

Public Value and the BBC

A report prepared for The Work Foundation's
public value consortium



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1. Introduction

It's a truism, but nonetheless true, that the context in which broadcasting in the UK takes place has changed, and is changing, fast. Sky television's successful launch of its services from the Astra satellite in 1990 changed UK broadcasting in two major respects. First, it destroyed the time honoured basis on which Government had managed the broadcasting system. Government, whether directly or through a regulator, could no longer control entry to UK broadcasting and this meant that the bargain whereby commercial broadcasters (that is ITV/ Channel 3) provided public service programming in exchange for relatively cheap radio frequency spectrum **and** limitation of competition steadily became less attractive to commercial broadcasters. If Government couldn't control entry and limit competition, provision of expensive public service programming ceased to be commercially attractive. And second, Sky's subscription based business model (though latterly Sky has become a significant competitor in advertising funded television) unlocked a hitherto untapped stream of revenue which enabled Sky to acquire programme rights, and particularly sports rights, which terrestrial broadcasters (notably ITV and the BBC) had thus far shared between them. And the price of rights rocketed.

Since 1990 further technical changes, the Internet, video on demand, PVRs,¹ Slingboxes and so on, have not only intensified the pressure on commercial broadcasters but has also started to change broadcasting from a 'push' medium, where broadcasters provided a service and viewers and listeners usually consumed it in the order it was provided and sitting down in a fixed location, to a 'pull' medium where viewers and listeners choose what they want and when and where they want it. The BBC is at the centre of these changes. Not only has it led the way in providing conventional radio and television services over the Internet but it has been profoundly affected by changes to the rights market; by the perceived need, so that licence fee payers remain willing to pay, to provide services across all platforms and also to maintain a substantial proportion of aggregate viewing and listening and by rising expectations of BBC public service programming as commercial broadcasters withdraw from public service provision. Indeed, so profound are these changes that Ofcom has envisaged a fast approaching future where the BBC may become the UK's only public service broadcaster.

¹ Personal video recorders – devices like Tivo and Sky digital boxes which have enabled viewers to timeshift viewing and reduce their exposure to advertising

Over the last two years, 2004-2006, the BBC has been the subject of an extraordinary number of independent scrutinies: notably by two Parliamentary Select Committees (House of Commons Select Committee on Culture, Media and Sport 2004, House of Lords Select Committee on the BBC Charter Review 2005²), the DCMS' independent panel (DCMS 2004, 2005), the Government's own Green and White Papers (DCMS 2005a, 2006), Ofcom's review of Public Service Television (Ofcom 2004, 2004a and 2005), and by independent commentators (see, for example, Cox 2004, Elstein 2004a). However, these reviews have principally focused on the BBC in relation to its external environment. But in this paper I take a somewhat different perspective and focus instead on matters largely internal to the BBC (in so far as the internal and external can effectively be separated) and on the BBC's embrace of a new doctrine of public sector management: public value management. Not only is the context for public service broadcasting changing but public service broadcasting is changing itself.

'Public value' can mean many things ranging from a user centred 'what the public values' to a producer (or authority) centred 'what's good for the public'. This includes both the competition and value for money centred doctrine of the 'father' of public value management, Mark Moore, and The Work Foundation's emphasis on renewal of the public sector legitimacy through strengthened accountability to and involvement of the public. In the context of UK public service broadcasting both Moore's and The Work Foundation's perspectives point to significant challenges to the BBC (and Channel 4) over the next decade. Both the BBC and Channel 4 seem comfortably placed at the beginning of this new period. The BBC has weathered what one of its senior managers described as the most testing Charter renewal to date³ (although, at the time of writing, the Government had yet to hand down the new licence fee settlement) and Channel 4 enjoys a financial surplus, has successfully entered the radio market and established new television channels. But each, in the proximate future, will be under scrutiny and pressure to justify their public status and claims on public resources. A public value approach can help to articulate responses to these challenges.

² The author is Professor of Media Studies at the Open University and was Specialist Advisor to the House of Lords Select Committee on BBC Charter Review. However this paper and the House of Lords' Committee's Report should be read as expressing only the views of their respective authors

³ David Levy, the BBC's Controller of Public Policy, at the Oxford Media Convention 2006

What is public value?

'It [the BBC] must apply the test of public value to everything it does – its services, its commercial activities, its scope and scale.' (BBC 2004: 5).

There are five sorts of answers to the question, what is public value?

First, a scholarly answer stating that public value is an idea first formulated by the Harvard management theorist Mark Moore. In brief, Moore proposed (Moore 1995) that public value is both a **practice** whereby providers work with users to produce outcomes that genuinely meet users' needs and an **aspiration** to go beyond 'hitting the target but missing the point' and so re-orientate public bodies to 'ends' (such as 'health') rather than to 'means' (so many 'Consultant Episodes' completed for so much committed in resources).

The impact of Moore's notion of public value in the UK was amplified by Gavin Kelly and Stephen Muers' (2002) 'Creating Public Value'⁴ which emphasised two of Moore's themes, co-production (involvement of users) and contestation (competition) as the **means** through which public value can be realised.

Second, a 'history of ideas' answer stating that public value doctrines are a reaction to new public management (NPM).⁵ By re-orienting public bodies to the doctrines and practices of the private sector, NPM sought to address endemic public sector problems of what Denhardt and Denhardt (2000) called 'old public administration'. This was notably the 'capture' of public sector bodies by those who worked in and controlled them and the lack of responsiveness to users of bodies governed by upwardly accountable 'command and control' governance. NPM was meant to remedy inefficiency and lack of responsiveness to users but, for its critics, wrenched public bodies into a 'privatised' (even if not actually privately owned) stance and constructed downward accountability as a simple purchaser/provider relationship between unequals. Whereas public value based public management re-orientates public sector bodies towards best serving the public best (Bozeman 2000: 2).

⁴ Versions of this paper exist which also credit Geoff Mulgan among the authors: see http://www.number-10.gov.uk/files/pdf/public_value2.pdf on 25.2.2006

⁵ NPM figured strongly in the 1999 UK White Paper 'Modernising Government' (Cabinet Office 1999). Osborne and Gaebler's 'Reinventing Government' (1992) is usually identified as the canonical source text of NPM doctrines

Public value, with its ethos of co-production – that is partnership between users and providers, potentially combines downward accountability to users, but to users as citizens rather than as subjects or consumers. It aspires to reassert the public in organisations which had, under NPM, become excessively privatised. Public value rejects NPM's quantification of the unquantifiable. Instead of NPM's numbers of arrests, public value informed policing would provide security. Instead of ratings, public value informed broadcasting would foster cultured and knowledgeable viewers and listeners. Instead of using market mechanisms and price, it would redress market failures and focus on providing the goods and services which either cannot satisfactorily be priced or which **should** not be provided through price and market regimes.

Third, a messianic answer: public value is a rallying cry for reinvigoration of the public sector. Under the banner of public value, institutions can renew themselves, and mobilise those who work within them to respond to the public, involve the public and serve the public's (or publics') needs and aspirations rather than institutional and personal interest.

Fourth, a taxonomic answer: public value is a distinct kind of institutional governance. Rather than being a form of command and control, hierarchical governance or market, purchase and exchange governance, public value is a form of network governance. That is of self-organising, collaborative governance, or what Mark Moore calls 'co-production' (Moore 1995: 117-8), in which users and providers collaborate co-operatively to make public institutions work. And, because they co-produce, users have an active, productive and constitutive role as **citizens** in public service production and delivery.

