**BBC Charter Review – response from Directors UK to public consultation**

Directors UK is the professional association for film, television and all moving image directors in the UK. It has over 6,000 members. The organisation is a collecting society for secondary rights payments, a professional association providing services and support to its members and a campaigning body.

We welcome this opportunity to comment upon the Green Paper from the Government.

In general we are excited by the opportunities it offers for the next five years and beyond. That does not mean that we are blind to its shortcomings, and we are on record as holding the BBC to account for these and we will continue to do so. However, we are concerned that the tone of much of the Green Paper invites us to condemn the BBC for its successes as much as its failings. We believe that success should be enhanced and developed, and we urge the Government to join us in this positive approach.

Directors UK members work all over the world and experience at first hand the extraordinarily high regard in which the BBC is held. It is unequivocally considered to be the international gold standard for broadcasting. Indeed it is seen to embody all that is very best in our society. While welcoming the opportunity to respond to the Green Paper, we want to make it clear from the outset that in our unanimous view the BBC is a phenomenal national and international success story. Our suggestions to address areas where improvements can be made should be considered in the context of preserving and nurturing this cherished and unique organisation which exists at the heart of the nation’s cultural life.

**Mission, purpose and values**

**Q1 How can the BBC’s public purposes be improved so there is more clarity about what the BBC should achieve?**

The wording of this question implies that the current purposes are insufficiently clear. We disagree. Directors UK believes that the six public purposes as currently set out provide a very clear statement of the BBC’s purposes and we believe no substantive change is necessary. The Green Paper’s call for greater clarity and definition is misguided. However tempting it may be to attempt to push for more specific purposes, if they are reframed in greater detail there is a risk that they could be rendered redundant or destabilised by the natural evolution of audiences and their tastes, by changes in technology, or by the actions of other broadcasters and producers. A set of requirements that are too detailed or rigid also carries the risk that BBC concentrates on box ticking against the requirements and loses sight of its overall value and purpose to serve its viewers.

The one exception we would propose to this is to insert a requirement for the BBC to play its part in supporting the attainment of the highest professional standards in its workforce – both staff and freelance. The BBC has been rightly praised for its commitment to the training and career development of its own workforce. As the industry has moved away from a permanent staff-based model and the use of freelance workers has expanded to the point where 40% of those working in television are freelance[[1]](#footnote-1), the BBC has found itself in the position of providing vital training to most of the industry. We do not believe that the BBC should shoulder the entire burden of training the industry, but we are concerned that it may come under pressure to make savings to the extent that its training budgets are placed under serious threat. We would therefore propose an additional purpose, so that **the BBC is required to play its part in supporting the training and career development of its staff and freelance workforce.**

**Q2 Which elements of universality are most important for the BBC?**

A BBC that was failing to serve and appeal to the widest possible audience in the UK would rightly be criticised. However, this is not the case. The BBC has been very successful in appealing to such large audiences and by doing so is able to support an argument that it should receive public funding on an appropriately large scale. While the coverage of national events is important, we believe that the most important elements of universality are that the BBC provides the broadest range of content for the broadest audiences, and that the BBC’s services are available on the devices that all its viewers choose to use. The BBC needs to provide a complete and modern service or it risks losing relevance and distinction.

There has been criticism that the BBC is offering services that other commercial operators could equally well provide. We do not believe that other operators would step in if the BBC were to stop providing regional news, for example, nor would others move in if the BBC ended its children’s programme services. Indeed, in these cases the BBC has maintained its unique public service provision despite others deserting the territory for commercial reasons.

The Green Paper is critical of the BBC’s provision of certain entertainment programmes, and of a perceived tendency to use these to chase higher ratings. The BBC is uniquely placed to develop mainstream entertainment that has higher purpose to it: one that can educate and inform as well as to entertain. Audiences watching *Strictly Come Dancing* or *The Great British Bake-Off* are also learning to dance and to bake. Of more concern to us is the reliance placed on large volumes of quiz and lifestyle programmes across much of the daytime television schedules, but we believe this is in response to constrained funding and a policy that the BBC must maintain a large number of channels. We comment on this in our answer to question 13.

One of the most important features of the BBC public service – and one that has of itself a unifying quality - is that it offers viewers and listeners an advertising-free environment. It is one of the few spaces left where an individual citizen can think and feel in a space that is free and safe from being treated as a potential consumer: where everyone one can be respected as a viewer/listener and a citizen.

