assessment of the BBC's financial requirements would insulate the BBC from potential political interference. Such an assessment would inform parliamentary debates when Parliament is asked to approve the licence fee changes (at the moment Parliament can only approve or reject, but not amend, the statutory instrument the Government must present in order to change the level of the licence fee). Among the advantages of using the NAO, as opposed to a private firm, are that the NAO has a great deal of experience of working with public sector bodies and that the NAO has the full confidence of Parliament and the public.
20. We are pleased that the BBC's current licence fee bid is being scrutinised in a more transparent way than any previous bid. Firstly, the BBC has put the

⁵ First Report of Session 2005–06; para. 137.

details of its bid into the public domain. Secondly, the Department for Culture, Media and Sport has submitted the bid for review by outside consultants PKF. And thirdly, we learned from James Purnell MP that the final settlement “will also be based on a further round of industry consultation... along the lines of the Burns’ seminars. It was very helpful for the Green Paper and we intend to do that for the licence fee session as well” (Q 1875).

21. However, while we believe there has been progress in making the bid more transparent, we do not believe enough has happened. **The National Audit Office should be involved in scrutinising the licence fee bid. Its report should be published in full. This would mean that for the first time the public and Parliament would have the information necessary to make an independent and informed judgement on the BBC’s plans. We also believe that the BBC and the DCMS should be doing more than industry consultations, the public should be consulted as well. Until these two things happen the public will continue to perceive the licence fee negotiations as secretive and opaque. The licence fee is rising at an unprecedented rate and it is time that it was open to proper scrutiny.**

The licence fee as a tax

22. Since our last report there has been a significant change in the position of the licence fee. In January 2006 the Office of National Statistics re-classified the licence fee as a tax. Previously, this payment had been classified in the National Accounts as a service charge. Explaining the change the Office of National Statistics (ONS) says “in line with the definition of a tax, the licence fee is a compulsory payment which is not paid solely for access to BBC services... A licence is required to receive ITV, Channel 4, Channel 5, satellite, cable”.⁶
23. We are not convinced by this argument not least because it has been the case that a licence has been required to view any television channel in the UK for many decades. Nevertheless the decision means that from now on the licence fee will be recognised as a form of hypothecated taxation.
24. Reclassification of the licence fee as a tax also has the consequence that the BBC is reclassified from the public non-financial corporations sub-sector to the central government sector.⁷ The status of the BBC is thus also affected by this decision and it becomes a central government body. This change also affects the Welsh broadcaster S4C.
25. When announcing its decision the ONS tried to offer some reassurance that “These classifications are solely for the purpose of producing National Accounts and the statistical products based on them. This has no implication for the independence of these broadcasters”.
26. In spite of this we are concerned about the consequences of the ONS’ decision. The reclassification of the BBC as a central government body could have serious implications for its independence. There are various subgroups of public body that come under the title central government body. The only

⁶ Office of National Statistics, News release: Classification of public sector television, p. 1.

⁷ Office of National Statistics, News release: Classification of public sector television, p. 1.

existing one that the BBC could conceivably fall into is the category of a non-departmental public body.

27. The Cabinet Office guidance on non-departmental public bodies shows that the sponsoring department of such a body has significant powers over it. For example the sponsoring department has a role in designating who the body's accounting officer will be, in approving the form of the annual report and accounts, in determining audit arrangements, in reviews on the grading and loading of posts and in setting pay remits.⁸ **The reclassification of the licence fee as a tax, and of the BBC as a central government body, could therefore have significant implications for the BBC's independence. We urge the Department of Culture, Media and Sport first to spell out the implications of these changes and second to explain how the BBC's independence will be safeguarded in light of them.**
28. The licence fee is now classified as a tax and we note that for the first time the Government have started to use it as such. They are using it to cover costs that should be covered by general taxation, in particular the costs of providing targeted help with digital switchover. As we will discuss in the next chapter, over 75s are currently given a free television licence funded from general taxation as part of the Government's social policy. By proposing to fund targeted help with digital switchover through the licence fee, the Government have introduced a type of "top-slicing" for the first time. This is a profound change to the constitutional position of the BBC. By doing this the Government can raise taxation without being seen to do so.
29. **As long as the licence fee is being recognised as, and treated as, a tax then our argument that Parliament should have a chance to properly scrutinise it becomes even stronger.**
30. If the Government accept our recommendation setting out an enhanced role for the NAO then Parliament will at least have the necessary background information to make an informed judgement about the licence fee. In addition the Government must also find a way to enhance parliamentary scrutiny of this new tax.
31. Currently Parliament is asked to approve a statutory instrument when the licence fee changes annually. The figure in this statutory instrument is in line with the agreement between the BBC and the DCMS which governs the level of the licence fee for a finite period of time. For example, in 2000, annual licence fee increases of RPI plus 1.5 per cent were agreed until 2006. And each year Parliament has been asked to approve a statutory instrument up rating the fee in line with this formula. The BBC is now hoping for a similar long-term settlement having bid for a formula of RPI plus 2.3 per cent between 2007 and 2014
32. **Parliament is not given any opportunity (beyond hearing a Government statement) to scrutinise the licence fee formula agreed by the BBC and the DCMS. We believe this is wrong. Parliament should be able to scrutinise the proposed licence fee agreement which forms the basis upon which it will be asked to increase the licence fee each year.**

⁸ Cabinet Office guidance - NDPBs: A Guide for Departments - September 2004

33. We recognise the value to the BBC of knowing what its funding basis will be more than one year ahead. We think this provides the BBC with an important measure of stability. However we question whether it is sensible to agree a formula valid for as long a period as seven years.

CHAPTER 3: THE COSTS OF DIGITAL SWITCHOVER

34. The plan to switch-off the analogue television signal is a huge project. It will involve the conversion or replacement of millions of television sets, aerials and VCRs across the whole of the country. The House of Commons Culture, Media and Sport Select Committee are currently taking evidence on the Government's proposals in this area. Therefore we have not taken evidence on the details of the plan.
35. However, one of the most controversial elements of the current licence fee bid is that the BBC has been asked to cover some of the costs of digital switchover. In our first report we stated that "Given the financial benefit that the Government will accrue we do not believe that the costs of promoting and co-ordinating digital switchover and providing targeted help for the vulnerable and disadvantaged should fall on the licence fee payer. Such costs should be covered by the Government (i.e. the general tax payer). Switchover is a Government policy which applies to, and affects, all broadcasters and all viewers and listeners".⁹
36. In its licence fee bid, the BBC has split the costs it is to cover into three separate categories:
- First there are the costs associated with the BBC's role in Digital UK the independent, not-for-profit organisation, established to lead the switchover programme and communicate with the public. The BBC estimate these costs will be £200million cumulatively.
 - Second there are the possible costs of a spectrum tax (if Ofcom decide that the BBC should be charged for its use of the radio frequency spectrum). The BBC estimates this could cost £300million cumulatively. We will look at this in more detail in the next chapter.
 - Third there is the cost of providing targeted help with switchover to the elderly and disabled (a group that the Government refers to indiscriminately as "vulnerable"). What this will entail, and therefore how much it will cost, has not yet been worked out in detail. We are particularly concerned about this final cost category.
37. We note that the Government has already rejected the recommendation in our first report that the cost of providing targeted help should be borne out of general taxation. In the House of Commons on 19 December 2005 Tessa Jowell MP, the Secretary of State for Culture Media and Sport, stated that "...we have announced a package of help, which will be funded by the BBC as part of the new licence fee settlement that will be negotiated shortly—since the cost is a broadcasting cost, that is how we expect it to be met".¹⁰ She went on to say she specifically disagreed with the Committee's recommendation in this area.¹¹
38. We think there is a particularly strong argument for changing the policy of requiring the BBC to pay for targeted help with digital switchover. We support the views of Mark Darcey, the strategic director at BSkyB, when he

⁹ First Report of Session 2005–06; para. 200.

¹⁰ HC deb, col 153.

¹¹ Ibid, col 1544.

told us why he thought the Treasury should cover such costs: “...the marketing costs, the disruption that will be faced by people who are forced to convert, the assistance to the vulnerable and that category of costs. They largely come about because of a decision... to switch off the analogue signal and then to be able to sell on the spectrum that is released. It strikes me that at least in the first instance the beneficiary of that is the Treasury and it might then be sold on... Again it seems perhaps slightly odd to ask for the licence fee payer to bear the costs associated with delivering that benefit to the Treasury” (Q 122). Other witnesses shared this view. Jocelyn Hay, Chairman of the Voice of the Listener and Viewer, told us “what we do not think is right is that the BBC should bear the social costs of helping vulnerable viewers to access a highly desirable service which previously and normally would be paid for out of general taxation” (Q 2038).

39. We asked Michael Grade whether he was happy that the BBC was being asked to pay help with switchover. His answer showed he had reservations: “in agreeing with the Government to use the licence fee for that purpose, it is conditional that it is not so onerous that it brings into question, or increases resistance to, the licence fee. It is also a condition that we must not be in a position where, in using the licence fee for this targeted help purpose, we have to cut services in order to meet that requirement. There is a large measure of conditionality in terms of our support” (Q 1946).
40. Currently those aged over 75 already benefit from a form of targeted help with the costs of receiving television—they are exempt from paying for the licence fee. The cost of exempting over 75s is covered by the general tax payer. We can see no reason why help for the over 75s, and other vulnerable viewers, with the costs of switchover should be borne by the BBC when the Government already accepts that it is responsible for bearing the costs of the licence fee for over 75s.
41. We raised this matter with James Purnell MP. He repeated that providing targeted help was broadcasting, not social security, policy and that “there are BBC-specific reasons for why the licence fee is the appropriate way to do this. We think it helps make sure that the BBC’s digital services are universally available. We think that it is a progressive use of the licence fee because it will be benefiting in particular people who are vulnerable—people over 75 and people who are disabled” (Q 1890). We do not feel this answer explains why exemption of over 75s from the licence fee should be borne out of general taxation. Nor do we agree that this social policy should be paid or through a regressive form of taxation.
42. **We therefore urge the Government to consider again covering the costs of providing targeted help with digital switchover from general taxation.**

CHAPTER 4: SPECTRUM CHARGING

Introduction

43. Radio frequency spectrum (used for analogue broadcasting and, in a more efficient way, for digital broadcasting) is a scarce and increasingly valuable resource. Its value has increased because competition for it has grown dramatically in recent years with the advent of spectrum hungry services such as mobile telephones. In the past the Government has allocated unpriced spectrum to public service users and in exchange, free-to-air broadcasters have been required to discharge public service broadcasting commitments.

Should the BBC pay for spectrum?

44. In 2001 the Government commissioned an independent review, led by Professor Martin Cave, to look at the future of spectrum management and develop principles to promote efficient use of the radio frequency spectrum. Professor Cave published his report in 2002. He recommended that “spectrum pricing should be applied over the coming decade to all spectrum which is used for broadcasting”. He also specifically recommended that “Ofcom should have greater oversight of the BBC’s spectrum use”.¹²
45. Following these recommendations the Communications Act 2003 gave Ofcom a duty to secure optimal use for wireless telegraphy of spectrum (Section 3) and the power to charge for wireless telegraphy licences (Section 1 of the Wireless Telegraphy Act 1998 as amended by paragraph 145 of schedule 17 to the Communications Act 2003). Accordingly, the BBC needs a licence from Ofcom to establish or use wireless telegraphy apparatus to transmit its programmes and Ofcom may charge the BBC for that licence.
46. In its report “Driving Digital Switchover” Ofcom stated that “We will consider charging companies who use the spectrum from 2006. This would give broadcasters an incentive to use as little as possible. If we decide to go ahead, charges could apply for the first time to the BBC, Channel 4 and S4C in 2006”.¹³ Lord Currie of Marylebone, the Chairman of Ofcom, told the Committee that Ofcom would be consulting on this proposal this year (Q 1438). If Ofcom do decide to charge the BBC and Channel 4 for spectrum the money paid will go directly to the Treasury. Private sector users of spectrum already pay the Government for the spectrum they use. We note that the Communications Act 2003 gives the Government the power to direct Ofcom in its decision about who to charge for radio spectrum. Section 156 of the Act empowers the Secretary of State to “by order give general or specific directions to OFCOM” with regard to radio spectrum.
47. We took evidence from Professor Cave who explained the logic for charging public services for the use of spectrum: “Clearly, the commercial spectrum users will be under commercial pressures to economise on spectrum. There is, however, a concern... that if the public sector spectrum users get it free,

¹² Review of Radio Spectrum Management, An independent review for Department of Trade and Industry and HM Treasury, Martin Cave, 2002, para 124, p. 29.

¹³ Driving Digital Switchover, Ofcom report to the Secretary of State, April 2004. http://www.ofcom.org.uk/research/tv/reports/dsoind/dso_report/.

they will get too much and we will have an imbalance... For that reason, I have proposed the extension of a system that was introduced in 1996 which means that public sector spectrum users actually make some kind of payment". He went on to argue that such a policy would have two benefits: "Firstly, it makes transparent or more transparent how much public services are actually costing... The second reason is that it provides signals for broadcasters to make sensible decisions about how to achieve their... objectives" (Q 1746).