Public value⁶ therefore reflects both a general disenchantment with both markets and hierarchy and a public demand for involvement in and democratic control of public services whilst maintaining the contestability central to NPM. A 'hard' characterisation of public value theory might describe it as NPM plus

⁶ The term 'public value' has a loose and inclusive character, as has the related term 'public good' which is sometimes used synonymously with public value. Public good can mean either (or both) a generalised something which is good for the public or a very particular kind of economic good – one which is non-rival and non-excludable. Classic examples of economic public goods include parks, defence and policing, street lighting and broadcasting. When economic activity is co-ordinated through markets, public goods in the economic sense tend to be under supplied because individuals have strong incentives to 'free ride' on others' provision. Accordingly, provision of public goods is customarily seen as the role of the public sector because public authorities can compel all to contribute to their provision and prevent any from free riding. However, public value provision and production (co-production) of public goods is normatively characterised by user involvement and decision making rather than passive reception

co-production. A 'soft' version would refer to the importance of what Davies (2005: 130) called the elements which 'cannot so easily be valued, or even sensibly be valued at all' and which may be under-represented and thus under-provided in NPM type public service delivery.

The BBC and public value

And fifth, there is also a nascent, but distinctive, 'BBC' answer to the question 'What is public value?' This answer is embodied in the BBC's adoption of five outward looking public purposes⁷, that is serving citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, reflecting the UK, its Nations, regions and communities and bringing the world to the UK and the UK to the world, and the embedding of four 'drivers' – reach, quality, impact and value for money in BBC operating procedure. The BBC's public value doctrine was first made public in 'Building Public Value' (BBC 2004) which Simon Milner, when BBC Secretary, described (interview 28.7.2004) as the BBC's 'manifesto' for Charter renewal in 2006. This distinctive BBC definition of public value has evolved out of the unique character of the BBC and its distinctive contemporary position. But Moore's canonical articulation of public value doctrine, which foregrounds the values of 'co-production and contestation', poorly matches the BBC's status and circumstances.⁸

Classic one to many free to air broadcasting, of the kind offered by the BBC, makes co-production intrinsically difficult. Not only is there no face to face contact between users and supplier but the independence at the heart of the BBC's public service broadcasting vocation and mandate weighs strongly against the collaboration in governance intrinsic to co-production. As for contestation, the 'standard defence' (Graham 1999) of public service broadcasting and the BBC rests on the argument that competition, that is contestation, can neither thrive nor serve the public interest in the irremediably imperfect broadcasting market. Why then has the BBC taken the lead in developing and implementing public value doctrines in the UK public sector?

The answer to this conundrum lies in the distinctive twist given to public value doctrines in the governance and management of the UK public cultural sector. In this context, public value has come to signify a general orientation to the user

⁷ There is a sixth public purpose - building digital Britain

⁸ Levy (interview 18.5.2006) described the 'quite dramatic' change in senior BBC management practice which has attended the BBC's adoption of the four drivers which now inform the quarterly management 'reporting packs' submitted to the BBC Executive Board and to the Governors

and use of output oriented management information and policy evaluation indices rather than the contestation and co-production which Moore (and Kelly and Muers) put at the centre of their 'classic' version of public value doctrine. This output and user orientation is well exemplified in the BBC's four 'drivers': **reach, impact, quality and value for money**, all of which are referenced against user needs and interests.

The BBC's articulation of its version of public value doctrine, notably in 'Building Public Value' coincided with the latest of the regular reviews of BBC purpose which accompany the expiry and renewal of the BBC's Royal Charter. Charter review, and the backwash from the Hutton Report of 2004, stimulated Government proposals for change to the BBC's governance and regulation.

BBC Charter and Framework Agreement

In mid 2006 the Government published the text of the 'constitution' under which the BBC will operate from 2007 (and the expiry of the previous Charter) to 2016. The 'constitution', as is customary, takes the form of a Royal Charter for the continuance of the BBC and a Framework Agreement between the Government and BBC (including the Treasury Minute relating to the Agreement).⁹

The new Charter and Agreement set out some important, and by and large constructive and forward looking, innovations. There is to be a clearer separation between governance and regulation on one hand, which is to be undertaken by the BBC Trust (which replaces the Governors), and management, which is to be the prerogative of the BBC Executive, on the other.

The Charter defines the fulfilment of six 'public purposes' as the BBC's main objective (and the Agreement requires the Trust to flesh these out with specific 'purpose remits'). The Agreement mandates programming to be 'high quality, challenging, original, innovative and engaging, with every programme or item of content exhibiting at least one of those characteristics'. The Agreement further mandates the Trust to issue service licences for major BBC services and for the Executive to publish statements of programme policy (in the light of Ofcom's guidance and its regular reports and commentaries on the delivery of public service television and of radio services). When the BBC proposes a new service (or

⁹These documents are available at: http://www.bbccharterreview.org.uk/pdf_documents/Cm6925_BBCRoyalCharterFinal.pdf and http://www.bbccharterreview.org.uk/pdf_documents/BBCAgreement_Cm6872_july06.pdf on 22.11.2006

significant change to an existing service) the Trust is to undertake a Public Value Test (PVT) which will include a market impact assessment undertaken by Ofcom¹⁰.

The Charter and Agreement establish a clear separation between the BBC's management (the Executive – which is to include four non-executive directors one of whom, in theory, could chair the Executive and, that being so, the Director General is not directly subject to dismissal by the Trust) and the Trust (supported by an independent secretariat, the 'Trust Unit') as regulator and governor of the BBC. They charge the Trust with acting in the public interest and specify (at Clause 23 of the Charter) that the Trust must:

- a. represent the interests of licence fee payers
- b. secure that the independence of the BBC is maintained
- c. carefully and appropriately assess the views of licence fee payers
- d. exercise rigorous stewardship of public money
- e. have regard to the competitive impact of the BBC's activities on the wider market; and
- f. ensure that the BBC observes high standards of openness and transparency.

The Charter and Agreement assert the **indivisibility** of the BBC's independence stating that 'The BBC shall be independent in all matters concerning the content of its output, the times and manner in which this is supplied and in the management of its affairs'. From this provision flows some of the complexities and convolutions in the BBC's constitution: rather than being subject to Ofcom's regulation of impartiality and accuracy the BBC Trust is charged with this responsibility; rather than being directly subject to Ofcom in respect of the fairness of its output the BBC is charged with complying with the Ofcom fairness code (and with other relevant Ofcom programme codes). Moreover, the Trust is charged to 'have regard' to Ofcom's comment on the Trust's proposals for the nations and regions¹¹ and, rather than being subject to audit by the National Audit Office, the BBC Trust is charged to 'regularly discuss' audit of BBC efficiency and effectiveness with the Comptroller and Auditor General and, in addition to any future possible general

¹⁰ The framework for market impact assessments is to be set by a Steering Group, jointly convened by the Trust and Ofcom and any Trust decision arising out of a PVT is subject only to procedural (not substantive) veto by the Secretary of State

¹¹ In some respects, of course, the BBC is not independent of Ofcom, as clause 9 (2) of the Charter makes explicit. A case in point is the BBC's duty to comply with Ofcom's directions in respect of independent production quotas (see Clause 52 of the Framework Agreement). Moreover, the BBC is in important respects subject to Government not least in so far as Government sets the level of the licence fee (and the proportion of the licence fee which accrues to the BBC)

regime of spectrum pricing and trading, the BBC, through the Trust, is enjoined with ensuring 'efficient use of the radio spectrum'.

