



BRITISH BOLD CREATIVE

The BBC's programmes and services in the next Charter.
September 2015.

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Introduction

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by
Tony Hall, Director-General
September 2015

The BBC is approaching its centenary in 2022 and the decisions taken over the coming months will shape the BBC for the next generation.

This document heralds a more open BBC than ever before. It sets out how the BBC will reform and thrive in the internet age. Our proposals will lead to a more creative, more distinctive, more personalised BBC. They build on the BBC's many strengths but remain true to our founding mission—to inform, educate and entertain.

Critically, they reflect the financial times that we live in, focused on an efficient BBC, producing the highest-quality programmes and delivering services providing great value for money.

If we make the right choices now, Britain can have a BBC that excels globally—a BBC that is a powerhouse for creative and economic growth for the whole of the United Kingdom.

The BBC belongs to the public. We are stewards for an institution that they cherish.

As I said on my first day as Director-General, I believe the BBC's best days lie ahead. British, Bold and Creative—I believe this document heralds a better BBC for everyone.

The starting-point for our programme of change is a considered account of what we already do and the relationship we have with our audiences across the UK and around the world.

For the case for the BBC doesn't rest on ideological arguments, nor on debates between economists. It rests on what we do.

The BBC has a very simple purpose. We're here to make great programmes and services. That's why people love the BBC. That's why they enjoy it. That's why they trust it. That's why they value it. That's what they pay us to do.

The BBC enhances the lives of everyone in the UK in more ways than ever before and more often than ever before. We fire the imagination and the curiosity of our audiences.

We take them on adventures they never thought of. We allow them to wander through knowledge, to be introduced to new ideas, to stumble upon new interests.

We connect them to new worlds and to each other.

Sometimes we just make them laugh and that's great, too. We entertain, we educate, we inform, but we also innovate and inspire. As R.H. Tawney wrote "Only those institutions are loved which touch the imagination."

46 million British citizens use the BBC every day. Virtually everyone every week.

At the heart of the philosophy behind the BBC is a very simple, very democratic idea: everybody should have access to the best, whoever they are, wherever they live, rich or poor, old or young. We are here to bring the best to everyone.

For 93 years, the BBC has played this role in our culture; we are part of what makes us the UK. We reflect and celebrate its different Nations and communities. We are part of the fabric of the country. We're part of how other people see us and why many people abroad would like to have a BBC of their own. We're the cornerstone of one of the most successful media industries in the world.

The licence fee is critical to this idea.

Because the BBC is funded by the licence fee, its mission is universal. Because everybody pays, it is cheaper for everyone. Because it is funded directly by the public, they hold us to high standards. Because the BBC's funding is independent, that gives us creative freedom.

That creative freedom is more important than ever. When we're making programmes we don't start with a gap in the market and try to fill it. We start with the idea and then make it happen.

We want the BBC in the next decade to be the place people come to make brilliant programmes, programmes of distinction. For producers, directors, writers, artists to have the creative freedom to do things they would find it hard to do elsewhere.

We want to employ the best people with the best ideas doing their best work. To get great teams to work together. To help the next generation of talent find their voice. To be confident to take risks, push boundaries and try new things. Not to be afraid of controversy. For the BBC to be the showcase of the best Britain can offer—not just to this country, but to the world.

Our role in the next decade is to enable content of the highest quality, made in Britain, for audiences to enjoy. I believe a BBC with that level of creative

ambition would be more distinctive than ever, and more successful than ever with audiences.

The BBC's mission was set nearly a century ago by its founding father, Lord Reith. It was to inform, to educate and to entertain. That mission is as pertinent today as it was then. And is as necessary in the future as it is now.

For we, like every other broadcaster, are facing a world in transition. At present, most of our audiences enjoy the BBC's programmes and services scheduled over the airwaves. That won't end. The majority of people will continue to enjoy radio and television, as now, over the next decade.

But increasingly, in a way made possible by the internet and mobile devices, people are enjoying what they want, whenever they want, wherever they are.

It's perfectly possible that by the middle of the next decade that becomes the main route to what the BBC does.

So for the next ten years, we will need to ride two horses—serving those who have adopted the internet, while at the same time making sure that those who want to carry on watching and listening to traditional channels continue to be properly served, too.

We will be moving to an internet-fit BBC, to be ready for an internet-only world whenever it comes. But we should try to move at the pace of our audiences.

The internet age strengthens the case for the BBC and its enduring role. In the internet era it is easier to find information but harder to know whether to trust it. It is easier to find small communities but harder for the nation to speak to itself and to the

world. It is easier to make content but harder to find the financial support for high-quality work. And the internet age is great for those who can afford it and access it—but those that can't risk being left on the margins of society.

To these issues, the BBC provides a response. In the internet age, our mission is simple: great British programmes, and a trusted guide—for everyone. We want to take all the opportunities the internet creates to inform, educate and entertain in new ways. And to that traditional mission we would add a silent, fourth imperative—to enable. We want to open the BBC to be Britain's creative partner, to become a platform for this country's incredible talent.

The internet will transform our mission to inform in the coming decade. It will be easier to offer more people, more information, more quickly. So we will make a transition from rolling news to streaming news. News in the palm of your hand.

We will open up the BBC to other news providers, through a new partnership which we hope will help local journalism to thrive. We propose to reconfigure our news coverage to meet the changing needs of audiences in Scotland, Wales and Northern Ireland. We want to build on the authority of BBC World Service to reach half a billion people each year, and in parts of the world that need it most.

We are recommitting to the importance of the BBC as an educator. We are proposing a new children's service—iPlay—building on the strengths of CBBC and CBeebies. We're committing to work with like-minded organisations, large and small, on a new 'Ideas Service' that brings together what the BBC does across arts, culture, science, history and ideas with the work done by this country's most respected arts, cultural, scientific and intellectual institutions.

Our audiences believe in the continuing role of the BBC as entertainer. It is their number one priority. Drama, comedy and entertainment help us to understand who we are, to make sense of our lives and bring us together. But rather than cede internet distribution to others we will open up the iPlayer to the best of British content. In music, we and our partners in the industry propose a new discovery service to showcase the best in music today and be a champion for new British music.

All of this answers a bigger question not just for our audiences but for the health of Britain's vibrant creative economy. Who will invest in high-quality British programming for radio, television and online? Ofcom is clear in its review of public service broadcasting that the amount of money going into British programming is falling yet audiences are ever more committed to the purposes of public service broadcasting. Ofcom found that the BBC remains the cornerstone of the PSB system. Investment in the BBC is investment in Britain's creative industries.

The BBC is also one of Britain's great global success stories. Our news services are globally trusted and admired. The BBC's commercial arm, BBC Worldwide, takes British programmes—in-house and independently produced—to the world. We want our influence on behalf of the UK to grow. The UK is one of the most creative nations in the world. We want it to stay that way.

These proposals do not mean a bigger BBC. They do mean a better BBC. No one should doubt that the budget settlement announced by the Chancellor in his July Budget will mean some very difficult choices ahead. The BBC faces a tough financial challenge. Having already saved 40% of the BBC's revenues in this Charter period, we must save close to another 20% over the next five years.

Our share of TV revenues in the UK will fall from about 20% now to some 12% by the end of the Charter. Our size relative to the giants of the media world is small, and over the next decade will diminish. So we will have to manage our resources ever more carefully and prioritise what we believe the BBC should offer. We will inevitably have to either close or reduce some services.

We will also have to change the way we work. We all want a simpler, more effective organisation where as much money as possible goes on programmes and services. We all want a BBC that will pioneer and adapt what we do for the new challenges we face, whilst holding on to the values that make us distinctive and different. Above all, we all want the BBC as a true partner with other organisations. We will inform, educate, entertain—and enable.

For all who care about the BBC, this is a time to listen, reflect and to welcome debate. Make the right choices now and Britain will enjoy a BBC that excels in a global digital age, closer than ever to those who pay for it, doing a great and vital job for the creativity of these isles.

The BBC is a great national asset. We are stewards for the next generation.

This document is the first of a series for Charter Review.

It starts from the funding agreement for the BBC announced in the July Budget. In setting out the BBC's strategy for the next Charter period, we address themes in the Government's consultation paper about the mission, scale and scope, and value for money of the BBC. We will respond in full to the policy questions in the consultation paper in October.

This document answers the following questions, chapter by chapter.

In [Part One](#) we look at the BBC today. Chapter One asks: is the BBC successful? Does it work in practice and how has that success been achieved? We outline the value that the BBC provides to audiences today. We explore the BBC's contribution to society, to the creative economy, and how the licence fee is the fundamental underpinning of the BBC's public value.

In Chapter Two, we tackle the question of distinctiveness. How should it be defined, how distinctive are the BBC's services and where can we be meaningfully more distinctive?

Chapter Three asks what audiences want from the BBC in future. We use Ofcom's public service broadcasting review as our starting-point for the public's needs and set the BBC in its market context.

[Part Two](#) looks at the BBC of tomorrow. Chapter Four outlines a vision for the BBC for the next Charter: a BBC that is internet-fit and Britain's creative partner. It explains how we can take the best principles and practice of internet thinking and apply them to our products and services to make them the best they can be for audiences and the strongest support to the UK's creative and cultural sector.

Chapters Five, Six and Seven then explore in more detail how we propose to reinvent how we inform, educate and entertain in line with that vision, so we can modernise and preserve the best of public service broadcasting for the future.

[Part Three](#) looks at how we can fund the BBC of tomorrow within the Budget agreement agreed with the Government. It outlines our proposals to improve efficiency further, to increase our commercial income and how we propose to live within our means.

Following this plan, we will publish our production proposals later this month, and answer the Green Paper's policy questions in October.

The BBC belongs to the public. It only works thanks to its partners. We look forward to receiving the views of each so we can improve our proposals and agree the BBC's future for the next generation.

PART ONE:
THE BBC TODAY

Is the BBC successful today?

Compared with other great British institutions, the BBC is still young. There are still people who can remember a time before the whole country could listen to their Prime Minister or their King, before, in other words, the BBC was there to support our national culture and public life.

Before broadcasting, as the BBC's first Director-General put it, "Most of the good things of this world [were] badly distributed and most of the people [had] to go without them."

Beginning with the wireless, the BBC has helped to remedy that.

Everyone has been able to take a front-row seat. And at all the best shows. Everyone can share in the political debate that used to be the preserve of a few. Everyone can travel the globe, see the sights, experience the culture, not just of Britain but the whole world.

The BBC has helped open up the country and even the world to the British people.

Whatever the theoretical arguments that have been made about the existence of the BBC, it is practical experience of it that makes the organisation's case day after day.

The most eloquent statement that the BBC can make is now made and always has been made by its programmes, by its creativity, the thread that connects Richard Dimbleby in a Lancaster bomber, *That Was The Week That Was*, *Doctor Who*, *Monty Python's Flying Circus*, Radio 4, Michael Buerk's reporting of the famine in Ethiopia, *Boys from the Blackstuff*, *The Proms*, *Match of the Day*, *Panorama*, *Planet Earth*, *The Archers*, *EastEnders* to *Wolf Hall*, Chris Evans, *The FA Cup* and *The Great British Bake Off*.

The best programmes, for everyone. The BBC is able to promise that with confidence, a confidence that one can have in no other arrangement. The advantages of any other policy are speculative. The advantages of the BBC are concrete and demonstrable.

The British people wouldn't want to be without the BBC and what it offers. That, in one sentence, is the case for the BBC.

I.1 Does the BBC work in practice?

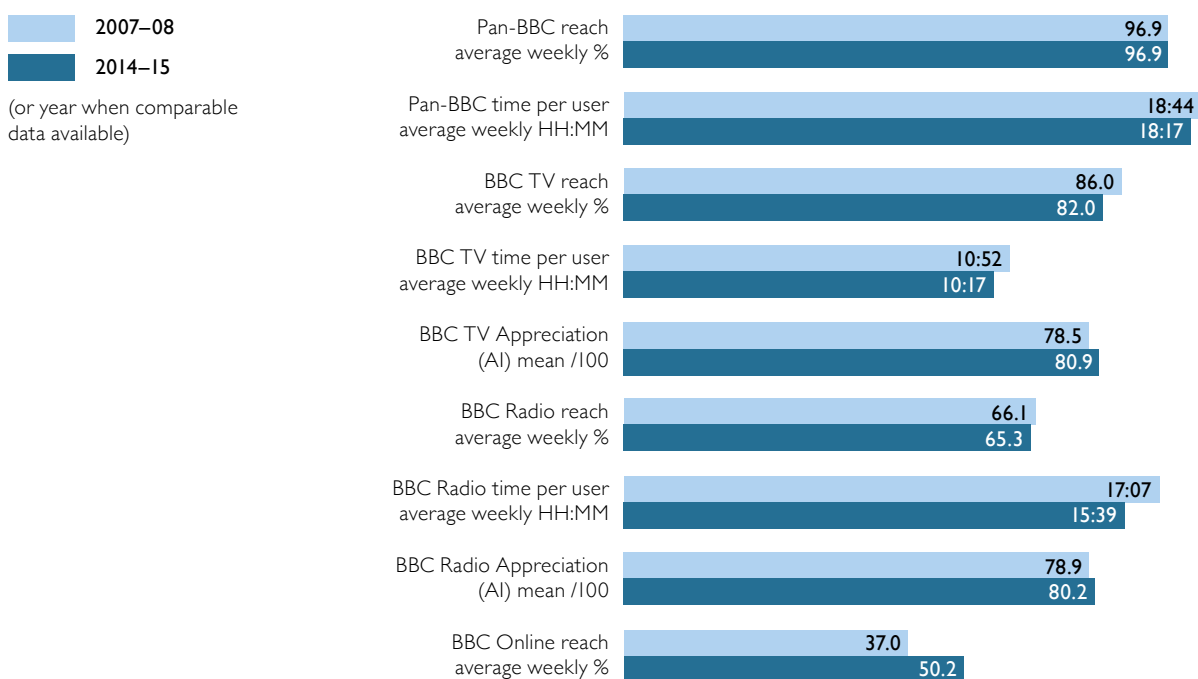
Emphatically, yes. This assertion can be supported with hard data.

Our services reach 97% of the UK population every week, with an average of around eight-and-a-half hours of TV and over ten hours of BBC Radio per head.¹ And as technology has changed the BBC has often set the pace. Our top ten apps have been

downloaded 80m times² and BBC sites are the third most popular overall on mobile devices in the UK, behind only Google and Facebook.³ Of the top 75 websites in the world, only the BBC's is British.⁴

That performance has improved over the current Charter. We reach as many people as we did at the start, and they give us higher marks.

BBC audience performance over the Charter period⁵



The time people spend with us, and their appreciation for the quality of our content, has meant that support for the BBC has risen over this Charter period. They give us seven out of ten, on average, higher than 2007/08. Eight out of ten people say they would miss the BBC if it did not exist, considerably higher than any other broadcaster.⁶ Despite a notable drop to 6.0 out of 10 during the Savile crisis in 2012, levels of trust have risen and are higher now than they were at the start of this Charter.⁷

1 GfK for the BBC, Cross-Media Insight Survey, 6,000 UK adults per quarter; RAJAR; BARB; 2014/15

2 As of 10 August 2015

3 comScore Mobile Metrix, UK, Unique Visitors, [P] BBC Sites, June 2015

4 comScore MMx, desktop only, Worldwide, Unique Visitors, [P] BBC Sites, June 2015

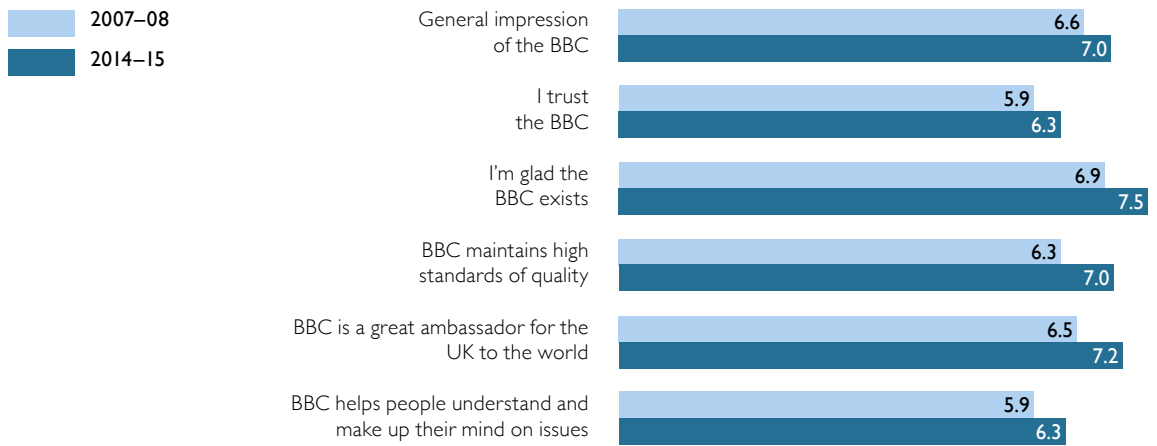
5 Pan-BBC reach and time per user / BBC Online average weekly reach: GfK for the BBC, Cross-Media Insight Survey, 6,000 UK adults, 16+ per quarter, 2009/10 and 2014/15; BBC TV average weekly reach 15+ mins and time per user: BARB, 4+, 2010/11 and 2014/15; BBC Radio average weekly reach 15+ mins and time per user: RAJAR, 15+, 2007/08 and 2014/15; Appreciation Index (AIs): Pulse by GfK for BBC, 2007/08 and 2014/15

6 Purpose Remit Survey by NatCen for the BBC Trust, 2,298 UK adults, autumn 2014

7 Kantar Media for the BBC, 6,000-12,000 UK adults per year

Public perceptions of the BBC have improved over this Charter period⁸

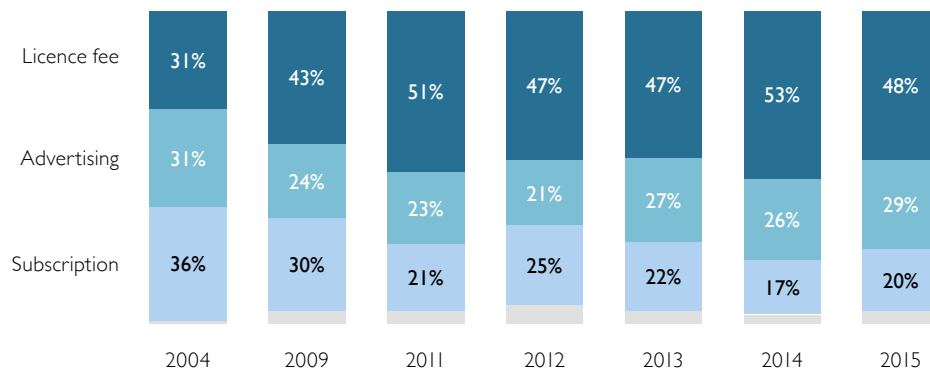
(Score out of ten)



This approval is reflected in public support for the licence fee. While no form of taxation is universally popular, long-term polling shows that there has been an increase in public backing for the licence fee over this Charter period. Support is higher now at close to 50% than it was in 2004 when 31% backed the licence fee, and higher than it was 25 years ago. By contrast, support for subscription has been falling over the past ten years and is now the least popular option.⁹

Long-term polling shows an increase in public backing for the licence fee since 2004¹⁰

Which of the following would you like to see as the main source of BBC funding?



⁸ Kantar Media for the BBC, 6,000-12,000 UK adults per year. Scale: general impression: 1 = extremely unfavourable, 10 = extremely favourable; other statements: 1 = strongly disagree, 10 = strongly agree

⁹ 2015: Ipsos MORI, 2,062 UK adults 15+; 2004: ICM Unlimited, 1,037 UK adults 18+; 1980s and 1990s: BBC Corporate Image surveys

¹⁰ 2004: ICM Unlimited, 1,037; 2009: ICM Unlimited, 1,001; 2011: ICM Unlimited, 1,034; 2012: Ipsos MORI, 2,078; 2013: Ipsos MORI, 1,034; 2014: Ipsos MORI, 1,015; 2015: Ipsos MORI, 2,062. All UK adults except 2009 which is GB

I.2 How has that success been achieved?

How has this approval been gained?

Does it result from people being, say, asked to give a greater proportion of their income to fund the BBC? Or from the BBC taking up a bigger and bigger share of a stagnant media market?

The answer is that the high marks accorded the BBC by its audiences are built on great programmes and services, during a period when the organisation was responding to an understandable requirement not to put a greater financial burden on licence fee payers.

We diversified our portfolio. Over two Charter periods we created new services for audiences who were getting less from the BBC—for example, the Asian Network, BBC Three and BBC ALBA. We launched new services to make the BBC even more distinctive—from 6 Music to BBC Four and Radio 4 Extra. We helped the country switch to digital television. We pioneered new services like the iPlayer and News Online. And all for a smaller licence fee, taking inflation into account.

The BBC is providing much more, for less¹¹

The BBC 20 years ago

£153.21 per household (in 2015 prices)
0.23% of GDP



Limited competition:

46% share of TV and radio consumption

20 hours per person per week
TV and radio

The BBC today

£145.50 per household
0.21% of GDP



Plus new obligations of c£500m

Extraordinary competition:

42% share of TV and radio consumption

20 hours per person per week
TV, radio, online

Thanks to that diversification, we still serve everyone. Our share of the TV and radio audience stayed flat at just over 40%¹², and we continue to reach almost all UK adults every week.

That has been achieved despite the BBC becoming much smaller relative to the market. Our share of industry revenues fell from 40% to 25%.¹³ We went from being two of 11 TV channels in 1984, to two out of 61 TV channels in 1994, to nine out of 536 in 2014.¹⁴

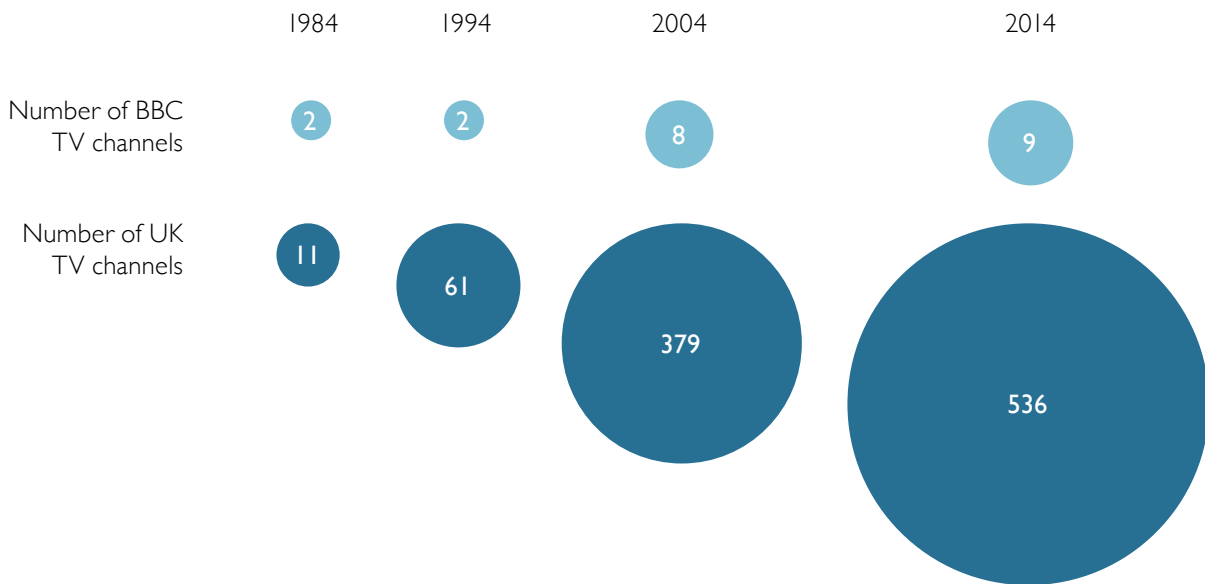
¹¹ BBC analysis

¹² BARB, RAJAR

¹³ 1994 40%: PwC, Zenith, WARC, ONS, BBC Annual Report; 25%: BBC Annual Report 2014/15, Ofcom 2014

¹⁴ BFI, Ofcom

Number of channels in the UK

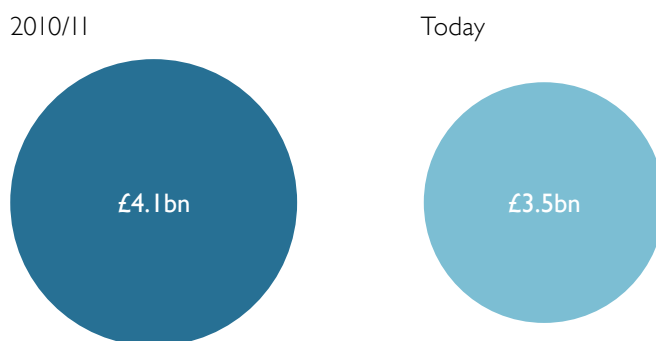


It is a similar picture in radio, where the BBC has gone from 50 out of 226 radio stations in 1995 to 56 out of 413 now.¹⁵

In the past few years, we have shrunk as the market has grown. The licence fee was frozen, and the BBC was required to find £500m a year to fund the World Service, subsidise rural broadband and support S4C and local television. As a result, the licence fee for BBC services fell from £4.1bn to £3.5bn in real terms. In the same period ITV grew by 12% and Sky by 7% in real terms.¹⁶

Licence fee for BBC services

(2014/15 prices)¹⁷



So, funding for the BBC has fallen relative to the market over the past 25 years, and in real terms over the past five. Yet its share of audience was stable. There is no evidence that the BBC has maintained its share at the expense of market growth.

¹⁵ Ofcom, BBC

¹⁶ Full-year revenue data taken from company reports: ITV (Group external revenues) for calendar year 2011 and calendar year 2014; Sky (adjusted Group revenues, excluding Europe) for year ending June 2011 and year ending June 2014. 'Real terms' refers to 2014/15 prices

¹⁷ BBC analysis

I.3 The BBC is at the heart of our lives

The duty for a national broadcaster funded through a licence fee is not just that it reaches a broad audience, but that it does so in a substantial way. We see it as our duty to be part of the lives of our audience, to make sure that in exchange for their fee, they are receiving a service that is of constant and deep value.

The available evidence suggests that we are discharging that duty.



The BBC acts as a constant part of people's days, dovetailing with everyday routine, a powerful, consistent presence.

In new research,¹⁸ 70 UK households, skewed towards people who were against paying the full licence fee, agreed to go without the BBC for nine days, and were given the equivalent £3.60 instead.

18 MTM Research, 'Life without the BBC: household study', 70 UK households, July 2014–March 2015

Having spent time without the BBC, however, more than two-thirds of these households changed their minds. They said they had underestimated the role of the BBC in their daily routines. Without the BBC there, they realised the extent to which it was woven into their lives, from getting them up in the morning to accompanying them in the car to helping them to put their children to bed. They valued the quality of the BBC and told us they missed its unique content and services.

There are millions of different BBCs. Every listener, viewer and user can make up their own BBC from our variety of services. But because we all pay for the same bundle of services, everyone pays less for their BBC.

This is the value of the licence fee. It enables us to be broad—catering to both popular tastes and those commercial providers would not find viable. It enables us to be deep, providing audiences with a range of services that can be combined to satisfy their individual tastes.

