

newstatesman

**Special
Supplement**



The *NS* Media Lecture
by Mark Thompson
BBC Director General



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The NSmedia lecture

By **MARK THOMPSON**, BBC Director General, 7 December 2004

We've just moved, and a couple of weeks ago, one of my children found a letter in an old book in a cardboard box. It's from the BBC, it's got the old red BBC lozenges on it and it's dated April 1979. "Dear Mr Thompson" – nobody had ever called me Mr Thompson before – "Dear Mr Thompson, Thank you for attending the Final Appointment Board for the Research Assistants Training Scheme 79.G.2026. I am pleased to tell you that you have been selected for one of the Traineeships. Yours sincerely, Barbara Todd."

This letter changed my life. I couldn't believe my luck. I was 21, and to a 21-year-old student, the BBC sounded like the most exciting job on earth. And when I got there, 25 years ago this autumn, I found that it was.

One of the places I visited on my first day – along with Petra's tomb and that first, Proustian encounter with the BBC canteen – was TC1, the biggest studio in Television Centre and one of the biggest in the world. I was back there the other night, watching *Children in Need* go out.

There's something about live television – the energy, the intensity of the teamwork, the invisible but overwhelming sense you get of the audience out there – that always makes my heart beat faster. It did on day one, and it still does. The same goes for every other kind of broadcasting. Like most people at the BBC, I'm there because I love what we do.

My point is this. In many ways, the BBC made me. My few years away at Channel 4 may allow me to look at it to some extent with the eyes of an outsider, but the BBC flows through my veins. I believe in the BBC and what it

stands for. I believe in its vital importance for our audiences. I believe in its future.

A critical moment

But I've come back to the BBC at a critical moment in its history: a moment that calls for a spirit of conservation – for the nurturing and protection of some of the BBC's greatest strengths and traditions – but also for a spirit of quite radical change.

In a way, you can see the BBC as three different things wrapped up into one. First, it is a very substantial, highly creative, sometimes rather unruly multimedia broadcaster. Second, it is a financially and constitutionally unique institution in the British public firmament. Third, though we are usually too bashful to put it quite like this, it is a World Heritage site. Despite its eccentricities and failings, it remains one of the greatest – some might say *the* greatest – force for cul-



Net working: more than half of the BBC's viewers are now online

tural good in the world.

Let's take each of these three aspects in turn, beginning with the BBC as one of the big players in the audiovisual world. I think it's obvious to everyone that the BBC faces a tidal wave of change over the coming years. We often talk about technology, and it's true that the next ten years will see scores of new devices, platforms and pathways for getting content to audiences. However, what matters is not developments in technology, but the profound impact these developments are having on audience expectation and audience demand. They still want the best from the ►

► BBC, but how they want it – when, where, in what form – is changing by the minute.

New media, new audiences

Digital isn't an experiment for most audiences, it's an everyday reality. More than half have digital TV now, with Freeview alone

being chosen by more than 200,000 new households every month. More than half are online. Broadband is growing faster in the UK than any previous consumer technology. Digital radio is taking off. And the people aren't just buying the kit, they're using the services more and more. As America went to the polls, we had the biggest ever daily traffic to our website. More than 12 million people used our red-button interactive service during the Olympics.

And the revolution is still gathering pace. New mobile technologies, on-demand, high-definition, file-sharing: media is being reinvented and audiences are racing ahead with it. If the BBC doesn't keep up with those

audiences, it's dead. Maybe not tomorrow or the day after tomorrow, but soon enough: there isn't going to be any room in the future for old media or old media organisations.

I believe that what will stand out in this extraordinary, unfolding world is content: exceptional, distinct, valuable content. Content accessed and enjoyed in new ways, stored, shared, reworked and sometimes added to by users who will increasingly be able to originate content of their own, but content all the same.

Well, content is what the BBC is all about. It's a creative engine whose whole purpose is to convert public investment into wonderful programmes and content.