Similarly, in respect of fair trading, rather than being clearly subject to regulation by an external body, the BBC is subject to the Trust. The Trust is charged with consulting publicly before adopting a fair trading policy; with reviewing regularly its codes; publishing a statement of policy concerning the BBC's competitive impact on the 'wider market' and to 'have regard' to Ofcom's views on the content of the BBC's fair trading code(s). The BBC is also charged with a general duty to co-operate with Ofcom and to provide any information and assistance that Ofcom reasonably requires.

Some convolutions in the language of the Charter and Agreement testify to the delicacy of drafting required to re-establish a constitutional equilibrium for the BBC after a period of intense debate about the terms of Charter renewal (and, doubtless, some residual ripples from the Hutton Report of 2004). The Charter and Agreement establish a BBC Trust (which is not a trust), a BBC Executive (which includes non-executive members), charges the Trust to act in the interests of the licence fee payers (a category which includes non-licence fee payers), defines the Chairman of the Trust as the Chairman of the BBC (but only in honorary terms) and so on! Despite these residual testimonies to the intensity of the controversies which attended Charter review and renewal, the new Charter and Agreement contain important new provisions which helpfully address issues raised by 'critical friends' (and critics) of the BBC during Charter review. Despite the complexities signalled in the context of the new BBC by the imperfect matching of terms like 'Trust', 'Executive', 'Chairman' and so on with customary usage, the new 'constitution' promisingly presages clearer relationships and positive practices. The management and governance and regulation functions of the BBC are more clearly separated and this separation is reflected in a new institutional structure; the importance of the BBC's independence has clearly influenced the prescribed relationships between the BBC and expert external bodies such as the National Audit Office (NAO) and Ofcom and the Trust's and Executive's work will take place within a 'public value' determined context. What then is 'public value'?

Mark Moore

In his 1995 book 'Creating Public Value', Moore placed himself within what he calls a 'new tradition' (Moore 1995: 316) of public entrepreneurship rather than traditional public management (which, for him, is 'downward' rather than 'outward' oriented [Moore 1995: 17]) and sought 'to lay out a structure of practical reasoning to guide managers of public enterprises' (Moore 1995: 1). Subsequent UK work on public value, notably Kelly and Muers' 2002 'Creating Public Value. An Analytical Framework for Public Service Reform' written for the Cabinet Office built on Moore's work.

Moore identifies a problem endemic to public management: objectives and performance indices are hard to specify. 'In the public sector the overall aim of managerial work seems less clear; what managers need to do to produce value is far more ambiguous; and how to measure whether value has been created far more difficult' (Moore 1995: 28). However, unlike NPM which 'solved' this problem by bringing public sector organisations closer to the operational practices of the private sector, Moore insists on the irreducible difference between public and private sectors: 'the aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value' (Moore 1995: 28).

But what is public value? For Moore: 'Public managers create public value. The problem is that they cannot know for sure what that is. Even if they could be sure today, they would have to doubt tomorrow, for by then the political aspirations and public needs that give point to their efforts might well have changed' (Moore, 1995: 57). Here lies the importance of the case studies around which Moore's account is organised. His stories of public value management in a library, a housing department and a police department show public value to be more than, and different from, the realisation of easily quantifiable outputs, (such as the number of houses built or the number of convictions achieved). He emphasises the 'co-production' of outcomes achieved by public managers and public authorities working together with their clients. Indeed the essence of co-production, and thus the successful creation of public value, is dissolution of the boundaries between client and provider. The legitimacy of public bodies grows as their accountability to the public is thereby strengthened.

Public value doctrines are beginning generally to influence policy and planning in UK publicly funded cultural bodies. For example, Gavyn Davies, in his essay 'The BBC and Public Value', argued that 'the core case for the BBC should rest not on money and markets but on culture and citizenship' and that 'the concept of public value should lie at the heart of the BBC's Charter bid' (Davies 2005: 129). Paddy Barwise's evaluation (2004) of the BBC's digital television services included a public value test. And Tessa Jowell's department, the Department for Culture, Media and Sport, proposes to embed the criterion of 'public value' in funding agreements with the non departmental public bodies (NDPB), such as the Arts Council of England and the Royal Opera House, which it funds. Moreover, for the first time, public value was explicitly specified in the BBC's mandate (in the 2006 White Paper, [DCMS 2006: section 5.3] on the future of the BBC) and has been embedded in the BBC Framework Agreement.

Moore's conception of public value assigns an active role to users whereby they behave as 'citizens acting through politics, rather than consumers acting through markets' (Moore 1995: 44) and as citizens they 'establish both the level and distribution of production' (Moore 1995: 44). Moore's insistence on the centrality of the user involves a distinction (Moore 1995: 48) between the user as **consumer**, who seeks what's good for her/himself and the user as citizen who seeks what's good for society and necessitates a re-thinking of public managers' roles because 'the classic tradition of public administration does not focus a manager's attention on questions of purpose and value or on the development of legitimacy and support' (Moore 1995: 74).

Gavin Kelly and Stephen Muers' 2002 paper for the Cabinet Office, 'Creating Public Value. An Analytical Framework for Public Service Reform', was a key route for transmission of Moore's public value doctrine into the UK. Indeed, David Levy, Controller of Public Policy at the BBC (interviewed 18.5.2006), described Kelly and Muers' paper as a more important influence on BBC thinking than was Moore's work. Kelly and Muers follow Moore by emphasising the importance of co-production. They affirm that 'In a democracy this value is ultimately defined by the public themselves. Value is determined by citizens' preferences' (Kelly and Muers 2002: 4). But such preferences can be taken seriously only if and when citizens put their money (or something else of value) where their mouths are. For Kelly and Muers, the idea of opportunity cost is therefore central to public value.

Kelly and Muers further argue that the quality of public services, and the public sector, is likely to be strengthened if they are contestable. 'Much of the experience of the last 20 years has shown that public value is best maximised neither by competitive private markets nor by monopoly public provision. Instead, as UK experience in prisons, employment and welfare services has shown, the combination of strong public sector institutions and competition from private and non-profit organisations achieves the best balance of accountability, innovation and efficiency' (Kelly and Muers 2002: 5). In their emphasis on contestation, Kelly and Muers affirm the connections, rather than the cleavages, between public value and NPM doctrines.

Kelly and Muers emphasise the importance of the **external** rather than the **internal** environment of public sector bodies, in fostering public value. Notable among these external features is the positive force exerted by private sector provision, ie contestability. 'Citizens derive benefits from the personal use of public services that are very similar to the benefits derived from consuming those purchased from the private sector' (Kelly and Muers 2002: 11). Kelly and Muers also stress another external factor - the positive force exerted by co-production relationships between users and providers; 'Good government requires citizens and their representatives to continually revise shared values and objectives through a process of public deliberation' (Kelly and Muers 2002: 7).

But there may be problems in applying public value doctrines to broadcasting because face to face contact characteristic of co-production is largely absent from broadcasting and also because contestation (or competition) has been widely believed to be both difficult to achieve and to deliver undesirable results (negative externalities) in broadcasting. Both contestability and co-production will be considered later in this paper in the specific context of the BBC and public value.

Kelly and Muers broke from NPM doctrine in identifying 'three broad dimensions of public value: services, outcomes and trust/legitimacy' (Kelly and Muers 2002: 3) which they regard as *independent* sources of public value. An improvement in health outcomes generates value even if satisfaction with GPs/hospital services does not improve. Likewise, if trust in public institutions increases, value grows even if it does not flow from improved services or outcomes (see Kelly and Muers 2002: 21). They argued that if public sector organisations give greater emphasis to:

‘public/user involvement, satisfaction (as distinct from outcomes), trust in government and service providers, procedural fairness’ (Kelly and Muers 2002: 32)

then public value would grow.

