

Future of the BBC

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Is it time to start re-thinking the funding of the BBC?

To inform, educate and entertain: this has been the BBC's credo from the time of its first Director General, John Reith. It might also provide the beginnings of a definition of public service broadcasting; additional features of which include universal access and specific obligations imposed on the public service broadcasters, including the BBC, Channel 4, ITV1 and Five.

The *Digital Economy Act 2010* positions Channel 4 as an important rival to the BBC at a time when a long-term decline in advertising revenues is affecting all commercial broadcasters. And public service broadcasting is expensive. Thanks to the television licence, the BBC is comparatively wealthy and well placed to deliver diverse

high quality content: from children's programming to regional news to innovative comedy.

WHAT IS THE BBC FOR?

But is the television licence a sustainable way of funding the BBC long term? When fewer people watch the BBC's output, and more choose to watch the hundreds of available digital channels, can the continued imposition of a regressive tax to fund *Strictly Come Dancing* be justified? And how should the level of the licence be set – enough to maintain and develop the BBC's current activities or, to take a contrary view, barely enough to fund a public service stub? A broadcaster of worthy content the market would not otherwise provide?

Commonly, the television licence has been viewed as the 'least worst' means of providing the BBC with adequate funding. It establishes a direct link between the BBC and the licence fee payers it serves. General taxation could be one alternative approach; the BBC World Service is funded in this way and its independence does not appear to be obviously compromised – a consequence that detractors of this funding option say could follow.

Some say that the BBC could take advertisements and that these would not necessarily lead to the introduction of commercial breaks, the absence of which is a BBC attraction. However, this would put the corporation in direct competition with already hard pressed commercial broadcasters for a

limited pot of funding. Direct subscription has attractions and would be more feasible when the television world is totally digital. One problem with this is that the 'free at the point of delivery' feature of public service broadcasting would go.

THE BBC IN A DIGITAL AGE

Up to a point these matters are fixed until 2016, when the BBC's current Royal Charter expires. By then, complete digital television switchover should have been in place for four years. People will be choosing between a wider variety of alternative channels and consuming television content in different ways, including video on demand.

Until then, Parliament's only certain and regular opportunity to influence BBC funding is the annual regulations needed to implement the (six year) licence fee settlement announced by the Secretary of State at the beginning of the present Charter period. Normally these go through without debate, though in 2009 the Opposition unsuccessfully attempted to annul the regulations, the effect of which would have been to freeze the licence fee. The House of Commons Culture, Media and Sport Committee normally takes oral evidence from the BBC at the time of the latter's annual report. This does not necessarily have to lead to a report with recommendations to Government.

The level of BBC funding – £4 billion a year – inevitably exposes it to ongoing scrutiny by Parliament. While the National Audit

BBC FUNDING: THE OPTIONS

Television licence

– a direct link between the BBC and the viewers

General taxation

– dependence on Government

Advertising

– competition for a limited pot

Subscription

– loss of universality

Office has more access and freedom to scrutinise BBC expenditure than in the past, the Public Accounts Committee continues to call for this to be enhanced and made more independent of the BBC Trust, the corporation's regulatory authority. One way of achieving this would be by amendment to the framework Agreement between the BBC and the Secretary of State. The Agreement accompanies the Royal Charter and contains detailed rules covering every aspect of the BBC's operation.

The completion of digital switchover in 2012 will be a good time to start thinking once again about the funding of the BBC. If the consultation period that preceded the current Royal Charter is anything to go by, three years would need to be set aside. Expect Select Committee inquiries in both Houses of Parliament. Funding, and the accountability and governance issues that go with it, will be a key focus of the debate.

The BBC's share of viewing figures has been falling