Its programme-making heritage – its conviction, its commitment to talent and to giving that talent the time to get things right, its commitment to gratuitous quality (in



Going for gold: the BBC's Olympics interactive service was a big hit

content: competition and diversity of supply isn't just good for the public; it's good for the BBC. But I do believe that, as digital fragments audiences, advertising sales and the rest of the UK's broadcasting and production base, the BBC's role as a bulwark and a guarantee of concentrated investment in distinctive British content will become more important. But we can only fulfil that role if we

embrace the kind of change that the digital age demands.

If the BBC doesn't keep up with audiences, it's dead. There will be no room in the future for old media organisations

The BBC's unique status

Let's turn now to that second aspect of the BBC as a unique – some would say anomalous – British public

institution. Even as I speak, the great and good are furrowing their brows, trying to devise the perfect constitutional model to hold the BBC fully to account.

I have to say that I and my fellow managers at the BBC are beginning to feel rather flattered. We had thought of ourselves as solid, possibly even slightly dull, public service broadcasters. But apparently not. No, it turns out that we are in fact a dangerous and unpredictable bunch of lunatics who might lash out at any minute and who need not one, but multiple teams of guards. It's an oddly liberating feeling.

Joking apart, a lot of people appear not to realise just how much scrutiny – regulatory, political and public – the BBC is already under. It's not just the governors: Ofcom, the Department for Culture, Media and Sport (DCMS), the National Audit Office, the Culture, Media and Sport Select

other words, quality over and above what you would need to provide to make a programme fit for commercial purpose) – this heritage is what the emerging on-demand world is crying out for. The future is heading towards, not away from, the BBC.

I don't believe we should be the only provider of this kind of public service

Committee and the Public Accounts Committee all have a right to examine – and, in the case of Ofcom, regulate – many aspects of what the BBC does.

It's a right they exercise regularly – and not just with rigour, it must be said, but with downright enthusiasm. The governors are today taking a far more active role than I've ever seen before at the BBC, and insisting on far greater separation between themselves and management. The systematic testing of all the proposals I am going to set out this evening – with independent expert advice – is a good example of this new approach. None of the reviews will go ahead until the governors have had a chance to examine and sign off on detailed implementation plans.

Both this and, indeed, the wider debate about governance must make sense. The BBC's status and its privileges – above all, its receipt of the licence fee – mean that government, parliament and country must all assure themselves about the governance and regulation of the BBC.

But the most important part of the BBC's unusual status in British public life is not the particular challenges it throws up for the accountability industry. Nor is it even the question of the impact that the publicly funded BBC has on the rest of the market, important though that is. It is the unique relationship the BBC enjoys with the British public.

The public believe, rightly, that they own the BBC. They have higher expectations of the BBC, but they also place a special reliance and trust in it.

But this relationship, too, must change, because the public themselves want it to. Licence-payers in the rest of the UK find it difficult to understand why so much of the BBC is based in London and still seems to speak to them with such a metropolitan voice. They want a more richly textured, more distributed BBC, with investment and access to talent spread more evenly over the UK. They



Legendary: John Peel's work was proof of the BBC's commitment to nurturing outstanding individual talent

want to be able to see what we do, to come into BBC centres all over the country and to contribute their thoughts and experiences on the web, radio, TV: I've seen people ranging from schoolchildren to grandparents doing this in projects from Glasgow to Havant, and it's an extraordinary departure both for them and for us.

But above all, the public want us to listen to them. Not to give them exactly what they want in terms of the most popular programmes, but to really listen to their expectations and their complaints. The old, aloof, remote BBC doesn't work for them any more. Again, they've moved on – and, again, so must we.

Unchanging mission and values

Yet there are some values in the BBC that shouldn't change. The trustworthiness and accuracy of our journalism, for instance – which is why we take the recent Bhopal hoax so seriously. Our commitment to outstanding individual talent: I think, for example, about the scope and range of John Peel's years at the BBC; or of Stephen Poliakoff's work for us over more than two decades. Our heritage of programmes and content ▶

Quality you can see:
the BBC's
acclaimed drama
North and South

► that promote knowledge-building – whether that's *Pompeii* on BBC1, *In Our Time* on Radio 4 or the amazing Digital Curriculum which we are currently building and which will ultimately reach every child in every classroom in the UK. Our global ambition and global reputation, which now relies on our websites and international television channels as well as on the World Service: so it's *The Office* on BBC America as well as "Lilli Bolero".