It’s clear therefore that Kelly and Muers’ ‘official’¹² transmission of public value doctrines into the UK public sector both strongly emphasised the dialogic, co-production, elements of Moore’s public value doctrine and affirmed the continuing validity and relevance of the classic NPM notions of competition and contestability.

Public value and cultural value

Moore’s (1995) and Kelly and Muers’ (2002) works are often acknowledged as the sources of the developing public value doctrines of the UK public cultural sector. However, application of public value doctrines in the UK cultural sector has diverged significantly from the doctrine elaborated by Moore and Kelly and Muers by softening their emphasis on co-production and breaking firmly with contestation¹³.

Contestation falls away because of the presumption that a well functioning market with effective contestation is unlikely to prevail in the sectors in question. And co-production metamorphoses from joint production and direct involvement of users to a duty on managers to explain, consult and converse with users. As Tessa Jowell stated, ‘A public value world would include a lot more ‘co-production of services’ at the local level. Instead of funding what we think is important, we’d start by asking people what’s important to them’ (Jowell 2006: np). Moore’s work is undoubtedly the source of UK public value doctrine, but in the UK public value management has come to signify a looser, re-orientation of public institutions towards outputs and users and a recognition that too much is lost if ‘hard’ economic criteria dominate public sector policy and provision.

¹² Albeit every page of Kelly and Muers’ paper carries the footer ‘This paper has been prepared to stimulate discussion: it does not represent the views of government’

¹³ These versions of public value theory are rooted in the thinking of John Holden (2004) and Robert Hewison (Hewison and Holden 2004) at Demos

2. Why the BBC and public value?

The BBC has been widely recognised in the UK cultural sector to have developed most fully a doctrine of public value informed practice. The BBC has used the term 'public value' in key recent policy documents, eg the licence fee bid 'Delivering Public Value: BBC Licence Fee' (BBC 2005b), in corporate branding (eg posters at events such as the Oxford Media Convention 2006) and in speeches by senior BBC managers. For example, the Chairman of the BBC Governors, Michael Grade, stated that the BBC would be dedicated to:

'the idea of building public value, of generating social capital, of serving its audiences not just as consumers but as members of a wider society, of contributing significantly to the quality of life in the UK' (Grade 2005).

A year later at the same event the then BBC Director of Strategy, Caroline Thomson, said that:

'The BBC exists to create public value not only value for individuals as consumers, but also value for people as citizens. Hence the six public purposes¹⁴ the government has given us' (Thomson 2006).

The new Framework Agreement (between the Government and the BBC published in summer 2006 – DCMS 2006d) mandates the new BBC Trust to undertake a 'public value test' (PVT) to proposals from the BBC Executive for new services and significant changes to established services¹⁵. The planned shape of the PVT and the new governance regime, of which it is a most important feature, has now become clear both from the Framework Agreement itself and from accounts given by the BBC and the PVT specification set out in the DCMS' White Paper foreshadowing the terms of BBC operation during the term of the next BBC Charter.

¹⁴ The six public purposes were defined in the Government's Green Paper (DCMS 2005a: 8-9) as: sustaining citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, reflecting the UK, its Nations, regions and communities, bringing the world to the UK and the UK to the world and building digital Britain. These are somewhat different, but not incompatible with, Ofcom's four purposes of public service television – that is 'to inform ourselves and others and to increase our understanding', 'to stimulate our interest in and knowledge of arts, science, history and other topics', 'to reflect and strengthen our cultural identity through original programming' and 'to make us aware of different cultures and alternative viewpoints' (from Ofcom 2004a: 7)

¹⁵ It is worth noting the difference between the BBC's formulation, the PVT should apply to new and significantly changed services (BBC 2004: 84) and DCMS' that it will apply to new and extended services (DCMS 2005a: 76)

Discussion point

How will public value doctrine inform BBC practice more fully and generally in the future?

The BBC's proposals have been received positively and are widely seen as thoughtful, self-critical and innovatory. David Elstein, for example, in a lecture for the Institute of Economic Affairs, argued that 'Building Public Value' (BBC 2004) 'is one of the most radical documents the BBC has ever issued... It contains much self-criticism and many promises of reform.... A steady flow of statements and activity has confirmed that the BBC is contemplating dramatic change'. Although Elstein¹⁶ qualified his praise by stating that the BBC 'stops some way short of real transformation' (Elstein 2004: 2) and concluded that the BBC's proposals were unacceptable substitutes for 'real choice, real accountability, real transparency and real value-for-money tests' (Elstein 2004: 15) his testimony to the boldness and scale of the BBC's proposals is eloquent enough.

Nonetheless, the BBC is somewhat exceptional in terms of public value: not only is it first and fullest in the public value field among UK cultural bodies but also in proposing to apply public value doctrines as a regulatory principle, for adjudication of BBC management proposals, rather than as a new management paradigm. Moreover, aspects of the BBC's organisation and practice make realisation of the classic public value strategies of co-production and contestation difficult and/or undesirable.

Caroline Thomson described the public value test as involving:

'a large element of judgement on behalf of the BBC Trust, not the application of an algorithm. But for the first time, we will have a system that balances public value against market impact in a systematic, evidence-based manner. Moreover, it will contribute to increasing the BBC's transparency and accountability that will be of benefit to both licence fee payers and the commercial organisations that operate within the same markets' (Thomson 2006).

¹⁶ Elstein may be thought to have a parti pris as Chairman of the Commercial Radio Companies Association

Box 1: The BBC's public value test

Does 'net public value' from a BBC service (ie public value minus negative market impact) justify the resources invested in it?

Applied to new services (or significant changes to existing services).

Makes a Public Value Assessment (PVA) designed to measure the gross public value created.¹⁷

Makes a Market Impact Assessment (MIA) of the new service's likely impact on the existing or potential market.

Combines the PVA and MIA to identify 'net public value'.

Does the proposed service conform to the BBC's public purposes and achieve appropriate standards of quality and distinctiveness?

Does it create public value at an acceptable cost?

Will it increase net public value significantly taking market impact into account?

The BBC's new performance management system includes service licences which will define objectives for all BBC services, the BBC's programme policies (on which the BBC reports in its Annual Report and Accounts – see for example BBC 2005: 68-77) and value for money studies. To help implement these new measures, the BBC has established a new governance unit to act as a secretariat for the BBC Governors (and the forthcoming Trust). The governance unit is the most striking instance of a new, clearer, separation of the BBC's governing and regulatory apparatus from its management¹⁸.

Why now? Public value and the BBC

The BBC's public value initiative comes at a time of multiple challenges to the BBC. First, the BBC Charter expires in 2006 and the Charter Review process and the concurrent external scrutiny of the BBC have been unusually intense. An

¹⁷ Based on the BBC's new performance framework, notably the six public purposes (sustaining citizenship and civil society, providing education and learning, stimulating creativity and cultural excellence, representing the UK, its nations, regions and communities, bringing the UK to the world and the world to the UK, building digital Britain) and four drivers of public value (Reach, Quality, Impact and Value for Money)

¹⁸ See the description of the role of the BBC Governance Unit on the BBC Governors' website at <http://www.bbcgovernors.co.uk/about/governanceunit.html> on 24.1.2006

important way station in the Charter renewal process came with the Government's White Paper 'A Public Service for all: the BBC in the Digital Age' (DCMS 2006) in March 2006. The reports from several formal scrutinies of the BBC (notably the Government's own Burns Committee and two Parliamentary committees) and a slew of independent commentaries, of which Cox's and Elstein's are probably the most significant, also contributed to the Charter review process¹⁹ and thus to the White Paper. The House of Commons Select Committee on Culture, Media and Sport's finding that BBC governance was widely perceived to be 'unworkable and out-of-date' (House of Commons: 2004: 3) gives a representative flavour of such commentaries.²⁰ Scrutiny of the BBC in connection with Charter renewal coincides with the expiry of the BBC's current funding agreement and negotiations between the BBC and the Government of a new licence fee settlement.