If the BBC is to serve the widest possible audience, it must be available across all platforms and accessible on all devices where its audiences are to be found. This increasingly will mean online and on a variety of different devices. The BBC’s management should be able to consider when to phase in and phase out the access it provides to any specific device in line with the shifts in the behaviour of its audiences, especially young people.

**Q3 Should Charter Review formally establish a set of values for the BBC?**

We are very doubtful that it would be helpful to establish a formal set of values in the Charter. There is nothing wrong with the values per se in our view, but a number of them are highly subjective. If the intention is that the BBC is to be held to account for falling short on any of these values, then who is to judge and how do they measure the BBC’s performance?

We are concerned that each of the values cannot be considered in isolation. The BBC performance on any one of these could be very dependent on the funding it has available to sustain its size and scope. The most obvious example is that the BBC’s ability to be “high quality” could be directly impacted by the amount of funding it has at its disposal. A BBC that is efficient and value for money may only be able to achieve such an aim by being less ambitious in the diversity of its operations.

The BBC already has an informal set of values and we believe these are well-understood and adopted by the BBC’s management and staff. We do not see a case for any further reinforcement of these. The BBC’s Editorial Guidelines also cover much of this area in far greater detail.

**What the BBC does: scale and scope**

**Q4 Is the expansion of the BBC’s services justified in the context of increased choice for audiences? Is the BBC crowding out commercial competition and, if so, is this justified?**

Opponents of the BBC have always been confused and contradictory in their objection to the BBC’s commercial success. If the BBC is commercially successful (BBC Worldwide sales are approx. £1 billion a year), then that is because it provides material that its audience is enthusiastic about. The critics who want to limit its commercial activities because they are competing “unfairly” with other commercial operators are frequently the same as those who say that the BBC is not performing well enough and should be cut back. Such criticism is often self-serving, coming from sources that would themselves benefit from the removal of competition from the BBC. If the BBC provides content that is commercially successful, then, rather than those activities being curtailed, they should be allowed to flourish and re invest.

In general the size, diversity and success of the BBC has had a huge benefit for the media industry in the UK. It is a commissioner and contractor of millions of pounds of business to external companies. The standard of quality it sets in its programme-making acts as a spur and incentive on others to meet and exceed those standards. A plurality of well-resourced programme commissioners helps to maintain a healthy market for programme ideas and for the services of the talented programme makers to deliver them.

We agree with the conclusions reached by Enders Analysis in their report[[2]](#footnote-2). Far from crowding out the competition, there are plenty of examples where the BBC has had to withdraw from certain programme areas because it can no longer justify the investment required in order to remain – most live football and Formula One in sport, for example. The BBC is no longer able or prepared to outbid its commercial rivals for top talent or programme rights.

There is, however, a genuine question to be posed as to whether the BBC has expanded its services too far in certain areas. There is clearly a sound argument for adjusting services in order to meet the changing needs of its audiences, especially young people, and to recognise that in a multi-channel digital world it is easier to reach specific audiences – such as children – with a clearly-sign-posted channel offering like CBBC and CBeebies. However, we are concerned that in some cases this diversity of channel services has meant that the BBC has spread its resources too thinly, and as a result has ended up with a number of modestly performing services instead of a smaller number of more effective services. .

The emphasis placed in the Green Paper itself on BBC services and channels is, in our view, diverting attention wrongly away from the programmes and content and focussing it on the outlet. We would much prefer to see the BBC concentrating on making the highest quality programmes and content, and then finding the best outlet for them, even if that means having fewer channel outlets, rather than creating the outlets and then worrying about how best to fill them.

The BBC needs to have a more fluid approach to how its channels are managed. This means that it should be ready to decide that certain channels are no longer required and be prepared to close them where necessary.

**Q5 Where does the evidence suggest the BBC has a positive or negative wider impact on the market?**

We see very little evidence that commercial operators are struggling to compete with the BBC in television. The Green Paper mentions the example of News services, but these have never been regarded by commercial operators as having to be sustainable on a commercial basis. Across the full breadth of programme services we see a generally healthy impact of competition, with the benefits felt by viewers in the form of a diverse offering of high quality programmes, and companies and programme makers able to offer their services to a range of employers.