The BBC is different for every household¹⁹

From a sample of **1,038** households, we counted **825** different combinations of BBC services used in a week

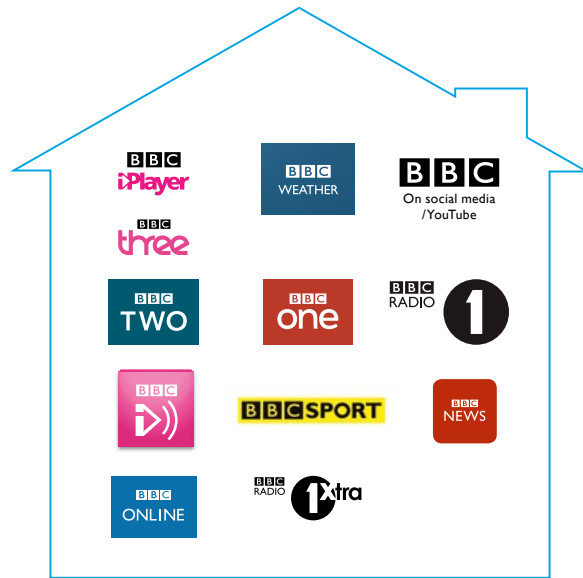


No more than **3%** of households used the same combination of BBC services



¹⁹ Kantar Media for the BBC, 1,038 UK households, July–August 2015

Almost every household uses a different group of services²⁰



Households of 16–29s



Households with children aged 0–5



Households of 65+

²⁰ Kantar Media for the BBC, 1,038 UK households, July-August 2015; BARB, RAJAR, 2014/15. Services shown = those with high reach or a high index (meaning that they are disproportionately important) per household type. Logos displayed in no particular order

I.4

The BBC helps make Britain what it is

The BBC's services are not just high quality and loved by audiences. They help make Britain a better place.

They bring the country together. The BBC turns things as diverse as ballroom dancing (*Strictly Come Dancing*), home baking (*The Great British Bake Off*), business (*The Apprentice*), classical and pop music (*The Proms*, *The Voice UK*, *Radio 1's Big Weekend*), as well as charitable causes (*Children in Need*, *Comic Relief*) and sport (*Wimbledon*, *The Olympics*, *The FA Cup*) into national events. They become shared pastimes everyone can experience and talk about.

On-demand technology, far from separating people, has added to that shared experience: audiences can all catch up on the programmes their friends and family have enjoyed.

This should not be taken for granted. It is particularly British and particularly a product of having the BBC.

In the US, for example, such moments are much less widely shared and much rarer. Outside sport, the biggest US audiences are not much bigger than ours, though their population is five times bigger.

Another advantage of the BBC to the country's sense of itself and community life is that it reflects, and reports upon, the whole of the United Kingdom.

In news, sport, documentaries and comedy—on local radio, and in television programmes made specifically for the Nations, as well as in minority languages across the UK—our services help connect audiences with their cultures and heritage, and ensure that the country is having an informed conversation with itself.



91% of the UK watched the 2012 Olympics on BBC TV. **95%** of the audience felt the BBC's coverage met or exceeded their expectations



BBC One is part of the fabric of a British Christmas Day. Over this Charter period, it has shown, on average, **seven of the top 10** programmes watched live on the day



The New Year's Eve Fireworks was the most viewed BBC show of 2013, with **13.5m** tuning in



18.7m watched the 2011 Royal Wedding Ceremony live on BBC One



BBC TV coverage on Election Night 2015 reached over **19m** people



The 2014 World Cup Final match attracted an audience of **15m** on BBC One



The 30th anniversary of EastEnders was watched by **over 21m people**—37% of the population



Four in five UK adults consumed the BBC's World War One centenary content



61% of the population watched the BBC's 2013 Wimbledon TV coverage with **17m** watching Andy Murray win the championship

But programmes and services can do more.

They can fix problems that other methods can't.

How to get more students to study science; how to encourage citizenship; how to work through difficult questions. These are problems that voters care about but governments struggle to address directly.

Policy-makers know that culture matters just as much as the delivery of services. But they rarely have the tools to change culture. This is where public service broadcasting (PSB) can help. It provides a forum where people can debate what matters, change or deepen the views they have, and gradually arrive at better answers.

<h3>Informed citizenship</h3>  <p>Democracy Day on the BBC marked the 750th anniversary of England's first parliament and helped awareness of the anniversary to almost double overnight from 19% to 34% of UK adults</p>	<h3>Aiding children's learning</h3>  <p>Bitesize is used by 82% of secondary pupils in school. Over the Charter period more than 200,000 school pupils have taken part in the BBC News School Report to become journalists for the day</p>	<h3>Literacy and literature for all</h3>  <p>The CBeebies Storytime app has been downloaded 1.2m times. Meanwhile, BBC Two's Wolf Hall adaptation helped to double public awareness of the novel and increase readership by 40%</p>
<h3>Engaged citizenship</h3>  <p>BBC 2015 General Election coverage reached 89% of all adults and 84% of 16–34s in results week. 60% of people felt the BBC provided the best coverage of the campaign</p>	<h3>Encouraging the study of science</h3>  <p>The BBC's Year of Science reached 45.4m people. Professor Brian Cox credits it with an increase in those studying science</p>	<h3>Raising participation in sport</h3>  <p>The BBC's Get Inspired programme aims to encourage participation in sport and fitness. Over 30,000 people took part in the People's Cup</p>
<h3>Charitable contribution</h3>  <p>Over the Charter period, the BBC's charity appeals have raised a total of £937m</p>	<h3>Igniting appreciation for the arts</h3>  <p>The BBC's Ten Pieces musical initiative, which aims to open up the world of classical music to children, has engaged half of all UK primary schools</p>	<h3>Supporting new talent</h3>  <p>BBC Introducing alone has discovered more than 30 artists that have subsequently signed to major and significant indie record labels in the past 12 months</p>

This power to understand our society is why the UK emerges as the global leader for TV that helps people to learn. Out of 61 channels here and abroad, BBC One is rated highest for helping people to learn new things and joint highest for helping people to understand what is happening in the world and in their country today.²¹

21 Populus for the BBC, 14 countries (500 adults per country), May–June 2015

I.5 The BBC makes the UK a more creative nation

The value audiences get from the BBC is the central part of its case. But there is another practical observation worth making.

The UK has the BBC, and few other countries are in better creative shape than the UK.

Over a sustained period, the creative industries have grown much faster than the economy as a whole, in terms of gross value added (GVA), exports and employment.

Britain's competitive position has not come about by accident.

The UK has created a media system in this country based upon:

- An astonishing strength and depth of creative talent—the writers, directors, producers, musicians, actors and those involved back-stage
- A creative network with strong connections and talent that flows between its different constituent parts—between TV and film, radio and music, and broadcasting and the performing arts
- Public-private competition—in broadcasting, as in culture and the arts, the UK has a mixed ecology of publicly funded and commercial organisations that compete to the benefit of all. Public funding—now at only around a fifth of total TV revenues—has supported rather than crowded-out a vibrant UK media market.

The BBC supports all of these things. It has been suggested that our robust media market is a rebuke to the BBC, and has grown despite it. The opposite is the case. The BBC is proud of Britain's media market and believes it is as strong as it is partly because of the BBC.

The BBC's public service remit requires us to invest in new, home-grown creative ideas and talent, and the licence fee enables us to do so at scale. From TV to music, writing to film, the BBC is a key part of why the UK is such a great exporter of creativity.

Analysis by Frontier Economics²² has identified the principal channels through which the BBC supports private sector growth.

First, the BBC is the single biggest investor in TV and radio. It uses the licence fee to discover and fund the best British ideas and talent—whether in-house or from independent companies—and connect them with an audience at home and abroad. The BBC invested around £2.2bn of licence fee income directly in the creative sector in 2013/14. £1.2bn of this total was invested outside the BBC, with around £450m in small and micro-sized creative businesses. 86% of its creative suppliers are small or micro-sized. While the licence fee accounts for around 20% of UK TV broadcast revenues, it is converted into around 40% of the investment in original UK TV content.

Second, the BBC is the best shop window to the world for British talent and programme-makers. Many of the TV programmes invested in by the BBC go on to generate big economic returns through secondary sales and exports (from *Wolf Hall* to *Silent Witness*). BBC Worldwide distributes both BBC programmes and those of independent producers, and is the largest distributor in the world outside the major US studios.

Third, as Ofcom's PSB review highlighted, the BBC is the cornerstone of the PSB system. When the BBC performs well, commercial broadcasters raise their game to compete for audiences, which challenges the BBC to aim higher—in a positive feedback loop not a zero-sum game.

Fourth, the 'ripple effects' from the BBC's investments go well beyond broadcasting. BBC iPlayer was the catalyst for the development of the UK's video-on-demand market—now by far the largest in Europe.

As Reed Hastings, Chief Executive of Netflix, put it, "The iPlayer really blazed the trail. That was long before Netflix and really got people used to this idea of on-demand viewing."

The BBC is recognised as being indispensable to the UK's position as a global music leader. Radio 1 and Radio 2, in particular, discover and promote new home-grown music talent and exposure on their airwaves drives music sales. The BBC makes the hits that others play.

Finally, the BBC strengthens the productive capability of the creative sector and, critically, spreads the benefits of growth across the UK. It does this by discovering and championing the next generation of British on-screen and back-stage talent. In the past 12

22 Frontier Economics, *The contribution of the BBC to the UK's creative industries*, April 2015

months, BBC Introducing has discovered over 30 artists that have subsequently signed to major and significant indie record labels.

Oscar-winning directors such as Danny Boyle and Tom Hooper, or global acting stars such as David Oyelowo, Martin Freeman and Daniel Craig, all had early breaks on the BBC. The BBC also strengthens the creative sector by acting as an 'anchor tenant' for

media/digital clusters across the UK—in Salford and Greater Manchester with MediaCityUK, in Bristol with the Natural History Unit, in Cardiff with the drama village and in Glasgow with Pacific Quay.

Policy-makers do not have to choose between commercial success and the BBC. The two support each other. Damage either and you damage both.

I.6 Is the licence fee justified?

The BBC works in practice, but what about the way it is financed?

What is the policy rationale for institutions like the BBC, in today's world? Now that broadcasting is subject to greater competition, why not leave it entirely to the market?

We should start with the goals we want to achieve—what does a good outcome look like in the different spheres of our lives? Then we should decide the best means to reach these goals.

What is the best mix of market-based and public solutions? What is the best way to fund services with different purposes? The choices made will vary by area and will, critically, depend on the weight society attaches to social, cultural and moral criteria as well as to growth and efficiency. This can never be a scientific exercise—it, ultimately, comes down to the judgements we make together, in particular through Charter Review.

British people want a range of high-quality original British content that is widely available and consumed. Access to culture, media and information should be a basic human right, ensured regardless of a person's private ability to pay for it. But making it available is not enough—it must be used as well. When everyone takes part it confers benefits on well-being and cohesion, democracy and education.

The best means to achieve these goals is a mix of public and private institutions with different remits and funding models.

The competition for quality between the BBC, the commercial public service broadcasters (ITV/STV/UTV, Channel 4, S4C and Channel 5) and subscription broadcasters like Sky, has led to higher levels of investment and better, more varied output. Ofcom has shown there is widespread support for the enduring purposes of public service broadcasting, which go beyond correcting market failures. The PSBs are the engine of UK original content, providing over 80%—£2.5bn—of the investment in content every year.

The BBC is a unique, vital part of this successful ecology. It fits comfortably alongside market institutions.

Like universities, public libraries, museums, theatres and galleries, we ensure people have access to and use content that informs, educates and entertains. Along with commercial radio, newspapers, websites, Britain offers greater choice of media than almost anywhere else.

The licence fee plays a central role.

It makes sure the service is for everyone. It is the guarantee of the BBC's universality. It ensures that—because everyone pays—everyone pays less and everyone benefits.

For each hour consumed, programmes on BBC TV cost about five times less per household than those on pay TV²³. The public can make a simple, direct link between the benefits they receive from the BBC and the payments they make. The BBC is, as a result, directly accountable to the public while still being independent from political control.

Because of the licence fee, people get greater choice of media: from a distinctive BBC, from the support the licence fee provides to Britain's creative economy and from a bigger overall pot for investment in programmes. Investment lost from the licence fee would not be replaced from advertising and subscription.²⁴

The licence fee ensures that the public gets better programmes, for less, than under any other approach. Because everyone pays, the cost to the individual falls to the lowest it can be for the best and most universal service.

But whereas the principle of the licence fee remains right, the current mechanism needs to be updated to reflect changing technologies and audience behaviour. We welcome the Government's commitment to extend the TV licence fee to cover PSB video-on-

demand, and to bring forward legislation to do so within the next 12 months.

The Government's option in the Green Paper for medium-term reform of the licence fee by universally levying it on all households, as happens in Germany, merits consideration. This further modernisation would reflect the universal usage of the BBC and the value its services deliver to society as a whole. It would also safeguard investment in the creative economy for the long-term.

The licence fee has been continuously modernised—first to cover TV, then colour TV, and most recently, live usage over the internet. This is a process that should continue. Alternative funding methods, such as subscription, would fundamentally change the nature of the BBC and destabilise the UK's broadcast ecology, which is based on competition for quality—but not competition for funding—between the BBC and the market.

23 Mediatique, Index of cultural inflation, August 2015

24 Reuters Institute for the Study of Journalism, February 2014, 'What if there were no BBC'. Available at <http://reutersinstitute.politics.ox.ac.uk/publication/what-if-there-were-no-bbc-television>

2

Is the BBC distinctive and of high quality?

So, this Charter Review is not having to fix a failing public service. But the Government's Green Paper necessarily and legitimately poses questions about the future.

2.1 What is distinctiveness?

An important question raised by the Green Paper concerns the question of whether the BBC is distinctive. Is a body established as a public institution now merely doing what any private company could do?

The BBC has a duty to serve everyone—but not with just anything.

Universality needs to be achieved through the sustained quality of our programmes, within a uniquely broad range of genres.

The licence fee gives us creative freedom. We have the privilege of being able to make good programmes, without also having to consider whether they will make a profit. That privilege should be felt in everything we do.

We should aim for every programme to be the best in that genre. What counts as best will vary from genre to genre. Judging whether we have succeeded will always be subjective. We will frequently fail. Others will often make better programmes. But every BBC programme should aim to be the best—any that do not should not be commissioned.

Individual programmes should be judged on their own merit, rather than by comparison to other programmes in the market. It does not make practical sense to say that the BBC should only make a programme if another broadcaster never would. That would mean that when ITV made *Broadchurch*, the BBC would have to stop making *Happy Valley*.

Nor does it make creative sense. We do not motivate our teams by asking them to make programmes that are different. We make good programmes by finding the best talent, with the best ideas, and giving them freedom. We do not start with a gap in the market, and try to fill it. We start with the idea and then make it happen.

The distinctiveness of services can be judged by comparison. We propose a simple definition: overall, the range of programmes in a BBC service should be clearly distinguishable from its commercial competitors.

Why overall? Why does the BBC make some of the same types of programmes as the commercial sector?

The most important reason is that it makes those programmes well.

The licence fee then means audiences pay less for those programmes from the BBC, but get more from the whole market, as competition brings the best out of pay, advertising and publicly funded broadcasters.

That wider choice only happens if the BBC meets this test of distinctiveness—compared to competitors, do we make fewer programmes that are commercially attractive and more of those that are not? If we aped the market, audiences would just get more of the same shows. But by making some of the most popular shows we increase choice.

The public supports the licence fee because of that range. What makes it possible to have a licence fee to fund news coverage or documentaries or live classical music is the broad support that comes from providing programmes for all.

The licence fee allows us to be innovative, bold, take risks. The Green Paper—in stressing distinctiveness—is right to insist that our overall output should show strong evidence of this.

But we need to define distinctiveness clearly. It does not mean that the BBC should never make a programme that the commercial sector might make, nor that a programme's distinctiveness can be judged by comparison. It should mean that every BBC programme aspires to be the best in that genre, and that overall every BBC service should be clearly distinguishable from its commercial competitors.

2.2

How distinctive are we?

How well do we do today in providing a distinctive offering and can we do better?

To examine that, we have measured all the BBC's services against their competitors. We summarise the analysis below. For those who wish to study it in more detail, a version of this chapter citing all sources is available online.

Overall, the BBC's services are more distinctive than they have ever been. For example, 30 years ago, a fifth of BBC One's peak-time schedule consisted of foreign series like *Dallas*, *The Rockford Files* and *Kojak*. Today, it is zero.

Many services, through the process of BBC Trust service licence reviews, have become more distinctive through this Charter.

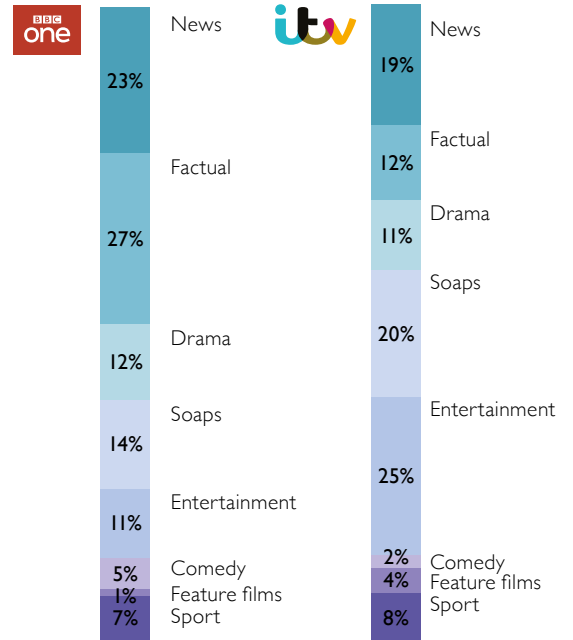
Some are unique. It is hard to find a service to compare to Radio 4 or BBC Alba. Where there are direct competitors, our overall offer is clearly distinctive.



BBC One is the BBC's most important service. It is the UK's favourite channel across all age groups, socio-economic groups and in all parts of the country. It is available in 18 different versions, with extra programmes for each of the Nations. It reaches three-quarters of the population every week, who watch it for over seven and a half hours a week. Three million people a week use BBC One and no other BBC service.

BBC One is also almost certainly the world's best channel. In an international survey of 14 countries, people in different parts of the world were asked to rate the quality of their biggest channels. Viewers in the UK were most satisfied with their television and BBC One rated highest on quality out of 66 major TV channels—with 79% of UK adults rating it as good quality, higher than any other channel in any country surveyed.

BBC One and ITV's balance of output is very different in peak time



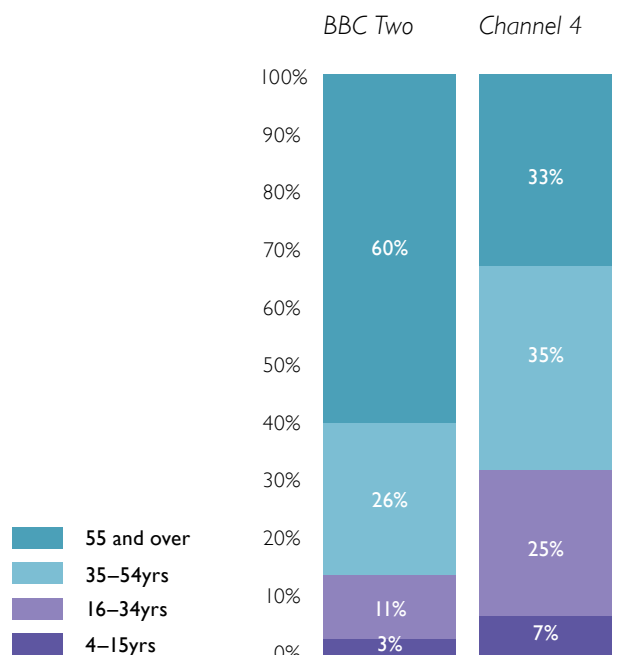
BBC Two is Britain's third largest TV channel by share. It has a rich, multi-genre mix aimed at a smart, curious mainstream audience—it reaches half the British population every week and ranks third in the world for quality.

BBC Two is a place for creative talent to do their most distinctive, signature work in drama, comedy and documentaries. Writers and performers say it offers them a unique combination, an audience big enough to want to produce for, and one that welcomes innovation. As a result, it has nurtured and built some of the BBC's biggest hits, like *Top Gear*, *The Great British Bake Off*, *The Apprentice* and *Have I Got News for You*.

BBC Two's genre mix is very different from BBC One and ITV. Its commitment to knowledge and factual output is perhaps closest to Channel 4's, but their approach is so different that the audiences they serve are quite dissimilar.

BBC Two and Channel 4 have very different peak time audiences

(proportion of the BBC Two and Channel 4 peak audience by age group)





In its 12 years as a broadcast channel, BBC Three has made a range of innovative, distinctive shows—programmes like *Our War*, *The House of Tiny Tearaways*, *Being Human*, and *Murdered By My Boyfriend*, among many others. Given that level of innovation and risk, it is not surprising that some output was less successful or that some strayed too far from the BBC's remit. But BBC Three has had a constant focus on its target audience and the need to provide it with relevant, British content.

BBC Three is now poised to make another distinctive move—the first major TV channel in the world, we believe, to go wholly online. The shift will play to BBC Three's strengths, offering something distinctive and new, with the aim of enhancing the BBC's reputation with young audiences. It will stimulate the market for providers of digital entertainment, information and education for 16–34 year olds and build demand for new forms of content.

The online BBC Three will have a mix of documentary, current affairs, news, drama, comedy and entertainment. It will continue to offer new perspectives and open people's minds to new subjects or issues. It will innovate digitally and offer a range of content which we know young audiences consume and we want to innovate in—short-form video, image-led storytelling, and blog posts from contributors that will make people laugh and think. It will live on the platforms where young audiences are.

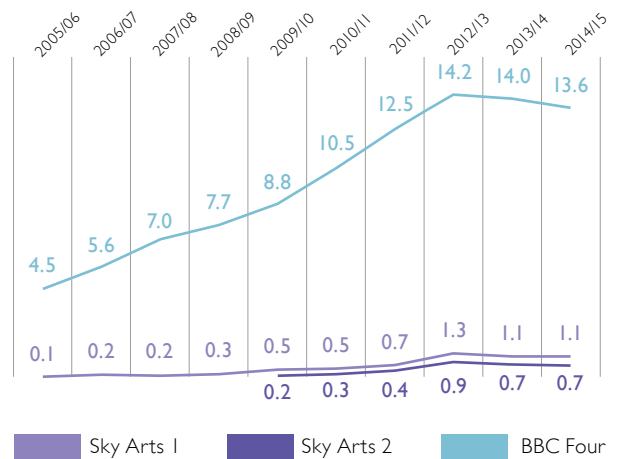


BBC Four has become a household name in the British TV landscape. It is renowned for a highly distinctive editorial outlook that celebrates the very best of global culture, creativity and ideas alongside a brave and innovative approach to programming, including pioneering foreign language drama, music and performance programming, and innovative seasons like 'Slow Week'.

This singular editorial perspective is reflected in its ratings for quality and originality. The channel's distinctive programme policy has also made it the UK's fourth largest digital channel in its broadcast hours by reach and the largest factual digital channel in reach and share.

BBC Four is one of the UK's most popular digital channels

(Weekly reach to the UK population (%), all homes)





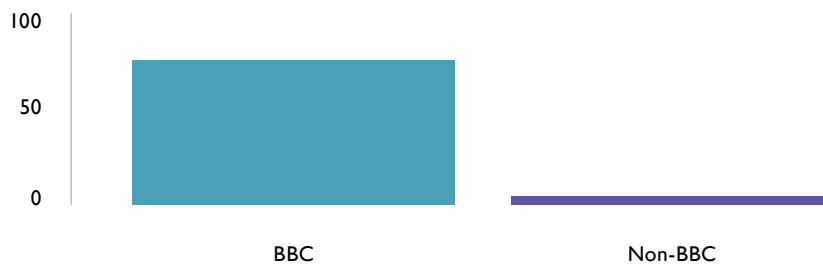
CBBC and CBeebies are the clear public service advertising-free alternative to the increasing number of non-UK channels and online media for children.

CBeebies and CBBC are unique for their commitment to UK content. They provided 86% of all first-run UK-originated children's programming in 2014 among PSB channels. As quotas on others have been removed, the BBC stands as the last major commissioner of original British output.

They are also among children's favourite channels. CBeebies reaches 45% of children age 0–6. CBBC is among the most popular channels for children aged 6–12 but the linear channel has lost audience as children change their media behaviour. Responding to this shift is one of the BBC's most important tasks.

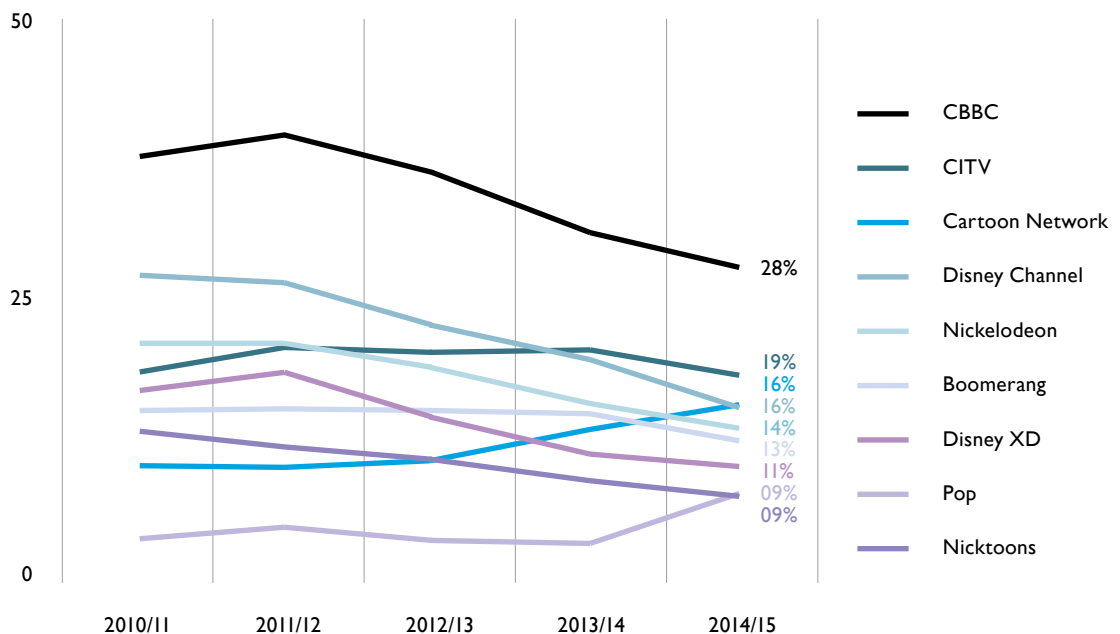
Online, they provide a safe environment for children to make the most of digital content without being exposed to the dangers of the unregulated internet world.

Spend on UK output for children (£m, 2014)



CBBC is one of the favourite channels for 6–12s

(Average weekly reach % among 6–12s, all homes)





The BBC News Channel is the most watched continuous news channel in the UK, reaching around nine million viewers a week, compared to five million for the next biggest. Viewers see it as the best news channel by far.

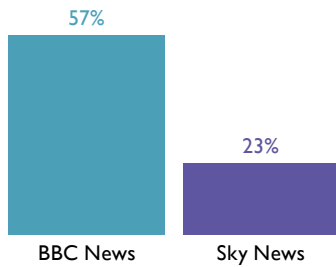


BBC Parliament is the only UK channel dedicated to politics. It shows debate and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg.



BBC ALBA offers Scottish Gaelic speakers a distinctive range of programming that reflects and support Gaelic culture, identity and heritage. It reaches 16% of all Scottish adults and 73% of Gaelic-speaking Scottish adults per week. There is no other channel like it in the world.

Who is best for continuous news?
(% rating channel best)



All our radio stations are distinctive. Some are unique.



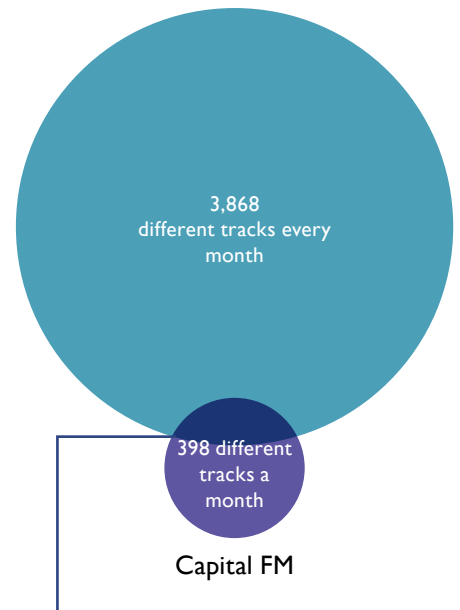
Radio 1 entertains and engages a broad range of young listeners with a distinctive mix of world-class music and speech.