These enquiries coincided with Ofcom's first review of Public Service Television (Ofcom 2004, 2004a and 2005) which diagnosed accelerating change in UK broadcasting and proposed a new institutional framework, possibly including bodies other than the BBC drawing funding from the licence fee (thus far an exclusive BBC prerogative) and creation of a new public service publisher (PSP). Ofcom also signalled its preference for a standstill or possible diminution in public funding for public service broadcasting (PSB): 'current levels of public funding for PSB should.... Be maintained.... Increasing market provision **may** (original emphasis RC) allow for a gradual reduction in public support' (Ofcom 2005: 8). Ofcom's preference for standstill, or reduced funding, contrasts with the BBC's bid for a post 2006 licence fee settlement of RPI + 2.3%²¹. At the time of writing, the Government had not specified the terms of the next licence fee settlement.

Charter Review was overshadowed by two serious challenges to the BBC's legitimacy. First, the findings of Lord Hutton's investigation into the circumstances surrounding the death of Dr David Kelly levelled severe criticism against the quality and character of the BBC's news reporting.²²

¹⁹ See, inter alia, the report of the Burns Independent Panel on BBC Charter Review (DCMS 2004 and 2005), the report of the House of Commons Select Committee on Culture, Media and Sport (House of Commons Select Committee on Culture, Media and Sport 2004), the report of the House of Lords Committee on BBC Charter Review (House of Lords 2005), 'Beyond the Charter' (Elstein 2004a) and 'Free for All? Public Service Television in the Digital Age' (Cox 2004)

²⁰ More temperately, Ofcom referred to the need to clarify the 'separate roles of governance and regulation' as a 'central objective of the Charter review process' (Ofcom 2004a: 10)

²¹ With a further, as yet unspecified, increment to fund support for the 'vulnerable' during digital switchover

²² In 2003, a senior judge, Lord Hutton, was appointed to inquire into the death of a British civil servant, Dr David Kelly. His report, (which constitutes the chief public official judgement on the UK's 2002 invasion of Iraq and also on the BBC's news report of 29th May 2003 which asserted that the Government had 'sexed up' the threat posed by Iraq's supposed weapons of mass destruction), found, inter alia that 'the editorial system which the BBC permitted was defective' (Hutton 2004: 322) and that the BBC management were 'at fault' (Hutton 2004: 200). Hutton's findings prompted the resignation of both the BBC's Director General and the Chairman of the BBC Governors

The BBC's own claims for its news indicate how serious Hutton's critique was:

'the unique nature of the BBC, as a publicly funded yet independent broadcaster, that gives it a pivotal role in delivering a fundamental component of British democracy: trusted and reliable news and information for everyone. As the wider UK news environment is becoming a more crowded and confusing place, the BBC's role as a 'trusted guide' will become increasingly important' (BBC 2004a: 8)²³.

The BBC has responded positively to Hutton's critique, first by establishing an internal enquiry into journalistic standards (BBC 2004d) followed by a commitment to implementation of the enquiry's findings (notably on BBC journalists' training).

Second, and more generally, the BBC's legitimacy has come into question as its share of television consumption declines and the licence fee which funds the BBC rises in real terms²⁴.

In response to these challenges, the BBC proposed 'A renewed BBC, placing the public interest before all else' to counterbalance the contemporary 'market-driven drift towards programme-making as a commodity'. In this new vocation lies the basis on which the BBC has built its case for funding so that, through the BBC, UK broadcasting can realise 'its cultural (in the broadest sense) aspiration' (citations from BBC 2004: 3).

UK broadcasting and the contemporary context for public value delivery

The UK broadcasting environment is changing rapidly. Not only are there more and more alternatives to the BBC, as conventional radio and television broadcasters and channels proliferate and video and audio on demand services grow, but technological change is accelerating the shift in the broadcasting environment from a 'push' to a 'pull' regime. Under a 'push' regime, broadcasters control the programmes offered to users and the time and order in which they could be consumed. However, in a 'pull' regime users can choose among many programmes and determine where, when and in which order they are to be

²³ Ofcom's 2004 'Review of public service television' underscored the importance of television as a news source – 55% of respondents relied on television as their principal source of news (Ofcom 2004: 48)

²⁴ From 1998 to the time of writing the licence fee has risen annually by RPI + 1.5%. The BBC has bid for a licence fee from 2007-2014 rising at RPI + 2.3% annually (with an additional, unspecified, sum of perhaps 0.5% annually to defray the costs of government support for the vulnerable during digital switchover)

consumed. Conventional radio and television receivers, mp3 players, mobile telephones, personal digital assistants, desktop and laptop computers now all provide access to 'pull' radio and television type content. And their impact is particularly marked on young people. A recent 'Guardian' survey found that:

'Millions of young people who have grown up with the internet and mobile phones are no longer content with the one-way traffic of traditional media and are publishing and aggregating their own content....On average, people between 14 and 21 spend almost eight hours a week online.'²⁵

These trends are likely to continue as the second wave of technological change, that of transition from 'push' to 'pull' services, grows in strength. They pose formidable challenges to established broadcasters. Users' increased control over their viewing (and listening) experiences undermine advertising based business models as it becomes easier for audiences to avoid broadcast advertisements. File sharing makes it somewhat easier to consume subscription services without paying for them. The reduced share of consumption, challenges the legitimacy of publicly financed broadcasters, either because the service for which they pay the licence fee declines in relative importance in any individual's personal consumption or as publicly financed broadcasters' programming becomes less made up of merit²⁶ goods and more populist, and thus more like its commercial competitors.

In spite of the BBC's strengths in interactive media, such as RadioPlayer, RSS, BBCi, its consumption share has eroded and, in consequence, the BBC has shifted its arguments for the licence fee from an emphasis on the BBC's share of consumption (declining for television, rising for radio) to an emphasis on its reach – the 90% of the population who, at least once a week, use BBC services. This is a potentially controversial shift of priorities because of claims that share, not reach, is the crucial consumer value measure because it determines cost per viewer (or listener) hour (Barwise 2004: 31) However, a counter-argument might be made

²⁵ Gibson O, The Guardian, Friday October 7, 2005. 'Young blog their way to a publishing revolution'. <http://technology.guardian.co.uk/news/story/0,16559,1586891,00.html> on 30.12.2005

²⁶ 'Merit goods', in the language of neo-classical economics, are goods which confer long term benefits but which no individual thinks worth paying for. Examples include high culture, scientific research, education etc. Because free markets tend to undersupply merit goods it's generally accepted that there is a legitimate role for the state in providing them - hence public funding for education, the arts, research and public service broadcasting. Without the justification afforded by its provision of merit goods the legitimacy of both public funding and a system of governance offering those who pay few opportunities either to 'exit' or exercise their 'voice' (see Hirschman 1970)

that the 'reach' measure reduces the risk that a 'share' driven BBC might focus excessively on programming like that provided by commercial operators. 'Reach,' in this view, focuses on universality (serving many people some of the time) rather than maximising audiences.

As consumption opportunities have increased, viewers and listeners have tended to act more as 'consumers' rather than as 'citizens'. Broadcasters have followed these consumer desires and prioritised popular and entertaining formats. This trend has been particularly marked in advertising funded public service broadcasting (and notably in ITV) but is not confined to it.