The distinctive nature of the BBC as a public service means that its own contribution here brings a number of unique benefits. The BBC – more than any other broadcaster or producer – supports and promotes the more diverse and innovative types of programmes. It does not have to rely upon heavily formatted and high volume series that can be re-purposed for sales around the world, as the lager independent producers have to do. It is far more able and willing to provide programmes for the full diversity of audiences throughout the UK than any other broadcaster.

In one particular area, the BBC has performed a vital role for the entire industry it has shouldered the task of training and developing the careers and professional standards of our talented workforce to a far greater extent than other broadcasters and producers. This has been done directly, through the provision of a wealth of structured training and career development programmes provided by the BBC Academy or indirectly supported through the BBC’s commitment to contributing funding and resources to Creative Skillset. As a result, the careers of many of our most eminent industry creative professionals were nurtured at the BBC. In the profession of directing, for example, the BBC’s support was the springboard for the careers of Tom Hooper, Stephen Frears, Anthony Minghella, Susanna White, Danny Boyle, Joe Wright, and Sarah Gavron to name just a few. The same is also true for many of the industry’s leading executives.

There is one area of its activity where we would argue that the BBC should do more in order to remedy a failing of the market is in the area of investment in British films. The BBC’s current investment of just £12m per year, while deployed very effectively by the BBC Films team, can only make a minimal impact in this vital area of Britain’s creative industries and we think much more can be done both to support production of British films but also to ensure that they receive regular and prominent transmission. A British film strand could include acquired British films as well as those in which the BBC has itself invested.

**Q6 What role should the BBC have in influencing future technological landscape including in future radio switchover?**

We are doubtful that other operators would step in to replace the BBC’s investment if the BBC decided to withdraw – certainly not to the extent of £83m per year. The BBC co-operates with other broadcasters on much of its technology investment, e.g. BBC iPlayer, and frequently acts as the co-ordinator of activities across the industry, acting as a vital focal point for setting industry standards, for example. We believe it should be encouraged to continue in this role. To the extent that the BBC is deploying public investment in technology development, we believe that it should be prepared to allow others to access the benefits of this, for the greater good of the entire UK industry.

**Q7 How well is the BBC serving its national and international audiences?**

As is clear from the figures set out in the Green Paper, the BBC has been immensely successful in serving national and international audiences. The Green Paper observes that this is not a totally perfect record and it has some way to go further in reaching certain sections of the audience in the UK such as black and minority ethnic groups, the young and those in the nations and region of the UK. The BBC is not alone on finding it hard to reach all such audiences, of course, and some are not especially attracted by mainstream programming of the sort that the BBC and other major broadcasters inevitably have to provide.

Last year Directors UK highlighted the significant under-representation of women directors in British television[[3]](#footnote-3). We will be reporting later this year on our findings in relation to the presence of black and minority ethnic (BAME) directors in the workforce, and this will show both a significant under-representation in employment of BAME directors in British television, and a large under-representation of BAME individuals in the workforce. There needs to be more equitable representation of the diversity of our people in the workforce and in the distribution of work in order to connect as fully as possible with audiences, and this is especially true of directors – the primary storytellers in the industry.

The BBC has to reconcile a need to reach diverse audiences especially as we move into an era of greater devolution while at the same time being a unifying institution for the entire UK.

However, these criticisms should be weighed in the context of the BBC’s achievements in almost every other area. We are fortunate to have an organisation able to compete with the best in the world and to represent the UK to world audiences so effectively. The statistics in the Green Paper demonstrate clearly how successful the BBC has been in reaching international audiences through the World Service and the BBC’s network of international channel services. It is also important to highlight here that the BBC’s success lies not simply in economic performance or in audience reach. The BBC has established itself internationally as one of - if not the most - trusted media brands in the world. And that trust translates itself readily into an association with the United Kingdom – our British culture and values as embodied in the BBC’s programmes and services. Our news and factual television directors speak of the BBC and its programme teams being held in the highest regard when working abroad. This is a truly remarkable achievement. In that context, the Green Paper’s warning that the BBC faces greater competition in the future from emerging major media powers such as Google and Amazon simply reinforces the argument for building on the BBC’s success in this area to ensure that the BBC – and the UK – holds on to this advantage. Far from questioning the BBC’s performance here, it would be far more appropriate to ask how this achievement can be developed further as a potential area for further growth. We agree, for example, with the suggestion that the cap on BBC Worldwide’s borrowing limit should be re-assessed. We also support the suggestion made previously by Culture Minister Ed Vaizey that BBC Worldwide could usefully assist in the marketing and distribution of British films. However, we question whether the Government has given enough thought to a more positive strategy here.