Radio 1 is an internationally renowned taste-maker—it breaks the hits that others play. Its music offer is unique, with greater depth and variety of music than its competitors and the most open and refreshed playlist in the UK.

It is a particular champion for new and live music: 65% in daytime is new, and 61% by UK artists.

In reaching 38% of 15–29 year olds every week, it provides an important source of news. Newsbeat reaches more young people each week than the *10 O'Clock News*, and Radio 1 broadcasts over 40 documentaries a year alongside its weekly *Surgery* show.

BBC Radio 1



Radio 1's music choices are very different from others. For instance, Radio 1 shares 3% of tracks with Capital, Capital shares 32% of tracks with Radio 1

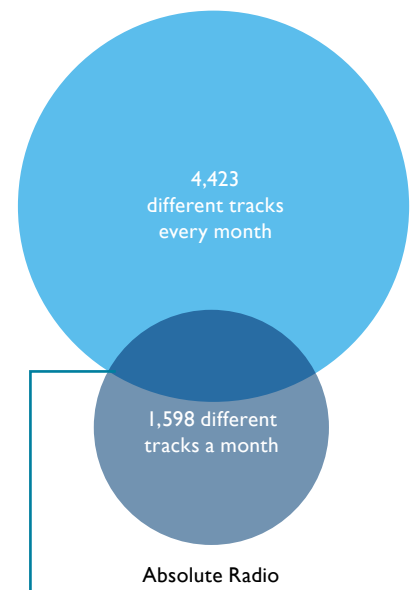


Radio 2 is the most popular radio station in the UK, with the widest range of programming from popular and specialist music to speech content ranging from over 20 hours a week of news and current affairs to documentaries, arts and comedy. Close to 30% of UK adults listen to Radio 2 every week.

Music on Radio 2 is hugely distinctive—the station plays a greater variety of music than any other radio station in the UK and this includes over 1,100 hours of specialist music programming every year, including Jazz, Folk and Country.

Radio 2 adds huge public value by playlisting new artists that get little exposure on commercial radio, including folk, country, soul and jazz artists. It also supports heritage artists no longer played by commercial radio.

BBC Radio 2

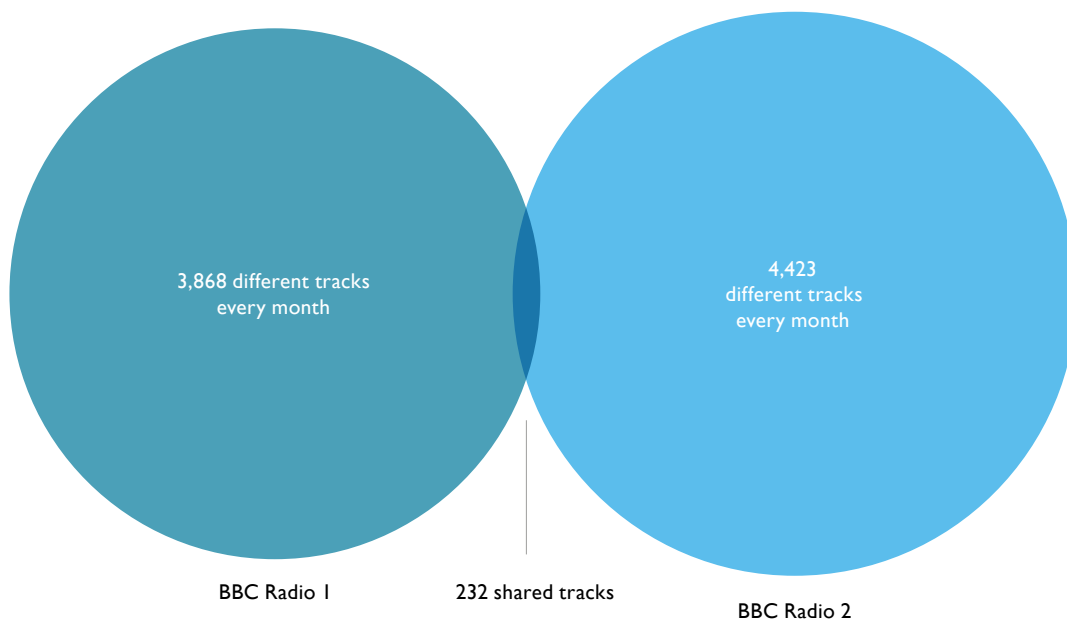


Radio 2's music choices are very different from others. For instance, Radio 2 shares 13% of its tracks with Absolute. Absolute shares 37% of tracks with Radio 2

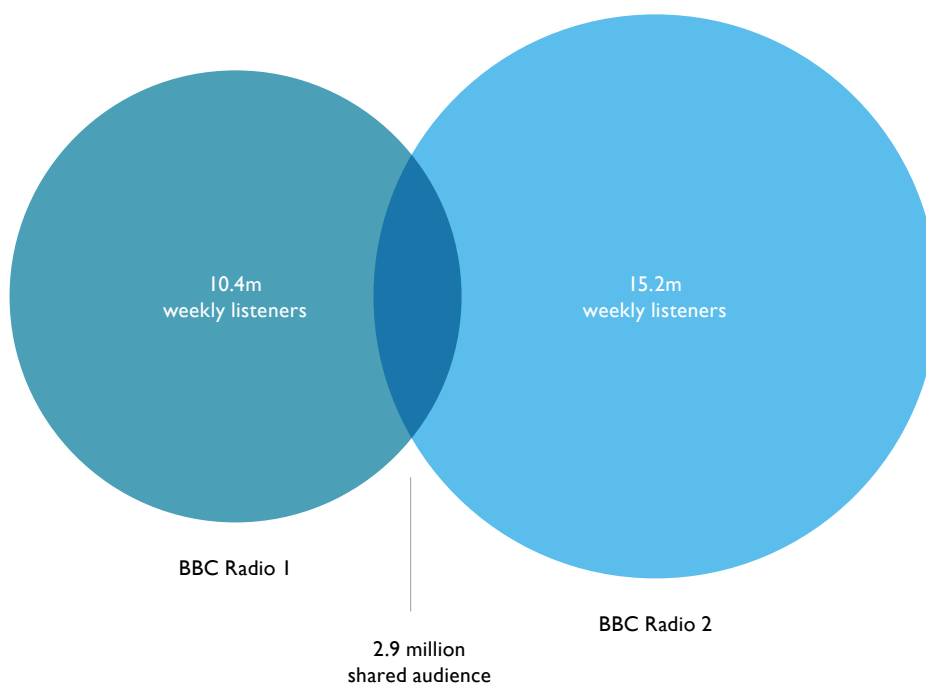
The Government's Green Paper raises the question of whether Radio 1 and Radio 2's audiences and music choices overlap, and asks whether "some of the BBC's services might be serving significantly overlapping audiences—failing to be sufficiently distinct not only from commercial output, but from other BBC services."

The evidence shows that these two services do not overlap to any significant degree.

Radio 1 shares just 6% of music tracks with Radio 2. Radio 2 shares 5% of tracks with Radio 1.



Just 13% of the combined Radio 1 and Radio 2 audience listen to both stations.



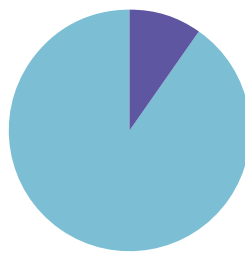


Radio 3 is one of the world's most important music and arts broadcasters. It supports six performing groups and the world's largest music festival, *The BBC Proms*.

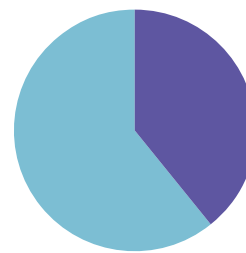
Radio 3 is the most significant commissioner of new music in the world with nearly 200 original commissions in the past five years. Its music offer is unique with 57% of music broadcast live or specially recorded. Compared to Classic FM it repeats far less music in a week.

Music output by uniqueness (Radio 3 and Classic FM)

- Repeated tracks
- Single plays



BBC Radio 3

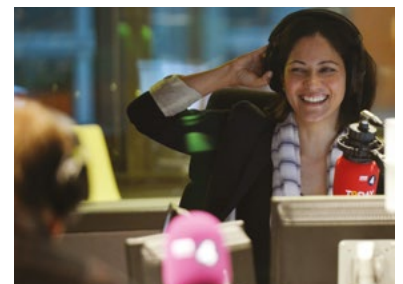


Classic FM



BBC Radio 4 broadcasts a unique range of programmes from comedy to features, arts, drama and science, supported by a core of live news and politics. 20% of the UK listens to it each week.

There is no other station in the world that covers this range to the same depth and intellectual rigour. As a result it is achieving a new global success, with over 300m podcasts downloaded in 2014/15.





BBC Radio 5live is a unique combination of news and sport. 75% of the station's output is news, and the station excels at covering events of national importance, whether it is the Election, Scottish Referendum or the Commonwealth Games.

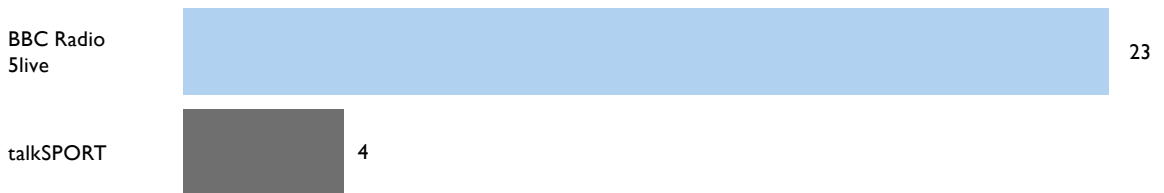
5live's sports output has never been broader. Together with 5live sports extra, it represents over 51 different sports from men's and women's football to cycling.

News output on 5live has never been more distinctive, with expanded business and science output, investigative journalism and new digital innovations.

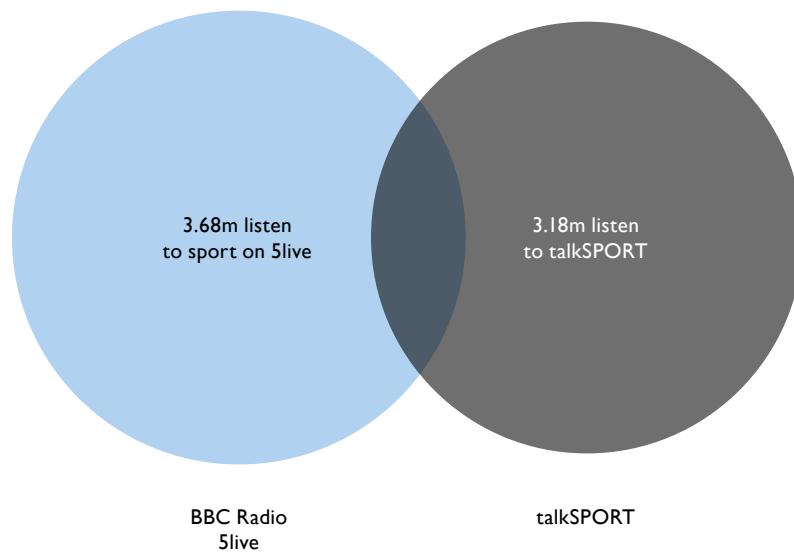
The station's accessible style and tone attracts a different audience from Radio 4 with close to 40% of its audience aged 15–44, compared with around one-quarter of Radio 4's audience.

5live covers a wide range of live sport

(live sports covered in 2014)



Only 13% of sports radio listeners listen to both 5live sport and talkSPORT



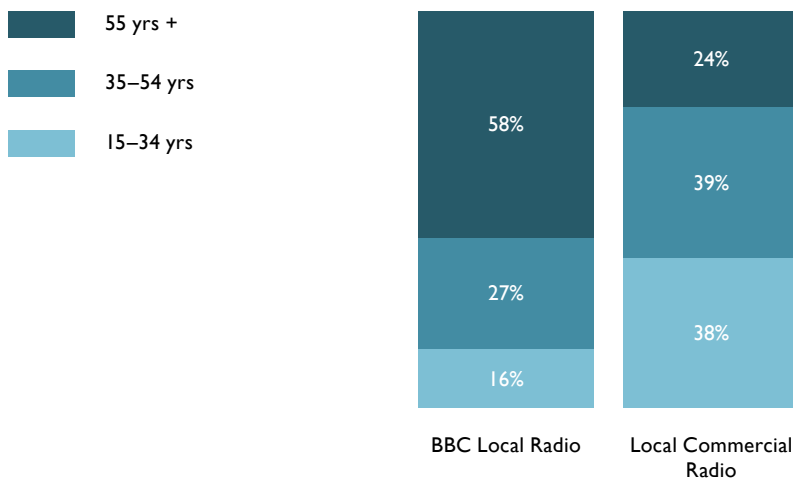
BBC LOCAL RADIO

BBC local radio is our network of 39 stations across England, used by 6.7m adults a week. 2.3m listen to no other BBC Radio and 1.1m no other radio at all in a week. It has a distinctive mix of speech and music with a strong spine of local news, information and debate—over 70% of weekday daytime is speech output.

However, audiences for local radio are declining, exacerbating the risks to coverage of local affairs. We address the issue later.

The BBC Local Radio audience is very different from local commercial radio

(Proportion of audience by age)



There are no stations like the BBC radio networks in the Nations. They uniquely serve the national audiences in each of Scotland, Wales and Northern Ireland, covering national stories and reflecting national culture.

Each of the English-language stations (Radio Scotland, Radio Wales and Radio Ulster/Foyle) reaches between 16% and 36% of their populations each week and delivers in-depth news, politics and speech output that reflects issues of national importance and stimulates debate and interaction with the audience.

The BBC's Nations radio stations also showcase a rich diversity of arts and drama, music and sports coverage which is important to audiences and cultural life in the Nations.



Our digital radio stations have grown strongly, expanding listening to digital radio and reaching record audiences.

BBC Radio 6 Music was the first digital station to reach two million weekly listeners. Audiences enjoy its distinctive range of alternative music and informed presenters.

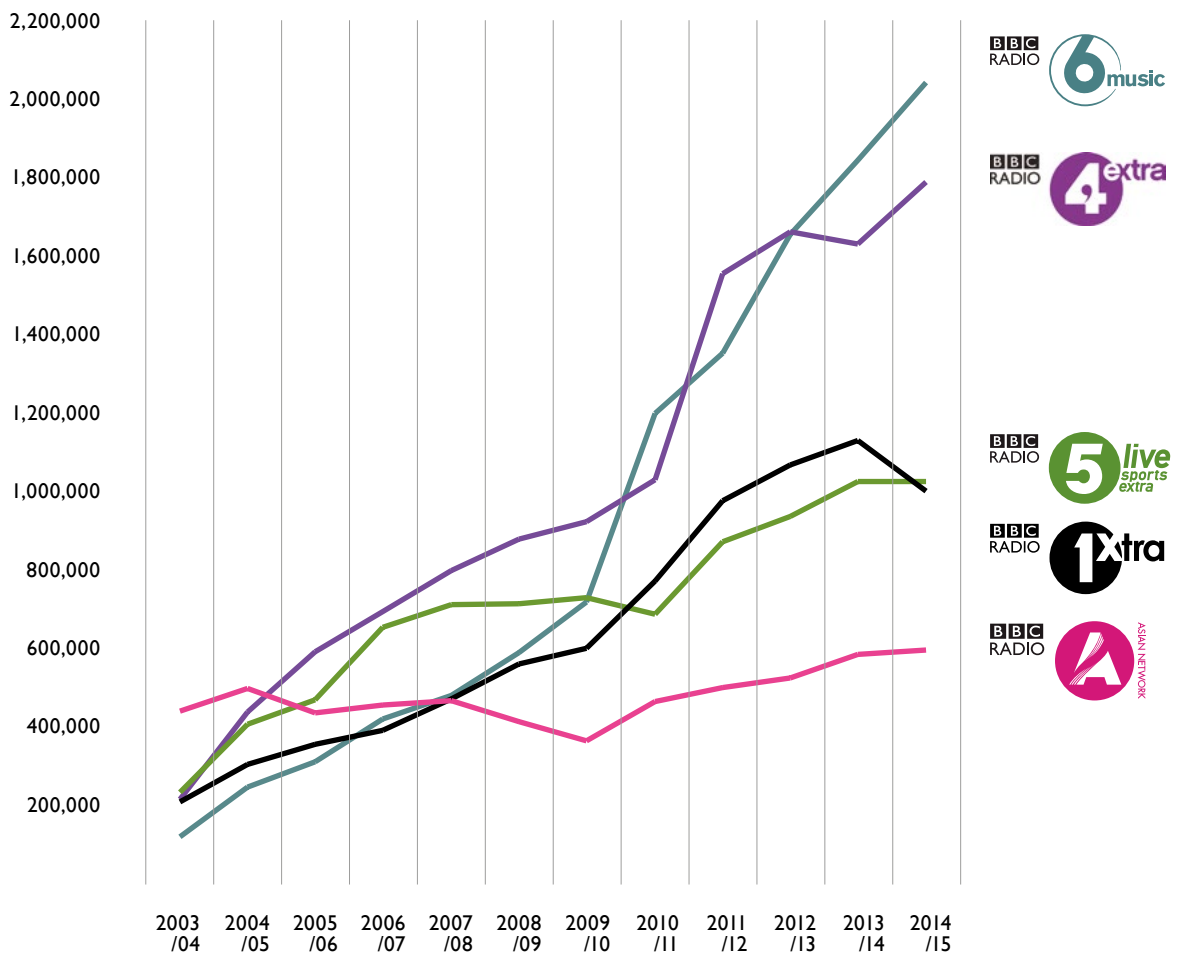
BBC Asian Network and BBC 1Xtra serve young and diverse audiences with a mix of news, discussion and

music. Documentaries on both networks cover important issues relevant to their target audiences, and of wider national importance.

Radio 4 Extra is the BBC's digital service for its archive of speech entertainment. Its popularity continues to grow, with record audience reach of 2.2m listeners a week, fuelled by record numbers of younger listeners.

Growth of BBC digital radio

(Average weekly reach)



BBC Online serves the BBC's mission, to inform, educate and entertain



BBC Online is the gateway to the BBC on the internet. It is the third biggest BBC service, providing public service content to half the British population each week. It is the third biggest service for time spent with younger audiences.

But it is a small part of the internet—just 3% of UK time spent online. It is highly rated for quality and distinctiveness, and plays a vital role in delivering the BBC's mission to inform, educate and entertain online.

Inform

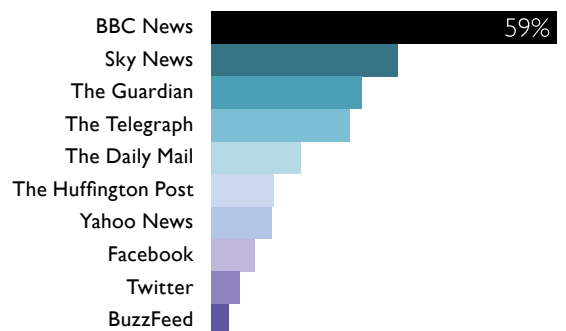
Online lets us do what we have always done—provide impartial, high-quality, distinctive journalism—but in better, more convenient, more immersive ways.

Most recently, our online coverage of the General Election was record-breaking. There were 278m hits on the BBC News website and apps on the day after the election, up from 9m in 2001, with audience appreciation scores higher than any other provider in the UK.

This success has not come at the expense of others. News Online is part of a strong online news market. Its share of news/information time has fallen to 30% today.

The BBC is the most trusted news online source

(who do you associate with 'trustworthy?')



Educate

In education and learning we have used online to reimagine our brands and programmes for a connected world. BBC Arts, Science, Earth, History and Music extend the BBC's learning mission from broadcast to online.

Bitesize has been a mainstay of young people's revision regime for over a decade. It uses the BBC's biggest programmes like *Doctor Who* and *Horrible Histories* to bring online learning to life. Today, Bitesize is used by 82% of secondary and 62% of primary school children.



Every month, there are *2 million* journeys from our News website to our educational and learning websites like iWonder.



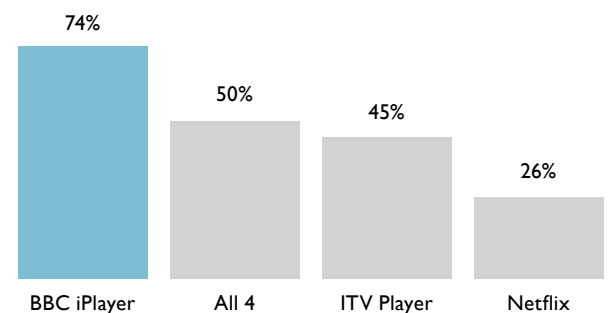
In its first week our iWonder guide 'What's the maths behind an amazing FA Cup free kick?' had *400,000* visits. Over *75%* came from the BBC Sport website

Entertain

iPlayer kick-started the online TV boom in the UK. It is the most distinctive video-on-demand service in the world—no one else provides such a breadth of programming online, from documentaries to drama and comedy, to current affairs to live sporting and music events. In two out of the past three years, it has been the UK's number one brand.

The new iPlayer Radio app means almost all of our radio programmes are available to download in full, allowing people to listen offline and keep them for up to 30 days.

The proportion of UK online users aged 16–64 who have ever used these online players for TV shows

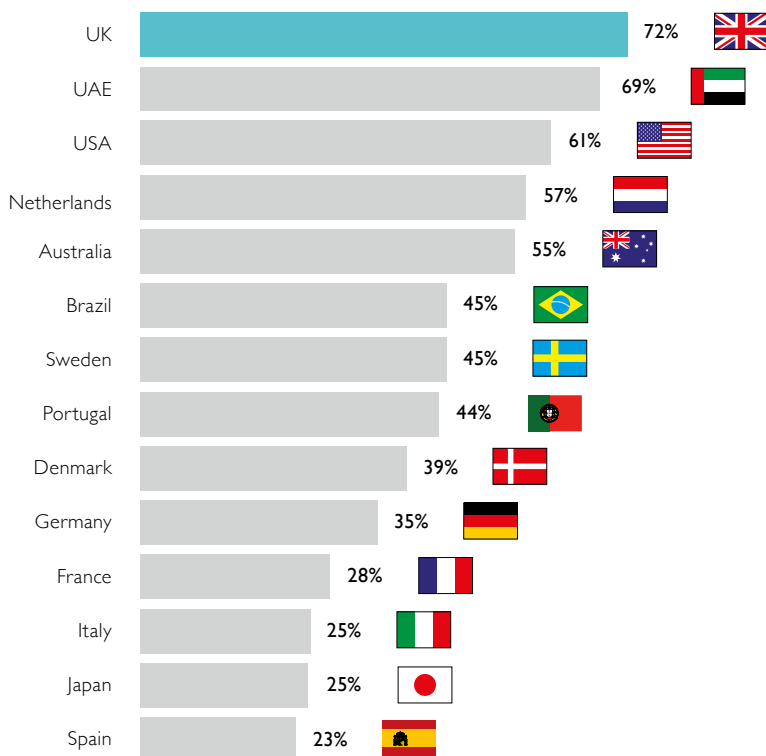


One further piece of research needs to be taken into account.

Populus undertook an international study asking people from around the world to rate their country's overall TV output on quality and then to rate the quality of each of the biggest channels in their country.

The UK emerged as the global leader on overall TV quality, with 72% of UK adults saying TV programmes overall in the UK are good quality—the highest out of the 14 surveyed countries.

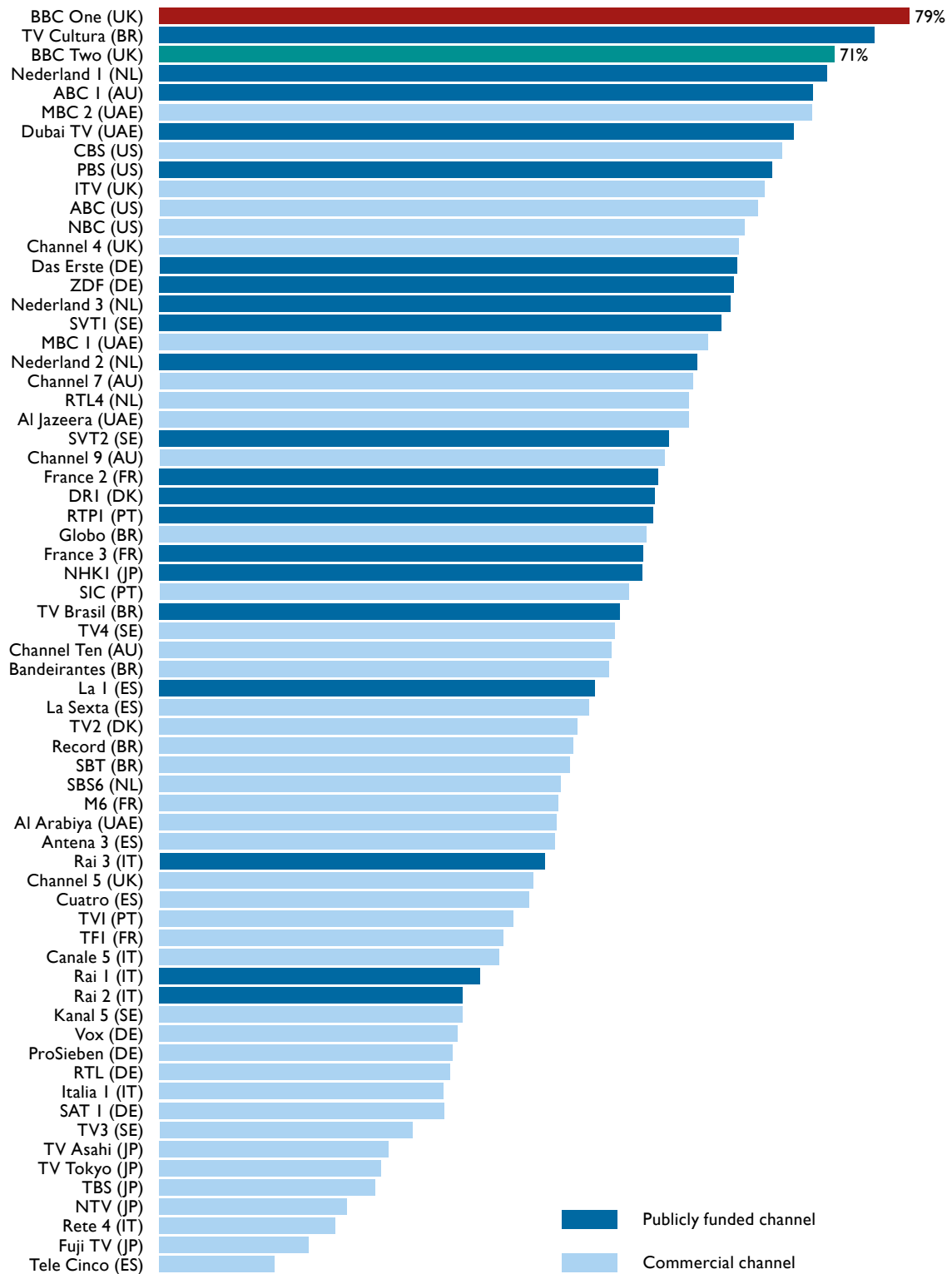
Perceptions of overall TV quality per country rated by respondents in the country²⁵ (% Very / fairly good quality)



The study confirmed the BBC's position as the cornerstone of PSB. Out of 66 channels, BBC One received the highest quality score of all—with 79% of UK adults rating it as good quality—while BBC Two came in close behind in third place.

²⁵ Populus survey for the BBC, conducted September–October 2013 in 14 countries (representative sample of 500 adults 18+ per country). Survey question: 'What do you think of the quality of television programmes overall in [INSERT COUNTRY NAME]?'

Perceptions of TV channel quality per country rated by respondents in the country²⁶
 (% Very / fairly good quality)



²⁶ Populus survey for the BBC, conducted September-October 2013 in 14 countries (representative sample of 500 adults 18+ per country). Survey question: 'To what extent do you think the quality of programmes on the following television channels in [INSERT COUNTRY NAME] is good or poor?'

So what do we learn from this analysis?

Firstly, that each of the BBC's services is successful and loved. The practical success and value of services ought properly to be the primary concern when considering how things should be reformed. The British approach has always been, correctly, to support success and deal with failure. The success of these services is the most eloquent public policy case for them.