Others echo Thompson. Barry Cox pithily asserted that 'much of the BBC's output no longer qualifies... for the 'merit good' justification' (Cox 2004: 64). And Georgina Born contends, of one relevant area of output, that 'the Corporation has failed to discern a way of covering Europe that gives its institutions due significance and fosters intelligent criticism' (Born 2005: 510)²⁷. The authors of the Government's Green Paper 'A strong BBC, independent of Government' similarly argued that BBC programmes are 'too dull, or too copy-cat of formats working perfectly adequately' (DCMS 2005a: 2) and demanded the BBC 'recognise its obligations to concentrate on PSB' (DCMS 2005a: 3).

The Government, in the Green Paper, and the Burns Committee both argued that 'The BBC should aim to be distinctive from commercially-funded services, it should compete on the basis of quality, not aggressively for ratings' (DCMS 2005a: 20) and that PSB should provide 'consistent high quality programming [which] should be evident in characteristics such as rigour, accuracy, balance, fairness and innovation' (DCMS 2004: para 3.7). Technological change may have changed the context in which public service programming is delivered and sharpened the trade offs between high viewing and listening shares on one hand and public service programming on the other but it has not undermined the need for public service programming as a central element in public sector broadcasters' delivery of public value.

²⁷ In 2004 the BBC's Governors commissioned an independent enquiry into BBC news coverage of the European Union (BBC 2005d) to consider, inter alia, the perception that BBC coverage of Europe is systematically biased in a pro-European way. The enquiry found, and the BBC's Governors noted, that 'the BBC's coverage of EU news needs to be improved and made more demonstrably impartial' (BBC 2005d: 3). The BBC has responded by appointing a Europe Editor and a European Institutions Reporter and focusing training to improve BBC journalists' understanding of Europe

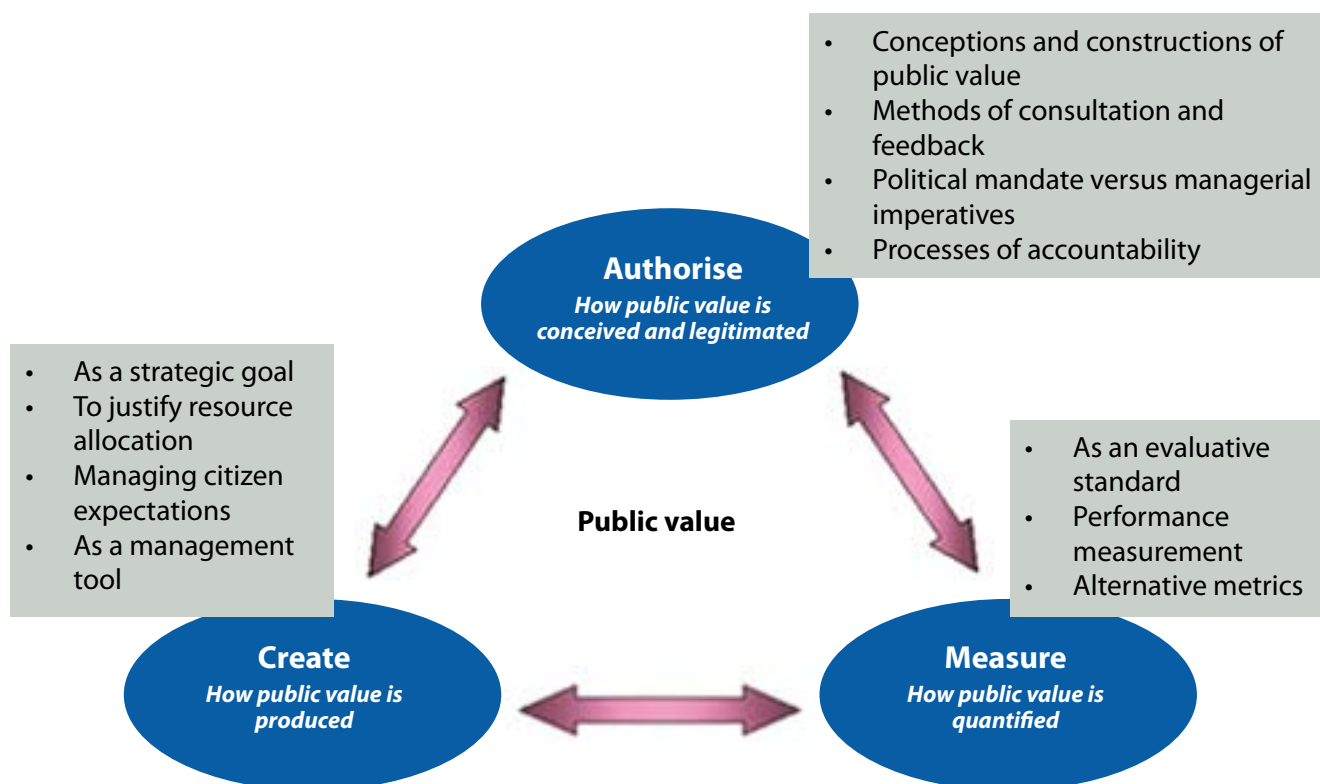
Critical commentaries, such as those of Burns, Cox, the Green Paper and Thompson, suggest that the renewed BBC commitment, expressed in 'Building Public Value' to serving its audiences 'as members of a wider society, with programmes and services which, while seeking to inform, educate and entertain audiences, also serve wider public purposes' (BBC 2004: 7-8), is particularly timely. Moreover, the commitment expressed in 'Building Public Value' to 'wider public purposes' is clearly consonant with Mark Moore's notion of public value as an institutional doctrine committed to 'citizens acting through politics, rather than consumers acting through markets' (Moore 1995: 44).

The BBC's current embrace of public value thus responds both to a changed programming and service environment in which its offerings have been subject to criticism as well as to new challenges and opportunities in governance. 'Building Public Value' marks what may be called a 'third moment' (or 'third way') in BBC governance. First came the moment of old public administration – of hierarchical governance and upward accountability. This organisational mode came, second, to be supplanted by a downward accountability, consumption oriented, and quasi market moment. In turn and third, this has given way to the contemporary public value branded organisational model.

3. Authorisation, creation and measurement

The Government’s White Paper ‘A public service for all: the BBC in the digital age’ charges the BBC Trust with taking into account the ‘principles of The Work Foundation’s ‘Public Service Performance Model’ as a basis for assessing public value’ (DCMS 2006: para 5.3.11).²⁸ The Work Foundation’s model is rooted in public value theory and identifies three interdependent activities on which the production and delivery of public value depends – authorisation, creation and measurement – and builds explicitly on Mark Moore’s (1995) concept of the authorising environment and the work of the Cabinet Office Strategy Unit (Kelly and Muers 2002).

Figure 1: The Work Foundation’s public value dynamic²⁹



In order to produce public value the public must ‘**authorise**’ – that is confer legitimacy to spend public money and to allocate resources on relevant bodies to **create** public value and they, and/or external assessors, must **measure** the effectiveness of their creation of the authorised public value.

²⁸ The White Paper also enjoins the Trust to consider The Work Foundation’s methods of improving public participation (see DCMS 2006: para 15.1.1)

²⁹ Horner L, Lekhi R and Blaug R, *Deliberative democracy and the role of public managers*, The Work Foundation, London, 2006

Authorisation is achieved through both representative and participative democracy. It legitimises the core assumptions and aims, mechanisms of delivery, and methods of measurement of a service. Citizens are a key part of the authorising environment and must be engaged in the public value process: a process which, The Work Foundation proposes, may involve refining citizens' preferences through education, providing citizens with information, fostering mechanisms for transparent collaborative decision making and leadership that shapes, rather than just reacts to, citizens' preferences.