**Q8 Does the BBC have the right genre mix across its services?**

We believe it is for an independent BBC to decide what genres to programme in its services, and its decisions about this should link back to and reflect the views and preferences of its audience. The audience will soon make it clear by voting with their feet if they are not happy with what the BBC provides. Currently the BBC enjoys continuing high levels of support from its audiences.

In 2014, BBC1 achieved an average weekly reach among all individuals of 85.2%. BBC2’s average weekly reach was 73.6%. These are the two highest channel reach figures by some distance – ITV1 is next with 60.2%. BBC channels also achieved very healthy audience share figures in 2014: BBC1’s share was 21.7%, BBC2’s was 6.1% and the other BBC digital channels had a share of another 5.4%[[4]](#footnote-4).

In this respect the Green Paper appears to find it hard to recognise the importance to the BBC of achieving good ratings for its programmes, as if this were somehow an improper or inappropriate measure of the audience’s appreciation of the BBC’s programmes. The BBC is not bound to secure high ratings for everything, but that does not mean it can feel free to broadcast anything without regard to how many people are watching. High ratings for certain shows are a perfectly fair indicator of the support the audience gives to a programme, and the BBC is right to want to deliver high audiences for its programmes in peaktime, and to want to reach a high proportion of viewing for programmes aimed at a more targeted audience elsewhere. If it failed to do so it would be rightly criticised. It is also important to production companies and to programme makers and crews that their work is as successful as possible, and that it reaches the largest possible audience.

The graphs set out in Box 9 of the Green Paper show how the spending on different genres has altered between 2006 and 2014. These figures demonstrate how the amount of the highest cost genres (drama, entertainment, film) has generally fallen in this period while those of the lowest-cost genres (factual) have risen – a consequence of the squeeze on BBC funding. Genres where audience levels are low (religion, schools) have dropped while those with higher actual or potential audiences (sport, comedy) have risen. We interpret this as suggesting that the BBC is tending to make sensible decisions about its genre mix, taking into account the level of its resources and matching them to the available audiences and their needs. Binding the BBC with set commitments on genres would be an unnecessary restriction of no benefit to audiences.

The Green Paper suggests that it is possible to assess the performance of the BBC in this area by using just two measures – by hours broadcast and by spend. This ignores other possible measures. Measures of consumption such as ratings are one such alternative. Public and critical acclaim would be another, as measured by the number and calibre of awards won, and the ratings achieved by various indices of critical acclaim.

**Q9 Is the BBC’s content sufficiently high quality and distinctive from that of other broadcasters? What reforms could improve it?**

This is a hard question to answer, given the terms in which it has been put. The Green Paper offers no definition of high quality, and chooses not to examine measure such as awards won and critical acclaim that might be of assistance. Our view is that the BBC offers a very high quality service where it can, but its ability to do so has been compromised by the squeeze on its funding and the – sometimes self-imposed – aim of making its content available on multiple channels (see our response to question 13 below). Quality has to bear some relationship to audience appeal. The BBC has to offer programmes for everyone, not just to an elite or those that other channels do not. If the BBC’s audience diminishes too far it undermines its whole case for continued large-scale public funding.

It essential that the BBC maintains its place as the source of entertainment and information for a large percentage of the population. Marginalising the BBC to become a fringe public service broadcaster like PBS in the US would be to deny millions of people of an institution that occupies a central role in the country’s psyche. To change the BBC into a different animal would be an attack on a significant part of the nation’s life. Many people have the habit of watching the BBC’s main channels, trusting in the BBC brand to deliver programmes that they might not otherwise seek out. In order to maintain this role, as well as more challenging drama and documentaries, the BBC needs to deliver popular drama series like *EastEnders*, high profile sporting events and mainstream entertainment. But, unlike other commercial broadcasters, it is in the BBC’s DNA and its remit to provide these programmes with the highest creative standards. The range of the BBC’s activities across multiple channels and radio stations allows it to be both innovative and populist while upholding standards of excellence, as witnessed in the *Ibiza Prom*, broadcast simultaneously on Radio 1 and Radio 3 attracting millions of viewers online.