48. However, having argued that the BBC should pay for spectrum to ensure its efficient use Professor Cave also stated that the BBC currently uses spectrum efficiently (Q 1756).
49. Many of our witnesses were strongly against making the BBC pay for spectrum. Lord Puttnam stated that "an already relatively cynical public [know] full well that this is double dipping. They are having their pockets picked for a licence fee and that licence fee is being picked again for that money to go back to the Treasury" (Q 1770). He argued that the licence fee would be much better spent on BBC services. Michael Grade agreed. He argued that "The justification for charging the private sector for-profit organisation for the use of the spectrum seems to me intellectually perfectly justifiable in the sense that this is a national resource, the airways belong to the nation, shareholders are making hopefully a decent return on their exploitation of that publicly owned utility... It seems to be inconsistent to apply the same logic to the BBC, because the BBC is there to provide a public service for which the public pays and to take money back through spectrum charging seems to me to be fundamentally illogical" (Q 1999).
50. Andy Duncan, the Chairman of Channel 4, argued that as a not-for-profit public service broadcaster Channel 4 should also be exempt from spectrum charging. He suggested that the requirement to pay for spectrum might bite at exactly the same time that other pressures began to cause real problems for the channel. He went on to state that "Capacity has historically been a very good way of helping drive the public service model, both in our case and the BBC's case and, going forward, we think it is one of the best ways in which you could underpin Channel 4" (Q 1137).
51. **It is our conclusion that it would be illogical and unfair for licence fee payers to pick up the costs of ensuring the BBC uses its spectrum efficiently. This is particularly true when it is acknowledged that the BBC already uses its spectrum efficiently. Although we recommend that the BBC's use of spectrum should be kept under review we do not believe that licence fee payers should pay a charge that goes straight to the Treasury.**
52. **We also recommend that Channel 4, as a not for profit public service broadcaster, should be exempt from spectrum charging.**
53. **The decision as to whether to charge the BBC and Channel 4 for spectrum will have a direct impact on the quality of public service broadcasting and on the level of taxation to which the public is subject. The Government should therefore use their powers under Section 156 of the Communications Act 2003 to direct Ofcom to exempt the BBC and Channel 4 from any charge for radio spectrum.**
54. Finally we note that the Government stand to benefit financially from digital switchover in two ways. Firstly through receipt of the proceeds of the sale of

analogue spectrum and second through receipt of spectrum charges placed on broadcasters (commercial and, under current plans, the BBC and Channel 4).

55. In our first report we noted that “the Government will be in direct receipt of the proceeds of the sale of analogue spectrum” and explained that “although the value of this spectrum will not be known until it is sold it is undoubtedly a very valuable asset”.¹⁴ In the course of this inquiry Professor Cave told us that, although it is hard to estimate the value that may accrue to Government from the sale of spectrum, he estimated a value of between £0.5 billion and £1.5 billion (Q 1753). These are huge amounts even before the revenues from spectrum charging are added to them. These projected revenues will arise from the same decision as that which means the BBC will be required to cover the costs of switchover for the “vulnerable”. They should logically be used to cover the costs of that decision. **We therefore recommend that the proceeds from sale of analogue spectrum, and any receipts from the charging of broadcasters for spectrum, should be used to cover the costs of digital switchover.**

¹⁴ First Report of Session 2005–06, para. 200.

CHAPTER 5: THE BBC WORLD SERVICE

Introduction

56. The Government's Green Paper states that as part of the BBC's core public purposes it should bring "high-quality international news coverage to a global audience through radio, TV and new media."¹⁵ One of the most widely respected BBC news sources is the World Service which provides international news, analysis and information in English and 32 foreign languages. It has 149 million weekly radio listeners and over 20 million monthly online users across the world.¹⁶ The Foreign and Commonwealth Office (FCO) funds the BBC World Service with a direct grant-in-aid. The value of this grant-in-aid was £239 million in 2005/6.

Public diplomacy and the World Service

57. Since its creation in 1932, the independence of the BBC World Service has been the bedrock of its success. Its objectivity and impartiality, combined with the knowledge that the BBC World Service does not speak for the UK Government lies at the heart of its success. Nevertheless, there is a formal relationship between Her Majesty's Government and the BBC World Service because the FCO is the sponsoring department. The "Broadcasting Agreement" between the BBC and the FCO sets out the strategic objectives of the BBC World Service. It commits the BBC World Service to broadcast programmes and deliver other services as agreed with the FCO, and sets its broadcasting priorities. The FCO also has a role in determining where the BBC World Service should operate. The Green Paper states that the BBC World Service is required to plan and prepare its programmes in the national interest, while maintaining high standards of editorial integrity and programme quality.¹⁷
58. The Director of the BBC World Service, Nigel Chapman, told us "We have regular meetings with [the FCO] about the geographical spread of our activities, the relevance of certain language services... and the sort of audiences we should be targeting..." (Q 1426). The Committee found no dissatisfaction within the BBC about its current relationship with the FCO. Richard Sambrook, the Director of the BBC Global News Division, believed the BBC World Service's editorial independence is secure and the relationship between the BBC and the FCO effectively insulates the BBC from Government interference (Q 912). However, while the Government does not appear to encroach directly upon the BBC World Service's editorial independence, we are concerned by the stance taken in a recent review of the effectiveness of the United Kingdom's "Public Diplomacy" work, which included the BBC World Service.
59. As part of the 2004 Spending Review, the FCO and the Treasury commissioned Lord Carter of Coles to conduct a "Public Diplomacy Review" and in December 2005 he published his findings. Lord Carter

¹⁵ Department for Culture, Media and Sport, Review of the BBC's Royal Charter: A strong BBC, independent of government, March 2005, p. 8.

¹⁶ www.news.bbc.co.uk/1/hi/entertainment/tv_and_radio/4374130.stm

¹⁷ Department for Culture, Media and Sport, Review of the BBC's Royal Charter: A strong BBC, independent of government, March 2005, p. 43.

defined Public Diplomacy as “work aiming to inform and engage individuals and organisations overseas, in order to improve understanding of and influence for the United Kingdom in a manner consistent with governmental medium and long term goals”.¹⁸ He added that this responsibility must be balanced by the Government’s “continuing guarantee of editorial independence for the BBC World Service”.¹⁹ When questioned about his recommendation that the BBC World Service should reflect “governmental” objectives, Lord Carter stated that, because the Government was accountable for its operation and funding to Parliament, this mandate was unexceptional (QQ 1680, 1682). We do not believe the BBC should work to this definition of public diplomacy. It is neither convincing nor compatible with the BBC’s well established independent role.

60. The Secretary of State for Foreign and Commonwealth Affairs welcomed Lord Carter’s findings and stated they were a “sensible new direction for publicly funded public diplomacy activities”.²⁰ However, we are concerned about the proposed definition of public diplomacy and its implications for the BBC World Service. We believe the BBC World Service is an asset of the UK as a whole and that, although the FCO funds its operation, the BBC should not be considered an asset of the Government.
61. Lord Triesman, Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, recognised concerns about the closeness of the UK Government to the BBC World Service. He recalled that during the Cold War the Soviet Union attacked the BBC as a “mouthpiece” for the British Government. He also drew attention to the current Chinese government’s censorship of the BBC ostensibly for the same reason (Q 996). Lord Triesman argued that because the BBC World Service was “heavily dependent upon public finance” it had an obligation to “face in a general strategic direction that is useful to the United Kingdom” (Q 986). However, he emphasised the absolute importance of the BBC World Service having “genuine independence” and praised the responsible and objective reporting which had led to it being so highly regarded “probably above all other international broadcasting players” (Q 984).
62. We stated in our first report that it is legitimate for the FCO to work together with the BBC World Service to focus resources where it judges they are most needed.²¹ Nevertheless, as its sponsoring department, we believe the FCO should consider itself the protector and guarantor of the BBC World Service’s independence. The authority of the BBC World Service derives from its independence of the UK Government and from its values being those of the UK as a whole rather than just those of the Government. The BBC World Service’s independence is strengthened by its public funding which insulates it from commercial pressure and allows objective coverage. Perceptions can be important. For example if the BBC World Service were to carry a by-line stating “Working in a manner consistent with governmental medium and long term goals” then its international credibility would be fatally undermined. Indeed, Mostefa Souag, London Bureau Editor, of Al-Jazeera television, believed that in the Middle East the BBC’s affiliation with

¹⁸ Lord Carter of Coles, Public Diplomacy Review, December 2005, para. 2.5, p. 8.

¹⁹ Ibid.

²⁰ Letter from the Secretary of State for Foreign and Commonwealth Affairs to Mr Michael Gapes MP.

²¹ First Report of Session 2005–06, para. 189.

the UK Government already leads to accusations of propaganda, especially from Governments in the region (Q 969). If the BBC World Service is to continue to be successful everything must be done to avoid this perception.

63. Lord Puttnam stated that the BBC World Service should not become “an instrument of the government of the day but rather that it can help to underwrite the values upon which our concept of genuine democracy and civil society depend” (BBC/05–06/118, p. 2). We agree completely. We do not believe that the Government should consider the BBC World Service as a tool of “Public Diplomacy”, nor do we accept that a narrow conception of “Public Diplomacy” of this type includes an obligation on the BBC to adhere to Governmental medium or long term priorities. **We recommend that under no circumstances should the BBC World Service be allowed to be treated or seen as a “tool” of public diplomacy or of governmental goals. Everything should be done to protect the editorial independence on which its reputation depends.**
64. Lord Carter has proposed replacement of the current Public Diplomacy Strategy Board with a new Public Diplomacy Board. The Permanent Under-Secretary to the FCO currently chairs the Public Diplomacy Strategy Board and the Board’s stated aim is “to improve the cohesion, effectiveness and impact of the overall UK public diplomacy effort”.²² The new Public Diplomacy Board will be chaired by a FCO Minister rather than a civil servant. It will be a stronger and potentially more political body with responsibility for strategy, performance management, measurement and monitoring of the UK’s Public Diplomacy.
65. Lord Carter informed us that the BBC World Service would continue to be an observer rather than a full member of the Board and would “share and discuss” ideas but not be “in any way bound by the board” (Q 1690). Lord Carter also recommended that a new “Public Diplomacy Strategy and Performance Management Unit” could include co-opted staff from the BBC World Service.²³ No staff from the BBC World Service have previously been co-opted to the FCO. **We do not believe that it is appropriate for a representative of the BBC World Service to serve either as a member or as an observer on a board chaired by an FCO Minister under the proposed definition of public diplomacy. We are also against the proposal that BBC staff should be employed by a Government management unit. The independence of the BBC World Service could be compromised by the closeness of the relationship proposed by Lord Carter’s review.**

BBC World Service Arabic television

66. In our first report, we stated that the case for an Arabic language television service was particularly strong. We also welcomed the announcement that in April 2007, the BBC World Service will launch a free-to-air Arabic language television channel, broadcasting across the Middle East. Nigel Chapman told the Committee that the channel’s output would be a mixture of news, discussion, documentaries and current affairs programmes, as well as some dubbed and sub-titled programming (Q 892). While the BBC World Service is planning additional investment in its Middle Eastern regional news

²² Foreign and Commonwealth Office, Public Diplomacy Strategy Board, Terms of Reference, para. 1, p. 1.

²³ Lord Carter of Coles, Public Diplomacy Review, December 2005, para. 4.9, p. 16.

- bureaux, the majority of the staff of the Arabic television service will be based in London and its programmes will be produced mainly in the UK (QQ 856, 895). Nigel Chapman argued that the project was necessary because television was the “medium of choice” in the Middle East. He argued that “it was no longer going to be viable for us to just to broadcast on radio and provide new media services” (QQ 855, 841).
67. The BBC believes it can make a major impact in the Middle East by providing trusted information to viewers who consider the “current plethora of channels as neither sufficiently independent nor international”. In his evidence to the Committee, Richard Sambrook stated that channels such as Al-Jazeera and Al-Arabiya “are reporting the Middle East to the Middle East”. The BBC World Service envisages an international perspective and agenda for its new channel “reporting the world to the Middle East” (Q 855). Al-Jazeera believed that the entrance of the BBC as a respected broadcaster into the Middle East television market will generally be welcomed by its competitors. Mostefa Souag commented that more objective reporting and better quality programmes would benefit “freedom of expression [and] the freedom of the media.” (Q 968).
 68. However, the BBC has previously experienced considerable difficulties in producing a television channel in the Middle East. In 1994, Orbit (a Saudi Arabian media company) commissioned the BBC to produce an Arabic language news service but in April 1996 Orbit suspended broadcasting of the channel. Ian Richardson, former managing-editor, BBC Arabic Television News, told us there were “irreconcilable differences over editorial issues with Saudi [Arabia] and with Orbit” (Q 924). However, Nigel Chapman was confident that because the funding and editorial policy of the new channel will be entirely the purview of the BBC, the problems encountered in the mid-nineties will not re-occur (Q 899). Al-Jazeera commented that damage was done to the BBC’s reputation by the closure of the joint BBC-Orbit venture in 1996 and that “If the BBC is going to start this channel, it has to be sure that... it will not stop within a year or two” (Q 969).
 69. The BBC World Service informed the Committee that BBC Arabic TV will cost £19 million per year and there will be additional costs of £5–6 million to set up new studios and facilities, funded from the BBC World Service’s capital expenditure (Q 907). Of the £19 million annual cost, £12 million is being provided by the closure in March 2006 of ten foreign language radio services in: Bulgarian, Croatian, Czech, Greek, Hungarian, Kazakh, Polish, Slovak, Slovene and Thai. We understand that these services were not cut solely to fund the Arabic TV service (although this was a factor) but partly because of their diminishing strategic value (QQ 842, 843, 844). Due to financial constraints the BBC will only be able to establish a 12 hour Arabic TV service, although it is the BBC World Service’s aspiration that this will eventually increase to 24 hours. It estimates that a 24 hour service would cost an additional £6 million a year, increasing the total operating cost from £19 million to £25 million (Q 859).
 70. We accept that some witnesses strongly doubted whether an annual operating budget of £19 million would be sufficient to provide a quality product meeting the BBC’s usual standards. It is worth noting that BBC News 24’s annual budget for 2004/05 was £48.1 million and its allocation for newsgathering alone (£18.4m) is almost as large as BBC Arabic’s entire

budget.²⁴ Ian Richardson described BBC Arabic's budget as "seriously under-funded" and expressed scepticism about the BBC's cost estimates because translation makes news "a third more expensive" (Q 931).