Creation of public value involves definition of objectives (what is a particular public sector body to do?) and internalisation of those objectives in an institutional ethos of shared public service values through which relevant outputs are created collaboratively by workers and users through co-production.

And **measurement** assesses how much public value, and of what kind, has been created.

In The Work Foundation's scheme, all come together in a **Public Value Performance Indicator** (PVPI) based on a process of:

- deliberative engagement with the public in goal setting, planning and decision making
- consultation to inform decision making
- consumer feedback, satisfaction surveys.

And a **practice** of leadership exercised through:

- educational initiatives
- dissemination of consumer information
- transparency
- ongoing evaluation.

Authorisation and accountability

'the manager receives an authorization to use resources to accomplish public purposes through specified means' (Moore 1995: 54).

Who says what's public value? Who decides what public sector and public service organisations should do? The problem of 'authorisation' is a central and inescapable issue in the management of all public bodies and is logically first in the public value trinity of authorisation, creation and measurement. In Moore's account of public value, involvement of users in authorisation is one of the defining characteristics, and key innovations, in public value oriented public sector management.

But authorisation is a vexed question in public service broadcasting. First, because it's axiomatic that public service broadcasting should be independent of vested interests whether political or commercial. And second because of the presumption underpinning public service provision of broadcasting – and indeed many other public services – that the public are not good judges of their own needs and interests. To whom therefore is public service broadcasting accountable? Who decides? Or who, in Moore's terms, issues the authorisation that legitimises management initiatives?

Broadcasting in general poses particular problems of authorisation for, unlike other public services such as health, education, policing etc where public value doctrines are being implemented, it's a service without face to face encounters between users and providers. Moreover, broadcasting lacks the 'intermediate' groups, the community support officers and childcare workers who bridge the professional providers and users in other domains.

As already stated, public service broadcasting's independence of Government further complicates authorisation in the broadcasting domain. 'Independence' is usually invoked as an indivisible term whereby the editorial and journalistic independence, notably of the BBC is universally regarded as an indispensable objective. Journalistic and editorial independence has been seen by the BBC as dependent on the BBC's managerial independence and the Corporation's independence from accountability to external bodies. There is a consequential lack of clarity about the BBC's accountability and the appropriate balance to be struck between independence and accountability, both of which appear to be matters of public concern. A similar argument could be made about Channel 4, which receives less attention than it merits both because of the disparity in size between Channel 4 and the BBC and Channel 4 receiving indirect public service

privileges, such as access to spectrum, rather than direct public funding. Referring to findings from DCMS' public consultation in connection with BBC Charter review, Jonathan Zeff, Head of Broadcasting Policy at DCMS, stated: 'The governance and regulation of the BBC was obviously one of the key areas of concern in the initial round of public consultation and debate in this charter review. In the responses from the public; there was a strong emphasis on the importance of the BBC's independence, and there was also clear evidence of a general desire for greater accountability to viewers and listeners, for ensuring that the interests of licence fee payers are properly represented, and for greater transparency in the way that the BBC operates.'³⁰

Under Michael Grade's Chairmanship, the BBC has taken significant steps to improve the quality and comprehensiveness of information about the BBC entering the public domain. The introduction of an AGM in 2005, which innovatively blended face to face and virtual contact with viewers and listeners, is an important recent initiative. Like many other public bodies, the BBC has also taken advantage of the internet to make available considerably more information about itself with a consequential increase in the transparency of its operations and policy. But though better informed, viewers and listeners lack sanctions. These reside **within the BBC itself**: that is with the Governors who, legally, **are** the BBC, who govern the BBC and who thus authorise the BBC's actions and activities, but who also have important regulatory responsibilities for the BBC.

Regulating the BBC

The first independent regulator to which the BBC became subject was the Broadcasting Complaints Commission (BCC) set up under the Broadcasting Act 1980 following a recommendation in the Annan Report of 1977. Since the BCC's establishment more of the BBC's doings have come under external scrutiny. Under the Broadcasting Act 1990 the separate Broadcasting Standards Council (BSC), which had come into existence in 1987, became a statutory body. And in 1996 the Broadcasting Standards Commission was established which took over the responsibilities of both the BCC and BSC and exercised (some) jurisdiction over the BBC. In 2004 Ofcom, a body which integrated the formerly separate regulators (including the BSC) took over 'grandfathered' regulatory powers from the BSC and acquired some new BBC relevant responsibilities.

³⁰ At The Future of the BBC: Westminster Media Forum Consultation Seminar on the Green Paper. June 2005

The institutions of formal authorisation

Formal authorisation of the BBC's activities is now divided among several bodies, notably; the Department for Culture, Media and Sport, the BBC's Governors and Ofcom among whom the Governors are the most important³¹. The BBC Trust will replace the Governors and, as stated above, the new Charter and Framework Agreement specify new expectations that the Trust will work with external authorities such as Ofcom and the NAO in undertaking governance and regulation of the BBC.

The 2006 White Paper

The Government's White Paper 'A public service for all: the BBC in the digital age' (DCMS 2006), which foreshadowed the new Royal Charter for the BBC to start in 2007, placed great emphasis on the notion of public value. But how is it being used?

The term 'public value' is used principally as a regulatory instrument applied by the BBC Trust. The White Paper defines public value as:

- The value licence fee payers would place on the service.
- The value the service delivers to society as a whole through its contribution to the BBC's public purposes and priorities.
- The value for money delivered by the service – including a consideration of whether licence fee payers might benefit from a corresponding reduction in the licence fee (DCMS 2006: para 5.3.10 p 32).

The Regulatory Impact Assessment (DCMS 2006a), accompanying the White Paper, also uses the term 'public value' and, in the context of a justification for licence fee funding of the BBC, states that 'sole reliance on subscriptions by the BBC runs the risk of insufficiently funding the provision of services, which yield significant levels of public value' (DCMS 2006a: 12). Public value is thus defined as a combination of the value licence fee payers would place on the service (an 'output' measure which though not explicitly invoking Moore's notion of 'co-production' may be thought adjacent to it), and the value the service delivers to society as a whole (ie in relation to the BBC's public purposes and priorities). The softened version of Moore's doctrine of co-production, characteristic of the UK cultural sector's re-working (eg Holden 2004, Hewison and Holden 2004, Jowell 2004, 2006) of

³¹ The Government's White Paper (DCMS 2006) proposes replacement of the Governors by a BBC Trust

public value theory, is thus echoed in the Government's mandate to the BBC: co-production, in the sense of co-decision, gives way to a looser injunction to pay attention to public preferences and society's needs.

The Public Value Test (PVT) will be administered to 'all new services and significant changes to existing services'. The PVT will include a Market Impact Assessment (MIA) which, for new services, will be undertaken by Ofcom whereas the BBC Trust will undertake the MIA for significant changes to established BBC services using a methodology agreed with Ofcom (DCMS 2006: 5.3.3. p 30). In the case of the application of the PVT to existing services the criteria to be used to determine whether changes are 'significant' changes (and therefore subject to the PVT) are: impact, scale, novelty and duration (DCMS 2006: 5.3.4. p 31).