There's no need to change the BBC's essential mission or its values. That phrase of Reith's, about a public broadcasting enterprise dedicated to "the service of humanity in its fullest sense", still feels utterly right today.

But to preserve that idealism, to go on delivering that mission to audiences here and around the world, almost everything else does have to change. That's the challenge. That's why leading the BBC at this moment does feel a little bit like skateboarding down a flight of stairs holding a Ming vase.

Building public value

This summer, the BBC presented a picture of its own future in the report *Building Public Value*. In the centre of this picture is the idea of distilling the sometimes rather airy notion of public service broadcasting into the more definable, tangible concept of public value.

Public value is about the pursuit of specific public purposes. It's about reinterpreting this vision of public service



for today's broadcasting and today's audiences, ensuring that no one is excluded from the enormous opportunities afforded by the digital revolution.

In practice, this means promoting the building of democratic value by helping the public make sense of the world and encouraging them to debate and engage with it. It's about the BBC's role in furthering cultural and creative value, both on the demand side by bringing the public the best original work in music, the arts, drama, comedy and entertainment, and on the supply side by supporting and investing in the creative industries, whether it's nurturing new writers for radio and TV drama or our wonderful orchestras. It's about educational value, as I suggested. It's about social and community value.

This is not just the idea of the BBC as the national "glue", though experiences shared through the BBC remain important – and indeed, many of the big events, whether it's a D-Day anniversary or Euro 2004, seem to be getting bigger. It's also about confronting local, national and international audiences with points of cultural or political difference, in ways that hope to build greater tolerance



through greater understanding. Finally, it's about global value, taking the best of the BBC's journalism and the best of British talent and culture to a worldwide audience.

Public value has a meaning for individual consumers when programmes or other content have the value of merit goods, delivering more benefit than the consumer would have naturally demanded.

But to me it's above all an idea about public, shared space: about shared investment to provide content that pursues shared goals; about opening and keeping open a kind of virtual market-place in which all the talents and all the audiences can bump into each other.

Broadcasting is a civic art. Though we may experience it individually, it is intrinsically public in ambition and effect. A programme may make you more likely to vote, or to look at my neighbour in a new and positive light. A programme I turn to for pure relaxation may teach me something of real value. In a national emergency, the right broadcast information might save my life.

But public value is also an idea that has practical implications. It is intended to help the governors, parliament and public assess the BBC's proposed strategies and actual performance against the public goals that it has been set.

The governors will perform a public value test for any proposed new service to weigh the potential benefits of the service – for example, the way in which open, on-demand and free access to the BBC's archives might provide a remarkable new learning and creative resource for students and teachers and the public at large – against the potential disbenefits – for example, the possible impact such a Creative Archive might have on the market for existing, private sector archive owners and exploiters. The result would be a judgement about net public value on which the decision as to whether to approve or reject the new service could be based. Similar methodologies could be used to monitor the performance and net impact of existing BBC services.

A new programme and content strategy

Building Public Value imagines a future world in which the BBC uses the new digital technologies to deliver far more net public value than it can now. But success for the BBC depends less on having the right conceptual and policy framework than it does on delivering programmes and services that live up to these high ideals.

That's why the most important work we've done over the past five months hasn't been on the various reviews into how the BBC is structured and operates. It's been about our programme and content strategy.