71. Although we recognise our witnesses' concerns, we can only trust that the BBC has adequately and accurately costed the new service. We also acknowledge Lord Triesman's assessment that the BBC World Service is able to draw on considerable synergies and resources in terms of newsgathering (Q 1008). However, television will present a number of new and difficult challenges to the BBC World Service and we welcome the acceptance by Nigel Chapman that there are risks in moving to a medium with a higher public profile than radio (Q 895). It is our view that the costs for projects of this kind have a tendency to increase during implementation and we are concerned that any further funding demands should not be met at the expense of remaining radio services.
72. Nonetheless, our greater concern is that despite the obvious benefits of extending the 12 hour service to 24 hours, the small additional marginal cost of £6m has not yet been found. The BBC takes the view that the licence fee should not be used to fund services that are not directed at licence fee payers. This means that the £6m must be found from the grant-in-aid. Nigel Chapman stated that "to move from the 12 hour to a full 24 hour service would require an infusion of funds from the UK taxpayer" but this would not be considered before the next spending review in 2007 (QQ 858, 860). We cannot believe that the Government is unable or unwilling to find £6 million somewhere in its annual budget of £435.8 billion²⁵.
73. Michael Grade expressed regret that additional money had not been raised to launch a 24 hour service (Q 2012). Lord Carter's Public Diplomacy Review reported that some witnesses thought a 12 hour service was "too little too late"²⁶. However, Lord Triesman said "we believe it is right to start with the 12 hour programme and see how it looks... If you look at the time zones of the Arabic-speaking world, you can get 80–90 per cent of most of the hours that people are awake with the 12 hour service". We concur with the Minister's assessment that 12 hours is "a very narrow time zone band" but we can find no basis for his calculation that a twelve hour service will cover 80–90 per cent of the hours people across the Middle East are awake (Q 999).
74. We believe that the BBC World Service's plan to establish an Arabic language news channel is both ambitious and worthwhile. It will strengthen the BBC's position as one of the most important broadcasters in the Middle East. However, **a 12 hour limit on the Arabic language channel's broadcasting time will mean the BBC competing for audiences with one hand tied behind its back. We recommend that the Government should immediately provide the BBC World Service with the required £6 million to establish a 24 hour Arabic channel.**
75. In comparison to the BBC World Service we also considered the performance of the BBC's other international services. BBC World is a 24

²⁴ BBC Annual Report and Accounts, 2004/2005, Table 12, p. 143.

²⁵ Central Government Supply Estimates 2005–06, Main Supply Estimates, HM Treasury, May 2005, para. 3, p. 3.

²⁶ Lord Carter of Coles, Public Diplomacy Review, December 2005, para. 5.3.6, p. 26.

hour commercial television English language news service. The BBC states that its aim is to “influence opinion-formers and decision-makers across the globe” (p 206). Since its establishment in 1994, BBC World has never made a profit. In 2004/05 it made losses of £15.8m and since 1999 it has lost £79.9 million (p 208). While these losses are covered by BBC Worldwide’s commercial revenue, it is money that could be invested elsewhere in the BBC. Despite the BBC’s assurances that BBC World will break even by 2010 it remains a considerable financial drain. We fully support the aims and objectives of the BBC World Service but are less clear about the value of BBC World. **We therefore recommend that the BBC should comprehensively review its international activities and that a strategy outlining the future of its public and commercial television, radio and online services used overseas should be published.**

BBC World Service television

76. A full review would also provide the perfect opportunity to consider whether further BBC World Service television services should follow the Arabic channel. The Green Paper states that in the future the BBC World Service may consider providing “niche foreign language TV services in countries where the switch in consumption from radio to television is very marked”.²⁷ Our first report stated “We believe that the opportunities and benefits of BBC World Service Television in a range of languages outweigh the financial costs...”.²⁸ The BBC believes that as a “tri-media operator” (TV, radio and online) the BBC World Service cannot be “out of date and out of touch” and that “operating just with radio... will not do the job” (Q 841). Nigel Chapman stated that in addition to the Middle East, “there are other parts of the world... where I believe that, over time, the BBC will be broadcasting in the relevant languages on television” (Q 841). He concluded this was especially important in the developing world, because television would allow “access to markets where FM distribution is extremely difficult” (Q 917).
77. Lord Carter of Coles’ review recognised “the increasing importance of television in reaching large numbers of people”. It stated that despite the potential complexities and cost issues “the FCO should explore options for developing a television arm of the BBC World Service”. Lord Carter also concluded that further work was required to exploit new technologies worldwide, because development of additional foreign language TV services may be “unsustainable on the current economic model”.²⁹ The BBC’s strategic review of services, which led to the recommendation for an Arabic language channel, also stated that the BBC World Service should increase its impact by being on relevant platforms, including television, in priority media markets. The Green Paper concluded however that any new television services would have to be funded by the BBC World Service, either through greater efficiency or further reductions in radio services.³⁰

²⁷ Department for Culture, Media and Sport, Review of the BBC’s Royal Charter: A strong BBC, independent of government, March 2005, p. 46.

²⁸ First Report of Session 2005–06, para. 193.

²⁹ Lord Carter of Coles, Public Diplomacy Review, December 2005, para. 5.3.12, p. 28.

³⁰ Department for Culture, Media and Sport, Review of the BBC’s Royal Charter: A strong BBC, independent of government, March 2005, p. 46.

78. The Committee supports the aspirations of the BBC World Service to establish television services and believes the Arabic language channel is an important first step in this process. However, the arguments that led to its establishment are valid when applied to some other parts of the world. Any decision by the BBC World Service to expand beyond the Middle East will obviously have significant cost implications. We accept the growing necessity and demand for television services, but also recognise the importance of radio services, which remain the foundation of the BBC World Service's success. **We recommend that as part of the comprehensive review of the BBC's international services the BBC World Service should continue to consider the need to provide television services beyond the Arabic language service. Further expansion may prove to be important but should not be dependent on cuts to existing radio services.**

CHAPTER 6: BROADCASTING IN THE NATIONS AND REGIONS

Introduction

79. The Green Paper states that one of public purposes of the BBC should be “representing the UK, its Nations, regions and communities”.³¹ In evidence to us Ofcom proposed that the BBC should adopt “an enhanced role in meeting the needs of the UK’s nations and regions” (p 298).
80. Many of the BBC’s own proposals, notably to move key departments from London to Greater Manchester, to establish ultra-local television services and to procure and produce more of its programmes from outside the M25 suggest that the BBC welcomes Ofcom’s (and the Green Paper’s) proposal. In principle, we too support an enhanced regional and UK wide role for the BBC. It is entirely right that the BBC, funded by licence fee payers throughout the UK, should source its programmes from producers throughout the UK and should represent the whole of the UK.
81. However, principle and practice are sometimes difficult to reconcile. Whilst we support an enhanced role for the BBC in meeting the needs of the UK’s nations and regions we are also concerned to ensure that the BBC provides good value for money and has a positive impact on the broadcasting market as a whole.

The move to Greater Manchester

82. The BBC has proposed to move Radio Five Live, new media, sport and children’s programming departments to Greater Manchester (to join the religion and ethics department, which earlier moved there from London). These departments (together with the BBC’s existing regional operation in Manchester) would form the BBC’s contribution to a projected centre of regional excellence in Greater Manchester. The BBC intends to contribute towards a media enterprise zone in the area. In our first report we supported this intention and recommended “that the BBC, ITV and independent production companies should work together to create shared centres of regional excellence”.³²
83. In the course of this inquiry, we visited Greater Manchester and took evidence from BBC staff working on the BBC North project as well as local stakeholders. Everybody in Greater Manchester from whom we took evidence was certain the proposed move would bring enormous benefits to the area. Susan Woodward, the Managing Director of ITV Granada, told us that a move of the kind proposed by the BBC would add “rocket fuel” to an already well established creative industry cluster in Greater Manchester (Q 549). We learned that approximately 63,000 people from the Greater Manchester area already work in the sector (Q 430). Helen France, the Executive Director for Development and Partnerships at the North West Development Agency, believed that the move would “generate significant economic, social and cultural advantages to the North West” (Q 415).

³¹ Department for Culture, Media and Sport, Review of the BBC’s Royal Charter: A strong BBC, independent of government, March 2005, p. 5.

³² First Report of Session 2005–06, para. 181.

84. Pat Loughrey, the BBC's Director of Nations and Regions, said that the Greater Manchester centre "can fundamentally alter the ecology of broadcasting in the UK and deliver better value for audiences" (Q 579). He told us that it would countervail the "gravitational" force in the broadcasting industry which "sucks everything rapidly south" (Q 597). Alice Morrison, the Chief Executive of North West Vision, agreed "we have a North-South divide... I think it is extremely important that we are represented on the screen and use the talent we have and start working with communities that traditionally have been neglected by the media" (Q 514). The local authorities and North West Development Agency support strongly the BBC's proposal (p 106) which they hope will make a major contribution to a Greater Manchester Media Enterprise Zone.
85. The move to Greater Manchester will only realise the objectives expressed by Pat Loughrey and Alice Morrison if it is designed to make Greater Manchester a decision making centre. It would be all too easy for the move to be a superficial activity whereby a department appears to move out of London without decision making power moving too. This is unfortunately what seems to have happened when the BBC's religion and ethics department moved to Greater Manchester. The Head of Religion and Ethics at the BBC, Alan Bookbinder, told us that "moving a department from London to Greater Manchester in isolation without moving also a good deal of the commissioning, scheduling and budgeting power has been something of a disadvantage" (Q 206). However, he went on to note that the plans for the next move seem to have taken account of the problems encountered by the religion and ethics department: "The departments that are going to move are going to move with the key levers of power. They are going to be commissioning departments, they are going to be scheduling children's programmes, sport, new media, they are going to have a lot more control over their own destiny" (Q 206). Martin Brooks, Head of Partnerships Strategy for the BBC North Project, told us that the proposed move would move decision making for an estimated £225m of production from London to Greater Manchester (Q 580).
86. **We support the aims of the BBC's move to Greater Manchester and note that the area already has the making of a media hub. We believe that it is of utmost importance that the BBC establish an autonomous decision making centre in the area that is not forever referring back to the "main" London office. We also hope that staff working in the new centre will live locally to maximise the benefits of the move for the region.** As we have already stated, it is entirely right that the BBC, funded by licence fee payers throughout the UK, should source its programmes from producers throughout the UK and should represent the whole of the UK to the UK as a whole.
87. We also support the BBC's intention to contribute towards a media enterprise zone. We note that Sir Howard Bernstein, Chief Executive of Manchester City Council, told us that if the BBC did not make a large scale commitment to the media enterprise zone, it would be a major lost opportunity "in the context of national competitiveness strategies and Government targets around PSA2" (Q 433). However, we also heard that the future of such a centre is not wholly dependent on the BBC and that a viable centre requires all parties, the BBC, ITV and independent producers, to commit to an enduring partnership. Sir Howard recognised that the creation of a media enterprise zone did not rest wholly in the hands of the

BBC but added “it seems inconceivable to me that you can have a Media Enterprise Zone that excludes Granada” (Q 461). We recognise that establishment of the media enterprise zone is conditional on the commitment of more than one partner.

