

I Foreword

The BBC Trust welcomes phase two of Ofcom's consultation on the future of Public Service Broadcasting (PSB). In this response the Trust is replying, as the BBC's sovereign body, on behalf of the whole BBC.

In considering the PSB review, one could be forgiven for thinking that television is in rude health. Despite the rapid growth in online, people are watching nearly an hour a week more television than they were three years ago, with signs that terrestrial channel viewing is remaining relatively stable. The internet is also starting to drive some new consumption, although this still represents only a tiny proportion of overall viewing.

However, in this environment there are some serious underlying structural challenges driven by the internet less because it is a means of consuming content and more as a substitute location for advertising.

Commercial public service broadcasters therefore face the difficulty of high demand for good quality programming yet declining revenues from the advertising generated around that programming. These problems are further exacerbated by the worsening economic climate since Ofcom launched its review.

This response discusses the BBC Trust's view of the scale of the problem. A gap may be opening between what the public expects of commercial public service broadcasters as citizens and what the market will deliver in terms of funding.

Options for filling that gap suggested by Ofcom could include an industry levy or redistributing some of the money collected for the BBC via the licence fee. However, both serve to share existing PSB funding rather than grow it. Ofcom also suggested new taxation could deliver the funds, but given current economic circumstances we do not believe that this will be a viable option. Furthermore, whilst audiences may want many of the benefits of provision beyond the BBC, their willingness to pay for them can be quite low.

Part of Ofcom's response may also be to allow ITV and Five effectively to exit their public service obligations over time and rely on Channel 4 to deliver plurality (Ofcom's phase two models 2 and 3). The Trust's view, based on what we know from audiences is that all three play a role in securing the range of PSB content the public love and we would see all of them as key players for the future. Any solution needs to find a way to keep all of them playing to their strengths.

The Trust believes the BBC has a real role to play in delivering innovative solutions to the problems facing PSB. Our challenge to the BBC Executive during phase one of Ofcom's review was to develop sustainable partnership proposals. The reason underlying this challenge is that sustainable and effective PSB in the long term will require a different approach. Solutions must work with the grain of market changes and aim to secure PSB by finding new sources of value, rather than simply reallocating existing funds. We believe that the right sustainable partnerships could offer a long-term, strategic solution to the problems facing PSB, based on the strengths of particular institutions, which are highly valued by audiences. By leveraging the cornerstone role played by the BBC in broadcasting we are aiming to deliver potential benefits not only to the commercial PSBs but also the wider broadcasting sector, strengthening the UK's position as one of the world's strongest creative economies. At the same time it is important that any

solutions do not diminish the service to audiences provided by the BBC. Far from the idea of a BBC bearing gifts, looking for opportunities to work ever more closely in partnership with other broadcasters must represent a genuine shift in attitude. It also represents a significant opportunity to better deliver the public purposes and so deliver even great public value to audiences.

The Executive has today published those proposed partnerships and the Trust is now open to views – particularly those from potential partners and others in the industry. As I have said on previous occasions, the Trust will only endorse the proposals if:

- they really make a difference and produce a sustainable outcome
- they offer demonstrable value to prospective partners and other stakeholders
- they represent a genuine offer, and do not exclude realistic options which may involve a financial cost to the BBC – provided that the cost can be justified by public gain

And most important of all:

- Firstly, that we can be sure that the principles of the BBC's independence, accountability and delivery of the public purposes are not put at risk
- Secondly, that these proposals are ones which we judge to be in the wider public interest

Ofcom's range of options in its phase two document all delivered assistance after 2012/13. Making a reality of the proposed partnerships will take a number of regulatory steps and we will work with Ofcom in the coming months. However, the Trust believes they offer the possibility of early benefits (potentially as early as the end of late 2009) to PSBs and wider broadcasters and therefore ultimately to audiences.

The Trust is also keen to ensure this is a moment that drives a fundamental shift in the way the BBC sees its role in the United Kingdom. Partnerships should not just be about securing the broadcasting heritage of the UK, but very much focussed on the needs of audiences now and in the future. In some areas such as technological standards the BBC has for many years been generous and worked to the benefit of the whole broadcasting sector. In others, such as the implementation of the WOCC, it is making real progress. The Trust recognises that to secure and implement really effective partnerships will require a further step change in effort from the BBC, but believes that the resulting impact in terms of support for the commercial PSB sector and the resulting choice for audiences will be well worth it.



Sir Michael Lyons, Chairman