Much has been made of a couple of examples of BBC programmes that appear to be very similar to those produced and broadcast by commercial companies. We think this case is highly overstated. The BBC has proved itself many times over as a broadcaster and producer prepared to take risks on innovative programmes that no commercial company would take. Both *Strictly Come Dancing* and *The Great British Bake-Off* are perfect examples of this – two formats that represented a major risk, but have developed into hugely popular successes. The truth is that there is no such thing as a guaranteed hit, whether on the BBC or any other channel.

Distinctiveness in the BBC’s programming derives to a great extent from the particular programme-making culture that exists there. Directors UK members consistently credit the BBC’s creative environment as one that encourages innovation, risk-taking, a diversity of views, and supportive of individual programme-makers. It is the antithesis of the environment that can be found in many independent production companies where the prime aim is to produce (and re-produce) heavily-formatted concepts that are tried and tested, and suitable for exploitation in high volume and on a global scale.

Some commentators have praised the drama productions of US channels such as HBO and Starz for their high quality drama series such as *Breaking Bad* and *Game of Thrones*, while questioning why similar productions are not made by the BBC or other British production companies. This is to ignore exceptional BBC productions and commissions that stand comparison with anything produced by US companies, such as *Sherlock, Doctor Who, Honourable Woman, Wolf Hall, Missing.*

**Q10 How should the system of content production be improved through reform of quotas or more radical options?**

The BBC has made a case for the removal of production quotas applying to its in-house productions and the creation of a new autonomous studio division to replace the current BBC in-house production base with the ability to produce programmes for other broadcasters.

Directors UK believes that this proposal will fail to deliver the goals it seeks, and is in great danger of causing enormous damage to some of the foundations of the BBC that command the most support from the public.

The changes were designed to tackle two major problems:

1. The 25% window of creative competition (WOCC) – under which 25% of BBC commissioning is set aside for open competition among in house and independent producers – and the 50% guarantee to BBC in-house production are no longer effective in delivering their original purpose of stimulating competition for the best programmes for transmission on the BBC. Because of the growth of non-qualifying independents (NQIs) i.e. those that, as a result of their ownership structure no longer qualify as independent producers for the purpose of coverage under the BBC’s 25% independent quota, the WOCC has now been almost entirely taken over by NQI productions, leaving the 25% independent quota solely for smaller qualifying indies. The BBC is under huge pressure to create more “space” for NQI productions for the BBC.
2. BBC in house production is barely able to meet the current 50% share allocated exclusively to it, let alone compete in the WOCC. Although almost half of this 50% is taken up by long-running and long-established series such as *Eastenders, Casualty, Holby City, The One Show, Antiques Roadshow* etc, the BBC is finding it increasingly difficult to attract programme-making talent to work on new in house productions, and has seen some of its brightest in house talent poached by independent producers. The main reason given by the BBC for this difficulty is that talent becomes frustrated by the restriction on only being able to make programmes for one buyer – the BBC. Without anywhere else to go, a decision by the BBC not to commission an in house programme effectively kills it off, whereas in the independent sector there may be many other potential buyers available, and the competition between them for good ideas is a more dynamic environment for talent.

We predict that the end of quotas would be seized on by the NQ independents as a chance to break free from the straitjacket of the WOCC and gain more BBC commissions. They would compete aggressively for this work, just as they do in all markets, and with the same mode of operation.

BBC in house production would find itself faced with a decision whether to compete on level terms with the NQIs in order to hold on to any kind of share of the new commissions becoming available, or see its own share progressively reduced. If such reduction reaches a critical point this could threaten the entire operation as certain functions become non-viable without a certain scale of operation. It would face the same intensity of competition for work commissioned by other broadcasters.

Trying to compete on level terms with NQIs would force BBC in-house to adopt the following:

* Reducing overheads to a minimum, especially through using a minimum of permanent staff and maximising the use of freelancers. This is likely to be accompanied by a reduced commitment to training and career development of the creative workforce;
* Programme development and production would focus on global-appeal projects, heavily based on reproducible formats capable of production in high volumes in order to minimise risk and maximise profits;
* Reduction in the development and production of riskier, more experimental programmes

There is also likely to be a loss of goodwill and co-operation from contributors and from other BBC departments such as News, who will adopt a different approach to a company that is no longer seen as representing a public service and is indistinguishable from commercial producers.