88. Unfortunately, it seems one of the key limiting factors may be the BBC itself. Lord Puttnam told us that the BBC does not have a good reputation as a partner. He was sceptical about the ability of the BBC to make the compromises necessary for a successful partnership: “It will only work if the BBC are prepared to relinquish a fair amount of control and I suppose what I am saying is I think they are going to find that agony” (Q 1793). We heard evidence in Greater Manchester to suggest that the existing partnership between the BBC and ITV in 3sixtymedia had taken some time to bed down into an acceptable working relationship (Q 542).
89. The media enterprise zone would provide the BBC with the opportunity to demonstrate that it is able to create durable partnerships. **We recommend that the BBC should do its utmost to maximise clustering arrangements with other media companies in the Greater Manchester area. Even though the BBC has ruled out participating in a media enterprise zone located at the ITV/Granada site, it is crucial that the BBC works together with ITV and the independent sector to make a success of the Greater Manchester media enterprise zone.**

The cost of the move

90. Although we support the principle of the move to Greater Manchester we are concerned by its projected costs. In its bid for a new licence fee settlement, the BBC estimated that the capital cost of its projected move to Greater Manchester would amount to £600m (or an additional cost to the licence fee payer of £50m annually) and that any savings arising out of the move would not accrue for 25 years. Subsequently, the BBC has revised its estimate of costs downwards and gave evidence to us that it estimates the capital cost of the move to be £400m and that the additional annual cost to the licence fee payer would amount to £25m (QQ 572, 573).
91. In our first report, we stated that “We find it hard to believe that there are no economies to be gained by moving staff out of London”.³³ That remains our view which was strengthened by the evidence we received that wage, housing and office costs in Greater Manchester are significantly lower than in London and that other businesses relocating activities from London to Greater Manchester were able to achieve payback in five years (QQ 445, 449). Moreover, the Manchester and Salford local authorities and the North West Development Agency plan to contribute approximately £50 million of public support to a Media Enterprise Zone (Q 427).
92. As noted in chapter two we find it surprising that the cost estimates have changed by so much so rapidly and that the BBC does not anticipate any net savings earlier than 25 years after the move. In order to ensure that the BBC’s plans realise maximum value for money we recommend that the BBC’s proposals for the move should be the subject of an independent examination. An external consultant should be employed to vet the costs of

³³ First Report of Session 2005–06, para. 183.

the move and ensure that value is realised from vacated assets in London. The report and findings of this consultant should be made publicly available.

93. Something that concerned us during this second inquiry was the sense that the BBC is holding back on committing fully to the move until it receives a favourable licence fee settlement. Charles Allen, Chief Executive of ITV, suggested that the BBC's position was "if you don't give us that amount of money we shoot the puppy and we don't go to Manchester" (Q 1226).
94. The BBC itself has set out all the reasons why the move will benefit both the local area and viewers and listeners across the country. Our visit to Greater Manchester showed how much time and money has already gone in to planning for the move, not just the time and money of the BBC but also of Salford and Manchester Councils, the North-West regional development agency and other local broadcasters. As we have already stated the Greater Manchester area stands to benefit greatly from the move. **We do not believe that the move to Greater Manchester, which will bring such obvious benefits, should be used as a bargaining gambit in the BBC's licence fee negotiations. The BBC should fully commit to the move as soon as possible.**

Ultra-local television

95. The BBC has already started to provide strong and innovative local services on its web site. It further proposes to provide "ultra-local" television news services on the same scale as its 40 local radio stations (P. 464). It proposes to establish 60 local news centres. These will be available through broadband and digital, they will not be stand alone permanent TV channels. The BBC has promised this proposal will be subject to the Public Value Test. Currently it estimates the costs of the new local television services to be £310 million and the costs of new local radio services to be £90 million.
96. In our first report we stated that "We endorse the Government's proposal that strengthening broadcasting in the nations and regions should be a core public purpose of the BBC. We also welcome the BBC's commitment to use new digital technology to provide innovative local programming".³⁴ There are gaps to fill in provision of local news. Current regional news areas are not based on areas of regional identity but on the position of transmitters. Few viewers in Portsmouth find news of traffic problems in Berkshire of compelling importance, and a better matching of services to local identities and preferences would be all to the good.
97. However, in evidence to us Ofcom has argued that "ultra-local" is something of a misnomer for the local television news services proposed by the BBC. This is because the BBC's proposals appear to map television onto the areas already established for local radio: areas which are, Ofcom contends, neither "particularly local" nor the "kind of community level services that some local TV stakeholders envisage" (p 299).
98. We received evidence from Trinity Mirror arguing that the BBC's proposals for ultra-local news will "stifle investment" and lead to a "reduction in pluralism" (p 469). The Newspaper Society also expressed its concern about any possibility of the BBC authorising new services despite "independent assessment that they will have adverse market impact" (p 461). Ofcom also

³⁴ First Report of Session 2005–06, para. 176.

pointed out concern that the BBC’s plans could “discourage potential investment in this market, closing it off before commercial and community providers have had a chance” (p 300). We understand such concerns. We believe the burden of proof should lie with the BBC to show that, where there are significant negative impacts of this kind, the public interest is sufficient to justify proceeding with its plans. **We therefore welcome the BBC’s commitment to subject the proposals for new local services to a public value test which will include the publication of a market impact assessment. As we recommended in our first report this market impact assessment should be carried out by a competent and reputable third party. The results of the Public Value test should be published and interested parties should be entitled to appeal against the findings of the Market Impact Assessment to Ofcom if they are able to show prima facie well reasoned and evidenced grounds for such an appeal.**

99. In the spirit of this transparency the Newspaper Society also argued that full financial accounts relating to the BBC’s investments in local services should be published (p 461). **We support this suggestion and recommend that the BBC should publish full accounts of its investments in local services.**
100. We took evidence on local services from Lord Puttnam. He told us that he would like to see different community organisations, of different types, getting involved in the production of local television services. He suggested that the BBC could be a key partner with local organisations with the aim of producing truly local services. However he was also doubtful that this would happen because he believed “the BBC traditionally is a horrible partner. It does not partner” (Q 1768). Mark Thompson countered this assertion. He told us that the BBC is currently conducting a trial of local services in the West Midlands. As part of this trial the BBC are already working in partnership with local newspapers, for example by sharing journalism. He told us “we should see ourselves very much in partnership with other players” (Q 2008).
101. We believe that the provision of local and ultra-local services requires a genuinely local community starting point. **We recommend that the BBC should consider the provision of ultra-local services as an opportunity to demonstrate its partnering skills by working alongside a range of local organisations. The BBC may have a contribution to make to such grass roots initiatives by facilitating and partnering rather than by controlling and directly supplying new local services. Accordingly, we believe that any implementation of the BBC’s proposals for ultra-local services should be preceded by further pilot initiatives involving strong local, grass roots, participation.**

Independent production in the Nations and Regions

102. In our last report we stated that “We welcome the BBC’s aim to devolve programme production and commissioning across the United Kingdom. We do not believe additional regional production quotas beyond the existing “out-of-London” quotas are necessary as long as the BBC keeps to the commitments it has made.³⁵ We also stated that “We recommend that the

³⁵ First Report of Session 2005–06, para. 183.

BBC should set indicative targets within the Window of Creative Competition for sourcing from small and regional companies”.³⁶

103. However, this second inquiry has led us to reconsider whether more should be required of the BBC to ensure that it sources a significant proportion of its programmes from outside London and other media hubs. Talent is not confined to the area inside the M25 (or metropolitan centres outside the M25). It is important that programme makers throughout the UK supply the BBC with programmes. This is not just because it is fair for licence fee payers throughout the UK to see and hear a reasonable number of programmes from and about their experiences but because all of us will be better off if we have access to the best that programme makers UK wide can offer.
104. During this inquiry we received evidence from Channel 4, which feared that the indicative targets we recommended in our first report would not be strong enough. Andy Duncan told us “it is getting harder and harder in fact to secure quality programming from some of the small- and medium-sized independents and that is a particular issue outside of London. It is almost inevitable that the BBC, unless they are forced otherwise, will put a disproportionate amount of extra spend into the big, strong, London-based independents... My sense is that it has to be an absolute requirement on the BBC, otherwise, if it is just a good intention and they are given some indicative targets, it will get lost (Q 1133).
105. We acknowledge the seriousness of Andy Duncan’s concerns. While we wish to emphasise that the BBC’s primary objective should be commissioning high quality content we believe more could be done to source this content from across the UK. **We therefore recommend that there should be more transparency in the commissioning process. The BBC Trust should give clear guidance to BBC management on the desired amount of regional production. Management should have to report regularly to the Trust on its progress in this area. The Trust should publish an annual account showing how much regional commissioning has taken place. If regional commissioning does not increase then the Trust should report fully and transparently what measures it has required management to take to address the situation.** It is important for the BBC to carry out the spirit as well as the letter of a policy of improving representation of the whole of the UK by securing more programmes made outside the M25. We believe that the move of some commissioning departments to Manchester should help secure these benefits.

³⁶ Ibid, para. 267.

CHAPTER 7: THE BROADCASTING OF SPORTS

Introduction

106. The BBC has a rich and distinguished heritage of broadcasting sport, dating back to the first televised F.A. Cup Final in 1927. Since then its name has become synonymous with iconic programmes such as *Match of the Day* and prestigious events such as the Olympic Games and Wimbledon.
107. During the last 15 years however, greater competition between broadcasters has resulted in a significant increase in the cost of acquiring sports broadcasting rights. Many sports clubs and governing bodies are now multi-million pound businesses with substantial media, commercial and property interests. The growth in sports broadcasting costs means the BBC is encountering strong competition from terrestrial, satellite and cable channels for the acquisition of sports broadcasting rights.

The role of sport in the BBC's public purposes

108. A recent Ofcom survey of the public's attitude to Public Service Broadcasting shows the significance of sport to the success of the BBC. The survey found that after news, sport was the second most valued type of programming.³⁷ The BBC's Director of Sports, Roger Mosey, agreed with the survey's findings, stating "sport is a vital part of the BBC's overall portfolio" (Q 210). The BBC's Agreement with the Secretary of State requires the BBC to provide wide-ranging coverage of "sports and other leisure interests".³⁸ In order to meet its obligations to both licence fee payers and the government, the BBC provided around 1700 hours of televised sport in 2004/05 (equivalent to ten per cent of BBC One and Two's total output)³⁹ and over 4000 hours of sport on national radio.⁴⁰
109. The Green Paper suggests that in the future, the BBC should have two responsibilities for sports broadcasting. Firstly, a role in "bringing audiences together, across the UK, for shared experiences, for example by broadcasting sporting events of particular national importance".⁴¹ And second, a role to help "promote interest and participation in... smaller, minority-interest sports that are less well covered by commercial networks".⁴²

Bringing audiences together

110. With reference to the first responsibility, the BBC has stated that in an era of audience fragmentation, broadcasting major sports events remains a key way of "building public value". Roger Mosey asserted that "Sport can still bring the biggest audiences to the BBC" and cited the 25 million audience for

³⁷ Ofcom review of public service television broadcasting, Phase 1 – Is television special?, para. 119, p. 58.

³⁸ Agreement Dated the 25th Day of January 1996 Between Her Majesty's Secretary of State for National Heritage and the British Broadcasting Corporation, para. 3.2, p. 6.

³⁹ *Ibid.*, 2004/2005, Table 7, p. 140.

⁴⁰ BBC Annual Report and Accounts, 2004/2005, Table 11, p. 143.

⁴¹ Department for Culture, Media and Sport, Review of the BBC's Royal Charter: A strong BBC, independent of government, March 2005, p. 40.

⁴² Department for Culture, Media and Sport, Review of the BBC's Royal Charter: A strong BBC, independent of government, March 2005, p. 38.

England's Quarter-Final match in Euro 2004 as proof of its power to attract huge audiences (Q 210). We received evidence showing that the BBC (and other free-to-air broadcasters) are the only broadcasters able to unite such large audiences around one event. For example, Paul Vaughan, the Commercial Director of the Rugby Football Union, compared an average audience of 5.3 million for England games on the BBC with around one million on Sky Sports. He stated that the BBC's ability to reach large audiences was why the Rugby Football Union sold its rights to a mixed package of broadcasters including the BBC (Q 331). The disparity in audience figures was confirmed by Mark McCafferty, Chief Executive of Premier Rugby, who revealed that the average audience for a league match broadcast on Sky Sports was only 130,000, compared to cup matches on the BBC that attract between 1.3 and 1.9 million people (QQ 1252, 1254).

111. ITV was convinced that a "significant proportion" of the population will never subscribe to pay television, with even more lacking access to "premium rate sports channels". It believes therefore that free to air broadcasters, including the BBC, should play an important role in making sports events available "free and to all viewers" (p 261). Sue Campbell, the Chair of UK Sport (which has responsibility for government and national lottery investment in sport), stated in relation to the London 2012 Olympics that "The BBC's ability to reach people freely in large numbers has to be something that we all need to exploit to maximise this fantastic opportunity" (Q 284).
112. The BBC has both an obligation and an incentive to remain a significant national public service broadcaster of a wide range of sports. The obligation derives from its method of funding by the licence fee but the incentive comes from the importance of sport to the licence fee payer. Sport is likely to remain an important public service genre to the BBC after digital switchover and may provide a vital means of slowing audience fragmentation in multi-channel homes. In addition, it is likely that the BBC will provide one of the few truly national showcases for those sports which struggle to compete for the public's attention. **We therefore support the Green Paper's vision that the BBC must continue to play a prominent role in bringing audiences together for shared experiences of nationally important sporting events.**

Encouraging participation in grassroots sports

113. With reference to the Green Paper's assertion that the BBC can help to promote interest and participation in smaller, minority-interest sports, Dominic Coles, BBC Director of Sports Rights & Finance, stated "We do feel an obligation to showcase not just the biggest, grandest events but also the more minority public service sports" (Q 245). In addition to its coverage of major sports events such as the FIFA World Cup, Six Nations Rugby and Wimbledon, the BBC emphasised high profile coverage of minority sports on its flagship programme *Grandstand* (Q 245). Sue Campbell praised the BBC's dedication to minority sports and recalled that "Between the Olympics and Paralympics, virtually every other broadcaster exited but the BBC was there and did an outstanding job on the Paralympics" (Q 295). In terms of long term investment she added that for the Paralympic World Cup "if the BBC had not supported that, we would not have got the sponsor or

the event and it would not have been the enormous success it has been” (Q 298).