Second, the analysis shows that the BBC is distinctive, has become more distinctive, but it is right to believe that the BBC could be even more distinctive.

We therefore propose changes to achieve this objective.

BBC One may be seen as the highest-quality channel in the world but we will raise its standards higher in a world of global competition. We will work hard to find the next *Sherlock*, *Doctor Who*, *Happy Valley* and *Car Share*. And we will keep factual programmes at the heart of the schedule, using experts and locations that increase knowledge and understanding.

This means taking risks, accepting that not every creative experiment will work and embracing the ability of BBC One to draw the nation together like no other cultural institution in the UK.

The BBC will always seek to entertain—the role the public most associates with us.

Although they want entertainment from the BBC, it occupies a smaller proportion of the peak schedule of BBC One than that of ITV and will continue to do so. We spend just 2% of the licence fee on TV entertainment programmes.

Occasionally, we will take international formats and make them into BBC programmes, as we have with *University Challenge*, *The Apprentice*, *The Voice UK* and *Dragons' Den*. But we aim to discover the next entertainment format ourselves—and are proposing to remove in-house quotas and set up BBC Studios to make that more likely.

BBC Two plays a special role in UK broadcasting. No other channel has a remit like it: multi-genre, for viewers of all ages, showing programmes of depth and substance and with a brief to innovate. It was rated the third highest-quality channel in the world, thanks to programmes like *Wolf Hall*, *The Fall*, *Springwatch*, *The Eichmann Show*, *Stargazing Live*, *The Detectives* and *The Wrong Mans*.

But the context in which BBC Two operates is now very different. In the past it may have been compared with Channel 4. Now it increasingly competes with HBO, Netflix and Amazon Prime as much as with domestic peers.

So we will reinvent BBC Two for the age of global content. We will build on its reputation as one of the highest-quality channels in the world to provide even more of what makes it most distinctive. And we will continue to encourage it to reach a broad audience with that output.

However, we recognise that world-class quality and innovation don't come cheap, so we will focus our investment on the most memorable and channel-defining programmes.

We will make BBC Two's primary and governing objective the delivery of this distinctiveness.

BBC Two will offer a unique combination—an audience big and broad enough to attract and be a showcase for world-class creative talent, but never a place so big that audience share comes before innovation as the measure of success.

We will encourage it to develop shows that can showcase British talent, whether with fresh new drama like *Peaky Blinders*, smart comedy like *Episodes*, new formats in factual subjects like *Bake Off* or the most intelligent television in the world, from culture to science and history. Success for this BBC Two will not just be measured in the time audiences spend with it, but whether those programmes were memorable and world-class.

Many of the BBC's radio services are unique, but even where they are not, they are still distinctive.

In particular, Radio 1 and 2 guide audiences to new music. Half the songs played on Radio 1 and Radio 2 in daytime were not played on any comparable station. To break hits, they have to remain popular stations—otherwise fewer people would be exposed to those new songs.

The evidence therefore does not suggest the content of the BBC's radio services needs to change as part of Charter Review. But, as we set out later in this document, we believe we can use new technology to help more people find that distinctive content.

Our online services are newer, and are still finding their place in an evolving market. At first, they helped create that market, with BBC News Online and then the iPlayer.

We have a simple role when technology opens up new creative opportunities—to find what they are, and then to make sure everyone can access them. Again and again, we have found ways of using new technology to deliver new services, before it was obvious how those could be funded commercially.

But to date, most of our innovation has been in the way we distribute content, not the content itself. That will change. Rather than commissioning for television, or radio, we will make our content work across all of our platforms. If the best way of meeting an audience need is through content just for online, then we must do that. Most of all, we will apply the test above—what would the best of each genre be, and what would that mean for our online content.

We promise innovation and British creativity, aimed at a broad audience. And we believe that by meeting that test, we would be clearly distinctive from the market which is changing fastest in this area. We will launch a creative review to look at those issues and how we can better focus our online resources, led by the BBC's Director of News and Current Affairs and reporting by the end of 2015.

The BBC is more distinctive than ever, and clearly distinguishable from the market. Nevertheless, we intend to become even more distinctive and will report on our plans to do so over the course of Charter Review.

We want the BBC in the next decade to be the place people come to see and listen to brilliant programmes—but also the place to make brilliant programmes. We want programme-makers to have the creative freedom to do things they could not do to such an extent elsewhere. We want to be the showcase of the best of British content. We want to employ the best people with the best ideas aiming to do their best work. We want to help the next generation find its voice. We want to be confident enough to take risks, to push boundaries, to try new things and not to be afraid of controversy.

To create a BBC that is truly British, bold and creative.

3

What do audiences want from the BBC?

Audiences value the BBC today, but is that changing? Do audiences want more or less from public service broadcasting and the BBC? Are new entrants giving audiences the programmes they received from public service broadcasters in the past, or will they create new barriers to getting them?

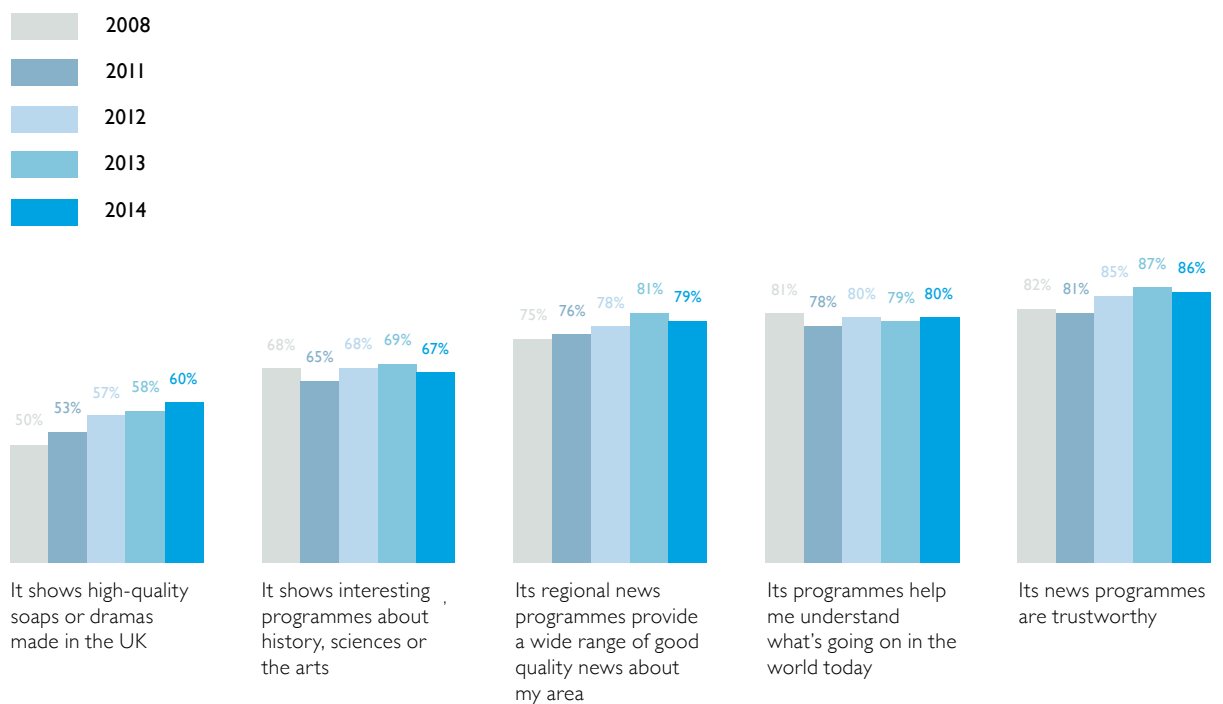
3.1 The public want more from the BBC

To assess the future need for public service broadcasting, the starting place must be an assessment of the views of the audience.

Last year, Ofcom did exactly that in their review of public service broadcasting in the UK. That document provides important context for this Charter Review.

Ofcom found that audiences continue to value public service broadcasting. In fact they value it more than ever, with the importance of many of the public service purposes having risen in the past few years.

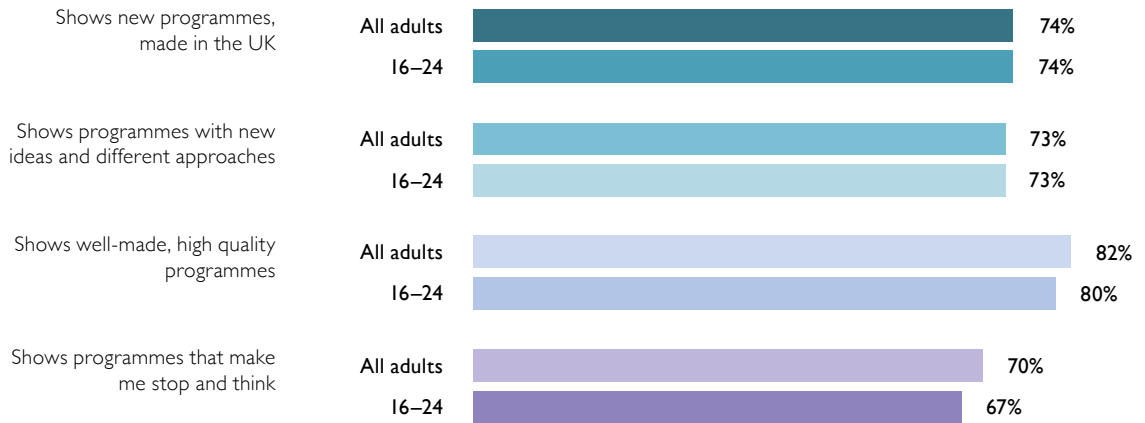
Importance of PSB purposes (selected, % rating seven or more out of ten)²⁷



Ofcom also found that young people still value the concept of public service broadcasting, as much as audiences overall. There has been no drop—the characteristics of public service broadcasting are just as important for young audiences, despite them growing up in a media landscape that would have been unimaginable 20 years ago.

²⁷ Ofcom, July 2015, PSB Annual Report 2015. Available at http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2015/PSB_Annual_Report_summary.pdf

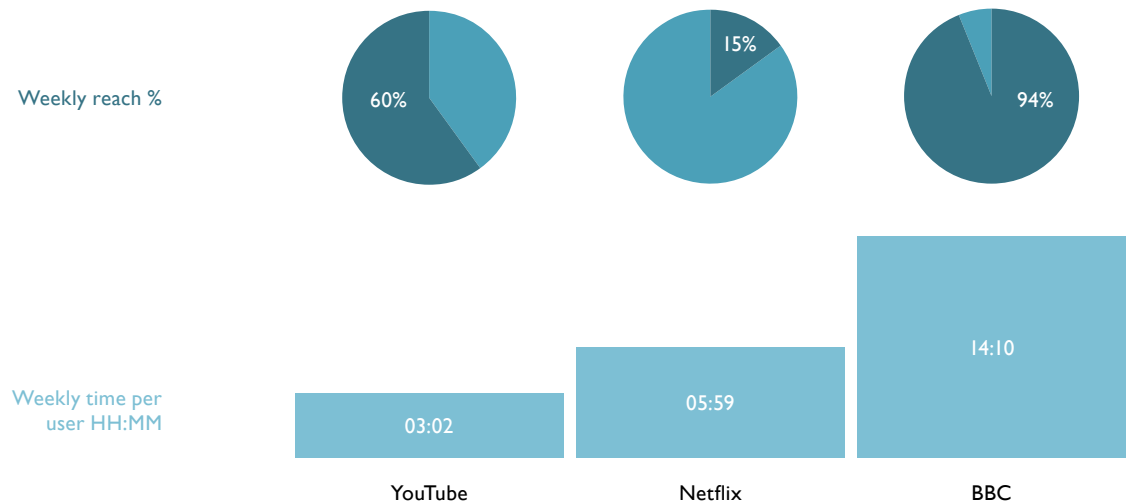
Importance of PSB characteristics (selected, % rating seven or more out of ten)²⁸



This preference in theory plays out in reality as well. The top TV channels for 16–24s are the PSB channels. BBC One is their favourite channel, with a weekly audience of 53% of that age group. ITV1 is next at 45%, Channel 4 at 39% and E4 at 29%.²⁹

Younger audiences still use the BBC more than YouTube or Netflix. That is partly because we have innovated—for example through Radio 1's YouTube channel, the biggest online radio station in the world.

Young people aged 16–24 still use the BBC more than any other service, but this is under pressure³⁰



Younger and older people's consumption habits are increasingly different. Younger people watch less television than older people. They listen to much less radio. And where young audiences go now, older audiences will follow. Online innovation has slowed the decline. It has not reversed it.

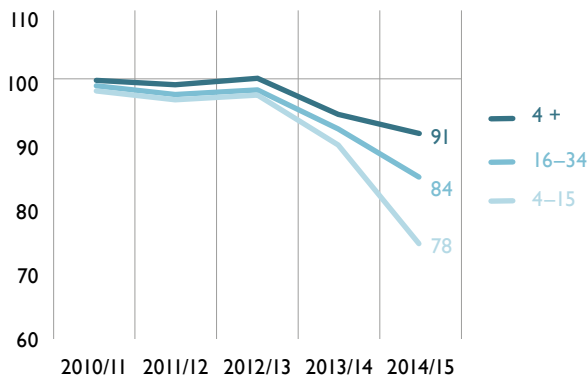
²⁸ Ibid.

²⁹ BARB, 2014/5, average weekly reach 15 mins+ consecutive

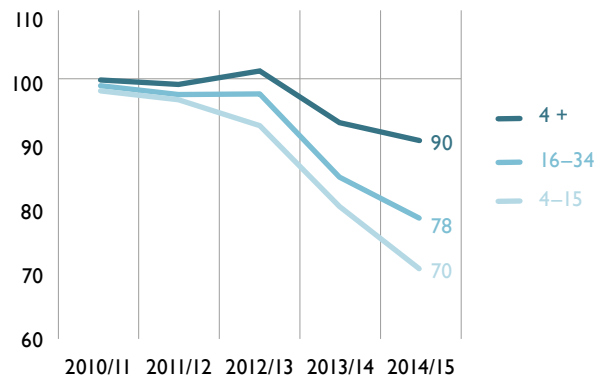
³⁰ GfK for the BBC, Cross-Media Insight Survey, c.6,000 UK adults per quarter, BBC average weekly reach 15 mins or more claimed; YouTube and Netflix average weekly reach 3 mins or more claimed, Q1 2015. N.B. YouTube reach varies depending on source; Netflix weekly reach not number of subscribers

Total TV and BBC TV performance 2010/11–2014/15, indexed on 2010/11³¹

Total TV average weekly time per head indexed on 2010/11



BBC TV average weekly time per head indexed on 2010/11



As Ofcom says:

“The generation gap between younger and older audiences appears to be getting wider, with significant differences in opinion, attitude and habits towards PSB and television more generally. While younger audiences have always watched less television than older audiences, our audience research suggests that the connected generation are watching increasingly less television, and that they may be taking these habits with them as they age.”³²

If this trend continues, by the mid-2020s, a significant minority of licence fee payers would no longer be a part of the shared conversation that public service broadcasting supports, and might not be getting value to justify their payment of the licence fee either. Most of all, we would be failing to give them great information, education and entertainment.

Ofcom’s conclusion is that PSB must modernise for the internet age:

“Public service broadcasters will need freedom to continue to innovate, as audiences increasingly want content that is delivered over multiple devices and specifically designed for the internet environment. Audiences are likely to want more than just traditional television content from public service broadcasters, and short-form video or online-first content could potentially serve as an effective way of delivering key PSB purposes.”³³

³¹ BARB, based on the TV set and indexed on average weekly time per head

³² Ofcom, 15 December 2014, Public Service Content in a Connected Society. Available at <http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/summary/PSBR-3.pdf>

³³ Ofcom, July 2015 ‘Public Service Broadcasting in the Internet Age’. Available at http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/statement/PSB_Review_3_Statement.pdf

3.2 Portraying the whole country

The BBC helps connect the UK.

It is our commitment to reflecting the diversity of the country—across all its constituent Nations and regions—that has brought some of the best content to our screens. From *Gavin and Stacey* to *Mrs Brown's Boys*, from *The Fall* and *Peaky Blinders* to *Shetland* and *Poldark*, audiences love the stories that we tell about their lives across the UK.

However, we know there is a growing need to see the full diversity of the UK's cultures and communities better reflected on screen and on air.

We are working to ambitious targets to improve diversity.

On screen, we have seen improvements in the portrayal of the Black, Asian and minority ethnic (BAME) community on BBC One and BBC Two. For example, we won four awards at the latest Creative Diversity Network Awards. Across the BBC portrayal of disabled people on screen doubled between 2012 and 2014. Since September 2014 we have invested over £1.5m out of a new £2.1m Diversity Creative Development Fund on TV projects with talented BAME writers and producers.

On air, the Women in Local Radio initiative has seen the number of breakfast shows with female presenters rise from 15% to 49%.

The Business in Community campaigns on gender and race and diversity inclusion name the BBC as one of the top ten public sector organisations thanks to senior leadership programmes to increase diversity, including the DG's leadership programme and our mentoring scheme. Last year, we opened our doors to young people from the widest range of backgrounds with over 350 trainees and apprentices starting their media careers with us.

We will go further with a new BBC Diversity Strategy for the next five years. For example, we want to work with the independent production sector to reach our targets and ensure diversity is at the forefront of programme-making. We will be arranging a consultation in the autumn, in partnership with PACT, to bring the sector together and explore this further. We aim to introduce new diversity guidelines for our productions in 2016.

Earlier this year Ofcom identified that there was an immediate issue with audiences about how public service broadcasting reflected and portrayed British society. Across the Nations and regions of the UK we know that the public want us to do more to portray the full diversity of life across the UK throughout our programmes and services. The UK is changing and it is not straightforward to represent or portray every aspect of British life across all of our services. However, the BBC has a major role to play here, and in the next Charter we will evolve our programmes and services to meet these changing audience demands.

During this Charter, we ensured that what we spend on network television in each Nation broadly matches its share of the population. But we recognise that spend is not everything—we need to do more, and better, to reflect the lives and experiences of all licence fee payers.

During the next Charter period we will remain committed to investing in programming across the UK and ensure that the drama and comedy we produce for BBC One and BBC Two better reflect the diversity of the UK's Nations and regions.

3.3 Investment in programmes is falling

Ofcom also expressed concern around the fall in investment in original British content:

“The substantial fall in spend on all programmes and investment in new first-run UK originations, with a 17.3% real-terms decline in programme spend by the [public service broadcasters], would be a significant concern if that trend were to continue and result in a noticeable reduction in the volume, range or quality of output”³⁴

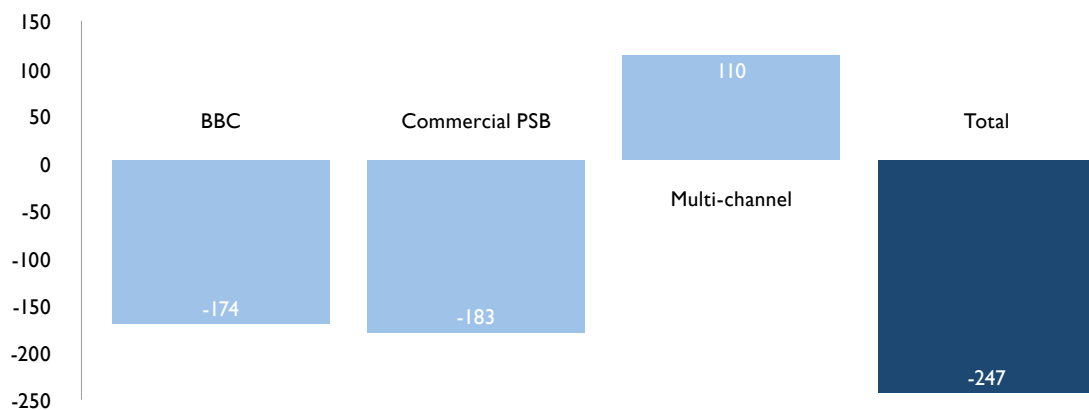
We agree with Ofcom’s analysis.

The amount of money being invested in high-quality UK content, outside sport, is falling:³⁵ Total investment in new, original television in the UK fell in real terms from £2.6bn to £2.4bn between 2008 and 2013

- In the same period, investment in original British programmes by the PSBs fell by around 15%: from £2.4bn in 2008 to £2bn in 2013
- The non-public service broadcasting channels have increased their investment but made up less than a third of that loss; their investment has increased from £0.24bn to £0.35bn.

Cumulative change in spend on first-run originated UK TV content 2008–2013

(£m, excluding sport, at 2013 prices)³⁶



As the BBC’s spend has fallen, so overall investment in original British content has gone down. This is because the BBC is the largest single investor in British creative ideas and talent—while the licence fee accounts for around 20% of TV revenues, it is converted into around 40% of the investment in original British programmes. Investment from non-PSBs has not made up the difference. This is a real-life test, over a five-year period, of what happens with a smaller BBC.

In the future, new entrants like Netflix and Amazon are extremely unlikely to make up this deficiency. While the hours of new UK content broadcast each year have fallen from 15,500 to 13,500 over five years, Netflix and Amazon have produced only around 260 hours of original content between them in that time—almost all of it made in or about the US, not the UK.

34 Ofcom, December 2014, Public Service Content in a Connected Society. Available at <http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/summary/PSBR-3.pdf>

35 Ibid. Figures quoted exclude spend on sports and are in 2013 prices.

36 Ibid. / BBC analysis

Good though many of their dramas are, they cannot match the UK PSBs for volume, range or audience appreciation. For the same cost as two series of *House of Cards*, the BBC made 14 drama series, from *Sherlock* to *Happy Valley*, *The Village* to *Last Tango in Halifax*.

\$100 million looks like...



House of Cards

- 2 series/c22 hours of content
- Viewed by 6% of UK adults
- Viewer appreciation 8.0/10

It also looks like...

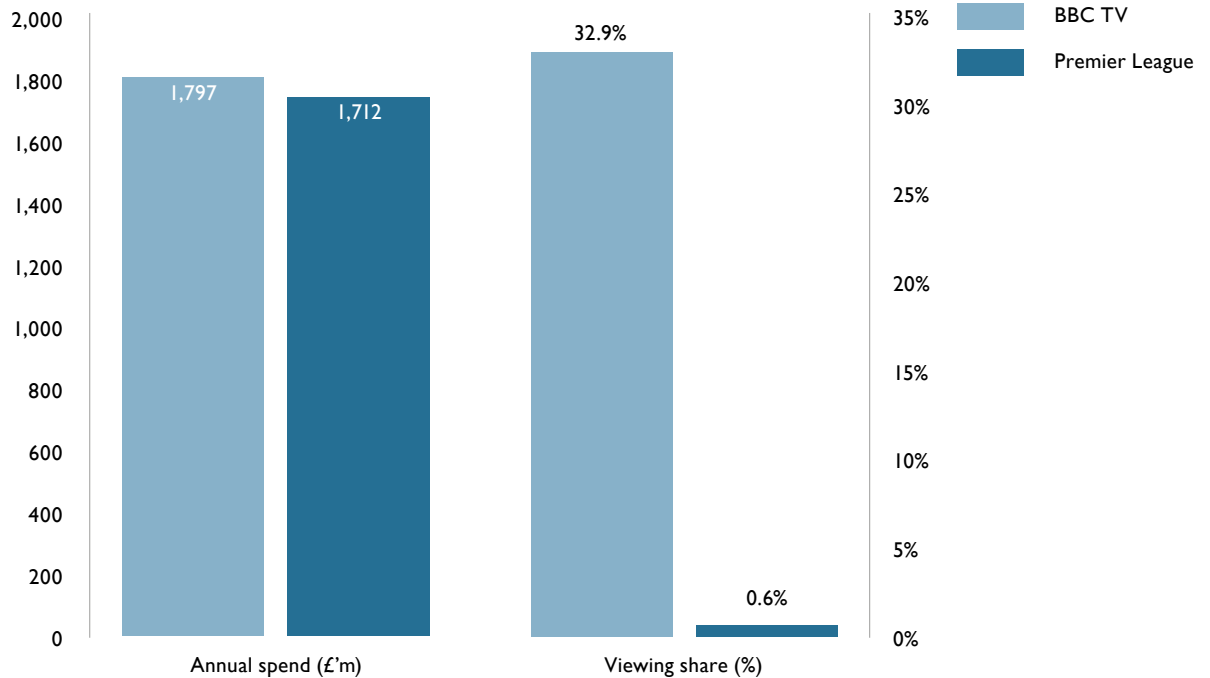


BBC drama from the licence fee

- 14 series/c79 hours of content
- Viewed by 72% of UK adults
- Viewer appreciation 8.8/10

Nor are satellite and cable channels likely to make up the difference. With Sky and BT spending nearly as much annually on their next Premier League contract as the BBC spends today on its whole television output, there simply is not enough left over from subscription revenues to make up the shortfall. And the content will be behind a pay-wall.

BBC television spend and share compared to Premier League³⁷



So looking further into the future, the inevitable shift from advertising to pay-funded services offers no prospect of funding the amount or the range of original British programmes that Ofcom reports that UK audiences value. Only public service broadcasting will.

Ofcom found some immediate issues emerging from their analysis:

“... news consumption and the provision of news for young people, drama that reflects and portrays British society back to a British audience, content tailored to the specific needs of the UK Nations and their regions, religious programming, children’s programming and investment in other areas such as music and arts.”³⁸

We have designed our proposals to help address these needs, and the following chapters suggest areas for investment in new services and programmes.

But if the BBC does more, will it become too big?

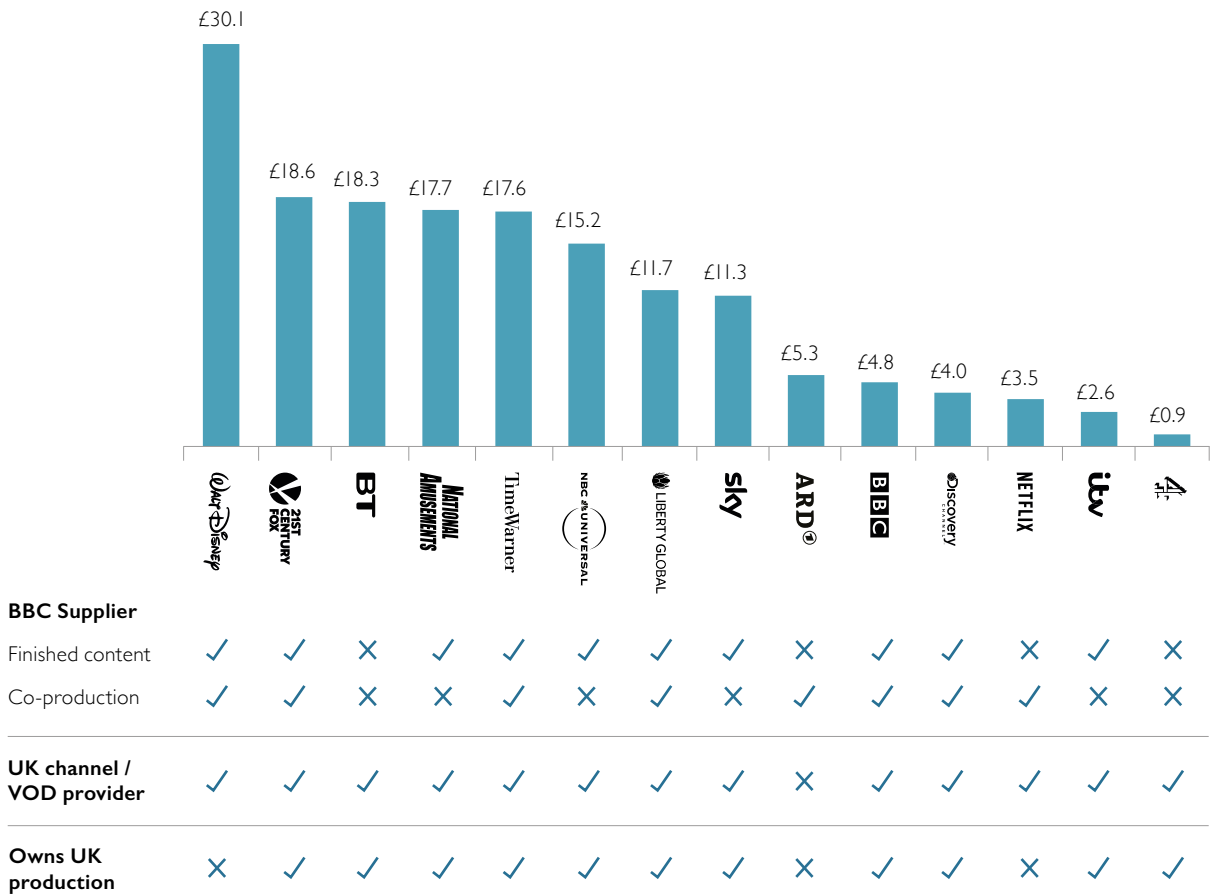
³⁷ Enders Analysis, July 2015, ‘BBC Green Paper: red alert on funding’. BBC TV spend is for 2014/15. Sky/BT spend on Premier League live UK rights is for season 2016/17

³⁸ Ofcom, July 2015, ‘Public Service Broadcasting in the Internet Age’. Available at http://stakeholders.ofcom.org.uk/binaries/consultations/psb-review-3/statement/PSB_Review_3_Statement.pdf

3.4 The BBC in its market context

The BBC is small compared to the broadcasters it operates alongside. This is not a theoretical comparison. Virtually all the companies in the chart below now own or operate broadcasters, producers or platforms in the UK.