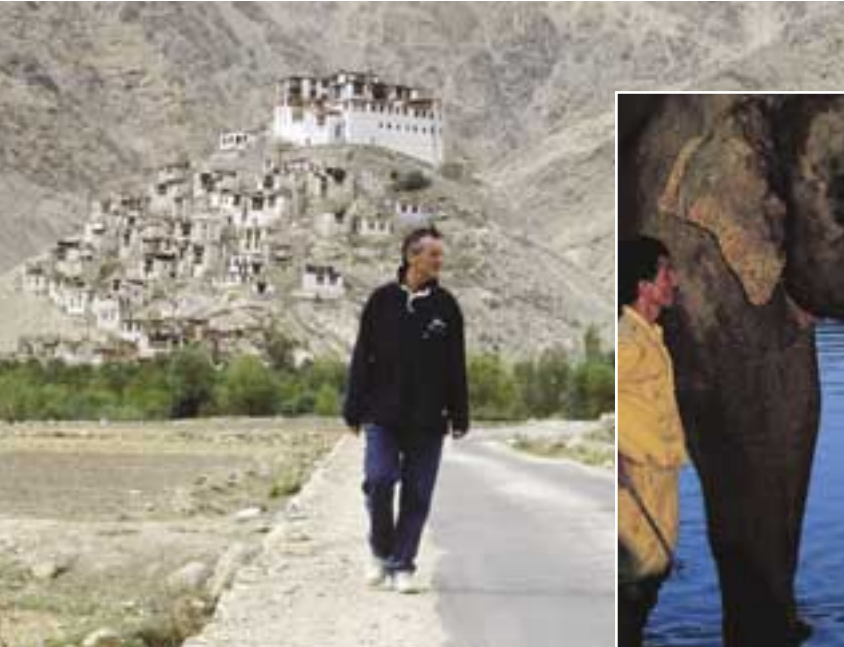
And as with the BBC's formal accountability mechanisms, this is also all about audiences. We've spent the past few months listening to licence-payers up and down

Leading the BBC feels like skateboarding down a flight of stairs holding a Ming vase

the country, asking them what they want from the BBC both today and tomorrow. This is what they've got to say.

They want a BBC that is totally focused on excellence, which gives them more quality, more ambition, more depth than they get from any other broadcaster. It's that quality you can see in *North and South*, *Bodies*, *In Our Time*, *Outlook* on the World Service or our brilliant news website. It's a mixture of talent and conviction. And, although they recognise there's plenty in our output already, they want more. They want us to raise our game.

They look to us for what I call the commanding reputations of broadcasting. News and current affairs, of course – that's our cornerstone – though even here, they want higher standards: they expect us to give them the best journalism in the world. What else? ▶



Mountain to climb: programmes such as *Palin's Himalayas* document our world



► Comedy and drama are real priorities, right up there with news. Also, music and music-making, on all media, but with our wonderful radio networks taking a leading role. Programmes that build knowledge and document our world, whether it's *Colosseum* or *Palin's Himalayas* on TV or *Front Row* or *In Tune* on radio.

Audiences still look first to the BBC for sport and national events, for safe, original, high-quality services for children, and – now more than ever – for the best local and regional services in all media.

Increasingly, they expect us to lead in new services as well: interactivity, mobility, broadband. Here they don't just want depth of content – they also want the right context: world-class navigation, media literacy, a welcoming gateway for new digital users, speed and depth for the experienced.

We can and should continue to deliver many other kinds of content, especially really original entertainment such as our great current hit *Strictly Come Dancing*, those stars and shows such as *Jonathan Ross* or *Have I Got News For You?* or *Comic Relief* that lead and inspire the national conversation. There's also still room for ground-breaking

new features and format factual programmes. But I believe that the above priorities are where our greatest efforts and the biggest weight of our investment should go.

The public are pretty clear on what they don't want as well. Repeats in BBC1 peak time. They hate it when they

think we're being derivative or are repeating ourselves. "How many times can they show us shelves being put up?" one woman asked. Just because they like a genre on other channels doesn't mean they want to get it from the

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BBC: "I don't want the BBC to show me that kind of reality," said another viewer. On radio and online as well, our licence-payers want us to make the programmes and content we really believe in. This is the content that will really stand out in that fragmented digital future.

What does this mean in practice? We need to develop a new programme and content strategy in detail. Our governors need to examine it, test it against this new idea of public value, amend it if necessary and then sign it off. But I can tell you what I think it means, what my aspirations are.

A major investment in original British drama across TV and radio, with a particular emphasis on ambition and range on BBC1, BBC2 and Radio 4.

More investment in comedy, too, using that whole chain of BBC 7, Radio 1, Radio 2, Radio 4, BBC3 and BBC2 to build the new hits for BBC1.

A boost in the origination budgets of our children's channels – they're a brilliant success, but we need to find the funds for more new shows as well as investing more in BBC4.