114. An important benefit in the BBC broadcasting a wide range of sports, including minority sports, is that it encourages participation. BBC coverage of events such as the London Marathon persuades people to get involved in sporting activity. Premier Rugby were supportive of the BBC maximising this role. Mark McCafferty stated that “...the BBC is well-placed to work with us to explore not only covering the professional game but covering work that we do in the community with local clubs and schools” (Q 1323). The BBC believes it fulfils its promotion role well and points to partnerships with a variety of sports bodies to develop grassroots sport, as additional evidence of its long-term commitment to fostering participation (Q 239).
115. However, as Sue Campbell noted, outside broadcasts for sport are extremely expensive and that “As a business they [the BBC] have to balance that cost against audience numbers...” (Q 304). It is likely that because of the increasing costs of acquiring broadcast rights for sports and greater competition for audiences post digital switchover, ITV, Channel 4 and five will find it increasingly difficult to invest in minority sports. As the publicly funded national public service broadcaster, the BBC has a responsibility to provide a broad range of coverage across a variety of sports. Of significant importance will be provision of minority sports, outside of football, rugby, cricket and tennis that are not economically viable for commercial PSBs. However, given the restriction of hours available for sport across the BBC’s multi-genre channels, it will not be able to rival the breadth and depth of BSkyB’s niche minority sports coverage.
116. **We recommend that the BBC should promote participation in sport through local and accessible sports. We also recommend that within the limits of its broadcasting schedule, the BBC should provide a national platform for coverage of minority sports. The BBC should be congratulated on the work it has done in this area so far and should continue to work in partnership with sports’ governing bodies to develop its role in the field of grassroots local and youth sport.**

Packaging of sports rights

117. The way sports rights are sold raises important questions of consumer interest and concerns both UK and European regulators. For example, the European Commission investigated the football Premier League’s sale of TV rights, while Ofcom considered the Football Association’s sale of radio rights. In December 2002, the European Commission issued a “Statement of Objections” which summarised its investigation of the Premier League. The European Commission judged that the collective and exclusive sale of large packages of media rights created barriers to entry and restricted the output of the Premier League. This was because the combination of collective selling across football clubs and the exclusivity of the deal led to monopoly ownership and hampered competition between media operators. In November 2005, the European Commission and the Premier League reached a preliminary agreement on reforms to the sale of live television rights. In principle, the agreement provides that the Premier League must divide its rights into six equally valuable packages of 23 games and that any single broadcaster can purchase no more than five of those packages.

118. Philip Lowe, the Director-General for Competition at the European Commission, explained that the Commission’s rationale for pursuing reform was that in England, 73 per cent of all live top-flight football was owned by a single broadcaster i.e. BSkyB (Q 1656). Lord Currie of Marylebone agreed that changes were required and questioned the “appropriateness” of one broadcaster having a monopoly of the live rights to Premiership football that are “not necessarily changing hands” (Q 1524).
119. Lord Currie was satisfied with the preliminary agreement between the European Commission and the Premier League, stating “The fact that there will be more than one acquirer is a significant step forward” (Q 1521). However, ITV and Channel 4 both told us they were disappointed with the outcome and do not consider the agreement provides them with a genuine opportunity to acquire live Premiership football. Andy Duncan stated that “If you are only able to get 23 games, it is hard to do much with that in terms of really promoting it or driving a business” (Q 1164). Charles Allen thought it did nothing to introduce substantive competition to the marketplace and declared it a missed opportunity (Q 1211). Richard Scudamore, Chief Executive, FA Premier League, disagreed and stated “Every time we have tendered our rights free-to-air broadcasters have had a chance” (Q 1368). He concluded, “it is certainly not a foregone conclusion that we will end up in a five/one environment” (Q 1408).
120. While the most high profile case of the Premier League has been considered by the European Commission the issue of ensuring competition for sports rights in one that concerns the UK authorities as well. Phillip Lowe told us that “I believe that if the case arose today under the new framework for European competition law it would have been dealt with by the OFT and other bodies in the UK” (Q 1654). Indeed, Ofcom and not the European Commission considered recent complaints by the Wireless Group (owners of the commercial radio station TalkSport) about the exclusive sale of FA Cup national radio broadcast rights to the BBC.
121. **We believe the approach of breaking up sports rights into packages is the right one to take. We are clear it is in the benefit of the consumer if there is more than one significant provider of sports coverage. However, with regard to the football Premier League’s live television rights we are concerned that the number of packages; the quantity of games contained within them; and the ability of one broadcaster to purchase five out of six of the packages, will not create a competitive market. Our primary interest is in the creation of a market that provides fair and genuine choice for the consumer. It is in the public interest to ensure there is competition for sports rights and that free-to-air broadcasters, including the BBC, have a real chance to acquire a significant share of major sports rights packages.**

Listed events

122. A crucial dimension of what the Green Paper calls “sporting events of particular national importance”⁴³ are listed events. The Department for Culture, Media and Sport determines which events are listed. Those chosen must have a “national resonance”, unite the country and be of such

⁴³ Department for Culture, Media and Sport, Review of the BBC’s Royal Charter: A strong BBC, independent of government, March 2005, p. 40.

significance that they appeal to the general public and not just dedicated fans of the sport. The Government includes events that are likely to attract large audiences (such as national or international sport events) and those involving the national team or national representatives.⁴⁴ Listed events are divided into two categories: Group A listed events (such as the Olympics, F.A. Cup Final and Wimbledon Finals) which cannot be acquired exclusively by subscription broadcasters unless the live rights have been offered first to the BBC, ITV and Channel 4. And Group B listed events (such as Test match cricket, the Ryder Cup and the Six Nations Rugby) which may be acquired by subscription broadcasters as long as certain conditions are met e.g. highlights must be shown on free-to-air channels. It is important to note however that listing an event does not guarantee its live coverage on free-to-air television because broadcasters are not obliged to bid for the listed events.

123. We received considerable evidence supporting the listed events system, but others were concerned about its impact on the market. Channel 4 believed that “the basic principle of having some listed events is a good thing” (Q 1173). But BSkyB disagreed, commenting that “unless there are overwhelming public interest reasons, both sport and the public are best served by the holders of sports rights having unrestricted freedom to market their rights as they think best” (Q 1029). BSkyB is convinced that the BBC should not be obliged to bid for listed events, which it states would be a substantial “distortion of the market” (p 232).
124. The Rugby Football Union stated that “if you list and protect events, the broadcaster has to be given the right funds to be able to buy them at a relatively economic price. Otherwise, it just cuts away the lifeblood, in terms of investment that we need to make” (Q 361). And while the Welsh Rugby Union would not oppose the Six Nations being on the most protected, Group-A list, it agreed that broadcasters must “pay the market rate” (Q 361). The Rugby Football Union and Scottish Rugby stated that they wanted to see fewer Group-A listed events to improve their bargaining power with broadcasters (QQ 403, 404 and 405).
125. The BBC is a strong supporter of the listed events system and concedes that without its protection “we would struggle” (Q 262). Dominic Coles gave the example of the Premier League as an area where the BBC cannot compete because “the amount that Sky pay on a per match basis... is way beyond the audience generating capability for a terrestrial broadcaster” (Q 262). The listed events system therefore has a significant impact on the BBC’s ability to fulfil its public purpose of bringing audiences together for sporting events of national importance. It is worthwhile to note that of the ten Group A listed events, the BBC currently holds rights to nine and that in 2004/05 its top ten audiences for sport were all audiences for listed events. We believe that the listed events system is in the public interest as it ensures that free to air broadcasters, including the BBC, are able to ensure that all licence fee payers have access to nationally important sporting events.

Regulation of the listed events system

126. The Broadcasting Act 1996 requires broadcasters to obtain Ofcom’s consent before broadcasting exclusive live television coverage of listed sports events. Ofcom has a duty to ensure due process has been observed and has powers

⁴⁴ The Advisory Group on Listed Events Report and Recommendations , March 1998 p.3.

to fine non-BBC broadcasters if they provide false information or withhold material information related to the acquisition of listed sports events. However, should there ever be an offence by the BBC, Ofcom could only report the matter to the Secretary of State for Culture, Media and Sport. In our first report, we stated that to secure clearly independent regulation and clarity for complainants, Ofcom should assume the same regulatory responsibilities for the BBC as it has in respect of other terrestrial public service broadcasters.⁴⁵ **Accordingly we recommend that the BBC be subject to the same regulatory framework as all UK broadcasters when acquiring listed events.**

The broadcasting of cricket

127. Cricket was moved from the Group A to the Group B of listed events in 1998. This move meant that the England and Wales Cricket Board (ECB) was free to negotiate a deal for its rights with any broadcaster providing a highlights package was made available to free-to-air broadcasters.
128. From 1998 Channel 4 had a successful and highly regarded seven year partnership with BSkyB and the ECB. However, this contract came to an end in late 2005. Therefore in 2004 the ECB issued an invitation to tender for its broadcasting rights from 2006–2009. It split its rights into 27 packages to cover the four cricket seasons. One of these packages of rights was for live coverage of the seven Test Matches per season involving England. The ECB told us that these packages were designed to “create the most competitive market that we could, to create the widest range of opportunities for people to bid that we could” (Q 1551).
129. The ECB’s invitation to tender attracted a bid from Channel 4 of £54 million for the rights to the main home Test series over the four seasons (this was less than the £59 million Channel 4 had bid towards the three years of rights it and BSkyB had shared from 2003 to 2005). BSkyB submitted a bid for the rights to cover all the matches over the four seasons including those matches that no other broadcaster was interested in. As a result the ECB sold all its rights from 2006 to 2009 on an exclusive basis to BSkyB. This means there will be no live cricket available on any free-to-air channel for the next four years. The ECB sold the highlights package to Channel five which was the only free-to-air broadcaster to bid for highlights.
130. Channel 4 were not happy with this result. Andy Duncan told us that he was “genuinely surprised and disappointed” by the ECB’s “bizarre decision” to sell its rights exclusively to BSkyB. He believed that with further negotiation it would have been possible to achieve a balance between “sufficient money and a balance of exposure across both free-to-air broadcasters like ourselves and Sky...” (QQ 1142, 1143).
131. The ECB’s exclusive deal with BSkyB was approved by Ofcom in February 2005.⁴⁶ During its consultation on the deal Ofcom received no complaints from other broadcasters. We also understand that throughout the process of structuring its packages and selling its rights the ECB sought legal advice from the European Commission (QQ 1558, 1559 1560). Therefore it seems

⁴⁵ First Report of Session 2005–06, para. 106.

⁴⁶ <http://www.ofcom.org.uk/consult/condocs/cricket/bsbcons/>

unlikely that the exclusive deal between the ECB and BSkyB can be questioned on competition grounds.

132. The BBC did not bid for any of the ECB's packages. Dominic Coles told us that this was partly because the broadcasting of cricket presents real scheduling problems (Q 241). However, the BBC also failed to bid for the highlights package even though this would not have posed the same scheduling problems. Despite the BBC's lack of action Roger Mosey told us that he was concerned about the future of cricket on free-to-air television. He thought some cricket should have remained in the Group A of listed events to ensure free-to-air coverage (Q 259).
133. The BBC's approach to bidding for Test cricket was criticised in a recent report by the House of Commons Culture, Media and Sport Select Committee. This stated that "we are particularly disappointed by the BBC...its funding by licence fee...taken together with its public service broadcasting responsibilities, can only lead us to conclude that it should have made a bid".⁴⁷
134. We are also concerned by the BBC's approach to bidding for live Test cricket. As the publicly funded national public service broadcaster the BBC has a responsibility to broadcast sporting events of national significance—yet in the case of Test cricket it did not even bid for any of the rights. The lack of any live Test cricket on free to air television might reduce youth interest and involvement in the sport and this is contrary to the BBC's commitments to encourage participation in sports. Had the ECB received more bids for its rights it could have refused to agree an exclusive deal with any one broadcaster. Because it received so few bids it was given very little room for manoeuvre. The BBC is partly responsible for this.
135. Nevertheless we welcome the BBC's announcement that it will broadcast highlights of the 2007 ICC Cricket World Cup and we hope this signifies the BBC's renewed interest in the game. **We strongly encourage the BBC to make a genuinely competitive bid for live TV rights of home Test cricket when negotiations begin with the ECB in 2009.**
136. One way of ensuring some live cricket remains on free-to-air television would be to return it to the Group A of listed events. The House of Commons Committee believed returning home Test match cricket to this group would potentially damage the sporting and financial success of cricket.⁴⁸ We agree. David Collier, the Chief Executive of the ECB, told us that the revenues of the ECB had increased substantially since the transfer from Group A to Group B listed events. This has benefits for the grassroots of the sport.
137. **We strongly believe that some live home Test cricket should be available on free-to-air television.** We note that instead of recommending a return to Group A the House of Commons Committee recommended that "formal binding undertakings" to secure some free-to-air coverage of home Test cricket should be agreed between the ECB and the Department of Culture, Media and Sport.⁴⁹ **We support the House of Commons recommendation and believe this is the most hopeful way forward.**

⁴⁷ House of Commons Culture, Media and Sport Committee, First Report of Session 2005-06, para 21

⁴⁸ House of Commons Culture, Media and Sport Committee, First Report of Session 2005-06, para 60

⁴⁹ House of Commons Culture, Media and Sport Committee, First Report of Session 2005-06, para 38

A BBC sports channel?