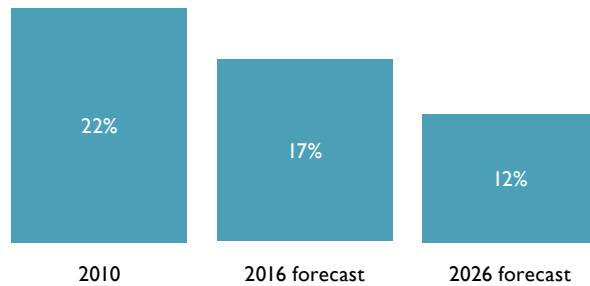
Global revenues for large media companies (£bn)³⁹



And following the July Budget agreement, the BBC is set to become only 12% of television revenues by the end of the next Charter.

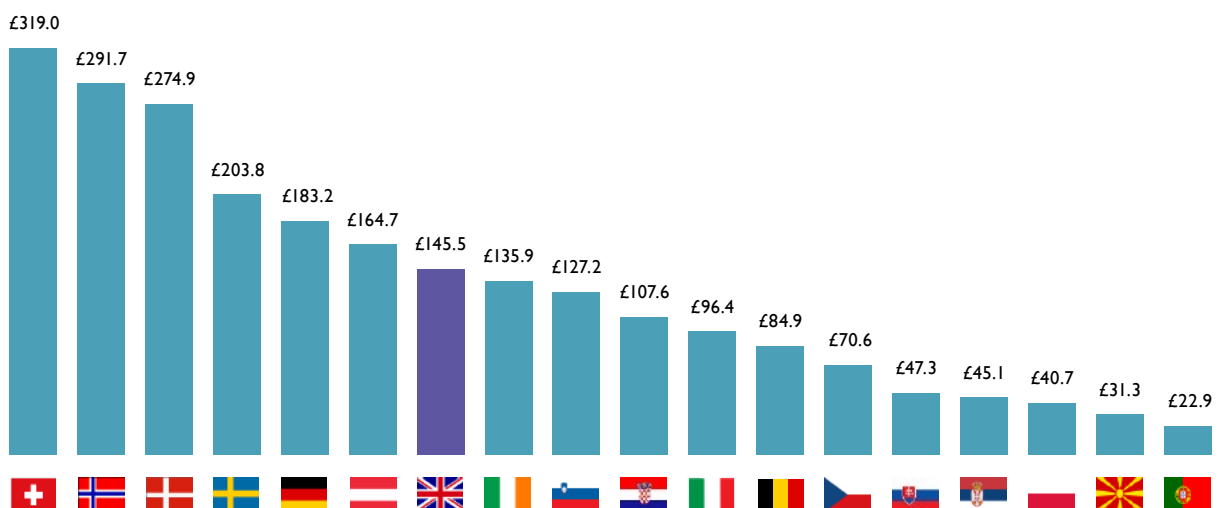
³⁹ Latest full-year revenue data taken from company reports (June 2015—Sky, including Europe revenues; March 2015—BT and BBC; December 2014—Channel 4, ITV, Netflix, Discovery, National Amusements (Viacom and CBS), NBCUniversal, Liberty Global and Time Warner; September 2014—Walt Disney; June 2014—21st Century Fox; December 2013—ARD); figures converted to pounds sterling (XE.com)

BBC share of TV revenues⁴⁰



The £145.50 of the UK TV licence fee today is also smaller than similar countries with major public service broadcasters.

Annual licence fee level (2013)⁴¹



In radio, it is true that we are over half of the revenue of the sector. But despite our size, commercial radio is growing—its revenues are up. And radio listening is becoming a smaller part of overall listening—for 16–24 year-olds it accounts for only a quarter, less than streamed music.⁴² In video-on-demand, the iPlayer still reaches more people than Netflix, but the gap is narrowing rapidly.⁴³

Those new ways of distributing content are being provided by global companies—which are using their scale in their original market to expand into television and radio. That's why it is relevant that over this period, Google and Apple have grown from being roughly the same size as the BBC to being respectively eight and 23 times bigger—because they are building the platforms through which, in future, audiences may well access most of our information, education and entertainment.

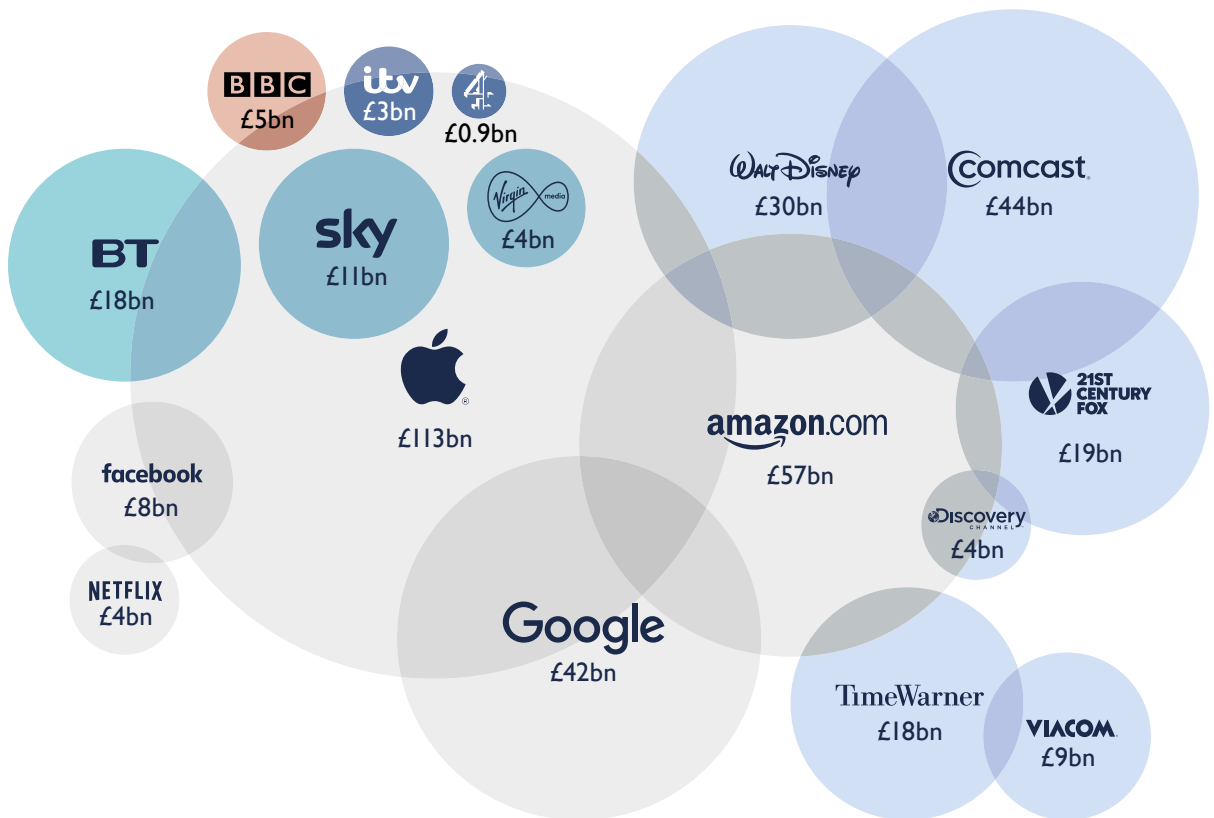
⁴⁰ Enders Analysis, July 2015, 'BBC to pay for the over-75s'

⁴¹ EBU Market Intelligence Service, 2013 (based on members' data). Figures converted to pound sterling, with annualised average rate for year ending December 2013 (ECB/OANDA). Note: TV-only in Belgium (French), France, Ireland, Italy, Norway and UK

⁴² Ofcom, August 2014, Digital Day 2014. Available at: http://stakeholders.ofcom.org.uk/binaries/research/cross-media/2014/Digital_Day_2014_Overview_of_Findings.pdf

⁴³ GfK for the BBC, Cross-Media Insight Survey, 6,000 UK adults per quarter

Global revenues for media companies⁴⁴



Although these companies compete for talent developed by the BBC with, for example, Amazon Prime having taken on the former *Top Gear* team, or Apple Radio 1's Zane Lowe and his production team, we think it is unlikely that their investment in content just for the UK will ever match that of the PSBs.

We should preserve the sources of investment in British programmes, in particular public service broadcasting.

The UK has always had the best of both worlds—a thriving domestic sector and inward investment, particularly from the US. But that has not happened by accident—it has been achieved through the careful regulation of broadcasting, combining the investment

of the licence fee, the public service content of ITV, STV, UTV, S4C, Channel 4 and Channel 5, and the complementary spending of the other channels. As a consequence, our creative industries can compare themselves to the US, despite its much bigger market. There are not many industries where the UK goes toe-to-toe with the US, but the creative industries still do.

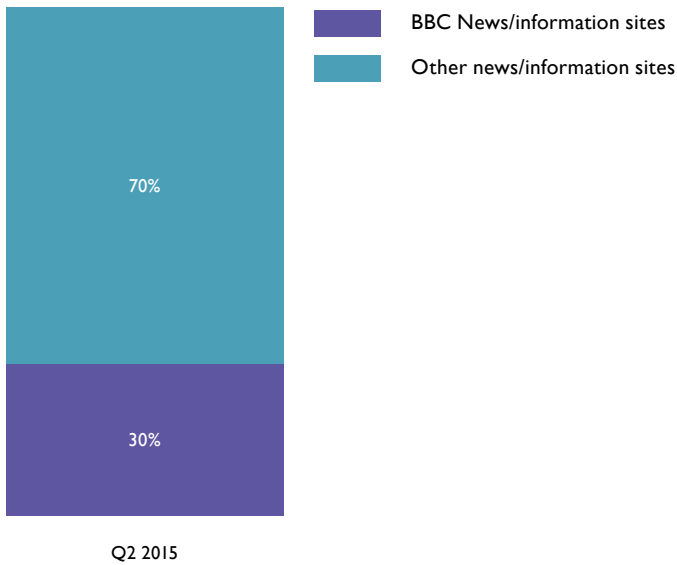
Nor is the BBC too big online. We have 3% of the online traffic in the UK.⁴⁵ Our share of online news has fallen to 30% as the market has grown. We are happy to be part of a market that means that Britain has two of the top three English-language newspaper sites in the world.⁴⁶

⁴⁴ Latest full-year revenue data taken from company reports for 2014 (Virgin Media is for 2013); figures converted to pounds sterling (XE.com, based on conversion rate at year end of reporting year)

⁴⁵ comScore MMx Multi-Platform, UK, Average Total Minutes, [P] BBC Sites, January-June 2015

⁴⁶ Source: comScore MMX, Worldwide, Desktop only, Unique Visitors, January-June 2015

Share of time spent on news/ information websites (%)⁴⁷

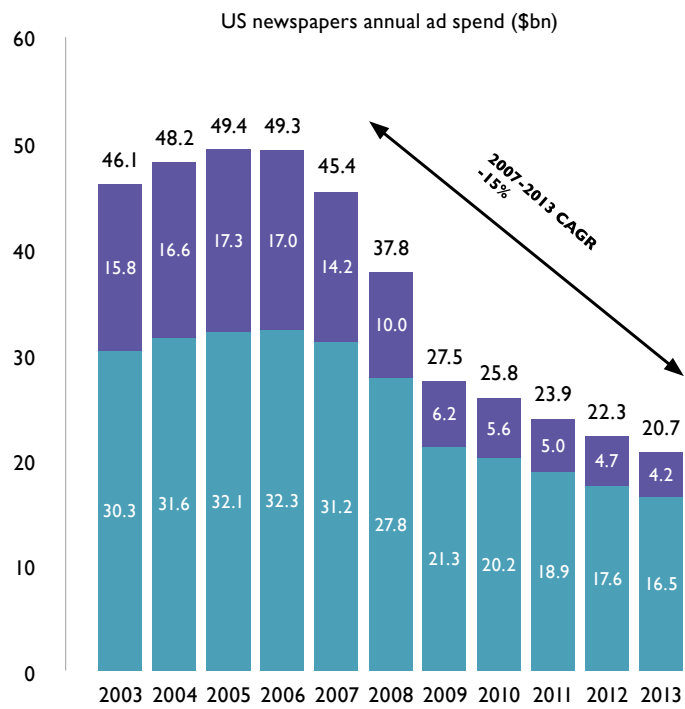
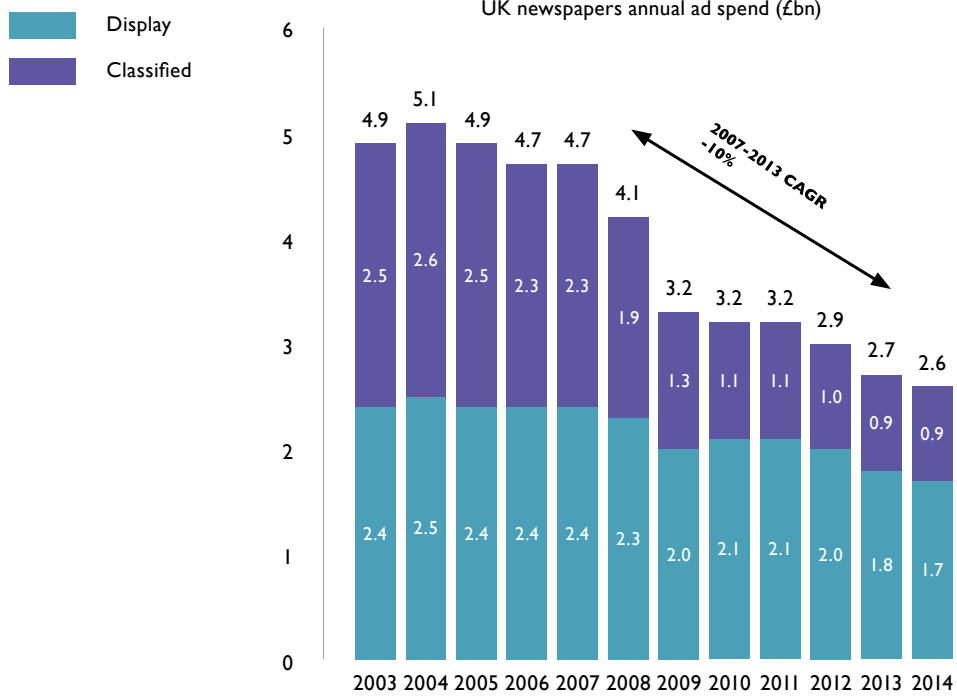


But whereas broadcast markets are growing, the traditional newspaper market is shrinking. Properly understanding what is happening here is critical. Some people suggest that the BBC has caused the decline in the newspaper industry. Yet if this were true the decline would only be taking place in Britain. Self-evidently it is not.

The decline in revenues has been much more severe in markets like the US, where there is no publicly funded news website. From 2007–2013, advertising revenues declined by 15% every year in the US. In the UK the decline was 10% a year.

⁴⁷ comScore MMX Desktop only—does not include mobile or tablet viewing, [M] BBC, Average Total Minutes, Panel only numbers based on a custom deliverable

UK and US newspapers advertising spend⁴⁸



48 Enders Analysis, July 2015, 'Public Service Broadcasting in the modern age'

If the BBC caused newspaper decline that decline might—but only might—be an argument for reducing its reach and its services. But if it did not cause it, then the BBC should certainly be seen as part of the solution—both in making sure that audience needs continue to be met, and supporting the market to make sure we do not become the only provider.

In local news, for example, on current trends the BBC could become the only traditional news provider in some areas—so to avoid that, we propose to open up our spending to support local newspapers and others. Proposals, developed with the industry, are made later in this document.

As in news, so in other areas, too. We want to open the BBC to become a resource for others, so that the investment in the licence fee is not just an investment in the BBC. The licence fee already supports a thriving independent production sector. We investigate later the way to do the same for culture and science.

There is more for the BBC to do in the next Charter.

We will respond to these needs with a simple strategy—make great programmes and modernise our services to continue to serve everyone.

Our proposals will respond to how audience behaviour is changing. They will serve audience needs better, just as the iPlayer and Sports app have in this Charter. That will not just serve young audiences—indeed it will give everyone more reason to go online, just as our innovations have done in the past. But those innovations will help renew public service broadcasting for younger generations.

But even if we do more, we will become a smaller part of the market. We will seek to maintain coverage and choice of local news. But in other markets, far from the problem being that the BBC is too big, the risk is that the whole British sector begins to look too small as our markets become global.

PART TWO: THE FUTURE OF THE BBC

An Open BBC

Our proposals to make the BBC even more creative and distinctive are just one part of a bigger strategy—one that responds to the challenges we've just outlined and will change the very nature of the organisation and the services we provide.

We are going to create an open BBC.

The BBC has not traditionally been open—whether to content made by others, or to feedback from its audience. Indeed, until the 1990s, the BBC commissioned and made all its programmes. And then they were broadcast to the nation.

Even the BBC's self-created symbolism reflected this mentality: 'broadcast' is the old word for scattering seed, and the Latin inscription above the entrance to London's Broadcasting House still reads:

"This temple of the arts and muses is dedicated to Almighty God by the first Governors in the year of our Lord 1931, John Reith being the Director-General. And they pray that the good seed sown may bring forth good harvest."

This very idea—the idea of the BBC as simply a broadcaster, one that sends information out to its audiences and does not get any back—must be revisited.

4.1 An internet-fit BBC

Technology has changed. When the BBC was founded, the limits of wireless technology meant that beyond writing to the *Radio Times*, audiences could not easily make themselves heard.

Society has changed. The BBC's creation predated universal suffrage. This was a top-down society—it was not controversial to believe that people needed to be informed, educated and entertained, rather than having any role to play themselves, or indeed to have any choice of what was broadcast.

Deference has disappeared over the decades. But even at the turn of this century the media lagged behind, still in a world of broadcast, failing to accommodate fully people's desire to choose what they consumed and failing to take advantage of the way audiences are themselves creative.

The internet has taken the brakes off. It has changed what it is possible to do.

Where broadcast had been one to everyone, today's media are one to one, one to many, many to many. Some YouTube stars like Zoella can have as many subscribers as Virgin TV. Others like Devin Super Tramp can create a high-quality natural history video that has been seen nearly 50m times.

The internet has not replaced television or radio. Radio 2 has 15m listeners a week.⁴⁹ 84% of TV viewing across all devices is still live.⁵⁰ The BBC One *10 o'clock News* reaches 15m adults a week.⁵¹ Zoella starred on *The Great British Bake Off*, even if her cake did not.

Some say that broadcasting will be replaced over the next decade. We disagree. The BBC must remain a broadcaster. In ten years, channels like BBC One or Radio 4 will still be crucial. We expect at least half of all viewing and listening will be live. The long-form, lean-back drama will be as important to our society as it has been since Sophocles. We will continue to invest in those services and make sure they are world class.

But they will have been complemented by a new set of internet-first services. The BBC will remain a broadcaster but be more than that, too.

This would not just be about distributing traditional programme types in new ways, important though that has been with the iPlayer. The medium will change the message—we would be making different types of programme and formats.

And we would be commissioning differently too, no longer treating TV, radio and online as separate sets of services, for instance, but looking across everything that we do to make the content that meets audience needs properly. Over the ten years of the next Charter, that could have profound impacts on the shape and nature of our portfolio.

There is no choice between broadcast and online, mass and personal. Success comes where shared experience meets individual involvement. Think of *Springwatch* where this year thousands of viewers tracked the arrival of spring and found that it made its way up the British Isles at a speed of 1.9 miles an hour.⁵² Or breaking news, where the smartphone now always provides the first pictures of any major story, and the evening TV bulletin the journal of record.

We want to become internet-fit to be ready for an internet-only world. Super-fast broadband and 5G will help pave the way. But, on current trends, the UK will not be internet-only in the next ten years. Some of the things we most enjoy about the broadcast world today, like big channels and huge national events, are going to become even more precious over the next decade.

But the long-term direction is clear. And to meet that challenge, the BBC needs to become internet-fit. But it needs, even more, to be Britain's creative partner.

49 RAJAR, 2014/15

50 3Reasons, HY2 2015

51 BARB, 3 min+, 16+, 2014/15

52 Woodland Trust, How fast was spring 2015? Available at www.naturescalendar.org.uk/bswresults

4.2

The BBC—Britain’s creative partner

In the next Charter, we propose to work with the widest range of partners.

We would become a platform for Britain’s institutions of ideas, our museums, theatres and festivals, our universities and research institutions. We would work better with our competitors. Local newspapers would be invited to provide BBC local services. We would open the iPlayer to other people’s programmes. We would put our technology and digital capabilities at the service of the wider industry.

To reap the benefits of this openness, the BBC would need to become a better partner.

We are often told that partnership is something we seem to do to people, rather than with them. In the next Charter, that must change, as we learn how to work in a genuinely collaborative way with like-minded institutions, with suppliers, individuals and competitors.

We can bring unique value to these partnerships. Mass audiences from day one. Personalised access. Curatorial expertise to help users find the very best content—both what they want and what they might need. Our non-commercial, trusted ethos. Long-term commitment and public accountability.

Most of all, we would give power to our audiences. We would engage them in citizen science. We would help them take up a sport or create in the arts. We would ask them to test new products. We would give them our content to share, curate and mutate. We would ask them to advise us on how we run the BBC.

This is a fundamental change of approach for the BBC.

We do not propose to change our mission of inform, educate and entertain. But we would add a silent fourth imperative—to enable, so that everyone from our licence fee payers to our competitors see us as a partner to help them achieve their goals.

4.3

Open platforms for content

So the BBC would have a new attitude—no longer closed, but open to others. But this is not just about attitude. It’s also about applying platform thinking to our online products.

At the moment, the BBC’s apps and websites still broadcast content. On our News app, reporters communicate to audiences. Bitesize tells students what they need to know. The iPlayer takes the programmes that have been on the radio or television and makes them available later on. It’s a one to everyone model.

By contrast, the internet has enabled platforms to flourish.

What do we mean by platform? We mean a place that enables multiple producers and users to interact and create value for each other. Platforms bring together content from many providers, not just one. Platforms thrive by encouraging everyone to create, share and participate.

For example, Wikipedia is better for everyone because of the staggering c787m edits from over 26m users since 2001. YouTube has created a new way for people to create, share and watch short-form video. Medium, Tumblr and Pinterest have created thriving communities writing, posting, sharing and discussing.

Platforms can be managed or open. Managed platforms are those like Hulu, the US video aggregator, that pull together content from select partners (like Fox, NBC, ABC, Disney, WWE and even the BBC). Open platforms are those like YouTube on which anyone can publish. They usually encourage and enable lots of interaction between providers and users. On these platforms providers and users can be the same person.

We propose to apply platform thinking to our online products. This is not about replicating YouTube or any other provider, or about allowing professional content to be overwhelmed by user generated content. It is about opening us up to the best quality output, from

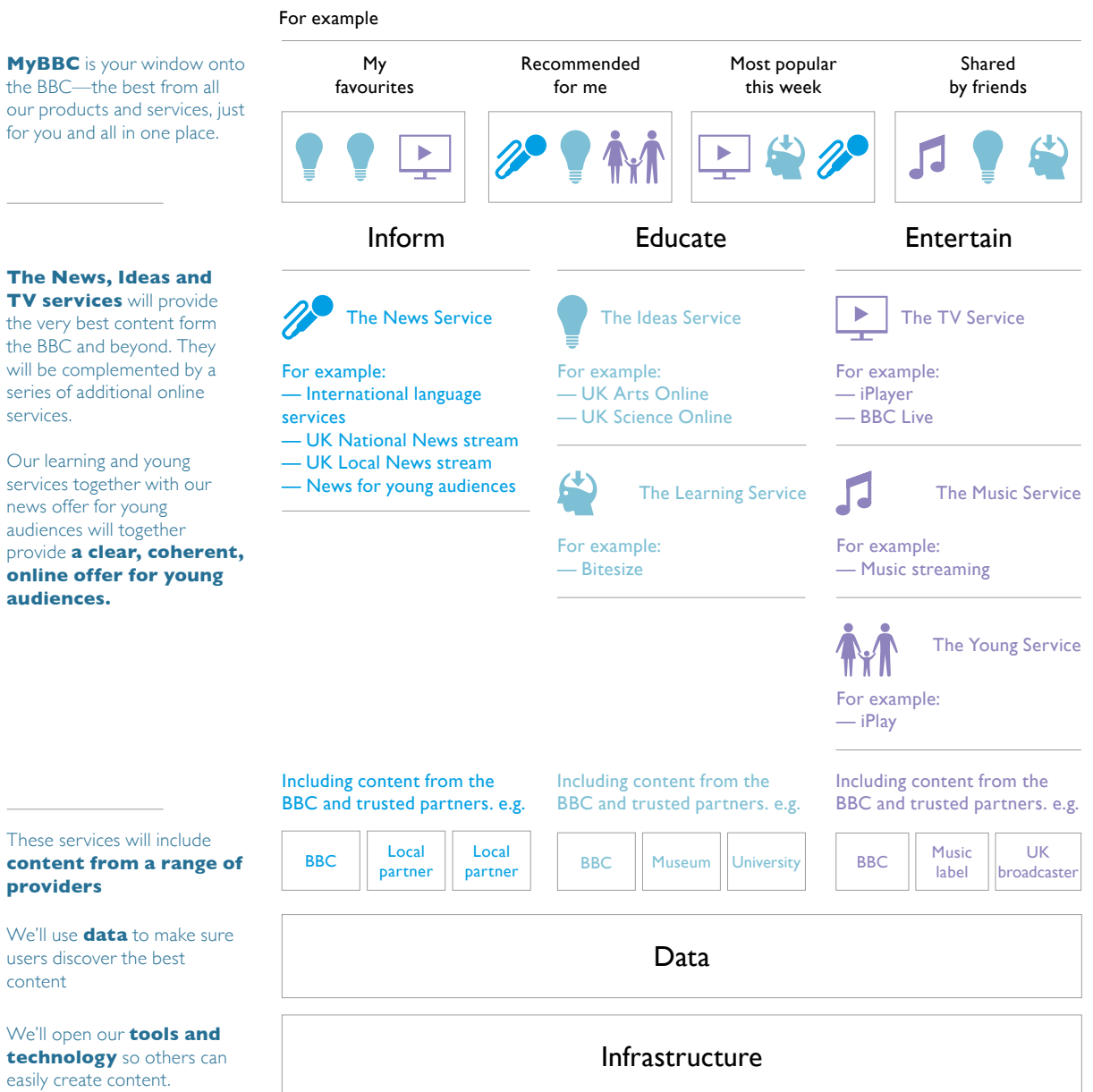
the broadest range of professional providers. And it is about seeding that output in the places where audiences will find it.