A music strategy for the whole BBC with the vision and the resources to open up the world of music and music-making to the whole country – with an alternative Proms for contemporary music to sit alongside our great classical festival every summer.

More specialist factual programmes and content for our channels, and for all the ways of enhancing that content through interactivity and the depth that the web and broadband can provide.

More money for original journalism, with enhanced news-gathering, more money and slots for *Panorama*, more overall prominence for current affairs on BBC1, more interactivity, and an enhanced journalistic presence across the Middle East and the Islamic world.

We want to maintain our present, very substantial investment in sport and national events in all media. We want to support and extend the new impetus we've given



Taking the lead: *Strictly Come Dancing* was a huge success for the BBC

documentary and the arts, especially on BBC1 and BBC2.

And I believe there should be less of some things. A further major reduction in the number of repeats on peak-time BBC1. We still want the best and most original new entertainment and popular factual ideas, and I think we've got the talent inside as well as outside the BBC to come up with them. But we want to raise our sights: our audiences rightly judge us by higher standards than they do our competitors.

We do want less repetition, less derivation. We want real audience successes, but we want to move on before they get tired. The public want more ambition on radio and in new media as well. And they want new ways through electronic programme guides and search engines to root out the best the BBC has to offer.

Building digital Britain

All these improvements are things that our audiences want now. But if you've read *Building Public Value*, you'll know that our ambitions go way beyond that. In particular, we believe that the BBC has an important role in helping to lead the building of digital Britain.

A key element of this is the full roll-out of the digital terrestrial television network with the prospect of a final switchover from analogue to digital within eight years. But it's also about continued support for digital radio, about new partnerships to deliver rich

content via broadband, the possibility of new local services from the BBC – including a local tier of TV news delivered by broadband – and about the second generation of digital television, including high-definition, ►

► HDTV. We shouldn't think of digital Britain as any one technology or any one switchover day. It's better to imagine overlapping waves of change, each of which will be fundamentally content-driven, and in each of which we believe the BBC has a leading part to play.

A new BBC

But to achieve all this, the BBC must undergo nothing short of a transformation itself. I believe that my predecessor Greg Dyke identified the right themes. Greg believed in a BBC with far less process and bureaucracy and with fewer layers and less hierarchy, because he knew that all those things got in the way of best programme-making and the best use of all that amazing BBC talent.

But the task of transforming the BBC is not complete. There's a new mood of openness, honesty and collaboration in today's BBC – that's really struck me over the past five months – but if you take a cold look at some of the tangible barriers to creativity, especially at our processes, I would say that surprisingly little has changed from the BBC I knew five or even 25 years ago. Things that should be so simple still somehow end up being complicated. And every penny we spend on overheads is one less penny to spend on programmes.

Only the most agile, flexible media organisations will

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flourish in the future. And only they will attract and retain the best talent. So while the BBC must continue to be able to deliver the wide range of services its audiences expect and demand, as an organisation it must be as small as that mission allows.

The vision – and the bill

So our prospectus for the future of the BBC has three parts. A bold new programme and content strategy based above all around the idea of excellence. A transformation of the BBC into a state-of-the-art digital broadcaster. And an irreversible shift in the culture of the BBC towards simplicity, opportunity and creativity.



But at this point, another question may be forming in your mind: exactly how much is this new BBC going to cost? Well, the last part shouldn't cost anything at all – in fact, a simpler, more focused BBC should cost less to run than the present one. But the programme strategy and the big digital plans contained in *Building Public Value* will involve a very large amount of investment. The final bill will depend on exactly how much responsibility the BBC is given for the task of building digital Britain, but whichever way you look at it, the total investment needed will run into many hundreds of millions of pounds.

And the first thing the government and everyone else will ask us is: how much of this vision can you afford yourselves? The government set the BBC quite testing efficiency targets in the present licence-fee settlement,



Changing images: Susannah and Trinny in *What Not to Wear*

targets that we still have to take further steps to meet. It is bound to begin any discussion about the future level of the licence fee by again asking how much of the future we can afford to pay for ourselves.

Value for money

And that brings me to the first of the famous four reviews. Over the past few months, we've been looking at the extent to which we can make the existing licence fee go further and pay for at least some of our plans for the future.