If this is the consequence, BBC in house productions would be indistinguishable from those provided by commercial suppliers, and would be characterised and dominated by the same features - global-appeal projects, heavily based on reproducible formats capable of production in high volumes. Diversity, innovation, creativity, risk-taking, boldness and profundity would all suffer.

It may be that the BBC is thinking of relying upon small qualifying independent producers to deliver the more challenging and innovative programmes, but these producers would be facing the same competitive blast as BBC in house, so it is by no means clear that they would be able to satisfy the licence fee-paying audience. One fears that these producers will find it harder and harder to meet even the 25% current quota, putting this under threat of reduction in the near future.

We believe these threats and risks are real and substantive. NQIs have already called, through Pact, for the chance to win not only more new BBC commissions, but also for the BBC to be forced to tender out its existing in house strands and become a publisher broadcaster.

The willingness of the public to support the Licence fee as the BBC’s funding model would be tested if they could see no real difference between the BBC as a producer and other commercial operators, or if they could not readily distinguish between the programmes offered by BBC channels and those elsewhere.

We believe there is a viable and credible alternative, which is to re-invent BBC in-house production as a production centre that inspires and energises our brightest television talent and empowers them to achieve their best work for the British public to enjoy. The key to this is to reinforce a programme-making culture and operation that removes those elements from the commissioning system that have proved so destructive, disruptive and costly to creative programme-making. This would set the BBC apart from its rival channels in the UK, and draw talent to it. It would give the BBC back its competitive edge.

In practice, this means creating a commissioning environment and culture that avoids:

* Concentration of decision-making power in the hands of a few;
* Excessive delay, intervention and micro-managing of the programme-making process;

Achieving these aims will require a change of culture and management first and foremost. The power of a commissioner to say yes to a project must be far more widely devolved through the BBC’s structure, through genres and through all parts of the UK, to open up the schedule to a wider range of tastes and views. This will directly tackle the sense that currently there is only one buyer effectively judging an in house production.

We believe that an empowered BBC in house production group operating in the more creative environment set out above should be able to compete effectively with external competition and may be able to withstand such competition without the protection of quotas. However, it is too soon to judge whether or how soon that is achievable, so for now we recommend that BBC in house is supported in establishing this new culture by the continuation of a guaranteed share of BBC commission spend, but at a slightly reduced level of 40%. This will allow the BBC the increase the size of the WOCC to 35% of total BBC commissions. We also think that the BBC should review the current size of the qualifying independent quota at 25% as part of its assessment of the balance to be struck between commissions from NQIs and small independents.

It is remarkable that while the BBC is contemplating “floating off” its production arm, other broadcasters are doing the opposite, and reinforcing their ability to generate new IP from within. BSkyB is now encouraging producers to come in house to make programmes. ITV is enjoying a period of great success with a rejuvenated in-house ITV Studios operation, posting record profits. ITV understands that IP ownership is crucial and they are trying to buy companies to access their IP.

**BBC Funding**

**Q11 How should we pay for the BBC and how should the licence fee be modernised?**

Directors UK is in favour of retaining the licence fee and closing the i-player loophole. The household levy as described sounds remarkably like a poll tax, and is likely to be as disliked by the public as the poll tax was. We also believe that it is vital to keep a close link between those who pay and those who receive the service. A household levy is still likely to be regressive unless it is structured with multiple tiers that fairly account for ability to pay, which would make it more complicated to set and collect. We fear that a household levy would be more vulnerable to be top-sliced for other uses.

We are strongly against the idea of subscription. This would introduce huge uncertainty into the BBC’s funding: how would it be assessed, what programmes or services would be placed behind a subscription wall, how could the BBC respond to the competition it would inevitably attract if it introduced subscription services? How could subscription programmes be financed with no certainty as to audience take up? We fear that the only way that the BBC could hedge against these risks and uncertainties would be to do exactly as other subscription operators do and limit their services to those areas of least risk, where the costs are most controllable and the audiences most certain. And since much of this territory has already been aggressively colonised by BSkyB and latterly by BT, we think that the BBC may come to the conclusion that the risks are not worth taking and simply withdraw altogether from much of its more distinctive and innovative programme making thereby weakening its PSB offering.