In news, for instance, audiences come to the BBC for stories they trust—so it would not be right to allow anyone to post their journalism on our site. In any case, that would just replicate what dozens of commercial sites already do. But we would open up our news platform to content from other providers—creating a fund for local newspapers and others to create content for our services and syndicating finished stories to newspaper sites.

In entertainment, we would create a managed platform. The iPlayer could offer access to content from other broadcasters or to new partners. This would be more convenient for audiences, who could

find more British programming in one place, and be able to use their data across all that expanded catalogue to find the best of those programmes just for them. The same will be true of iPlay, our proposed children’s service, where we would provide content from carefully chosen partners and give children much more scope to interact and create content.

The Ideas Service that we suggest later would curate collections of content from the BBC and others—video, text and audio. Our responsive radio proposal would provide listeners with the very best speech radio, whether from the BBC or other organisations. Our arts network would bring together the very best in arts performances from the BBC, the Tate, Opera North, the Edinburgh Festivals and many others.



How will audiences find what they need? These services would call on the BBC's role as a trusted guide as never before. We would still sift through the world's content, music, ideas to find what we think audiences want or need to know. If we think Syria is the top story of the day, it will always lead our news, but we will also be able to use data and social curation to get audiences to what they need to know.

Channel schedulers would be there to do the hard work of putting together a succession of programmes that audiences would enjoy each evening. But those will just be one of the many types of playlists that the BBC platform makes possible, matched by personalised playlists, playlists from others, playlists to understand subjects, playlists from the archive.

With so much to choose from, audiences will want to get the best for them. Personalisation—our myBBC project—will help. Audiences can sign in so that we and our partners know what they have liked in the

past, and use that information to provide bespoke recommendations of what they might try next. The potential is huge—creating news personalised to information about your health, or suggestions about what to learn, based on data individuals share with us and our partners. We already make so much content that we think audiences could enjoy. Personalisation allows us to get it to them better.

Finally, that will all feed through to the programmes that we make. We have recently introduced BBC Taster to test new services. But that will now become commonplace at the BBC, with data becoming critical to what we commission next, not replacing the judgement of our experts, writers or producers, but helping them make even better decisions.



An outward-looking BBC sharing its cultural and economic capital with the nation—in essence, a joint venture—would have appalled that absolute monarch, Lord Reith. But its time has come.

Sir Peter Bazalgette, Chair, Arts Council England

Inform

All citizens have a stake in the news. In a democracy, it is an essential public service. Government by the people cannot function without it. Every member of the public needs access to reliable information to make good decisions for themselves, their communities, their countries and their shared future.

The BBC is the most trusted source of news in this country,⁵³ the most trusted in the world. This is because BBC News stands for quality. Its greatest asset is the public's trust. And that is rooted in an uncompromising commitment to accuracy, impartiality, diversity of opinion and fair treatment of people in the news.

The BBC's most important task is to inform and explain, to contribute to a better-informed society, a more engaged citizenship and a world of greater

understanding. Our mission must be to explain the complexity of the world we live in—to report the news that matters and provide the context and analysis that makes sense of it.

The licence fee allows us to invest in the resources to do this in a unique way. The BBC reports from more countries, and to more people than any other international news broadcaster. It sustains an extensive newsgathering operation at a global, national and local level. It supports the journalistic expertise and specialisms required to help sort the truth from the noise. Across the regions and Nations of the UK, it attends to the interests of everybody, rich and poor, young and old.

⁵³ Ipsos MORI for the BBC, 1,906 UK adults 15+ who follow the news, January 2015

5.1 The BBC's role to inform in the internet age

These values are more important than ever in the internet age. The need for independent, impartial and insightful news has never been greater. There is a surfeit of data, but a shortage of understanding; more official information, but less public trust. In many countries, there is not more freedom of expression, but less. And there are growing information gaps, between the older and younger generations, between richer and poorer people, between those who are actively online and those who are not.

It is easy to find something on the internet that seems to be a fact but is not. Or something that appears to be news but is really just somebody's take on the news. There are sources of news that entertain or engage; others that take sides or push a line. There's more news, but also a lot more noise. The sheer scale of information now available makes the BBC more rather than less useful.

People say the news is in the throes of an internet revolution. In fact, it has barely begun.

Today, we still tell and share stories in much the same way that we have for decades. In the years to come, we will look back at our early forays into journalism online with the same wry nostalgia that we watch old footage of broadcasters reading the radio bulletins for the cameras in the first days of television news over 60 years ago.

The internet will transform the news in the coming decade. It will be easier to offer more people more information more quickly. If we make the most of it, it will inform and empower us more than ever before.

The BBC, therefore, is proposing an agenda of reform and renewal to fulfil the promise of the internet age.

As audience needs change, we want to be the world's most trusted and reliable provider of news on screens of all sizes.

By the time of the BBC's centenary in 2022, our ambition is to make the most of the internet alongside radio and television to increase the global audience to 500m people. In doing so, our priority will be serving people—from Russia to North Korea, North Africa to the Middle East—who so sorely need reliable information.

And we want to remain the leading provider of regional TV and local radio news across the UK, but build on this to address the growing accountability gap in the reporting of local government institutions and public services. Across the country, power is being devolved. At the same time, the numbers of reporters covering government services and public institutions has been falling. In addressing this problem, we want to work with the local and regional press that shares this responsibility. Our aim is to be part of the revival of local journalism. So, the BBC proposes to open up. It will open up its archive of video and audio news; it will make available its data journalism; and it will invite other news organisations to compete with the BBC to provide reporting of local public services.



Collecting, analysing, carefully evaluating and then disseminating information will always be an expensive business, but it's essential to a properly functioning democracy. Offhand, I can't think of a better argument for the licence fee.

John Humphrys, journalist

The BBC is at the heart of news in the UK, part of a vibrant and competitive news market. News from the BBC reaches more than 80% of all UK adults each week across television, radio and online.⁵⁴ More than half of all audiences cite the BBC as their most important news source.⁵⁵ The public actively chooses to use the BBC despite having access to more sources of news and information than ever before.

The BBC's success does not prevent people from finding and using other sources of news. Only a small proportion of people—around 16%—get their news exclusively from the BBC.⁵⁶ Ofcom has found that on average audiences use four sources of news⁵⁷ and multi-sourcing is likely to grow further as audiences move online. People go to different news sources for different things.

We remain by far the most trusted source of news in the UK. 57% of the public cite the BBC when asked to name the one source they trust most, far ahead of the next nearest (ITV on 11%).⁵⁸ The BBC news website is five times more likely to be chosen as a source to “check whether something is true” than the next closest provider⁵⁹ and is the most shared news brand in the English language on Twitter.⁶⁰

But a generational change in the way audiences consume the news is underway. TV News in the UK reached 92% of over 55s every week on average last year and this has been stable over the past decade. Amongst 16-34s, this falls to 52% every week—down from 69% in 2004.⁶¹ But young people value the choice of an impartial news provider: they just prefer to consume their news in a different way, on a smartphone rather than a smart TV.

So, with an eye both to financial reality and future need, we believe it is time to renew the offer, and in particular to change the provision of live and continuous news.

From rolling news to streaming news

While TV and radio will remain enduring platforms, mobile is rapidly catching them up as the key way to consume news. According to research for the Reuters Digital News Report, across all 12 countries surveyed 25% of online news users say their smartphone is now their main way of accessing online news. That rises to 41% for those under 35.⁶² In the past year, mobile phones outnumbered people for the first time.

Mobile provides the best opportunity to deliver a more personalised news service, and to create innovative ways of informing audiences. The news will no longer just be news stories, but also the relevant data, context and information that everyone needs, delivered to fit into their lives.

So we will make a transition from rolling news to streaming news. BBC Newstream will be a new streaming offer for mobiles. It will be a more video-based service, complemented by audio, graphics and text live from BBC News. It offers the possibility of news that is personal, portable and on-demand.

We must harness the potential of mobile platforms to explain to audiences the complexity of the world we live in by adopting a new form of journalism. This will include what has become known as ‘WDIAM journalism’ (What Does It All Mean), which helps audiences understand key terms or background to stories. With relevant personal data, mobile products can also deliver services that provide useful civic information based on where you live or your interests.

54 Kantar Media for the BBC, c12,000 UK adults, 2014/15

55 Ofcom, June 2014, News consumption in the UK: research report. Available at: http://stakeholders.ofcom.gov.uk/binaries/research/tv-research/news/2014/Ofcom_News_Report_2014_slides.pdf

56 Ibid.

57 Ibid.

58 Ipsos MORI for the BBC, 1,906 UK adults 15+ who follow the news, January 2015

59 Populus, UK adults 18+, June 2014. “Please indicate which ONE site/ app you would go to for the following tasks”/“When I want to check whether something I’ve heard is true”

60 <http://blog.newswhip.com/index.php/2015/08/the-biggest-twitter-publishers-of-july-2015/#Silf85cWq0iazlyls97>

61 BARB, 16+, 3 min reach, 2004 and 2014, BARB genres: ‘News: National/International’ and ‘News: Miscellaneous’

62 Reuters Digital News Report, June 2015. Available at <http://www.digitalnewsreport.org>

We believe that news really matters to people where they live and work. The BBC's biggest TV audiences for news are for our evening regional bulletins. As power is devolved, there is even more need now for reporting about public institutions and services across the UK.

But the growth of online news has had a very direct impact on the newspaper industry in all Western countries, and on local newspapers in particular.

The BBC is not responsible for these structural changes. The BBC does not compete for advertising in these sectors. And similar trends have been seen in markets around the world where there is no equivalent public service news provider. But the combination of a decline in the number of reporters working in local newspapers and the regional press means there is a growing likelihood that people in power are less—and feel themselves to be less—accountable for local decisions. This is not good for our democracy, our government institutions and our citizens.

The BBC wants to be part of the answer to this challenge—but only a part of it. In partnership with some leading local and regional news organisations, we are submitting the following proposals for discussion, shaping and consultation.

Local Accountability Reporting Service

Under this proposal, the BBC would allocate licence fee funding to invest in a service that reports on councils, courts and public services in towns and cities across the UK. The aim is to put in place a network of 100 public service reporters across the country. Reporting would be available to the BBC but also, critically, to all reputable news organisations. In addition, while it would have to be impartial and would be run by the BBC, any news organisation—news agency, independent news provider, local paper as well as the BBC itself—could compete to win the contract to provide the reporting team for each area.

A shared data journalism centre

Recent years have seen an explosion in data journalism. New stories are being found daily in government data, corporate data, data obtained under the Freedom of Information Act and increasing volumes of aggregated personalised data. This data

offers new means of sourcing stories and of holding public services, politicians and powerful organisations to account.

We propose to create a new hub for data journalism, which serves both the BBC and makes available data analysis for news organisations across the UK. It will look to partner a university in the UK, as the BBC seeks to build a world-class data journalism facility that informs local, national and global news coverage.

A News Bank to syndicate content

The BBC will make available its regional video and local audio pieces for immediate use on the internet services of local and regional news organisations across the UK.

Video can be time-consuming and resource-intensive to produce. The News Bank would make available all pieces of BBC video content produced by the BBC's regional and local news teams to other media providers. Subject to rights and further discussion with the industry we would also look to share longer versions of content not broadcast, such as sports interviews and press conferences.

Content would be easily searchable by other news organisations, making relevant material available to be downloaded or delivered by the outlets themselves, or for them to simply embed within their own websites. Sharing of content would ensure licence fee payers get maximum value from their investment in local journalism, but it would also provide additional content to allow news organisations to strengthen their offer to audiences without additional costs. We would also continue to enhance linking out from BBC Online, building on the work of Local Live.

Reflecting local culture

We are developing a partnership with Arts Council England to ensure greater reflection of the cultural life of the country across the BBC on regional TV, local radio and UK-wide online. In each English region we will introduce local arts producers to work with organisations such as local libraries or theatres to amplify the area's arts and culture and deliver a new local radio arts strand. We want BBC local radio to broaden its agenda to find new ways to reflect the cultural richness of their patch.



At a time when more power is being devolved to the regions, it is even more important that there is a long-term commitment to media coverage of democratic institutions to ensure full accountability. The BBC's financial contribution to this local democratic process and the evolution of the UK news market, through assigning a proportion of its news budget to independent local news provision, would be a significant enhancement to its public service remit and we welcome the BBC's constructive thinking in this regard.

David Montgomery, CEO Local World

Strengthening our news in Scotland, Wales and Northern Ireland

As the pace of devolution quickens—and as the UK changes more quickly than in recent history—we will need to adapt our services to ensure they fully reflect and report the increasingly divergent politics of the UK. The BBC, in principle, should neither lead nor lag behind constitutional changes in the United Kingdom. Our priority is to ensure we arm citizens in all four Nations of the UK with the information they need to make sense of their world and help hold those in power to account.

In a more devolved UK, news in some parts of the country simply does not apply in others. The politics and economics of the country is becoming more varied, the business of reporting it more complicated.

The BBC has a responsibility to ensure it is informing the audience in the most effective and relevant way. We believe the time has come for us to strike a better balance between the delivery of pan-UK news and news tailored to the distinctive needs and agenda of the devolved Nations of the UK.

As a start, we will deliver a different BBC News homepage in each Nation. We will personalise our news services to reflect personal passions and interests in every part of the UK.

But we may need to go further. We want to consult audiences across the country on whether we currently have the right balance between UK-wide and Nations news bulletins on television. Our News services today are very popular and widely used by audiences, including the much-debated BBC Six o'clock News.

But after devolution, the Scottish referendum and in a world where large aspects of public policy are devolved in the Nations, there is now a much stronger case for providing a different balance in how we serve audiences with the most relevant BBC News and current affairs. We look forward to exploring the various options with our partners, stakeholders, audiences and National Governments through the process of Charter Review.

The internet is shrinking the globe, and the impact of the rest of the world on the UK is growing.

Things happening elsewhere in the world are now happening everywhere in the world. From the healthcare industry to the energy market, religious extremism to cybercrime, global developments are making a bigger and bigger impact on the UK.

In many parts of the world the media is less free than it was ten years ago, most obviously in Russia, but also in places like Turkey or Thailand. There has also been the growth of big state-sponsored news organisations and from news aggregated by digital platforms. Al Jazeera, China Central Television (CCTV) and Russia Today can command vast resources.

The service offered by these organisations can be of high quality, but reflects a particular world-view and the agenda of its backers.

As the UK's stake in what happens elsewhere in the world increases, and with the possibility of state services from less free countries dominating global debate and news provision, the value to democracy and liberty of the BBC's global reach is higher than ever.

To that end we propose to invest in our global news services.

The world's best-known and most respected voice in international news

The BBC World Service is the UK's most important cultural export. It inspires and illuminates the lives of millions around the world, helping them make sense of the world they live in. It is one of the UK's best sources of cultural influence. We want to invest in it so it can respond properly to a changing world and we will discuss with Government their potential interest in investing more in the World Service from outside the licence fee.

We would propose to invest in the following areas:

- A bigger digital presence in Russian through a new digital service on platforms such as YouTube and the Russian equivalent Rutube, together with TV bulletins for neighbouring states. We would also start a feasibility study for a satellite TV channel for Russia
- A daily news programme, seven days a week, for North Korea, initially delivered through Short Wave, and news for Ethiopia and Eritrea on Medium Wave and Short Wave

- New or extended digital and mobile offers in India and Nigeria
- More regionalised content on the BBC Arabic Service to better serve audiences across the region, and target new audiences, with increased coverage of North Africa and the Gulf.

Building the best English-language digital news service in the world

If Britain is to have a voice in the world, then the BBC has a crucial role in making sure that voice is heard.

English is a global language. The world trusts the BBC. Britain should take advantage. To stay a leading global provider of news and information, we must extend our reach to 500 million users by 2022. This number would mean we could compete in impact with the leading global media companies.

However, there are limits to how much British households can be expected to fund news for others around the world to consume, despite the benefits. Our online news around the world and the television service BBC World News—also run by the World Service Group—are already commercially funded. So our ambitions must be commercially self-sufficient. We would aim for any increase in public funding for the World Service to be matched by external income for our other global news services over the Charter.

This means commercial ambition; seeking revenue from audiences outside the UK; and being open to funding from governments and civil society. The World Service Group already exploits commercial opportunities in television, online and, in a small way, radio. Through BBC Monitoring and BBC Media Action, it also relies on government contracts, commercial income and donations. We would need to increase revenue from all such sources.

To do that, bbc.com will have to experiment, exploring new advertising deals, subscription services, live events, syndication packages and commercial opportunities across all platforms and languages.

The proposition, though, is simple: access for advertisers to a global audience; and a product for consumers that is the most trusted and reliable news service in the world—ranging from the strongest reporting of world affairs to accessible analysis of business and the economy to new forums for opinions and ideas.



The BBC is the best export of Britain to the world

Malala Yousafzai, Recipient, Nobel Peace Prize 2014

5.5 An internet-fit, open BBC News

The BBC's most important task is to inform. This is a programme of reform to ensure it does that better than ever before.

Our Newstream service should help us reach younger audiences—thanks to the proposals in this document, we predict that the reach of BBC News would remain at 80% every week and that audiences would be engaging meaningfully with a broad range of news.

We would open up our services to local news partners and arts organisations. Thanks to our joint

efforts, every part of the country would be guaranteed coverage of their local democracy and society.

Through these proposals, we would reinvent BBC News, making our values work in the internet age. We would be a trusted guide through the blizzard of information, helping to sort information from misinformation. And we would do that for everyone.

Educate

How does one find a supernova?

Take 40,000 volunteers. Add the SkyMapper telescope. And go on a five-day hunt for unidentified celestial objects. This year, *Stargazing Live*'s volunteers made almost two million classifications of heavenly bodies, including five sought-after supernovae, the extremely bright exploding stars that provide vital clues on the history and future of the universe.

Five supernovae. 40,000 citizen scientists. Two million stars. Five million viewers. A chain reaction of learning.

Only the BBC can do that. And in the next Charter we want to do much, much more, helping make Britain the most knowledgeable nation in the world and showcasing the UK's cultural and intellectual institutions around the globe.

6.1 The BBC's role to educate in the internet age

Whether in arts, history, natural history, philosophy or science, the UK is among the best places on earth for ingenuity and knowledge.

UK talent is universally famous. This country is home to some of the finest cultural, education and research institutions. And the UK has a national public service broadcaster that, through its expertise and the millions of people it reaches daily, has played no small part in stoking and supporting that enthusiasm over the past 90 years.

But there are challenges too.

Organisations are often working in isolation from one another. Access is far from universal⁶³. Digital technology, while offering dizzying opportunities, is in danger of dividing the haves from the have-nots. And it can be hard to know what matters and what is true.

The question for the BBC, and the wider sector too, has long been the same: how do we collaborate better, to make the most of our resources, for the benefit of all?

Through widespread discussion, a new proposal has emerged: the creation of a national partnership that through its technical expertise, its local and global infrastructure, and its audience reach, becomes a platform for collaboration in science, engineering, history, the arts and culture, and other disciplines this country excels in.

A strong example of what an open BBC can be.

6.2 The Ideas Service

In the 20th century, Britain created the World Service, a democratic gift to the world. In this century, building on the wealth of British knowledge and culture, we should offer the world another gift of similar value: the Ideas Service.

So what is the Ideas Service?

It would bring together what the BBC does across arts, culture, science, history and ideas and add to it work done by many of this country's most respected arts, culture and intellectual institutions. It would also make the most of the BBC's rich archive heritage—from speech radio to our television collections—and open it up for others.

For curious audiences around the world, the BBC would create and manage an online platform that, working with partners, would provide the gold standard in accuracy, breadth, depth, debate and revelation. It would offer audiences the thrill of discovery and the reassurance of reliability.

It would draw together online all the things we already do that we know the audience love and cherish: for

instance, from Radio 4, BBC Four, BBC Two, Radio 3, our services in the Nations, iWonder and BBC Learning among many others. All of these have been playing their individual parts as broadcast and digital content-providers—but until now we have not effectively brought them together to become more than the sum of their parts. This is the opportunity—in tandem with our partners.

Central to the Ideas Service will be strong curation, through a combination of editorial, algorithmic and social methods. To reinforce that, the Service would have its own commissioning budget to initiate and commission content across television, radio and online to create most impact for audiences.

The Ideas Service would cross genres, but not mix them all up. There would be parts of the service dedicated just to the arts or to science, as we illustrate below. But much of the joy would come from discovery and serendipity where, say, art meets medical science or where history meets theatrical performance.

⁶³ As a Warwick Commission report in spring 2015 revealed, this is particularly pronounced in the arts where 'the wealthiest, better educated and least ethnically diverse 8% of the population forms the most culturally active segment of all'

The Ideas Service would work across broadcast and online. We already do that for anniversaries such as World War One or Shakespeare—using the power of television and radio to bring audiences to an important cultural or historical subject, but then using online to help them explore in greater depth, participate and learn. We will now plan to use that power throughout the year.

Users would be asked to sign in to the service so that we could personalise content to what they were interested in. We would use that data to introduce them to new subjects and important questions. We would give the content to them to play with—whether to make their own playlists, or to take to a completely different environment

For partners, the BBC would provide the underlying infrastructure, access to archive, supporting commissioning for large initiatives and creative and technical expertise where required. We would make it easy for partners to contribute to the Ideas Service. In this way it would act as a bridge between institutions and link them to an even wider public.

This online platform would be a destination in its own right, where audiences go to find out what's new or to deepen their understanding of a topic. But we expect that would only be a minor part of how it is consumed. Mostly, people would find its content through a variety of other routes—from search queries to on location in a museum, from a GCSE reading list to a programme on BBC One or Radio 1.

The Ideas Service would obviously attempt to have good reach and audience appreciation but it would judge itself on other metrics too. We want it to bring the finest intellectual and cultural institutions—and individuals—from every corner of the country to a much wider audience in the UK and globally. We want it to inspire new generations in their curiosity and ambition.

We are extremely ambitious for this new service. Today, it is, perhaps, more concept than product, with some initial steps, projects and partners to give it reality. But the enthusiasm of our partners and our own track record of internet innovation gives us confidence that there is a great opportunity here.



Britain is ready to lead the world in knowledge. Our public institutions, from museums to universities, are home to world-leading thinkers and researchers, and our cities and industries are driven by great entrepreneurs. These are priceless resources, holding the keys to economic growth and inspiring the next generation of scientists, artists, industrialists and engineers. They all have stories to tell. The BBC is uniquely placed to make those stories available to everyone. Why? Because the BBC is an institution whose primary goal is to make Britain a better place, with direct access to the entire population of the UK, young and old. It is trusted, and has a unique creative skills base—nobody is better at communicating ideas

Professor Brian Cox, The University of Manchester

The Ideas Service will be a home for the arts.

The Ideas Service would, through a new UK Arts platform, bring Britain's world-class arts organisations—from the internationally recognised brands like the BBC itself, the Tate, the Edinburgh Festivals, Whitworth, the Royal Court, the British Museum and the Royal Shakespeare Company to those who champion excellence and innovation inside the UK like Slung Low, Tramway, Liverpool Biennial and Manchester's Contact Theatre—together in a digital, global, one-stop-shop for the very best of British culture.

UK Arts would enable the sector to become far more than the sum of its parts and, through the sheer power of the brands involved and the support of broadcast, engage millions.

It would be curated, focusing content around the big event of the moment—from Shakespeare 2016 to Hull, the UK's City of Culture in 2017. Using the latest technology, audiences will be able to participate and play with content, whether re-editing archive, remixing museum collections, or watching great performances as they choose.

Importantly, UK Arts is not the final destination for content, which will travel as far as it can through social media and other distribution platforms like YouTube,

not to mention individual organisations' home sites. But it is where the story comes together, providing the framework for day-to-day editorial collaboration and technology sharing.

The power of the big brands will be crucial. But so will discovering and nurturing new talent. It will be here that the Darcey Bussells, Kate Tempests and Chiwetel Ejiofor of tomorrow could find their first exposure to a wider public.

For the first time, partners will have a stake in the BBC's wider arts output, able to collaborate in devising broadcast seasons that complement or influence their own forward plans, bringing the whole sector together in new national moments that can reach the broadest audiences.

Earlier this year, Martha Lane Fox set up the DOT EVERYONE movement and outlined a simple vision: to make the UK brilliant at the internet. The BBC will work with DOT EVERYONE and we hope the Ideas Service will be an important way of helping arts and culture organisations make the most of the internet to reach new audiences, explore new online formats and become global leaders.



This partnership will give audiences, people in this country and an international audience, an unprecedented opportunity to see work by major companies, by emerging companies, and by young artists. It's a great platform to show what's vital, exciting and special about what's happening in the United Kingdom today

Sir Nicholas Serota, Director, Tate

Another starting-point for the Ideas Service is UK Science—a new, open platform that links universities, museums, schools, the learned societies and the wider science and engineering communities. We're developing this with The Royal Society, The Science Museum Group, The Natural History Museum, The Royal Institution, The Wellcome Trust, The British Science Association, The British Library, The British Academy, Universities UK, The Royal Academy of Engineering, the Eden Project, The Academy of Medical Sciences, The Royal Botanic Gardens, Kew and many others across the country.

Science plays an essential role in our economy, our culture and our democracy. And the BBC is uniquely placed to bring together a new kind of partnership with the sector to inform, educate, entertain—and enable. To provide unparalleled access to the wealth of scientific research and resources across the country, expand on the science of everyday life, and inspire future generations of scientists and engineers.

Working with partners, we are planning the largest public scientific engagement campaign in British history. It is an idea that will help make the UK the world's leading knowledge economy, and the best place in the world to do science.

We will begin in September 2016 with a major cross-institutional campaign around 100 great questions in science—science that matters to everyone. Some questions will be inspirational; others will be central to the national debate and policy challenges the country faces.

The breadth of the campaign will allow engagement at all levels of expertise—from primary school students to post-doctoral researchers and professors. And we will be engaging millions more citizen scientists to help set the questions—and to discover the answers.

As part of this we will build a new online platform that links partners—locally and nationally. It will provide new experiences and new content for everyone, as well as opening up the archive and curating the assets of all partners. There will be multiple entry points and serendipitous interactions to deliver a new kind of engagement that will enrich our democracy, drive our economy, and provide enjoyment and wonder to all.

The platform would, for instance, use precise geo-locating technologies in order to provide access to content that is close to audiences—creating a new dynamic between the public and public spaces like the beaches of the Jurassic Coast and Rutherford's laboratory at The University of Manchester, which is passed by thousands of people a day, unaware that the atomic nucleus was discovered just a stone's throw away.



This is a golden opportunity. A New Age of Wonder will deliver a step change in public engagement, public participation and public celebration of science. We have a national public service broadcaster with the expertise and audience reach to deliver unprecedented access to everyone

Sir Paul Nurse, President of the Royal Society

Arts and science are two examples of what the Ideas Service can do. But the Ideas Service will not be limited to traditional subjects or genres. That's not how audiences think or how services like Radio 4 work.

Where Google's mission is to organise the world's information, ours would be to help everyone understand it. We will work with anyone who can help us all understand the world. Over time, we would build up content on the big questions that humans have cared about, and our trusted guides would make it easy for us all to find what we needed to know. We will offer people new ways to participate, engage and learn, and with our partners help ensure Britain continues to be a world leader in arts, culture, science and ideas.

6.5

iPlay

Education, of course, is not just for adults.

The experience of childhood is changing, and changing rapidly. Social, economic and technological changes are altering it. So the BBC has to respond.

The BBC has a proud record in children's media.

We will remain committed to informing, educating and entertaining all UK children. We will maintain our role as the provider of world-class, UK-produced, content for children, complementing their consumption of the high-quality international content they increasingly enjoy and supporting this vital part of the UK's creative economy.

To that end, we would make the full range of BBC content for this audience available through a single online platform called iPlay, designed around the needs of children, their parents and carers. It would deliver tailored, age-appropriate material that changes and develops from childhood through adolescence

and into the first stages of adulthood. It would feature a wide range of content forms, from long-form video to interactive formats, most of it commissioned specifically for the children's audience from in-house and external teams, but also including appropriate content from across the whole BBC. It would be a window giving access to the full breadth of BBC's knowledge, information and content allowing children and young people to search safely and learn from all the BBC's resources with the widest range of age-appropriate material in one place.

iPlay would have learning and making at its core—encouraging children to be active creators, not just passive consumers.