Our first conclusion is that we should make a historic

shift away from overheads and other kinds of non-content spend and direct the money instead into the programme budget and into our future digital plans.

It won't be easy. Despite the wilder imaginings of some of the papers, the BBC's professional services and other support areas are already pretty effective. They're also full of people who are just as talented and committed to the BBC as our journalists and producers. We need great marketers and strategists, human resources specialists, lawyers, finance teams and so on.

But a simpler, less complicated BBC could afford to have leaner, more focused central divisions. It could afford to expand some of our successful initiatives in outsourcing; to avoid duplication by pooling and sharing more services across the BBC; to have a far smaller headquarters operation.

By doing all these things, we believe we can reduce our professional and support costs over the next three years by £68m, or around a quarter. We would expect to reduce posts in these parts of the BBC by 40 per cent, or 2,500 posts: of those posts, around half would probably be outsourced, with the other half lost outright in redundancies. We believe that we can save an additional £93m from better procurement and other non-headcount-related costs.

But we also believe that it's right to look for productivity and other gains in our content divisions. Here the question is whether we can make the licence fee go further with

A simpler, less complicated BBC could afford to have leaner, more focused central divisions

our existing output so that we can redirect the extra into new programmes and new services.

Programme-makers often find it quite hard to understand this kind of exercise: "How can you claim that you're putting money into programmes when you're cutting my budget?" But I have to say that, after four years when value for money has not been a top priority at the BBC, but which have seen further big leaps in broadcast technology – four years when the rest of the industry has been grappling with an advertising recession and acute pressures on cost – I don't think it's unreasonable to look at production costs at the BBC.

We have set a broad target of 15 per cent savings for all these divisions over the next three years, though in those areas where we know money is already tight – English ►

► local radio and TV production in Children's are both examples – the targets will be lower. And we are looking for genuine efficiencies, not reductions in quality. This is a period when the quality of our programmes and other content has to go up, not down. I know that's going to be a real challenge.

The effect on jobs is harder to predict at this stage. As you've heard, we want to put new investment into all these areas, using not just internal savings, but also all the money we're planning to save in our overheads. Overall, we will be spending more, not less, on journalism; more, not less, on TV, radio and new media. So we've asked all the divisions to look at the most intelligent way of phasing both savings and proposed investments, bearing in mind the particular conditions of individual programmes and teams. We will then take detailed combined plans to the governors in the early months of 2005.

So what does the overall financial picture look like? To meet the terms of the existing licence-fee settlement, the BBC was already required to build up to a self-help saving of £155m a year by the end of the present charter. The measures I've just set out – that big shift out of overheads and central costs, the 15 per cent target for content –

In-house production is one of the great glories of the BBC, but the indie sector needs fairer access

should boost that £155m to savings of £320m a year by the third year.

That won't pay for the whole vision or anything like, but I believe it is an achievable target and I believe it is all we can do without inflicting damage to the services we offer the public. It is the price – a painful one, I know, for many people in the BBC – for reaching out for the prize I have set out this evening.

Content supply review

I want to turn now to our second review, which looked at the commissioning and production of BBC programmes and content. Above all, this is about ensuring that the licence fee really does go into the best ideas and the best talent. But, as many of you will know, it's also bound up in the question about whether the BBC offers fair access to independent producers, especially in television.

Many people believe that, over the past decade, the BBC has systematically favoured its own in-house television production base to the detriment of the indie sector, and that it has regarded the 25 per cent statutory quota as an effective ceiling as well as a floor. Some of them argue that the only solution is to double the quota to 50 per cent. Although I believe there is a legitimate case for giving significantly greater and fairer access to indies, I passionately believe that a 50 per cent quota would be a grave mistake.

From brilliant features such as *Top Gear* and *What Not to Wear* to comedies such as *Little Britain* and dramas such as *Waking the Dead*, in-house production is one of the great glories of the BBC. It's a critical mass of talent, training and programme-making heritage that is important not just for the BBC, but for the whole of the UK's creative industries. As the rest of the broadcasting sector fragments, it's all the more important that the BBC maintains a strong and confident in-house production capacity.