We recommend that there should be a far greater transparency over the arrangements for assessing the Licence fee. The impression left by the last two settlements is that they were determined by two deals done in great haste and secrecy, in marked contrast to the openness with which the Charter Review process is being conducted. With so many elements of the BBC’s performance being dependent on funding, it is vital that funding is subjected to the same open scrutiny as all other aspects of the Charter process.

**Q12 Should the level of funding for certain services or programmes be protected? Should some funding be made available to other providers to deliver public service content?**

Directors UK is not in favour of ring-fencing elements of BBC funding for specific purposes. Specific spending plans should be left to the management of the BBC to decide and they should be held to account for their decisions when set against the overall purposes of the BBC as set out in the Charter, and against all the normal governance rules that all companies must follow. Ring-fencing will inevitably make it harder for the BBC to manage its resources efficiently in a fast-moving industry. One can guarantee that any ring-fencing rules would require adjustment sooner rather than later because of the rapidly changing environment in the industry. We are particularly opposed to the idea of ring-fencing sums from the licence fee to pay for services outside the BBC. If other services need funding they should seek it directly from their audiences or consumers or make their own case to the Government for support. Licence-fee payers expect their money to pay for the BBC, nothing else.

We recognise that a case can be made for additional support for certain kinds of programming and services (such as programmes for children), which may be provided by the BBC or others. However, we do not think this contestable funding should come from the Licence Fee as it will end up causing harm to other services. We think that there is merit in exploring other possible sources of funds for this purposes such as Lottery funding. We would particularly like to recommend that the Government considers this issue while it is reflecting on its next move following the rejection by the judicial review of the Government’s private copying exception in the 2015 Copyright Act revisions. We urge the Government to accept now that it must allow for fair remuneration to authors as part of a private copying exception by way of a levy or statutory licence. We also suggest that a proportion of the revenues from such a levy or licence could be set aside for a new cultural fund, which could be used to fund children’s programmes, for example. This would enable the Government to deliver a private copying exception, provide fair remuneration for authors and create a new fund to support vulnerable genres of programmes without any further degeneration of the value of the BBC Licence fee.

**Q13 Has the BBC been doing enough to deliver value for money? How could it go further?**

The Green Paper makes a case that BBC management has been insufficiently rigorous, using some recent examples of bad practice – executive payoffs, DMI write off etc. Directors UK members feel that the BBC should spend as much of its funding as possible on programmes and on the technology and systems to deliver them to the largest audiences. They also tend to believe that too much money is spent on unnecessary bureaucracy and excessive levels of management that add no value for viewers but interfere with production and add cost. We recognise that the current BBC senior team has acted to bring levels of spending on management down, but we believe it still has some way to go. A greater level of engagement of directors in the key decisions in the production process – as used to be the case - would help the BBC to be more efficient. The expertise and knowledge of our directorial talent is being chronically underutilised at present, and the scope for greater efficiency is unrealised as a result.

That said, it is clear from the chart in Box 21 that almost all the savings to date have come from cutting services, not from greater efficiency, so the viewer is suffering more than anyone by way of lost or poorer services. There seems to be a presumption here that viewers are not concerned by this, but we think this must be put to the test. We think viewers want the best service, not a cheap one, just as they want the NHS to provide the best possible healthcare, not just the cheapest.

Quality is being maintained in many instances by companies and individuals involved in production overstretching themselves and working above and beyond the norm. It is usual now for programmes to cost significantly more to make than the price that the BBC is prepared or able to pay, with production companies having to make up the deficit through secondary revenues such as programme sales, DVD and online uses. Costs of development that used to be funded by the commissioning broadcaster are now routinely at the risk of the production company which, in turn, lays them off on individual writers, directors and producers. There is a of lack transparency about the extent of this which makes it difficult to assess where reforms could be made and where resources should best be directed.

We therefore take the view that the most fruitful area for examining the potential for efficiencies is by enlisting the expertise of programme-makers themselves, and in liberating the BBC’s programme makers from the cost of excessive management.

**Q14 How should the BBC’s commercial operations, including BBC Worldwide, be reformed?**

As the Green Paper acknowledges, BBC Worldwide is, by any measure, a global success story for the BBC and the UK as a whole, both economically and culturally. It would be the height of folly to damage it through any ill-judged reform. Most of the largest independent production companies in the UK are now owned by global operators, so it is even more crucial that we sustain a British international distributor in the shape of BBC Worldwide. We are confident that the BBC’s Fair trading rules already offer sufficient protection to other commercial distributors. Indeed BBC Worldwide has proved itself to be a crucial and effective partner for many independent production companies who are trying to reach large audiences outside the UK for their programmes.