Children grow up at different rates, and iPlay would allow them to move at their own pace. Instead of corralling all children into two categories, the audience of CBeebies and of CBBC, they would now each have their individual collection of programmes and content, based on their age and consumption.

iPlay would be free from any commercial influence and therefore peer-power. It would let children interact with others in an environment safe from the threats in the wider internet and to express their creativity in ways that the Blue Peter viewer of 20 years ago could never have imagined. We would help children explore and develop their innate creativity by providing a set of tools that can be used for a wide range of projects—storytelling, pictures, animations, music, language, blogs, vlogs and podcasts, coding, app development, 3D printing and much more.

This new online environment would help children to explore, create, connect, share and learn. It would bring together all of the BBC's content for children in one place and it would include content which appeals to children from trusted partners, too. It would be an

interactive service where children help shape the output and contribute their own ideas, developing digital and creative skills in the process.

We want to make new types of programmes for young adults, too. We will make a start with the new BBC Three. As it will not be a broadcast channel, it will not have to consist only of half-hour and hour-long programmes. We have set up a team in Birmingham to explore what could work best. But we are interested in going further, and stimulating the production market outside London. We would be interested in receiving proposals from cities or regions who would like to set up a centre of excellence for experimental online content. If there is enough interest, we would run a competition to decide the location, and what support the BBC could promise.

6.6 Curriculum support across the UK

The BBC also has a role in supporting more formal education—with learner guides and curriculum resources, which are extremely popular and highly used. We bring these together under our Bitesize banner, which is used by over 80% of all secondary school students every year to support their formal education.

Across the UK the school curriculum is devolved, and is increasingly different. Our plan is to develop curriculum resources for each Nation, ensuring that

our offer for students in Scotland, Wales and Northern Ireland is as comprehensive as it is in England. In Wales we will also provide Welsh-language content.

In this area we recognise that we have to develop our material with appropriate regard for our impact on commercial providers, and we will. We also believe that as a UK-wide provider of services we need to ensure that our service in this area is consistent across the four Nations of the UK.



The BBC is part of everyone's childhood in this country, from much-loved programmes to being a trusted source of information, helping children and young people learn and discover. This is very positive to see the BBC evolving to enrich education and entertainment for a digitally engaged young audience for now and in the future

Anne Longfield, Children's Commissioner for England

Through these proposals, we would reinvent how we deliver the BBC's mission in education.

We would create two new services—iPlay for children and the Ideas Service for everyone. We would be open—working with the greatest cultural, educational and intellectual institutions in the country. And we would give power to our audiences, whether encouraging young people to play and be creative, or their parents to do the same.

People often think that John Reith invented the triad of 'inform, educate, entertain'. But the credit should go to David Sarnoff, the founder of American commercial radio, who wrote that its function was "entertaining, informing and educating the nation." Reith can take credit only for re-ordering the three and, characteristically, turning them into imperatives.

Reith's instinct to move entertainment to third place was the start of a long and tortuous relationship between the BBC and its most popular genres.

A reader's letter in the very first issue of the *Radio Times* in 1923 set the tone for the debates that have lasted ever since:

"Frankly, it seems to me that the BBC are mainly catering for the listeners who... pretend to appreciate only and understand only highbrow music and educational and 'sob' stuff. Surely, like a theatre manager, they must put up programmes which will appeal to the majority and must remember that it is the latter that provide the main bulk of their income."

The balance between reaching everyone and being distinctive has continued in theory ever since, but was resolved very early in practice. As Huw Wheldon said, "The BBC's core duty [is] to entertain the public, for the simple reason that unless listeners and viewers found a programme agreeable they wouldn't stay with it long enough to be educated or informed."

Entertaining the nation is and will continue to be inseparable from the BBC's mission. Drama is how we tell our national story. Comedy explores our most uncomfortable questions. Entertainment brings us together and provides huge enjoyment.

But it is in these areas that the market is changing most. Something remarkable is happening. British content is more popular globally than ever. In drama and entertainment, programmes and formats developed in the UK are travelling around the world as never before.

At the same time, US programmes in similar genres are more accessible than ever, through Sky, Netflix, Amazon and others. British talent, actors, directors and writers now find themselves at the heart of a

global industry. And the global success of British drama and entertainment is a catalyst to the wider creative industries.

So how should the BBC's role evolve in the internet age?

We should start with drama. For many audiences it is the most important and most valued thing they expect from the BBC. However, audiences' expectations of quality are getting higher and higher as the market for premium scripted television becomes global.

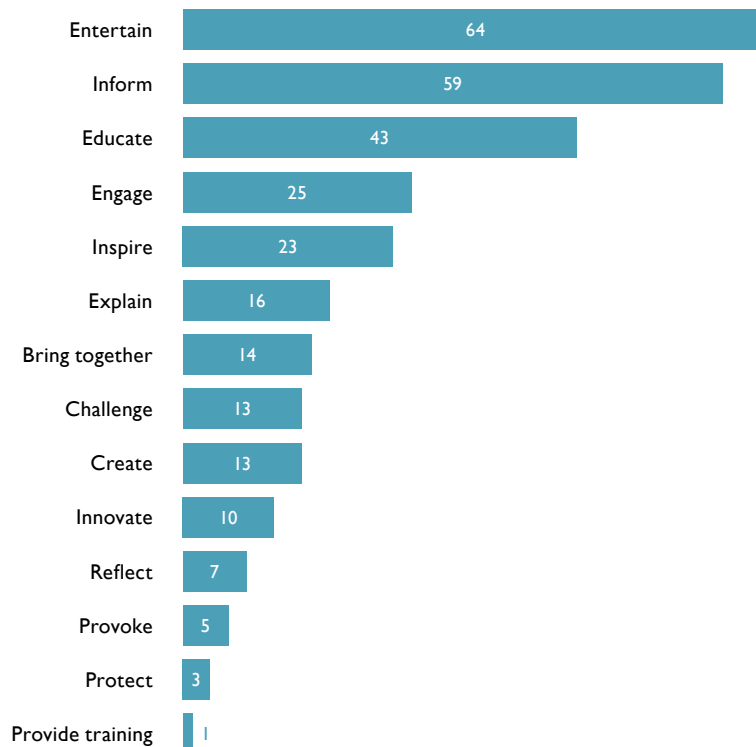
We will make some of the best drama in the world. We will support British writers and directors. We will look for modern stories, originality and diversity. But we will also broaden our drama offer, scaling up the creative ambition of what we do best and competing for quality globally. We will try new approaches to contemporary drama and with imaginative, high-concept series that can appeal to younger audiences and provide new opportunities for the UK drama industry.

But what about entertainment itself? Should the BBC provide as much as it does today?

7.1 The BBC's role in entertainment

When audiences are asked what they want from the BBC, they put entertainment right at the top. Over 80% of the public support the Reithian mission. Indeed, 'entertain' is rated highest of all when people are given a list of words associated with the BBC.

Audience views of what the BBC's mission should be (%)⁶⁴



Our audiences love our entertainment. *Strictly Come Dancing* and *The Voice UK* are two of the UK's best-loved programmes, with average audiences of between eight and ten million viewers.⁶⁵ They appeal across all age groups and demographics, and provide great value for money. The 2% of the licence fee that we spend on TV entertainment becomes 4% of all the time that audiences spend with the BBC.⁶⁶

We do entertainment in a distinctive, BBC, way. In our choice of presenters, judges and competitors, we reflect the full range and diversity of the UK. We aim at all times to respect and treat with dignity those who are competing on our programmes. Audiences to BBC entertainment programmes have high expectations that they will 'learn something new' from

what they are watching, and give BBC One a much higher score on this metric than ITV.⁶⁷

BBC entertainment has been an important part of the sector. Together with ITV and Channel 4, we raise the bar for quality and innovation. Rather than BBC competition having harmed others, ITV's weekend evening entertainment programming has flourished over the past decade.

Competition for quality works. And one of the clearest symptoms of that is the free flow of talent. Throughout our history, we have trained entertainment talent that has gone on to other broadcasters, and benefited the whole sector.

64 ICM Unlimited for the BBC, 2,111 UK adults (online), November/December 2014. Here are some words that other people have used to describe what they feel the BBC should do. Please drop and drag up to three words that you think most apply?

65 BARB, latest series *Strictly Come Dancing* 2014, *The Voice UK* 2015

66 BBC analysis

67 GfK for the BBC, Pulse panel, Saturday 1800–2229, 2014/15



Morecambe and Wise made a high-profile switch from BBC One to ITV in 1978

Sir Bruce Forsyth went from *The Generation Game* on BBC One to ITV and programmes such as *Play Your Cards Right* and *The Price Is Right*



Ant & Dec were first on primetime with BBC One's *Friends Like These* before moving to primetime on ITV and shows such as *Pop Idol*, *Britain's Got Talent* and *I'm a Celebrity...Get Me Out Of Here!*

Alesha Dixon went from competing in and judging *Strictly Come Dancing* to being a judge on *Britain's Got Talent*



James Corden co-wrote and starred in *Gavin & Stacey* on BBC Three and co-presented *Sport Relief 2010* and now hosts *The Late Late Show with James Corden* on CBS

The BBC should always make entertainment, though less of it than commercial networks.

But we want the next global entertainment format to be created in Britain. The licence fee gives us the freedom to experiment. BBC One gives us the platform to test those new ideas.

So, we will be working with British independent producers and setting up our own BBC Studios —at the heart of the BBC—to find the next success stories.

BBC Studios will have the values and quality of the BBC. It will have a mission to inspire audiences at home and around the world with bold British creativity. It will find and nurture the next generation of British on-screen and back-stage talent. It will delight in range and specialism, making the full range of genres and not just those with the most commercial appeal. It will ensure the full value of BBC-made content is returned to the licence fee payer. We will set out our detailed plans for BBC Studios later in September and consult stakeholders.

Drama, entertainment and comedy remain relaxed, lean-back experiences. The internet has only made marginal changes to the type of drama we consume—the length of episodes now suit the story, rather than the conventions of the fixed TV schedule, but apart from that the form has not changed much.

But the internet has already transformed how drama and other long-form video are distributed, driven in part by BBC iPlayer. Digital distribution of drama and comedy has seen the rise of a new group of commissioners and distributors. It has encouraged all the UK broadcasters to think more strategically about their on-demand offers and the importance of premium content.

The BBC wants to explore new potential opportunities to aggregate UK original content, to help audiences and industry alike. The aim would be simple—to increase the traffic to, and investment in, UK original content.

Our ambition is for a video service open to other UK content commissioners that gives all partners critical mass and ensures that deals with global players are not the only way for UK producers and broadcasters to reach audiences. At its heart would be a free offer, with BBC content funded from the licence fee and commercial content through other business models. We would also aim to make it possible to buy and keep programmes, as we are doing with BBC Store. One possible route is to use the iPlayer, leveraging its brand, technology and reach, but there are other possible solutions, any of which we would need to discuss and agree with partners.

We want to create a platform for Britain's creativity, and an even better experience for UK audiences. These ideas are at a very early stage and we would want to discuss them with others.

While we know that audiences across the UK love and admire the BBC's drama, comedy and documentaries, they also tell us clearly they think we need to do more to capture the distinctive stories of our four Nations.

So we are setting ourselves a clear creative challenge: to adapt the BBC to a changing UK. In the coming years we want to tell new and different stories. We want to find new storytellers in every part of the UK—people who live and breathe the changing landscape. And we want to tell these new stories in new ways and in new places, because technology and markets are changing.

We start from a position of strength. In each Nation of the UK 95% of adults consume the BBC each week.⁶⁸ And in this Charter period there have been notable successes in terms of BBC performance in the Nations. For example, increases in BBC TV share in Wales, Northern Ireland and Scotland means that the BBC is moving closer to serving all Nations more equally on TV.⁶⁹

The fact that further change may now be required should not mask this progress.

In Northern Ireland, for example, the contrast between network and local performance is striking. While BBC network services there continue to underperform against the UK average, BBC Radio Ulster and Radio Foyle deliver enormous weekly reach.⁷⁰

In Scotland, time spent with BBC services has been more stable than the UK average.⁷¹ However, there is clearly a growing demand for programming that better serves the distinctive needs of Scotland and reflects Scottish life.⁷²

In Wales, BBC network services continue to perform strongly but the provision of local English-language programming across the BBC and ITV has declined at a faster rate than in any other nation.

We believe that the supply of BBC and commercially funded programming in each of the Nations needs addressing.

Firstly, we will improve how we portray and represent the different Nations of the UK on our pan-UK network services.

Secondly, we will strengthen the services for each Nation. We propose to create an interactive digital service for each of the Nations of the UK. By creating curated 'channels' on our existing digital services—such as iPlayer—we will be able to deliver a unique offer, allowing the BBC to showcase existing content as well as new digital-first content, from ourselves and from a greater range of partners.

But significant new investment in a broader range of programming, such as drama, comedy and entertainment, cannot be delivered within the current Budget agreement with the Government. As we outline in the next chapter, funding these ambitions would require additional income.

Indigenous language services

The BBC is fully committed to broadcasting and providing services in the UK's indigenous minority languages. The programmes and services we currently provide—through our own services and in conjunction with our partners—are a vital part of the BBC's role. We will continue to support and work closely with our key strategic partners, including S4C, MG ALBA and NI Screen.

In response to the growing audience challenges faced by these services, we want to work closely with our partners to move faster online to reach younger, digital audiences with content that is relevant to their lives. We will use—and share—myBBC technologies to enable more personalised services that can better reflect differing passions and levels of fluency.

68 Cross-Media Insight Survey by GfK, average weekly reach, 2014: Wales 97%, Northern Ireland 95%, Scotland 95%, UK 97%

69 BARB, 2010/11–2014/15

70 RAJAR, 2014/15

71 BARB, 4+, Scotland and UK, average weekly BBC time per head, 2010/11–2014/15; RAJAR, 15+, Scotland and UK average, average weekly BBC time per head, 2007/08–2014/15

72 Purpose Remit Survey by NatCen Social Research for the BBC Trust, Wales 364, Scotland 359, Northern Ireland 358, England 1,217, autumn 2014

7.4 The next radio revolution

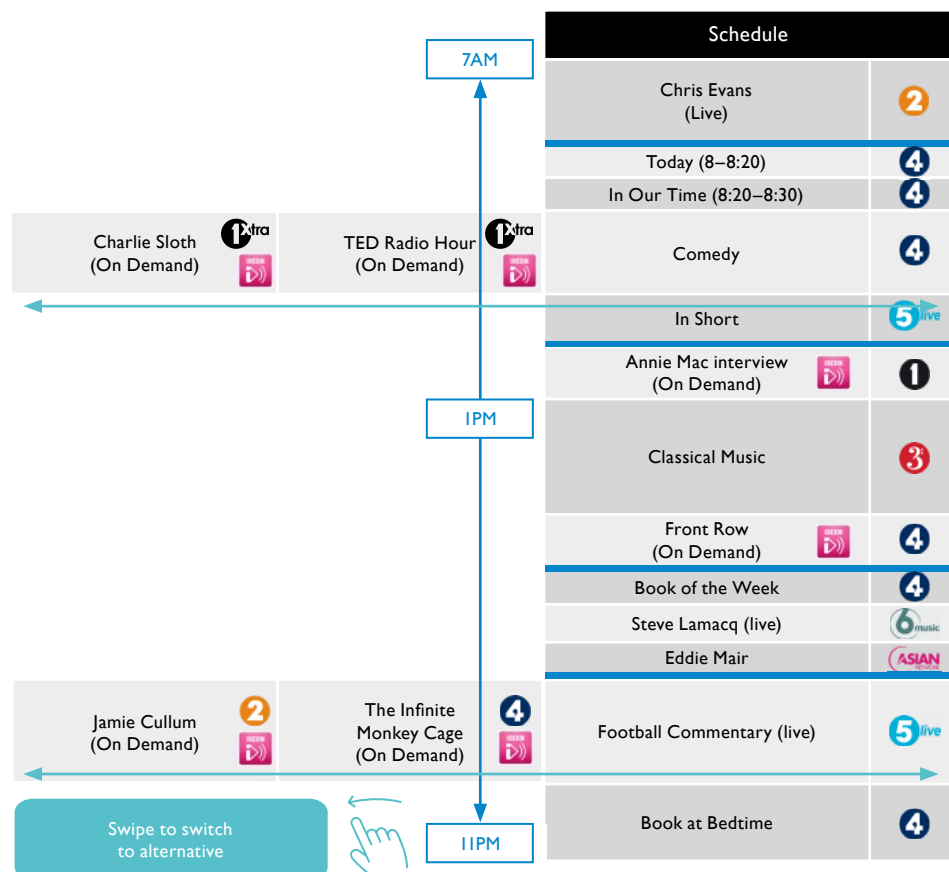
90% of the UK listens to radio each week.⁷³ Almost all of that listening is live. Just press a button and you're listening to one of your favourite stations, which gives you regular traffic, news, sport and weather updates as well as top-quality music and speech.

But the way that people listen is changing. There are hundreds of thousands of stations from around the world available for free online. New devices are putting vast amounts of audio content in your pocket. People still want the simplicity and companionship of live radio but they also increasingly want the experience to be more personalised and more in their control, whether at home, on the move, or in the car.

The BBC will meet this need by helping audiences easily create their own, individual radio channels, based on their needs, wherever they are, whatever

time of day. Listeners will be able to combine live and on-demand BBC radio content with music playlists and regular updates for news, sport, travel, weather and other alerts. We will also make personalised recommendations based on listeners' habits and choices.

This means listeners will get access to all their favourite audio content in one place, but also discover new things that suit their tastes and needs, without having to search through thousands of programmes. It will support varied schedules that mix speech, music and news. It will help people discover the enormous breadth of British creativity and journalism on BBC Radio, allowing them to listen to local and Nations news and radio alongside our national stations and the World Service. All the BBC Radio that you want, in your pocket, at home, or on the move.



73 RAJAR, 15+, 2014/15

A new music discovery service from the BBC

The BBC is the most significant music broadcaster in the world.

It is our largest genre by volume, with over 40,000 hours of content a year. We have a highly distinctive commitment to all music, new and old, and to supporting and showcasing the full breadth of musical genres. Our role as the leading independent curator of music is made possible through our employment of some of the most trusted guides to music in the world who are loved and respected by our audiences.

The BBC has supported the UK music industry from its inception, playing a central role in the health and vitality of UK music—the UK is one of only three net exporters of music globally. We are the single biggest licensee of music in the UK and the largest employer of professional musicians. Through ground-breaking initiatives such as *BBC Introducing* and Radio 3's *New Generation Artists*, we bring new talent to the mainstream.

But we must adapt if we are to remain relevant to audiences, and remain a cornerstone of the wider music industry.

The rapid growth in digital and online access to music is responsible for significant change in the UK music industry and is affecting how audiences use our music services. We must evolve our music offering so that it serves new audience needs and habits and allows us to remain a strong partner and contributor to the UK creative sector.

To that end, we have developed a digital music proposal with the music industry, which builds on BBC Music's *Playlist*. It would make the 50,000 tracks the BBC broadcasts every month available to listen online, for a limited period. Audiences would be able to access this music via playlists curated by the BBC, and they would be able to build their own playlists based on the music they hear and love on the BBC.

Through this digital music offer, we would reinvent our role as a trusted guide, in partnership with our audience and with the UK music industry. Together, the BBC and its audiences would curate music in new ways, enabling the discovery of more of all the music we play across the schedules of our many radio stations and TV channels.

We would make this product a champion for new UK music, whether that is the latest unsigned talent from *BBC Introducing* or a classical performance of new music commissioned and broadcast by Radio 3. We would also use it to increase our support for specialist genres, independent artists and labels—those who are less supported by the wider broadcast and digital market but for whom there are enthusiastic audiences. We would do this by featuring their music prominently in the playlists we curate, and we would add to the range of broadcast tracks by also offering a set proportion of music from them which has not previously featured on BBC services.

Exclusive and unique live performances would be a big part of our service, whether it's a *Live Lounge*, a performance from *Radio 1's Big Weekend*, or a forgotten gem from our classical archive. Tracks will also link back to their original broadcast on the BBC, enabling audiences to discover more long-form radio and television programming.

Our music product would be the only one in the market which would be fully open and integrated with other digital providers. Users will be able to transfer playlists between digital music products, and access them after BBC availability has expired through third-party providers.

We want our digital music offer to benefit audiences and artists. We are working with the industry to develop this proposal in a way that achieves that objective, whether it's by providing the first audience for an unsigned or undiscovered artist, or by working to license the product in a way that benefits artists fairly. We may also look at ways to deploy our digital curation skills globally, showcasing the best UK music to audiences across the world.

This distinctive music discovery product would mean that the BBC could stay a key catalyst for the UK music industry, and it would be part of an exciting digital future for music on the BBC.



Music is at the heart of the BBC, from their programmers and presenters through to their programming and live output, throughout their digital and broadcast arenas. I firmly believe the BBC respects and values music more than any other broadcaster in the world

David Joseph, Chairman and CEO of Universal Music UK

This will be a Charter of transition.

We don't know how these innovations will do. We will close those that fail, and expand those that work. In time, those success stories may mean we no longer need some existing services. Streaming news may replace rolling news. Children may prefer iPlay to scheduled television. The Ideas Service might mean we no longer need BBC Four.

In an ideal world, we would move with the audience. Although much of the audience is consuming in new ways, a large part continue to enjoy radio and television as they always have done—live and through channels. For the next Charter, we need to serve both audiences.

Other things being equal, we would therefore add these innovations to our portfolio initially, and only phase out services once they were no longer needed by audiences.

But that depends on funding.

**PART THREE:
FINANCING THE FUTURE**

8 Funding tomorrow's BBC

In this section we begin by outlining the BBC's financial context.⁷⁴ We briefly review our efficiency record and describe our future plans for further efficiency through our 'Compete or Compare' framework. We outline our plans to increase our commercial income and the investment needs for the proposals in this document.

In Section 8.6 we bring this together to set out how we propose to fund our proposed investments and the challenges this will create. In total, we will need to deliver annual savings equivalent to around 3.5% of our cost base—a cumulative saving of close to 20% over five years. This will not be easy and will require changes to our services.

⁷⁴ Unless otherwise stated, data in this chapter is taken from BBC financial analysis, the BBC Annual Report and Accounts 2014/15 and 'Driving efficiency at the BBC', November 2014

8.1 The BBC's financial context

As announced at the time of the last Budget, the Government and the BBC have agreed a framework for licence fee funding for the period from 2017/18. This includes a number of changes that will have an impact on the BBC's revenues.

Under the current Charter, the Government compensates the BBC for the cost of free television licences for those over 75. That will be phased out over three years, from 2018/19. The BBC will be able to ask for voluntary payments from those over 75 in this Parliament and to reform the policy from 2020.

In return, the Government will increase the BBC's income in three ways:

- Modernise the licence fee, to adapt it to cover PSB VoD services as well as live TV
- Phase-out the 'ring-fenced' money from the licence fee which is being used to support broadband roll-out
- Increase the licence fee in line with inflation (CPI) over the next Charter period, subject to Charter Review conclusions on the purposes and scope of the BBC, and the BBC undertaking efficiency savings that are equivalent to those expected from other parts of the public sector.

The impact of these changes is uncertain, but we believe that they will prove overall to be cash neutral for the BBC. However, this is equivalent to a c10% real terms cut because of the impact of inflation.

In order to absorb inflation and normal levels of investment as well as fund some innovation, the BBC will continue to deliver savings. But a combination of service reprioritisation, commercial growth and policy changes will be needed to balance the books and fund the ideas set out in this document.

This will inevitably mean changes to our portfolio.

In parallel with the Budget agreement, the Government's TV licence fee enforcement review, undertaken by David Perry QC, concluded that licence fee evasion should not be decriminalised and that the current system is broadly fair, proportionate and provides good value for both licence fee payers and taxpayers.

We will implement the review's recommendations on how to improve our current enforcement policies and also discuss the other recommended changes with the Government.

Our financial plans take no account of potential decriminalisation. As our response to the review set out, the move to a civil model would likely result in a financial impact on licence fee payers of around £200m a year. Were decriminalisation to be introduced in the absence of any compensating measures, it would require profound cuts to BBC content and investment in the creative sector.

8.2 The BBC has transformed its efficiency

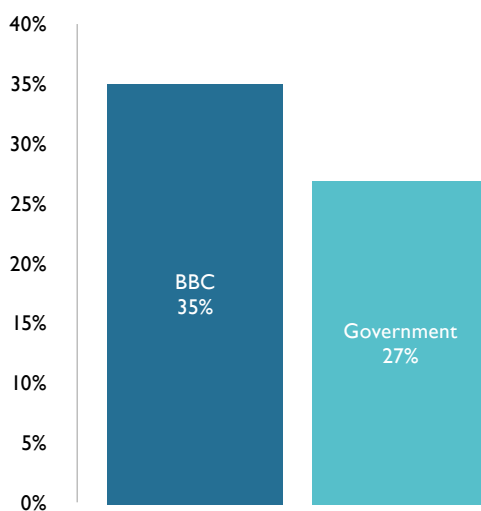
Over the past 20 years, the BBC has transformed its efficiency and productivity, delivering more services for less, and is now as efficient as comparable organisations.

In the 1990s the BBC embarked on the most radical marketisation programme in the public sector.

Producer Choice introduced competition for everything from studios to security. The 1990 Broadcasting Act ensured at least 25% of TV content was made by independent producers, and the BBC introduced a pure purchaser-provider split to implement that. The combined impact was an immediate and significant efficiency dividend of over 6% a year from 1993 to 2000.

Having harvested the main savings from these structural reforms, the BBC then turned to continuous improvement programmes, resulting in an average improvement of 4% a year. Our efficiency record is significantly ahead of the public sector even when the cost of making the changes is taken into account.

Cumulative annual net efficiencies from 2005/06 to 2014/15



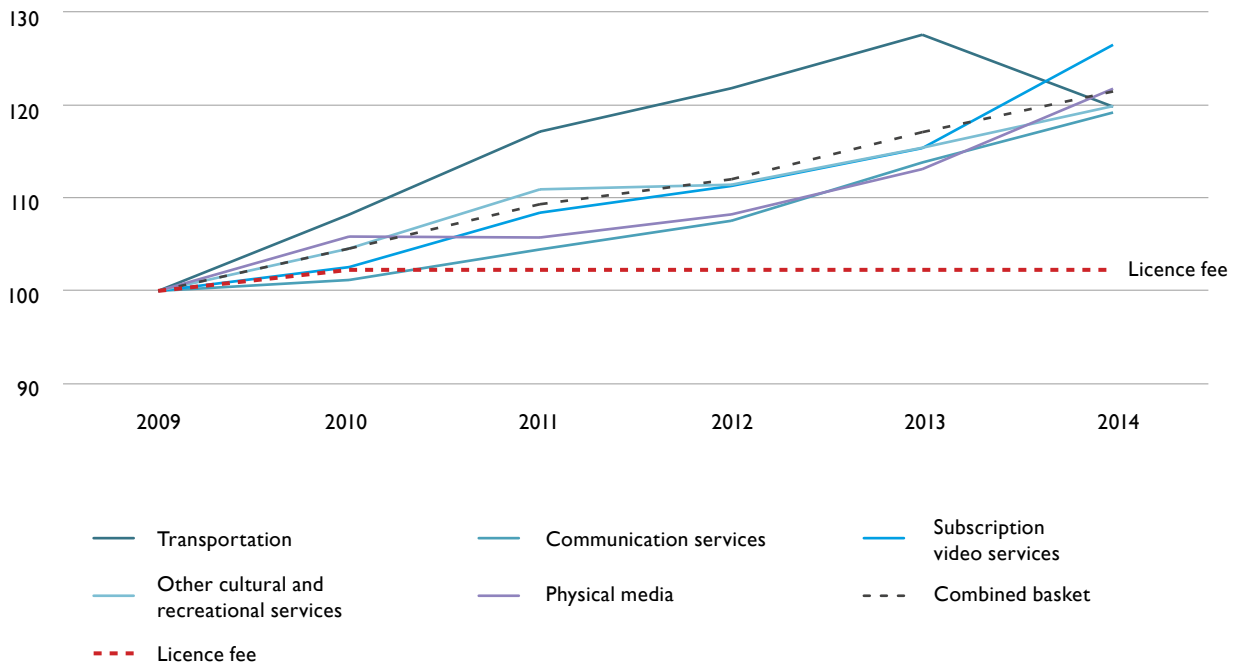
Having taken over responsibility for collecting the licence fee from the Home Office in 1991, the BBC cut the level of evasion and the cost of collection by more than half. The combined cost of collection and evasion is now at around 8% of the licence fee—down from almost 18% in 1991/92. Household growth over the period added a further c0.7% income a year, or around four million households over 24 years.