So this is what we intend to do. First, maintain the existing statutory quota of 25 per cent in television, ensuring that, from now, we plan to exceed it comfortably every year. Second, create a set of in-house minimum output contracts at 50 per cent of all commissioning. The last 25 per cent of commissions would be in what we've called the window of creative competition. You can't reorganise the BBC without at least one new acronym, so this is the famous WOCC. Commissions would go to the best ideas from whatever source.

To make this window real and to ensure that there really is space for today's creatively stronger independent sector, we also believe it's right to reduce in-house capacity from its current levels in the seventies percentage range to around 60 per cent, that 10 per cent extra above the minimum output level enabling in-house to develop for and win some of the commissions in the WOCC.

The current shape of in-house supply and the effect of the new programme strategy mean that the primary capacity reduction will need to take place in our factual division, where we believe that just over 400 posts, or just over 20 per cent of the total, will need to go. This will be extremely painful for this part of the BBC, but again it represents, I believe, a sensible middle path through this difficult issue.

We will also substantially simplify and streamline the commissioning process to make it fairer and more open to all producers in all genres. In radio, we will extend our existing voluntary independent supply target of 10 per cent to cover sport, the nations and our new digital channels. In new media, and in the light of the Graf review, we



Making us laugh:
the comedy series
Little Britain



will introduce a new quota for external production of 25 per cent.

Over the next decade, the BBC will offer new opportunities in all media to independent producers, who are already responsible for some of our greatest hits. But we will also keep faith with in-house production. Vibrant scale production is one of the reasons the BBC has succeeded in the past. It is an essential part of our future and we will fight to defend it.

Out of London

The third review looked at the BBC's role outside London. It ties into all those themes in *Building Public Value* about reconnecting and embedding the BBC in communities all over the UK. It's about fairer and more even investment of the licence fee across the country. It's about opening our doors to new talent and new perspectives. It's about winning back the trust of parts of Britain that can currently feel quite alienated from the BBC.

The centrepiece of the review is the vision of a major new centre in Manchester with state-of-the-art equipment and new, more creative, more collaborative ways of working. We are proposing to move some of the most precious parts

of the BBC to join the departments already there, services and production divisions that we have complete faith in and that we know will still be strong ten and 20 years from now. And not just programme-makers, but broadcasters.

We intend to move BBC Sport to Manchester, along with 5 Live, our brilliant 24-hour news and sport radio network; BBC Children's, along with our two national children's television networks, CBeebies and CBBC – described in the recent DCMS report as “a triumph”; and New Media and Formal Learning, including the Digital Curriculum. We also want to work with others – especially those involved in academic and applied ►



All aboard: the residents of *Balamory* are staying put on CBeebies

the public in every part of the UK.

Commercial services

The fourth and final review was of our commercial services.

The review has concluded that we do have a duty to drive as much commercial value as we can out of the intellectual property created by licence-fee investment. But from now on, the BBC should only have commercial activities that exploit and/or export BBC content and the BBC brand. Two factors should decide whether or not the

► research – to create a new media lab for the north.

This centre will open up new opportunities not just for the creative industries in Manchester, but in the whole of the north. We hope it will greatly stimulate the independent sector in all media.

Manchester is a very large-scale ambition and it inevitably comes with a large price tag. Our governors strongly support the vision, but final approval of the plan must wait until the shape of the BBC's future funding becomes clear. More detailed planning will begin right away, however.

But this is about a lot more than Manchester. We want to increase network production in Scotland, Wales and Northern Ireland by a further 50 per cent over and above the significant increases of recent years. We want to increase the BBC's proportion of spend in TV drama out of London to 50 per cent. And that's in addition to our broader vision of a new era in local and regional BBC services.

Once ITV was the broadcaster most associated with strong regional centres and regional commitment. I believe the BBC has a historic opportunity to take on that mantle and deepen for ever its relationship with

BBC needs to own a particular business or not. Strategic importance: is the activity a critical one that is closely allied to the public service mission? And scale: is the business either actually or potentially of a scale that allows it to be fully competitive in terms of market share, cost and profitability?