138. Roger Mosey testified to the considerable difficulties of scheduling sport on the BBC, citing “the constraints of where we operate within the two linear channels... clearly they are multi-genre channels and we have to compete for the air space against current affairs, religion, drama and comedy” (Q 245). The recent expansion of the BBC’s digital channels such as BBC Three and BBC Four, as well as the growing success of BBC Online has provided greater broadcasting capacity and diversity than ever before. The BBC believes this gives it more flexibility to deliver choice for viewers and listeners. Roger Mosey predicted that “using digital technology to expand when you need it and then to contract... when you do not... may be the way we should be going in the future” (Q 263).
139. Many sports bodies expressed concern about the BBC’s difficulty in scheduling substantial levels of sports coverage. For example the Rugby Football Union stated that the BBC’s “limited channel capacity” and its resultant effect on the scheduling of matches and kick off times “has become an issue”.⁵⁰ The ECB referred in its evidence to the “very specific challenges that cricket poses to terrestrial broadcasters in terms of the longevity of some of its formats and the associated scheduling issues it carries with it” (p 322). The ECB therefore proposed establishing a dedicated BBC sports channel in addition to the BBC’s current portfolio of TV channels to alleviate scheduling problems. This was supported by David Moffett, Chief Executive, Welsh Rugby Union, who thought “it would be ideal” but did not know whether the BBC could afford such a venture (Q 349).
140. We note the continued popularity and success of BBC Radio Five Live and believe it is a good example of how the BBC can expand its sports coverage. However, aside from the obvious issue of cost, a number of additional problems present themselves when considering a BBC television sports channel. First and foremost, the BBC has stated that it does not intend to launch any further television channels and even if it were to do so, the new channel would be subject to a stringent public value test and market impact assessment by Ofcom. **We recommend that while editorial decisions are an internal matter for the BBC, it should seek to maximise the full potential of its sports rights portfolio. One possible option would be to utilise its existing digital channels more imaginatively and flexibly in the broadcasting of sport.**

⁵⁰ RFU Strategic Plans 2005/06-2012/13, Commercial marketing and business, para 320.

CHAPTER 8: THE BROADCASTING OF RELIGION

141. Ofcom’s phase one review of public service broadcasting states that religious programming is “generally considered to be core PSB territory”.⁵¹ Section 264(6) of the Communications Act 2003 requires that public service television broadcasting in the United Kingdom must include services of a suitable quality and range dealing with a number of subjects including “religion and other beliefs”. For the purposes of the Act a belief is defined as “a collective belief in, or other adherence to, a systemised set of ethical or philosophical principles or of mystical or transcendental doctrines” (section 264(13)). Therefore broadcasting covering religion and other beliefs is part of the remit of all public service channels.
142. In a January 2006 interview with the Catholic magazine “The Tablet”, Mark Thompson asserted that religious broadcasting has proved to be the most controversial subject of his tenure at the BBC so far. He put this down to “a post- 9/11 sensitivity to religious belief”.⁵²
143. This may seem like a surprising statement from the Director General at a time when the BBC is facing the many challenges we discussed in our last report. However, Mark Thompson’s view that religious broadcasting has become a sensitive and divisive issue is shared by others. We received written evidence from a range of individuals and religious bodies who felt strongly about the quality, quantity and balance of religious broadcasting on the BBC.
144. We also took evidence from a multi-faith panel of senior figures from the Christian, Muslim, Hindu and Sikh faiths. They told us that “Religion has become a much more significant and potent force in world affairs and politics than it was thirty years ago” (p 1).
145. However, other evidence must be balanced against these statements. As part of its review of public service broadcasting Ofcom asked viewers what types of programming they most valued on the terrestrial channels. Of the 17 genres identified religious broadcasting came 16th in terms of which genres people ranked as having personal importance (only regional programming was ranked lower) and it also came 16th in terms of what programme genres people ranked as having societal importance (only arts and classical music programming came lower).⁵³

The definition of religious broadcasting

146. The way religious broadcasting is defined influences the type of programming broadcasters can make to fulfil their public service broadcasting commitments. Section 264(6) of the Communications Act 2003 sets down that programming about religion and other beliefs fulfils the purposes of public service broadcasting if it is in one of the following categories: “(i) programmes providing news and other information about different religions and other beliefs; (ii) programmes about the history of different religions and other beliefs; and (iii) programmes showing acts of

⁵¹ Ofcom Review of Public Service Television Broadcasting: Phase 1: Is television special; para. 16.

⁵² Ofcom: Religious Programmes: A report of the key findings of a qualitative research study conducted by Counterpoint Research; May 2005.

⁵³ Ofcom Review of Public Service Television Broadcasting: Phase 1: Is television special?; figure 33.

worship and other ceremonies and practices (including some showing acts of worship and other ceremonies in their entirety)". It is up to Ofcom to determine what is a suitable quantity and range of such programmes.

147. To regulate the content of religious broadcasting Ofcom uses a wide definition "A religious programme is a programme which deals with matters of religion as the central subject, or as a significant part, of the programme".⁵⁴ This wide definition is supported by the broadcasters. Dominic Crossley-Holland, Controller of Current Affairs, Arts and Religion at ITV, told us that "The Ofcom definition is a perfectly sensible, basic definition. Happily and rightly Ofcom in practice take a broad view of the way we apply that definition" (Q 101).
148. If a wide definition of religious broadcasting is used then broadcasters have more freedom to explore innovative ways of incorporating topics relating not just to religion and other belief systems but to spirituality, ethics and values into their programmes. This is to the good because traditional religious programmes are struggling to attract audiences. However, the BBC, ITV and Channel 4 were all able to point to rating successes they had achieved with programmes of a religious content when new and innovative ways of approaching religion were found. For example, the BBC pointed to its series the *Monastery* which went out in prime time on BBC Two attracting 2.5 million viewers. The series followed a group of ordinary men who took part in an experiment when they spent 40 days and 40 nights living with monks in a Benedictine monastery. Aaqil Ahmed, Commissioning Editor for religion at Channel 4, explained how taking a fresh look at how to incorporate religion into Channel 4's schedules had a significant impact on viewing figures and thus the amount of programming he could get commissioned in prime time slots "I am very proud to say that now we have over 50 hours of programming of which only 4.4 hours are not broadcast at 7, 8 or 9pm during the week or on a Saturday. These are prime time programmes and we have done that by doing the kind of film making and story telling which puts religion at the core of each subject and tells you about the world we want to live in" (Q 94).
149. Audiences are more receptive to new and innovative ways of approaching religion and other belief systems. This was suggested by a piece of qualitative research commissioned by Ofcom in 2004, as part of the consultation on its Broadcasting Code. This research showed that when asked to consider religious programming participants initially defined it very narrowly—mainly thinking of Christian worship programmes. Participants thought such programmes were probably necessary but they were generally not very interested in watching or listening to them. However, the research also showed that participants spontaneously tried to broaden their initial narrow definition of religious programmes. Other types of programmes which they felt could usefully be included in a more modern "religious programmes" category included documentaries about specific moral issues; programmes about religious and ethnic minorities; history programmes with a faith or belief based focus; and news and current affairs programmes. We also believe that there is an audience for programmes with a wider spiritual focus. When religious programmes were defined in this wider way respondents were much more interested in engaging with them.

⁵⁴ Ofcom Broadcasting Code, para. 4.1.

150. **We support a wide definition of broadcasting about religion and other beliefs. It encourages all broadcasters, including the BBC, to find new, innovative and informative ways of tackling issues of religion, spirituality, ethics and values through all the different programming genres. Evidence we have received shows that by approaching religion in this way viewers and listeners engage with it.**
151. The BBC has changed the name of its religious programming department to the Department for Religion and Ethics. We support this change as it indicates a willingness to embrace programming beyond the traditionally religious and to look at issues such as spirituality, ethics and values. We believe that the name change is more than cosmetic and therefore that the staff of the Department are not recruited on the basis of any religious affiliation or otherwise.
152. The Department for Religion and Ethics was the first BBC Department to be moved out of London to Manchester. However, as we noted in para 85, this move was not entirely successful because the BBC did not move the commissioning editors and other decision making apparatus with the department. We therefore recognise the challenges this department has faced. Interestingly Alan Bookbinder, the Head of Religion and Ethics at the BBC, told us that as religion has risen up the political agenda it had actually become harder for the Department for Religion and Ethics to get its own programmes broadcast: "...it is one of the paradoxes of my job that as religion has become more important it is more difficult for me to get programme permission because there are so many other genres—notably current affairs, history and art—that have suddenly taken a greater interest in the subject and are putting in very compelling ideas, and bringing off very nice programmes" (Q 153). Nevertheless, **we are eager to see more high quality, innovative and thought-provoking programmes emerging from the BBC Religion and Ethics Department.**

Religion in the news

153. It is of course vital that whatever subject the BBC approaches it does so objectively while providing the viewers and listeners with the background information they require to understand the context of the story. This is equally true for programmes about religion and other beliefs as it is for programmes about politics and current affairs. The public need to be given the background knowledge to ensure they can understand the news stories they hear about each day.
154. We heard evidence that when the news stories touch on religious issues sometimes the BBC fails to provide the background knowledge required. One example raised by many witnesses was the role that religion is playing in the situation in Iraq. Dr Siddiqui, a member of the multi-faith panel, told us "suddenly Iraq appeared on our screens and it was assumed that the whole population knew the difference between Sunni and Shia; yet nobody knew the difference" (Q 13).
155. The Bishop of Southwark suggested that one reason why relevant background information is not always given is that "the depth of knowledge is not there to handle the story" (Q 9). Dr Ram-Prasad, another member of the multi-faith panel, agreed "The lack of strategic thinking comes from thinking "Okay, we have somebody somewhere in Asia, let's bung him in and ask him to give a report" rather than having somebody who would have the

kind of training that you would expect over a longer period of time. It is entirely left to the brilliance of the individual person involved” (Q 16).

156. We are concerned about this perception of the BBC’s coverage of news stories related to the world religions. **We recommend that if the BBC is going to continue to provide the high quality of current affairs coverage for which it is known it must provide its viewers and listeners with the background knowledge they require to understand the context of the story. This is as true for stories related to religion and other belief systems as it is for any other subject area.** We note our witnesses’ concern that there are cases where a story that is about religious conflict will be covered by a political editor or the Iraq correspondent or whoever is closest to the scene. This is the nature of international reporting. However, if appropriate training is given to reporters then there should be no reason why issues about religion and other beliefs are not covered knowledgeably in the news. **We therefore recommend that the BBC should ensure that its correspondents are competent to report in a knowledgeable way in all areas on which they will be asked to report.**

Religion and the BBC’s public service remit

157. Through the commitments the Government asks the BBC to make in the Charter and associated Agreement with the Secretary of State, it can influence the BBC’s approach to religious broadcasting.
158. The current Agreement between the Secretary of State and the BBC states that the BBC must support certain types of programming. The types of programming specified include religious programming, programmes that reflect UK cultural activity (through drama, comedy, arts, music and feature film); programmes addressing international and social issues; and programming reflecting different communities, interests and traditions within the UK .
159. The Green Paper suggests that one of the future roles of the BBC should be to provide a range of programming “reflecting different religions and other beliefs that is appropriate to multi-faith Britain. Such programming in prominent positions in both TV and radio schedules, reflecting diversity within, as well as between faiths and beliefs. Such programming should include coverage of acts of worship and key events in the religious calendar, as well as drama and current affairs programming that explore religious issues and other belief systems in different ways, for different audiences.”⁵⁵
160. The multi-faith panel did not believe that the guidance in the Green Paper goes far enough in ensuring that the BBC’s portrayal of religion would be fair. They told us that “The Agreement that accompanies the new Charter should guarantee that the religious dimension of national and international life is fully acknowledged and lay down some criteria to ensure that all faiths are faithfully, knowledgeably and fairly portrayed across the output, not just religious broadcasting”. When asked to explain what they meant by a fair portrayal Dr Siddiqui explained that when the BBC show a programme about one extreme version of a faith they should have a duty to explain that was just one arm of that faith “So the neo-conservative rise in America is a reflection of a particularly worrying trend for some people who are also

⁵⁵ Department for Culture, Media and Sport, Review of the BBC’s Royal Charter: A strong BBC, independent of government, March 2005, pp. 40, 41.

Christians but who do not agree with that rise. Islamic radicalism is also a rising threat to Muslim communities themselves; it is a threat, but it should also show how Muslim communities themselves are worried about it” (Q 27).