We invested that efficiency dividend in innovation. While the BBC shrank relative to the market, its value to audiences rose. Our share of broadcast revenues fell from around 40% to 25%—yet the BBC's reach and share across TV and radio were stable. As a consequence, support from the public rose.

But after the financial crisis in 2008, it was time to freeze the licence fee. Households were struggling, and would welcome the saving. So, the BBC led the public sector by voluntarily freezing the licence fee in 2011/12 and the Government required that to continue until 2016/17. As a result, the licence fee has fallen in real terms while other household costs have risen sharply.

Index of prices rises of selected goods and services within categories

(2009–2014), nominal prices⁷⁵



The licence fee also had to pay for £500m of new obligations a year. That licence fee settlement led to a new drive to make savings, the Delivering Quality First programme, to pay for the new obligations and offset inflationary pressures in the cost base.

By the end of this Charter, we will have saved £1.6bn in cumulative annual savings, over 40% of the BBC's addressable cost base.

The majority of these savings have resulted from genuine productivity improvements:

- Procurement savings in 2013/14 alone exceeded £90m by re-procuring major contracts and ensuring that the BBC pays competitive prices. BBC procurement has been awarded 'gold' standard by the Chartered Institute of Purchasing and Supply and independent reviews have concluded that it is in the top 25% of companies for effectiveness
- Property savings of £75m a year have come from reducing our building capacity by 35%. This includes exiting Television Centre (saving £30m per year) and other White City buildings
- We are making technology services savings of over £90m in the two years from 2015 to 2017
- We implemented pension reform that led the public sector, including closing the defined benefit pension scheme to new joiners and limiting how benefits build up for existing members. At the time, the reforms reduced the pension scheme's funding deficit by around £0.5bn
- Our pay restraint, combined with headcount reductions, has delivered over £150m a year in reduced costs
- Since 2009 we have reduced the number of senior managers and the bill for them by more than a third, saving over £20m a year. Redundancy payments have been capped.

⁷⁵ Mediatique, Index of cultural inflation, 2015



I have to testify that the BBC have done, in my view, a good job of addressing their cost structure. They have been successful with their cost reduction work over a period of time; they have set targets and they have achieved them. I am impressed with that and we have reported on it on various occasions and always given positive comment about it. The criticism I have always made of it is that it does not tend to have what I call a destination model

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office, at the Culture, Media and Sport Select Committee, July 2014

The BBC has developed and is now implementing a strategy of 'Compete or Compare' to ensure that there are clear 'destination models' for our activities and a culture of continuous improvement.

PwC have compared the BBC's overheads to industry benchmarks. They found that the BBC compares well—we are close to the top 25% of regulated industries for expenditure on general overheads, and well above average compared to media companies.⁷⁶

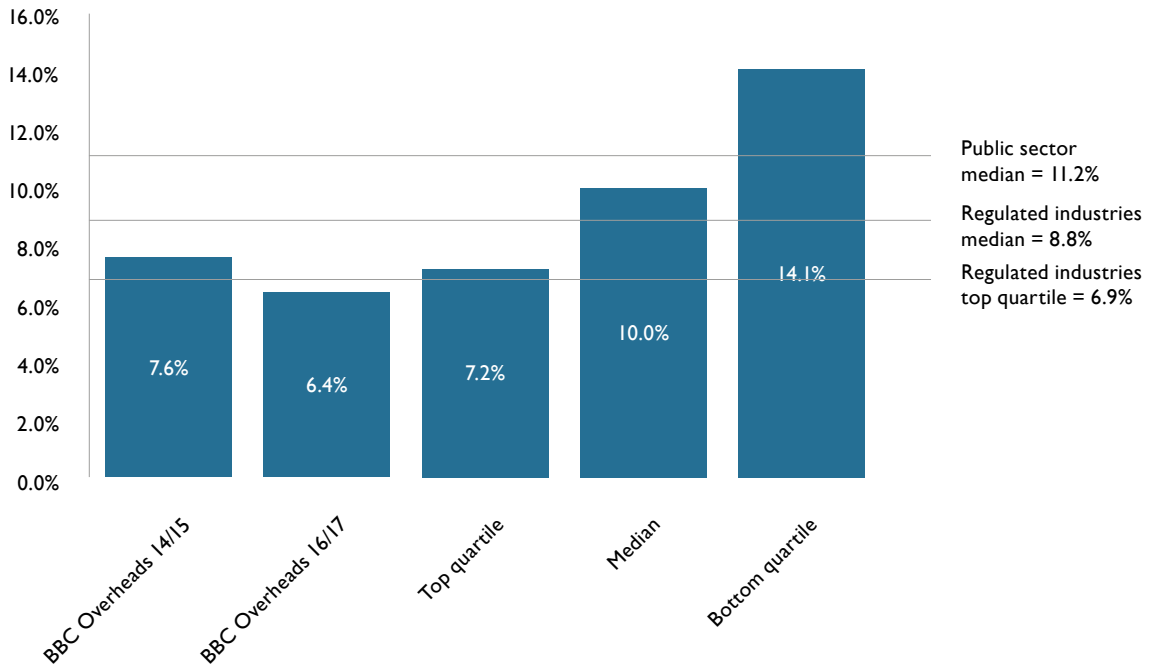
In July, we announced we would find a further £50m of productive efficiencies by 2017/18. We will be merging divisions, cutting down management layers and improving processes. As a result, more than 1,000 posts will be lost.

Following these steps, our overheads will be in the top 25% when compared to benchmarks of companies that operate in regulated industries.

⁷⁶ PwC, BBC Efficiency Review—An update on the BBC's overheads, July 2015

Overhead ratio, BBC compared to public sector and regulated bodies⁷⁷

Overhead ratio (Overhead costs / total costs)



The BBC already needs to find additional savings in excess of £150m a year by 2017/18 to address the decline in TV penetration to the end of this licence fee settlement. That decline in TV penetration remains a risk in the new Charter period, although the modernisation of the licence fee provides some mitigation. As outlined above, we have announced plans to fund at least £50m of these savings through further productive efficiencies in support functions and management layers, but inevitably some changes in our services will be needed to bridge this gap.

Delivering both the additional savings required in this Charter period (in excess of £150m a year) as well as the proposed future efficiencies (productive, scheduling mix and reprioritisation) will require radical reform. Given the BBC's track record of delivering efficiency, it will inevitably be harder to deliver new savings in the future.

⁷⁷ Ibid.

Efficiency is a process, not a destination

Nevertheless, we will continue to improve our efficiency over the next Charter period.

Within a broadly cash neutral Budget agreement, the BBC will have to deliver efficiency savings in order to manage inflation in our existing cost base and fund normal levels of investment in capital expenditure.

Although the BBC has sought to mitigate the impact of inflation through, for example, long-term fixed-price contracts, we are, naturally, not immune to the inflationary pressures affecting both the media industry and the general economy. In many areas the BBC operates in a global market where we do not control prices. We are experiencing significant cost pressures in a growing number of genres; not just sports rights, but now in areas such as drama, natural history and digital skills, given the intense global competition for the best ideas and talent.

The BBC Trust and the BBC asked PwC as part of their work on the BBC's efficiency to look at the potential future efficiency rate that the BBC could achieve from purely productive efficiency. PwC evaluated what other organisations are doing, market trends, external benchmarks and what opportunities can be identified from a detailed review of areas of the cost base.

The PwC work recognises the BBC's long history of delivering efficiency means that the future opportunities are inevitably more limited than in the past. They advise that we should aim to achieve around a 1% annual productive efficiency saving, although even this will require major restructuring and significant changes to working practices. We will be publishing their work in due course.

This will not be enough to fund our existing inflationary pressures and our on-going capital expenditure. Changes in the scheduling mix, where we will aim to have limited audience impact, alongside careful management of inflation in our long-term contracts, will deliver further required efficiencies of around 1% a year over the period, in addition to those identified by PwC.

We remain committed to maximising the amount we spend on content. We will use competition where possible, and comparison where not. The key driver of 'Compete or Compare' is to secure the best value for licence fee payers—ensuring we deliver the best output for the lowest cost.

Currently around two-thirds of the BBC's costs are open to some form of market testing and we will

increase that towards 80%. Subject to our proposals for BBC Studios being accepted, we will remove the in-house guarantees that have protected television production. There will be a few exceptions, like news or sport, where an integrated production model is vital for quality.

In radio, we are examining ways to increase the opportunities for independent producers to create content, opening up competition in all areas where there are creative or economic benefits. These proposals, which are subject to Trust approval, could lead to competition for around 60% of eligible network radio hours. Independent radio producers should be able to grow substantially, increasing the sustainability of the sector. BBC in-house radio production would get a creative stimulus, ensuring that the quality of ideas and production remains at the highest possible levels.

In online, we would aim to maximise the volume of competition in editorial output. 60%-70% of online content spend (i.e. almost all non-news and non-sport spend) would be open for competition by the end of the next Charter period. The licence fee has helped create a world-beating television production sector and we would like to do the same for online and connected content. We have only scratched the surface of how the internet will change the content we make. We want to work with British creative talent, from existing providers to academics and the public to explore that potential for audiences and companies.

Where we cannot use competition, we will use comparison. Where the private sector has relevant benchmarks, we will use them. We expect to be able to cover nearly 90% of our cost base through either direct competition or rigorous comparison and benchmarking.

This programme will be a systematic approach to every major item of BBC spending over a period of five years. It will provide the destination model of efficiency for which the NAO has called, and to which the Comptroller and Auditor General refers above. It would represent best practice in the public sector, and compare well to leaders in the regulated private sector.

The need to use our productive efficiencies, inflation mitigations and scheduling mix changes to fund existing inflationary pressures and on-going refresh of infrastructure means that any funding for new investments needs to come from either greater commercial income, increased licence fee income or service reprioritisation.

Over the past 25 years, the BBC's commercial activities have grown from the size of a relatively small business to that of a global leader. In 1989, BBC Enterprises turned over the equivalent of £368m in today's prices, generating £25m in trading profit. Today BBC Worldwide's turnover is £1bn and its headline profits are £139m. It is the biggest distributor of TV programmes in the world, outside the US studios.

However, for the past few years, BBC Worldwide has mainly been run for dividend and contribution, rather than growth. Without this dividend, we would not have the BBC's services we have today. To cope with the last licence fee settlement, the BBC asked BBC Worldwide to help fill the gap. It has done this successfully, increasing total returns to the BBC by 6.2% a year, from £168m in 2009/10 to £226m in 2014/15, giving more back to the BBC than ever before. Within that, BBC Worldwide's investment in BBC-commissioned content grew from £71m in 2009/10 to £94m in 2014/15.

Worldwide's core business is investing in and distributing BBC programmes, whether made by us or by independent producers. That business has grown revenues at 10% a year from £215m in 2009/10 to £345m in 2014/15. Investing in new content to fuel our sales and distribution business will be a key priority for BBC Worldwide over the next five years. Of course, if we had to cut investment in BBC programmes, that would also reduce our commercial return from BBC Worldwide.

We have built a successful global channels portfolio, which collectively has grown from revenues of £263m in 2009/10 to £357m in 2014/15. The most important elements of our channel portfolio are BBC America, now a joint venture with AMC Networks, and UKTV, a joint venture with Scripps. UKTV is now the biggest non-PSB channel bundle in the UK, and has grown its revenues from £229m in 2010 to £283m in 2014. Over the next few years, we intend to work with our partners to grow our channel portfolio further, taking advantage of continued demand for BBC programming and new digital opportunities, particularly in English-language markets.

To that core activity, we will add two new ventures.

First, we will migrate our consumer business to digital. The market for physical sales, notably DVDs, is declining rapidly, affecting the BBC, like everyone else.

We have compensated for some of that decline by syndicating content to Netflix and Amazon Prime in the UK and overseas.

In the UK, we will now also sell programmes online, through BBC Store. This was made possible by a new agreement with PACT—the trade body for independent producers—in 2013. We agreed to make programmes available for longer on the iPlayer—up from seven to 30 days—but then allow consumers to pay to buy them online. These will now be available through BBC Store as well as iTunes, Amazon and others. BBC Worldwide intends to continue to explore a range of new digital routes to market over the next period, seeking out new ways to serve audiences and grow value for content producers.

BBC Worldwide is strongly positioned to grow in digital globally due to the strength of our brand and audience appreciation for our content: between 2011 and 2014 the BBC's digital revenues from the US market grew by 35%, significantly faster than the wider US digital video market which grew by 22% across all distributors. We want to push this further.

Second, we will ensure that our commercial ventures always have a strong pipeline of intellectual property, the lifeblood of the business. The creation of a successful BBC Studios, as a wholly owned subsidiary of the BBC, is essential to this.

Alongside a continuing relationship with the thriving external UK production sector, we believe this proposal will help to deliver great content into both our public services and BBC Worldwide, securing both our public mission and our ambitions for commercial growth.

If we can deliver all these initiatives, we can aim to increase returns to licence fee payers. This will not be easy—it is very much a stretch case. It includes a significant cost saving and margin improvement programme and is dependent on the creative success of BBC Studios and market conditions. We forecast that the impact of these new initiatives, coupled with continuing strong returns from the underlying BBC Worldwide portfolio, would be around £1.2bn in cumulative returns to the public service BBC over the next five years—a more than 15% increase on returns over the previous five years.

Put simply, BBC Worldwide is materially important to the BBC's overall financial model and its ability to fund content.

8.5 The BBC's investment needs

To respond to Ofcom's PSB review, we have identified three priorities:

- Modernising services
- Content investment
- Devolution and diversity

In this document, we have set out our plans to modernise our services with proposals like the Ideas Service, iPlay and Newstream, responsive radio and turning iPlayer into a platform. These are essential investments that the audience would expect from the BBC. Without them, the BBC could find itself in a technological backwater. It would be as if the BBC of today did not offer digital radio, television or the iPlayer. We have to get on with these investments as soon as possible to remain relevant to audiences.

We must innovate. The new proposals in this document will not be the only ideas we have in the next Charter. In particular, meeting the needs of young audiences across the next Charter will need more than the new ideas we have suggested here. It will require the whole of the BBC's portfolio of services to think differently and to shift investment within and between services.

Nor will all our innovation be new services of this kind—BBC services are improving little by little, all the time. That, too, will require investment.

Within our financial agreement, we will do as much as we can to meet the needs for content investment, diversity and devolution identified by Ofcom. We expect to be able to fund more drama for young audiences, content for the Ideas Service, and to invest in the Nations, including funding the initiatives above such as digital news, education and entertainment services for each Nation. We will protect funding for the Nations, ensuring they are cut less than other areas, and make sure that investment works harder, for instance by portraying the whole country and all of its Nations better, or by working with partners across the whole of the UK.

In total, we estimate that this will cost around £150m a year by 2021/22.

However, with our spending on services going down overall in real terms, we would not be able to reverse the decline in UK original content spend, invest in the World Service, or fund a net increase in spending in the Nations.

However, as we explain later, a shift to a household fee could release more investment. Given the new formal role given to the Nations' Governments in Charter Review, we intend to consult with them and stakeholders around the country, to specify and cost our Nations proposals and any additional funding required.

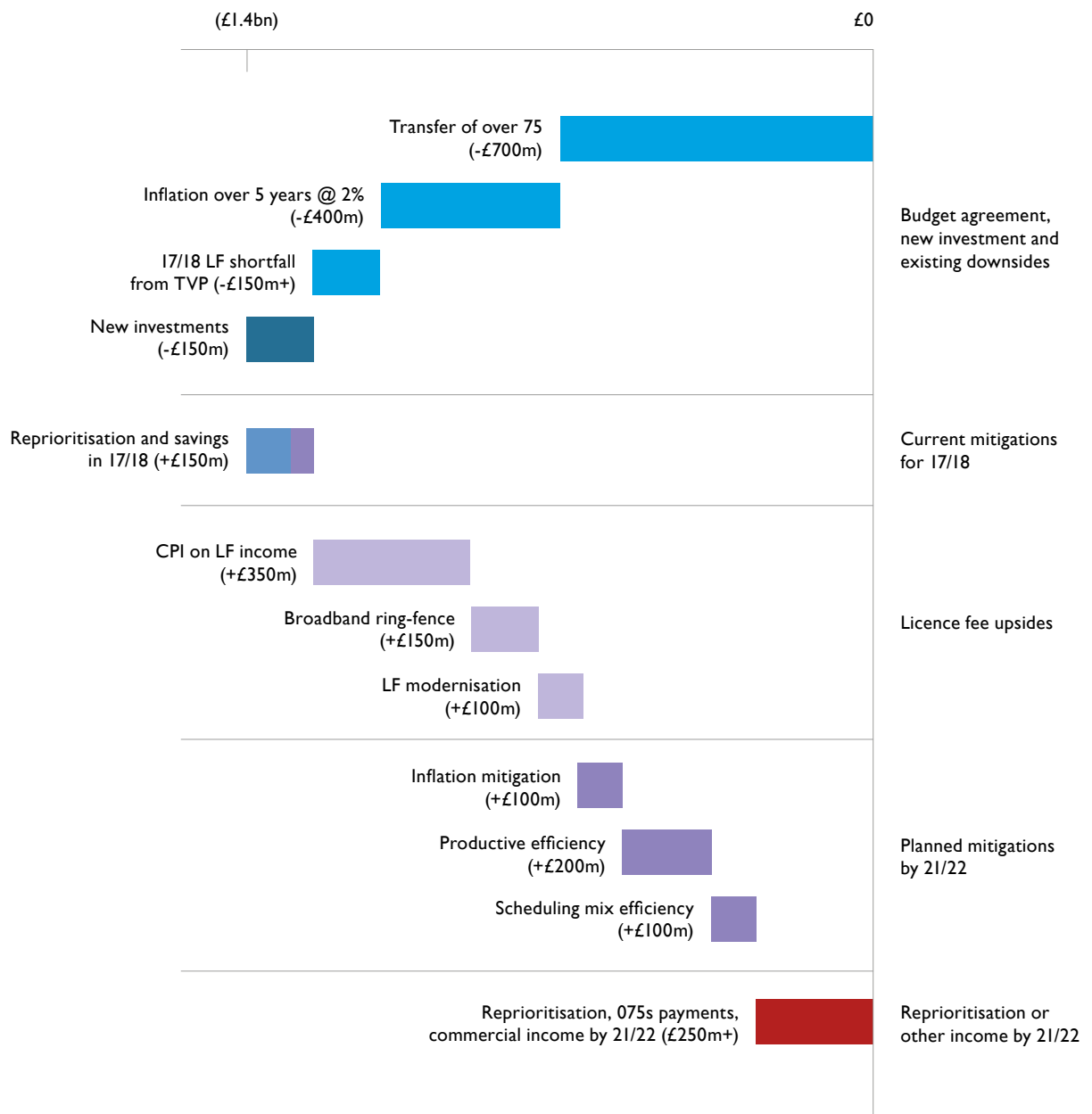
8.6 Funding our proposed investments

We will aim to fund the £150m for new investments within our current financial envelope. This will be funded by a mixture of reprioritisation, changes to services, as well as commercial income and policy changes. None is straightforward.

The chart below illustrates the potential impact by 2021/22 of the recent Budget agreement, the existing pressures on the BBC due to falling TV penetration, as well as our proposed mitigations.

BBC financial position by 2021/22, including mitigations from 2017/18

(Rounded annualised amounts)



There is more downside risk than upside potential. The costs of the over 75s are relatively certain but the mitigations are less so. Inflation will impact our cost base, but delivering productive and schedule efficiencies, as well as increasing commercial income, is difficult. Even with mitigations and efficiencies, changes to our services will be needed.

The recent Budget agreement will be broadly cash flat for the BBC over the five-year period. As the Chancellor said in his Budget speech, “The BBC has agreed to take on responsibility for funding free TV licences for the over 75s and in return we were able to give our valued public broadcaster a sustainable income for the long term.” The Government decided to transfer the cost of the over 75s TV licence fee concession to the BBC on a phased basis, starting in 2018/19 with the full liability met by the BBC from 2020/21. We estimate this will reduce the BBC’s licence fee income by around £700m a year.

The new arrangements include a commitment to modernise the licence fee, to adapt it to cover PSB VoD as well as live TV. This will make the licence fee model sustainable, fairer and safeguard the funding available for our content and services over the period. We estimate that the financial benefit will be around £100m a year against our baseline. There is an agreement to phase-out the ‘ring-fenced’ money from the licence fee—£150m a year—which is being used to support broadband roll-out, and a commitment to increase the licence fee in line with CPI over the next Charter period. Linking the licence fee to CPI would deliver income of around £350m a year, at the Bank of England’s target inflation rate of 2%.

Forecasting the impact of these changes over a seven-year period is difficult. We do not know what the precise impact of licence fee modernisation will be, or how this will interact with on-going declines in TV penetration. The percentage of over-75 households that will be willing to make a voluntary payment is also unknown. Finally, the rate of household growth, which increases the number of licence fee payers, will depend on broader economic trends.

Together, we believe that interventions in the Budget agreement will deliver licence fee income that is broadly cash flat over the period to the BBC, although there will be year-on-year ups and downs. However, there is significant uncertainty to this forecast, and more risks on the downside than opportunities on the upside.

We also need to find savings of at least £150m in the current licence fee period to cover predicted shortfalls in income from falling television penetration in this Charter period.

This combination of inflationary pressures and the existing need for savings means that the BBC faces a total challenge in excess of £550m a year by 2021/22, before we begin to find money for new investments.

As we enter the new Charter period, and as outlined in 8.3, the BBC will be looking to find savings from productivity and changes to the scheduling mix, along with secured mitigations against inflation, that will fund the on-going inflation in our existing cost base as well as our on-going capital investment programme. We have set a stretch target for these savings which totals £400m a year by 2021/22, including those from productive efficiencies and scheduling mix changes.

Alongside this, we aim to increase our commercial income over the period, but this cannot be sufficient to pay for the new investment. The proposed new investments are a further stretch target of around £150m a year (which excludes any extra money for the World Service or potential major new investments in the Nations). We will therefore need to look at changes to services, as well as investigating all opportunities to increase commercial returns and make policy changes to maximise licence fee income.

The BBC will be able to ask for voluntary payments from those over 75 in this Parliament and to reform the policy from 2020. We will give those eligible households an opportunity to pay voluntarily for a TV licence and so contribute to the cost of the BBC’s services. We will also consider how to achieve fairness between the generations once the BBC takes responsibility for the policy from 2020. Young people currently receive less from the BBC, so we will need to consider how far they can be expected to subsidise free TV licences for those over 75, and the trade-off with services for all ages.

In summary, the BBC faces a very tough financial challenge. Before the new Charter period begins, we must find at least £150m to mitigate falling TV penetration. Over the following five years we will have to absorb inflation at 2% a year—the equivalent of £400m a year by 2021/22. This inflation estimate is based on applying CPI to our cost base and does not include any provision for super-inflation in areas like drama production, sports rights and talent costs, which we intend to manage through scheduling

changes and other mitigations. And we can not stand still. Our proposed investment in new services will require an additional £150m.

This means a total saving of £700m a year by 2021/22. This £700m represents close to 20% of our expected 2016/17 spend, or an average annual savings target of around 3.5% a year over the next five years. This is a challenge of the magnitude of our current savings programme, but without the same scope for one-off savings. We believe that we can deliver this within the Budget agreement, although it will require many tough choices. We will inevitably have to either close or reduce some services.

We will need the flexibility to respond and change services as audiences change. It is too early to be specific about the service changes that we will need to make and we will now undertake a review process to consider the options. However, as the BBC Three proposals demonstrate, there will inevitably be a move from linear to on-demand services.

Although some of the £150m in new investment will be on new UK original content, in the context of a licence fee falling in real terms it cannot reverse the decline in content investment. But there is an option that might.

The BBC will not be seeking to re-open the July Budget agreement. Certainty goes both ways—just as the Government will not reopen it unless it decides to change fundamentally the scope and purpose of the BBC, we have agreed to a financial envelope and will stick to this agreement. All the proposals in this document depend on this.

However, there is a way in which the Government could still reverse the decline in UK original content investment, invest in the creative industries and meet the needs of Nations audiences better.

The Government has set out a medium-term funding option in the Green Paper to modernise the licence fee by levying it on all households. We believe this would generate additional revenues. That is a decision for Government, and we will now discuss with them whether that is a justified investment in the creative industries.

Investment in the creative industries pays for itself.

We asked PwC to model the impact on the creative sector and the whole UK economy of licence fee investment. Using prudent assumptions, for every £1 increase in licence fee revenue, the BBC would generate about 60p of extra economic value.

PwC's analysis⁷⁸ suggests a 15% nominal increase over a five-year period in the BBC's licence fee income would likely boost the creative sector GVA by £435m, total economy GVA by £319m and create 16,200 extra jobs in 2021/22, compared to the counterfactual where the BBC's licence fee revenues remained unchanged.

PwC have demonstrated that this effect works in reverse, too. If the BBC's income reduced by, say, 25% over a five-year period, then the PwC analysis suggests that GDP would be £630m lower in 2021/22 than it otherwise would have been with no change in licence fee revenues. Less BBC spend means a smaller creative industry.

This is because the licence fee channels resources into one of the most productive sectors of the UK economy, the creative industries. Far from increasing the deficit, this is an area where public investment reduces it.

The BBC is in the midst of a radical programme to deliver greater efficiency. The 'Compete or Compare' framework will ensure that the overwhelming majority of our spend is reviewed and demonstrably benchmarked or sourced competitively. We have a continuing commitment to demonstrate value for money in what we do and to continue to focus on what matters most to audiences—content and services. The BBC is a reforming organisation with every incentive to reduce waste and maximise money for content.

But delivering savings of around 3.5% a year will require hard choices in commissioning, scheduling, radical changes in working practices as well as shifts of spend between services and between different types of content. The Budget agreement, although providing long-term clarity, is a c10% cut in real terms. It also contains risks and uncertainties, especially around income from licence fee modernisation. There will be difficult choices to come, and the BBC will need flexibility to make these choices.

78 PwC, *The impact of a change in the BBC's licence fee revenue*, August 2015

An open, more distinctive BBC

We look forward to hearing what audiences and partners think of these proposals.

They aim to create an open, more distinctive BBC.

We will find close to 20% savings. As much of that as possible will come from efficiency and commercial growth, but it will inevitably also require service reductions or closures.

We are going to save more than required by the Budget agreement, to innovate and make programmes for the whole country.

We propose:

- A new children's service—iPlay—creating a single front-door for children to the wealth of the whole BBC and our trusted partners beyond—giving more content to children that matures with them, across more platforms, in a safe and trusted way
- Finding digital ways to support music discovery to help audiences find new music and the best from the archive
- Responsive radio to give audiences a personalised schedule of programmes
- Opening up the BBC iPlayer to showcase content from others
- New versions of our education, news and entertainment services in the Nations, as the start of our consultation about how to reflect deepening devolution
- Strengthening the World Service in parts of the world where there is a democratic deficit in impartial news
- A transition from rolling news to streaming news, with BBC Newstream, bringing the expertise of our journalism into the palm of your hand
- The offer of a new partnership with local newspapers to underpin democratic reporting
- A partnership to create an Ideas Service to provide the public with the best of British ideas and culture
- Investment in original British drama and comedy to enrich content for UK viewers and boost the creative industries. This will be the backbone of a more distinctive approach across all of the BBC's services, from BBC One to online.

We will reform the BBC. Over the next few months, we will transform our structure, commissioning and budget.

We are stewards of the BBC. We will modernise the BBC to preserve what is best about public service broadcasting, and hand on a BBC that is bold, British and creative.

A better BBC, for everyone.