BBC Worldwide’s revenues are recycled back to the BBC for reinvestment in new content and services, unlike those of independent distributors whose revenues can be re-directed to benefit shareholders. The current management team at BBC Worldwide has a much sharper sense of the right investment strategy for new ventures than its predecessor and we see no evidence of the need for reforms. We would like to see a greater involvement by BBC Worldwide in support of the marketing and distribution of British films.

**BBC governance and regulation**

**Q15 How should the current model of governance and regulation for the BBC be reformed?**

Directors UK agrees that the current regulation of the BBC by the BBC Trust has not worked and needs to be changed. The BBC Trust has been compromised by having a dual role as both regulator and cheerleader, and we do not believe that reform of the Trust is likely to remedy this fundamental conflict of interests. The Trust is vulnerable to criticism that it is part of the establishment, too slow to react to problems, and insufficiently dispassionate in its judgements.

We do not see any sense in replacing it with a new regulator. This is bound to be extremely costly to set up, and we doubt that there is sufficient expertise of the required capability available to take on this role. We do not think the public will see the sense in creating yet another regulator. As there is already a credible effective regulator in shape of Ofcom, we believe Ofcom should be handed the task of regulating the BBC, and the BBC should operate with its own governance Board just as any other company would do. We do not agree that Ofcom would be ”too powerful” – we expect that viewers and stakeholders will draw comfort from knowing that a powerful regulator had been put into place.

The BBC Board should have a number of non-executive directors appointed to it, representing viewers and key stakeholder representatives from the creative community such as performers, writers and directors.

**Q16 How should Public Value Tests and Service Licences be reformed and who should have the responsibility for making these decisions?**

We see nothing wrong with current PVT and MIA systems that cannot be improved by having regulation of the BBC moved to Ofcom. We believe that greater emphasis should be placed upon programmes and content than on channels and services. Regulation by Ofcom would remove any element of doubt about the impartiality involved in decisions about starting or ending services and would restore confidence of the public in the decision-making process.

**Q17 How could the BBC improve engagement with licence fee payers and the industry, including through research, transparency and complaints handling?**

As stated in our answer to question 15, we favour the inclusion of more viewers and creative stakeholders in the BBC’s internal governance (as with the British Film Institute and the Arts Council, for example), alongside overall regulation by Ofcom.

**Q18 How should the relationship between Parliament, Government, Ofcom, the National Audit Office and the BBC work? What accountability structures and expectations, including financial transparency and spending controls, should apply?**

It is essential that the BBC should exist with the minimum of political interference. The levels of management and governance oversight that exist at the moment have already created an environment that is overly defensive. Programme makers should be encouraged to take risks (accepting that sometimes ideas will fail) and to nurture ideas over a longer period of time than the markets would tolerate. There are plenty of examples of great BBC programmes that only matured after several attempts, and which would not have survived in a commercial operation – *Blackadder* and *Only Fools and Horses* being just two.

Again, we do not believe that there is any case for radical reform here, and we think that moving regulation to Ofcom would be beneficial in clarifying and stabilising these relationships. We would be concerned that a more complex system would make it harder for the public to understand.

**Q19 Should the existing approach of a 10-year Royal Charter and Framework Agreement continue?**

We believe that a ten-year interval between Charter Reviews is necessary to provide the BBC with the right amount of stability in order to invest in services and systems. However, we think that there should be an interim service review after five years (by Ofcom) to provide an opportunity to make adjustments if required in the light of any major changes in the economic or industry environment.

**Directors UK Ltd**

**6 October 2015**

1. [Creative Skillset Employment Census of the Creative Media Industries](http://creativeskillset.org/assets/0000/5070/2012_Employment_Census_of_the_Creative_Media_Industries.pdf) [↑](#footnote-ref-1)
2. Enders Analysis: BBC Green Paper: red alert on funding [2015-064] [↑](#footnote-ref-2)
3. Who’s Calling the Shots? Women directors in British Television Production – report from Directors UK - 2014 [↑](#footnote-ref-3)
4. Ofcom PSB Annual Report - 2015 [↑](#footnote-ref-4)