161. While we note the multi-faith panel’s concerns, we also note that the BBC is already bound by the Ofcom Broadcasting Code, the purpose of which is “To ensure that broadcasters exercise the proper degree of responsibility with respect to the content of programmes which are religious programmes; to ensure that religious programmes do not involve any improper exploitation of any susceptibilities of the audience for such a programme and to ensure that religious programmes do not involve any abusive treatment of the religious views and beliefs of those belonging to a particular religion or religious denomination.”⁵⁶ Therefore the Broadcasting Code already exists to ensure the fair treatment of religion. However, we do believe the BBC should have further duties to ensure viewers and listeners are given the opportunity to learn more about the different religions and other belief systems. **We therefore recommend that the BBC should be given a duty within the Agreement with the Secretary of State to make sure viewers and listeners have a better understanding of the different religions and other belief systems through the objective portrayal of their different beliefs, practices and forms of worship.**
162. We also note that although the Communications Act 2003, the Ofcom Broadcasting Code and the Green Paper all refer to coverage of religions “and other beliefs” several of our witnesses were concerned that the BBC failed to provide programming for those with non-religious belief systems. The British Humanist Association told us that the BBC provides religious programming, and programming that has nothing to do with any belief system, but fails to provide programming that reflects non-religious belief systems. They argued that many people in this country are interested in such belief systems. David Pollock, a former Chairman of the British Humanist Association, went so far as to suggest that “the BBC is quite deliberately ignoring the requirements which are placed on it by the Human Rights Act as a public authority and by the Communications Act in section 264 to treat equally religions and beliefs across the spectrum” (Q 52). Given that the membership of the British Humanist Association is just over 5,000 it is hard to estimate how many people are interested in such a belief system (Q 67).
163. The members of the multi-faith panel were sceptical about the need to provide more programming about non-religious beliefs. The Bishop of Southwark argued that those with non-religious beliefs “have an enormous amount of time because the kind of standard mindset of the media, and particularly the broadcasting services, is the mindset of metropolitan secular humanism (Q 4)”. However, Hanne Stinson, the Executive Director of the British Humanist Association, was clear that programmes that dealt with no belief were very different from those dealing with non-religious belief. She stated that “What they should be doing is actually comparing the small percentage of religious broadcasting against the non-existent percentage of broadcasting about specifically humanistic, positive, non-religious beliefs. I do not mean atheism; I mean positive non-religious beliefs, because that is where the gap is” (Q 52).

⁵⁶ The Ofcom Broadcasting Code, p. 22.

164. The programme that seems to raise the most controversy by excluding non-religious belief systems is BBC Radio 4's Today programme slot "Thought for the Day". "Thought for the Day" is a two minutes forty second daily slot which Alan Bookbinder described to the Committee as a "a moment for religious and spiritual reflection in the middle of an entirely secular programme (Q 179). He went on to state that "it is very much a slot reserved for the religious and spiritual and not secular" (Q 178). It is the policy within the English version of "Thought for the Day" that all speakers come from a religious perspective.
165. However, this policy differs from that of BBC Northern Ireland. BBC Radio Ulster broadcast its "Thought for the Day" slot twice each day at 6.55am and 7.55am. The talks on Monday and Friday are live, those from Tuesday to Thursday, pre-recorded. BBC Northern Ireland told us that "contributors to the programme are chosen, not on the basis that they represent a particular denomination or faith or a nondenominational or secular interest group, but because it is considered they have something useful or important to say and that they can say it in an engaging and accessible way." While "the great majority of the contributors would come from a faith background... in the course of a year, there would be a small number—perhaps 3 or 4—who would not necessarily be religious believers. They are chosen on the basis of what has been stated above, not because they may be humanists, atheists or agnostics" (p 160). As we have emphasised in this report and our earlier report, it is vital that internal editorial BBC decisions are made independently of any kind of political pressure. It is not our role to make internal editorial BBC decision. These should be made independently of any kind of political pressure.
166. **It is our recommendation that the BBC should review its programme output to ensure that it complies with the Communications Act 2003 by providing services of a suitable quality and range dealing with religion and other beliefs.**

The Central Religious Advisory Committee

167. The Central Religious Advisory Committee (CRAC) meets regularly to discuss religious broadcasting issues. The membership encompasses both religious and lay, with members drawn from the main Christian denominations and other world religions. Members come from every part of the UK, and act not as delegates but as individuals, while clearly taking account of religious constituencies' views in helping shape religious broadcasting policies.
168. The aim of CRAC is to enable clear and open communication between the BBC and the various religious constituencies. Members view programmes after transmission but not before. Broadcasters' religious broadcasting policies take CRAC advice into account, but editorial responsibility always remains firmly with the broadcaster. All papers and minutes of CRAC meetings are circulated to BBC senior management, who also attend CRAC sessions and ensure that CRAC concerns are aired at the appropriate level.
169. According to the BBC Governors' web site CRAC "advises the BBC and Ofcom on religion-related policies and coverage. Its members are appointed jointly by the BBC and the Ofcom Content Board."⁵⁷ However we

⁵⁷ www.bbcgovernors.co.uk/advisorybodies/crac.htm

uncovered some ambiguity about the role of CRAC. Dr Siddiqui, a member of CRAC, told us “CRAC has an anomalous role in some way because it is an official advisory committee to the BBC, but it is an unofficial advisory committee to Ofcom as well and it sits somewhere in between” (Q 19).

170. Mr Tim Suter, Partner for Contents and Standards at Ofcom, told us that CRAC “is not a committee of Ofcom, it is a BBC committee” (Q 1496). He also denied that its members were appointed jointly by Ofcom and the BBC, stating they were a BBC appointment that Ofcom are consulted about (Q 1502). However, he did say that CRAC has a role in “assisting the regulator in forming conclusions about issues in relation to whether a particular [BBC] programme was appropriate and whether it was offensive to different groups” (Q 1496).

171. **We were surprised at the differing perceptions of CRAC’s role that we observed between the BBC, CRAC’s members and Ofcom. Indeed, it is not at all clear what the role of CRAC is or whether it adds value to the broadcasting of religion. We therefore recommend that the position of CRAC be reviewed and clarified by the BBC in consultation with Ofcom.**

CHAPTER 9: SUMMARY OF RECOMMENDATIONS

The Licence Fee

172. We question whether the licence fee should be linked to RPI. We recommend that RPI should not be taken as a baseline for licence fee increases. We further recommend that, if the BBC is to launch new services, the Government should assess the BBC's funding needs on the basis of careful and robust costings without necessarily accepting that the BBC will need a licence fee increase above RPI. (Para 10)
173. We therefore recommend that the BBC and the Government should work to minimise future licence fee rises. The licence fee should only rise significantly if there are exceptional and well substantiated reasons for it to do so. (Para 17)
174. The National Audit Office should be involved in scrutinising the licence fee bid. Its report should be published in full. This would mean that for the first time the public and Parliament would have the information necessary to make an independent and informed judgement on the BBC's plans. We also believe that the BBC and the DCMS should be doing more than industry consultations, the public should be consulted as well. Until these two things happen the public will continue to perceive the licence fee negotiations as secretive and opaque. The licence fee is rising at an unprecedented rate and it is time that it was open to proper scrutiny. (Para 21)
175. The reclassification of the licence fee as a tax, and of the BBC as a central government body, could therefore have significant implications for the BBC's independence. We urge the Department of Culture, Media and Sport to spell out what these implications are and to ensure that the BBC's independence is safeguarded in light of these changes. (Para 27)
176. As long as the licence fee is being recognised as, and treated as, a tax then our argument that Parliament should have a chance to properly scrutinise it becomes even stronger. (Para 29)
177. Parliament is not given any opportunity (beyond hearing a Government statement) to scrutinise the licence fee formula agreed by the BBC and the DCMS. We believe this is wrong. Parliament should be able to scrutinise the proposed licence fee agreement which forms the basis upon which it will be asked to increase the licence fee each year. (Para 32)

The Costs of Digital Switchover

178. We therefore urge the Government to consider again covering the costs of providing targeted help with digital switchover from general taxation. (Para 42)

Spectrum Charging

179. It is our conclusion that it would be illogical and unfair for licence fee payers to pick up the costs of ensuring the BBC uses its spectrum efficiently. This is particularly true when it is acknowledged that the BBC already uses its spectrum efficiently. Although we recommend that the BBC's use of spectrum should be kept under review we do not believe that licence fee payers should pay a charge that goes straight to the Treasury. (Para 51)

180. We also recommend that Channel 4, as a not for profit public service broadcaster, should be exempt from spectrum charging. (Para 52).
181. The decision as to whether to charge the BBC and Channel 4 for spectrum will have a direct impact on the quality of public service broadcasting and on the level of taxation to which the public is subject. The Government should therefore use their powers under Section 156 of the Communications Act 2003 to direct Ofcom to exempt the BBC and Channel 4 from any charge for radio spectrum. (Para 53)
182. We therefore recommend that the proceeds from sale of analogue spectrum, and any receipts from the charging of broadcasters for spectrum, should be used to cover the costs of digital switchover. (Para 55)

The BBC World Service

183. We recommend that under no circumstances should the BBC World Service be allowed to be treated or seen as a “tool” of public diplomacy or of governmental goals. Everything should be done to protect the editorial independence on which its reputation depends. (Para 63)
184. We do not believe it is appropriate for a representative of the BBC World Service to serve either as a member or as an observer on a board chaired by an FCO Minister under the proposed definition of public diplomacy. We are also against the proposal that BBC staff should be employed by a Government management unit. The independence of the BBC World Service could be compromised by the closeness of the relationship proposed by Lord Carter’s review. (Para 65)
185. A 12 hour limit on the Arabic language news channel’s broadcasting time will mean the BBC competing for audiences with one hand tied behind its back. We recommend that the Government should immediately provide the BBC World Service with the required £6 million to establish a 24 hour Arabic channel. (Para 74)
186. We therefore recommend that the BBC should comprehensively review its international activities and that a strategy outlining the future of its public and commercial television, radio and online services used overseas be published. (Para 75)
187. We recommend that as part of the comprehensive review of the BBC’s international services the BBC World Service should continue to consider the need to provide television services beyond the Arabic language service. Further expansion may prove to be important but should not be dependent on cuts to existing radio services. (Para 78)

Broadcasting in the Nations and Regions

188. We support the aims of the BBC’s move to Greater Manchester and note that the area already has the making of a media hub. We believe that it is of utmost importance that the BBC establish an autonomous decision making centre in the area that is not forever referring back to the “main” London office. We also hope that staff working in the new centre will live locally to maximise the benefits of the move for the region. (Para 86)
189. We recommend that the BBC should do its utmost to maximise clustering arrangements with other media companies in the Greater Manchester area. Even though the BBC has ruled out participating in a media enterprise zone

located at the ITV/Granada site, it is crucial that the BBC works together with ITV and the independent sector to make a success of the Greater Manchester media enterprise zone. (Para 89)

190. We do not believe that the move to Greater Manchester, which will bring such obvious benefits, should be used as a bargaining gambit in BBC's licence fee negotiations. The BBC should fully commit to the move as soon as possible. (Para 94)
191. We therefore welcome the BBC's commitment to subject the proposals for new local services to a public value test which will include the publication of a market impact assessment. As we recommended in our first report this market impact assessment should be carried out by a competent and reputable third party. The results of the Public Value test should be published and interested parties should be entitled to appeal against the findings of the Market Impact Assessment to Ofcom if they are able to show prima facie well reasoned and evidenced grounds for such an appeal. (Para 98)
192. We support this suggestion and recommend that the BBC should publish full accounts of its investments in local services. (Para 99)
193. We recommend that the BBC should consider the provision of ultra-local services as an opportunity to demonstrate its partnering skills by working alongside a range of local organisations. The BBC may have a contribution to make to such grass roots initiatives by facilitating and partnering rather than by controlling and directly supplying new local services. Accordingly, we believe that any implementation of the BBC's proposals for ultra-local services should be preceded by further pilot initiatives involving strong local, grass roots, participation. (Para 101)
194. We therefore recommend that there should be more transparency in the commissioning process. The BBC Trust should give clear guidance to BBC management on the desired amount of regional production. Management should have to report regularly to the Trust on its progress in this area. The Trust should publish an annual account showing how much regional commissioning has taken place. If regional commissioning does not increase then the Trust should report fully and transparently what measures it has required management to take to address the situation. (Para 105)

The Broadcasting of Sports

195. We therefore support the Green Paper's vision that the BBC must continue to play a prominent role in bringing audiences together for shared experiences of nationally important sporting events. (Para 112)
196. We recommend that the BBC should promote participation in sport through local and accessible sports. We also recommend that within the limits of its broadcasting schedule, the BBC should provide a national platform for coverage of minority sports. The BBC should be congratulated on the work it has done in this area so far and should continue to work in partnership with sports' governing bodies to develop its role in the field of grassroots local and youth sport. (Para 116)
197. We believe the approach of breaking up exclusive sports rights into packages is the right one to take. We are clear it is in the benefit of the consumer if there is more than one significant provider of sports coverage. However, with

regard to the football Premier League's live television rights we have concerns that the number of packages; the quantity of games contained within them; and the ability of one broadcaster to purchase five out of six of the packages, will not create a competitive market. Our primary interest is in the creation of a market that provides fair and genuine choice for the consumer. It is in the public interest to ensure there is competition for sports rights and that free to air broadcasters, including the BBC, have a real chance to acquire a significant share of major sports rights packages. (Para 121)