Examining the businesses that operate under the banner of BBC Worldwide, we have judged that our UK and international channels business is strategically core: indeed, we believe there is an opportunity to grow it substantially further. Similarly, we believe it makes sense to retain our sales and distribution business, already the largest in Europe – though we will explore the possibility of joint venturing or partnering sales and distribution with other UK broadcasters to sell British television around the world more effectively.

We also believe that the success of our magazines operation derives from its closeness to the brands and creative teams who make titles such as *Top Gear* and categories such as *Wildlife* and *Music* so successful. In future, though, we believe the magazines business should only publish magazines that relate to BBC subjects or programme titles. The practice of trailing magazine titles on

the air – a subject of real anxiety and irritation to the rest of the magazine market – should stop.

We also believe that Worldwide's Books, Learning and other businesses lack the scale to really grow and thrive in their very competitive markets, and we will therefore look for the right future for each of them going forward. That might involve finding the right joint venture or partner, or it might involve selling them outright.

We will also recommend to the governors that they examine and reform the BBC's Fair Trading Complaints process, and that we reform the governance of BBC Worldwide by introducing outside non-executive independent directors to build confidence in the fairness and clarity with which the BBC engages in commercial activity.

The BBC also has two businesses that support our main operations of public service production and broadcasting: BBC Resources, which provides studios, outside broadcasts facilities and post-production for many BBC programmes; and BBC Broadcast, which provides play-out and related services. In both cases, the review has concluded that it is not essential that these businesses are fully owned by the BBC – indeed, full ownership may not be in the best interests of Resources and Broadcast or those who work in them, as they seek to build their business and secure more work.

We will start actively to explore options, including those of partnering, joint venturing or sale, with both management teams and the market. In the case of Resources, we still need to assess the impact of the other reviews on the workload for Resources – that process should be complete by the middle of 2005. In the case of Broadcast, we believe we can begin to move more quickly. But in both cases, we recognise that any change of ownership would have to be accompanied by strong safeguards about continuity of service in the long as well as the short term. We will also focus on the interests of all of our people in these divisions throughout the process.

Conclusion

Taken together, the four reviews represent considerable change for the BBC. But there are no new heroic structural reforms or management theories at work here. In each case, we have focused on pragmatic solutions that balance

the need to respond to real issues with our duty not just to preserve, but to strengthen the BBC's programme-making, content-creating heart.

The BBC effectively lost a year of planning because of the Gilligan-Kelly-Hutton crisis. As a result, a lot of different challenges have hit at the same time and we've had to move very quickly – at least by BBC standards! – to meet them all at once. The advantage, however, is that we've been forced, both by events and by the whole debate around charter renewal, to think about our future in the round and to develop an integrated view of how the BBC should navigate through the choppy, unpredictable but also opportunity-rich waters of the next ten years.

The plan inevitably means a great deal of personal disruption in many parts of the BBC. I know that the coming months will be difficult for many of my colleagues and that they will often find it very hard to see that big picture, that positive long-term vision for the BBC, as they tackle the immediate consequences of some of the reviews. But I am convinced that the right course adjustment now is better

than putting off the evil day: sooner or later, even greater disruption – and perhaps worse – would follow.

I talked earlier about the unique relationship between the BBC and the public. It's a relationship

that, through 80 years, has survived momentous change. Far from being an anachronism, I believe that this relationship may actually grow in importance as broadcasting and Britain both change again.

As we head into the next phase of the digital revolution, the potential – and the need – for public value in broadcasting has never been greater. Creating a fully digital Britain is a public challenge that the BBC can help to lead. It is a Britain from which the BBC, and only the BBC, can ensure that no one is excluded. It is a Britain where investment in British talent and voices and the widest range of quality British content will be more important – and more at risk – than ever. I believe that only the BBC, with its unique mission and its unique method of funding, can guarantee that this investment will be made.

But it has to be a changing BBC. Excellence, more money into programmes, simplicity, agility, creativity – these are, I believe, the right themes for the future. If we stick to these themes through the very challenging transition we have to make, Britain will end up with a BBC that is more relevant, more valuable and stronger than it is today.

There are no heroic structural reforms at work, just pragmatic solutions to strengthen the BBC

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