198. Accordingly we recommend that the BBC be subject to the same regulatory framework as all UK broadcasters when acquiring listed events. (Para 126)
199. We strongly encourage the BBC to make a genuinely competitive bid for live TV rights of home Test cricket when negotiations begin with the ECB in 2009. (Para 135)
200. We strongly believe that some live home Test cricket should be available on free-to-air television. We support the House of Commons recommendation and believe this is the most hopeful way forward. (Para 137)
201. We recommend that while editorial decisions are an internal matter for the BBC, it should seek to maximise the full potential of its sports rights portfolio. One possible option would be to utilise its existing digital channels more imaginatively and flexibly in the broadcasting of sport. (Para 140)

The Broadcasting of Religion

202. We support a wide definition of broadcasting about religion and other beliefs. It encourages all broadcasters, including the BBC, to find new, innovative and informative ways of tackling issues of religion, spirituality, ethics and values through all the different programming genres. Evidence we have received shows that by approaching religion in this way viewers and listeners engage with it. (Para 150)
203. We are eager to see more high quality, innovative and thought-provoking programmes emerging from the BBC Religion and Ethics Department. (Para 152)
204. We recommend that if the BBC is going to continue to provide the high quality of current affairs coverage for which it is known it must provide its viewers and listeners with the background knowledge they require to understand the context of the story. This is as true for stories related to religion and other belief systems as it is for any other subject area. We therefore recommend that the BBC should ensure that its correspondents are competent to report in a knowledgeable way in all areas on which they will be asked to report. (Para 156)
205. We therefore recommend that the BBC should be given a duty within the Agreement with the Secretary of State to make sure viewers and listeners have a better understanding of the different religions and other belief systems through the objective portrayal of their different beliefs, practices and forms of worship. (Para 161)
206. It is our recommendation that the BBC should review its programme output to ensure that it complies with the Communications Act 2003 by providing services of a suitable quality and range dealing with religion and other beliefs. (Para 166)

207. We were surprised at the differing perceptions of CRAC's role that we observed between the BBC, CRAC's members and Ofcom. Indeed, it is not at all clear what the role of CRAC is or whether it adds value to the broadcasting of religion. We therefore recommend that the position of CRAC be reviewed and clarified by the BBC in consultation with Ofcom. (Para 171)

APPENDIX 1: MEMBERSHIP OF THE COMMITTEE

Select Committee on the BBC Charter Review

The members of the Select Committee which conducted the inquiry were:

The Lord Armstrong of Ilminster
 The Baroness Bonham-Carter of Yarnbury
 The Rt Hon the Lord Fowler [Chairman]
 The Baroness Gibson of Market Rasen
 The Rt Hon the Lord Holme of Cheltenham
 The Baroness Howe of Idlicote
 The Lord Kalms
 The Rt Hon the Lord King of Bridgwater
 The Rt Rev the Lord Bishop of Manchester
 The Lord Maxton
 The Baroness O'Neill of Bengarve
 The Lord Peston

Richard Collins, Professor of Media Studies at the Open University, and Member of the Centre for Research on Social and Cultural Change, was appointed as Specialist Adviser for the inquiry.

Declaration of Interest

ARMSTRONG OF ILMINSTER, Lord

15(a) Membership of public bodies
 Chairman, Board of Governors, Royal Northern College of Music
 Chancellor, University of Hull
15(b) Trusteeships of cultural bodies
 Chairman, Leeds Castle Foundation
 Chairman, Hestercombe Gardens Trust
 Trustee, RVW Trust
 Trustee, Derek Hill Foundation

BONHAM-CARTER, Baroness

**12(f) Regular remunerated employment*
 Television Producer, Brook Lapping Productions a subsidiary of Ten Alps
 Communications plc
**13(c) Financial interests of spouse or relative or friend*
 I also disclose the interests disclosed by Lord Razzall
16(b) Voluntary organisations
 RAPT - Rehabilitation of Addicted Prisoners Trust

FOWLER, Lord

**12(e) Remunerated directorships*
 Chairman, Aggregate Industries plc
 Medical Services Ltd)
15(d) Office-holder in voluntary organisations
 Vice Chairman, all-party Group on AIDS
16(a) Trusteeships
 Trustee, Thomson Foundation
 Trustee, Terrence Higgins Trust

[NB Lord Fowler was Chairman of two regional newspaper companies between 1991 and 2004. He took no part in the discussions on the section relating to Ultra Local services and handed over the Chair to Baroness Howe of Idlicote]

GIBSON OF MARKET RASEN, Baroness

**12(i) Visits*

Visit to Bosnia - Herzegovina (30 May–30 June) representing the I.P.U and paid for by the B.H.I.P.U

15(c) Office-holder in pressure groups or trade unions

Member, AMICUS (former National Official of AMICUS)

President, RoSPA (Royal Society for the Prevention of Accidents)

15(d) Office-holder in voluntary organisations

President, Royal Society for the Prevention of Accidents

Hon. President, Yeadon Sqn. Air Cadets 2168

Chair: DTI/Amicus Partnership – Research into bullying at work.

HOLME OF CHELTENHAM, Lord

**12(d) Non-parliamentary consultant*

Special Adviser to Standard Chartered Bank

**12(e) Remunerated directorships*

Adviser, NTL

Chairman of the Board, Globescan International, Toronto, Canada

Member of the Advisory Board, Liberty Global Partners, Boston

Member of the Advisory Board, Montrose Associates

Member of the Advisory Board, Venture Exchange, Toronto, Canada

Non-executive Chairman, SPRING Worldwide

Senior Adviser, BG Group (13 December 2005)

15(a) Membership of public bodies

Chairman of Governors, English College in Prague

Chancellor, University of Greenwich

15(d) Office-holder in voluntary organisations

Chairman, Advisory Board, British-American Project

Chairman, Hansard Society for Parliamentary Government

Chairman, Royal African Society

Chairman LEAD International

Council Member, Overseas Development Institute

16(a) Trusteeships

Saïd Business School Oxford

HOWE OF IDLICOTE, Baroness

15(a) Membership of public bodies

Member of Governing Body, London School of Economics

15(b) Trusteeships of cultural bodies

Trustee, Architectural Association - School of Architecture

16(a) Trusteeships

Trustee, The Ann Driver Trust

KALMS, Lord

**12(e) Remunerated directorships*

Chairman, Volvere plc

**12(f) Regular remunerated employment*

President, Dixons Group plc

15(a) Membership of public bodies

Member (Shareholder) Dixon's C.T.C Bradford (Resigned Governor 18.6.03)

15(c) Office-holder in pressure groups or trade unions

Trustee, New Frontiers Foundation

16(a) Trusteeships

Trustee, Jewish Association for Business Ethics

Trustee, The Stanley Kalms Foundation (15 September 2004)

Trustee, RK and SK Trust (15 September 2004)

Trustee, Kalms Grandchildren settlement (15 September 2004)

KING OF BRIDGWATER, Lord

**12(e) Remunerated directorships*

Director, Electra Investment Trust

Non-executive Chairman, London International Exhibition Centre plc and

London International Exhibition Centre (Holdings) Ltd

**13(b) Landholdings*

Minority Partner in family farm in Wiltshire (including cottages)

Partner in woodlands in Wiltshire

15(d) Office-holder in voluntary organisations

Patron, UK Defence Forum

MANCHESTER, Lord Bishop of

**12(f) Regular remunerated employment*

In receipt of episcopal stipend

15(a) Membership of public bodies

Chair, Sandford St Martin (Religious Broadcasting Awards) Trust

General Synod of the Church of England

Manchester Diocesan Board of Finance

Manchester Church House Co.

Manchester Diocesan Council of Education

Manchester Diocesan Association of Church Schools

Life Governor, Liverpool College

Governor, Hulme Hall

15(d) Office-holder in voluntary organisations

Lord High Almoner to H.M. The Queen

National Chaplain, Royal British Legion

16(b) Voluntary organisations

Board of Royal School of Church Music

Manchester Diocese, Mothers' Union

Arches Housing

Disabled Living

Hulme Hall Trust

Wigan & Leigh Hospice

St Ann's Hospice

Manchester University of Change Ringers

MAXTON, Lord

**13(b) Landholdings*

Holiday home in the Isle of Arran

A London flat

O'NEILL OF BENGARVE, Baroness

**12(f) Regular remunerated employment*

Principal, Newnham College, Cambridge

15(a) Membership of public bodies

Chairman, Governing Body, Newnham College, Cambridge

Deputy Vice Chancellor, University of Cambridge

15(d) Office-holder in voluntary organisations

Trustee and Chairman, Nuffield Foundation

Trustee, Sense About Science

Trustee, Gates Cambridge Trust

Member, Council of Management of the Ditchley Foundation

President, British Academy

PESTON, Lord

**12(e) Remunerated directorships*

Philip Allan Updates

15(d) Office-holder in voluntary organisations

President, Institute of Administrative Management

Vice President, Speakability

APPENDIX 2: LIST OF WITNESSES

The following bodies made their views known to us in evidence. Those marked * gave oral evidence.

- P. Arnold MBE
- M. Atkins
- * BBC
- * BBC North Project
- * BBC Northern Ireland
- * BBC World Service
- S. Beere
- * British Humanist Association
- * Broadcasting Council for Northern Ireland
- Broadcasting Entertainment Cinematograph and Theatre Union
- * BSkyB
- * The Lord Carter of Coles
- The Catholic Bishops' Conference of England and Wales
- * Professor Martin Cave
- Central Salford Urban Regeneration Company
- * Channel 4
- B. Clayton
- * Dr David Cleevely
- D. Clouston
- Dr. P. Collier
- Creators' Rights Alliance
- D. Curtis
- D.J. Cutts
- L. Czaplewski
- N. Day
- * Department for Culture, Media and Sport
- L. Donaldson
- T. Donohoe
- A. Edwards
- * England and Wales Cricket Board
- Equity
- * The European Commission
- * FA Premier League

- P. Fisher
- * The Football Association
- * Foras Na Gaeilge
- R.J. Giles
- J. Gordon
- D. Gordon-Smith
- W. Guest
- J. Harrison
- M. Henderson
- P. Henderson
- The Hindu Council (UK)
- G. Howarth MP
- V. Howe
- * ITV
- * ITV Granada
- * al-Jazeera
- D. Keeling
- The Lawn Tennis Association
- A. McCaughtrie
- J. Machling
- * Manchester City Council
- Dr. J. Maxwell
- Midas
- * Middle East Broadcasting Centre
- Dr P.R. Morris
- * Multi-Media Arts
- H. Murphy
- Music Business Forum
- The National Secular Society
- The Newspaper Society
- The Non-Subscribing Presbyterian Church of Ireland
- * Northwest Regional Development Agency
- The North West Business Leadership Team
- * North West Vision
- * Ofcom
- K. Partington
- S. Perry

- * Premier Rugby Ltd
- * The Lord Puttnam
- * Radio Telefís Éireann (RTÉ)
- * Red Production Company
Professor P. Redmond CBE
D. Reynolds
- * Mr Ian Richardson
J. Rodell
A. Rogers
- * Rugby Football Union
S. Ryder
- * Salford City Council
- * Scottish Rugby
- * Senior Members of the Faith Communities
D. Spencer
- * TG4
Trinity Mirror PLC
- * Ulster-Scots Agency
- * Ulster-Scots Heritage Council
- * Ulster Television
- * Ultach Trust
- * UK Sport
Vivekananda Centre London
- * Voice of the Listener & Viewer
N. Vokes
M. Ward
- * Welsh Rugby Union
A. Whitehouse
S. Whitfield

The following written evidence has not been printed, but is available for inspection at the House of Lords Record Office (020 7219 5314)

L. Gillman
C. King
B. Nixon
G.J. Sheppard
J. Vanlint

APPENDIX 3: CALL FOR EVIDENCE

SELECT COMMITTEE ON THE BBC CHARTER REVIEW

EXTENDED INQUIRY INTO THE BBC

The Committee's first report on the Government's Green Paper "*Review of the BBC's Royal Charter: A strong BBC, independent of Government*" will be published in late October. The Committee will then conduct a short inquiry into some specific areas of BBC broadcasting, including religious broadcasting, the broadcasting of sport, broadcasting in the regions and the BBC World Service.*

In particular, we would welcome comments on:

The Broadcasting of Sport

- Should the BBC have a duty to bid for certain sports events?
- Is the BBC too aggressive in the way it bids for sports rights? Should there be an independent review of the way the BBC bids for sports rights?

Broadcasting in the Nations and Regions

- Does the BBC's proposed move to Manchester represent value for money for the licence payer? Should the BBC continue to decentralise?
- Should the BBC move towards "ultra-local" services? If so, what form should such services take? Should the BBC provide stand-alone local services or work in partnership with other non-profit distributing organisations?

The BBC World Service

- Should the BBC World Service seek to review its international services? If so, what countries should it enter and what new services should it provide?

Religious Broadcasting

- Do different faiths (including no faith beliefs) figure sufficiently in BBC programmes and services?
- How should faiths be represented in BBC programmes, services and governance?

The BBC as commissioner versus broadcaster

- In the context of the digital revolution is the future of the BBC principally as a producer and commissioner of high quality programming or as a broadcaster?

Connecting to the licence fee payer

- What more can the BBC do better involve the public in its decision making processes?

* Please note that any written evidence submitted to the Committee's current inquiry into the Green Paper will be considered relevant to the new inquiry. There is no need to resubmit such evidence.