As stated in the White Paper, public value requirements formally has a limited impact on the BBC for the services to which the PVT is to apply are only new (or significantly changed) services. The majority of the BBC's activities are thus **not likely** to be touched by the PVT although the Service Licences, which are to govern established BBC services, will be influenced by public value objectives. The service licences are to be 'the most important means by which the Trust will hold the Executive to account' (DCMS 2006: 5.2.2 p 29) and 'will set out all the most important characteristics of an individual service' (DCMS 2006: 5.2.3.p 29). In the BBC Governors' consultation on how service licences might work (BBC 2005c) the BBC stated that 'each Service Licence should also make clear each service's contribution to the public purposes and thereby to public value' (BBC 2005c: 17). Each service licence will, it is proposed, identify the contribution of the service in question to each of the BBC's six public purposes³² and each licensed service is to be reviewed not less than quinquennially (and some services will be reviewed more frequently). Chris Woolard, a member of the Governance Unit, described (interview 4.5.2006) the service licences as 'mini PVTs' (though the market impact assessment will be undertaken by the BBC rather than by Ofcom).

Next steps in accountability and authorisation?

The BBC acknowledges that it has 'historically been rather closed as an institution' (BBC 2004: 19) and that reform should 'make the BBC more responsive and accountable to the British public' (BBC 2004: 23). However, what constitutes an

³² That is citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, reflecting the UK, its Nations, regions and communities, bringing the world to the UK and the UK to the world and building digital Britain

appropriate level and manner of accountability is a vexed question. At least two bodies, the Campaign for Press and Broadcasting Freedom (CPBF 1996) and the Institute for Public Policy Research (Collins and Purnell 1995), traditionally strong 'critical friends' of the BBC have advocated direct accountability of the BBC to viewers and listeners through the elective principle. All the BBC's advisory bodies have refused to brook election of their members (BBC 2005a: 94, 97, 100, and 103). Parliament, though not advocating the direct democracy canvassed by CPBF and IPPR, has proposed more effective independent scrutiny of the BBC and improvements to its accountability to Parliament. During the current period of BBC Charter review (2004-6) both the House of Lords and the House of Commons charged Select Committees with review of the BBC. Their reports (see House of Commons Select Committee on Culture, Media and Sport 2004 and House of Lords 2005) separately recommended separation of the functions of regulation, management and governance of the BBC, improved arrangements for the BBC's accountability, more effective Parliamentary scrutiny of the BBC (notably by replacing the BBC's Charter by a BBC Statute).

The Commons identified four key issues: increasing accountability, overhauling governance structures, defining the scope of the BBC's public service remit and funding (House of Commons Select Committee on Culture, Media and Sport 2004: 3-4). In response the BBC has significantly improved its interfaces with its users in accordance with its acknowledgement that 'accountability and transparency needed urgent and radical attention' (BBC 2005a: 57).

Nonetheless, the BBC remains quite well insulated, particularly from downward accountability. It is not, for example, subject to the election of governors and/or advisory committees and/or the possibility of individuals lawfully exiting from their obligations to fund the BBC. In terms of public value theory and authorisation this presents a gap. So what fills the gap? The BBC uses three sources of information about its users' preferences and values: audience research, advisory bodies and viewer and listener complaints.

Box 2: BBC measures to improve downward accountability (BBC 2005a: 57-58)

The Governors now regularly commission research independently of management.

The Chairman regularly engages in phone-ins with the public as part of the Charter Review consultation.

National Governors engage in a full programme of open, consultative meetings with licence fee payers.

Plans are also well advanced for other significant accountability initiatives:

- A website for the Governors has been launched. Over time, the BBC claims, the website will become a focal point for consultations with the public and for public interaction with the Governors.
- Following launch of the BBC annual report, the BBC Governors held an 'AGM' over several sites around the UK, involving both direct and virtual interaction.
- Governors' minutes are published on the website.
- Service licences will be underpinned by a fuller understanding of audience expectations. The BBC accepts that, where major decisions are taken, deliberative research has an important role.
- The BBC is committed to publishing all research commissioned by the Governors.

Audience research, consultation and polling

The BBC has identified four main means of securing an understanding of public (and those of its audiences in particular) preferences.

Box 3: BBC feedback from the public

Audience research and polling. This is the primary role of Audience Research within the BBC.

Consultative and advisory bodies around the UK.

Public consultation.

Audience feedback: The BBC receives regular, spontaneous feedback from its audiences as well as inviting contact with them through its solicited contact service - BBC Information.

Extracted from source: James Holden: BBC News research manager at: http://news.bbc.co.uk/newswatch/ukfs/hi/newsid_4070000/newsid_4075100/4075157.stm on 7.1.2006.

The BBC receives regular data on audience behaviour and attitudes via the continuing BARB (Broadcasters' Audience Research Board) and RAJAR (Radio Joint Audience Research) studies. BARB's research is interview and viewing meter based polling, RAJAR's is diary based. The BBC also continues to compile appreciation indices (based on responses from a 4,000 strong panel) as well as draw on the rating, reach and share findings of BARB and RAJAR. Data from these sources is continuously available and informs BBC programming and resource allocation decisions. The BBC also undertakes *ad hoc* studies of viewer and listener attitudes and values addressing specific policy and governance issues.

Advisory bodies

The second of the three main sources (audience research, advisory bodies and complaints) of information about user preferences available to the BBC is the number of advisory bodies which the BBC has established to inform its decisions. The new Charter, to take effect from 2007, mandates replacement of the currently established advisory bodies, notably the National Broadcasting Councils (for Northern Ireland, Scotland and Wales) and the English National Forum, by four national Audience Councils. Established members of the Broadcasting Councils (and chairpersons of the regional bodies of the English National Forum) will continue to serve as members of the Advisory Councils. The Audience Councils are

to 'reflect the diversity of the UK, have connections with communities, and are able to take a view on how the Public Purposes should be promoted' (clause 39 (4) of the Charter).

The Audience Councils have yet to come formally into existence and, as noted above, there is to be continuity in their membership and membership of the established BBC Broadcasting Councils and Forum which the BBC stated it regarded as a 'valuable accountability mechanism' and as 'a direct channel of public opinion into the BBC' (BBC 2005a: 58). The National Broadcasting Councils for Scotland, Wales, Northern Ireland and England debate programme and corporate issues, set annual objectives and provide comments and reports on progress. Formerly, the BBC had a General Advisory Council (GAC) but this is no longer in existence. Additional advisory bodies include the English Regions Accountability Network³³, The Central Religious Advisory Committee and The World Service and Global News Consultative Group.

David Hutchison, a former member of the BBC General Advisory Council from 1988-1996, believed that the GAC was in practice, not very effective though an effective, more open, representative and consultative, GAC would be desirable (interviewed by author 2004). Hutchison further stated, 'broadcasters were rarely comfortable with being called to account'. Moreover, the GAC was unwieldy (with c 35 members). The GAC received information on the number of complaints to the BBC and helped to shape and improve complaints procedures but were never strongly connected to complainants, nor did the GAC take complaints as a driver for its concerns. How far these deficiencies were peculiar to the GAC (if so suggesting that the BBC was right to disband the GAC) or are shared by the surviving advisory bodies is unclear.

Complaints

The third source of information about user preferences available to the BBC is complaints. The BBC states that complaints handling is 'one of the most important demonstrations of its commitment to serving the public interest' and has acknowledged that its complaints procedures were open to improvement and has recently overhauled its complaints handling. The new system incorporates:

³³ The English Regions Accountability Network consists of over 500 people who advise the BBC's Governors on the performance of local and regional programmes and services in England. The network comprises the English National Forum, Regional and Local Advisory Councils

- A new code of practice.
- Target response within ten working days of receipt of complaint.
- Appeal to the BBC Editorial Complaints Unit if not satisfied.
- Appeal to the BBC Governors' Programme Complaints Committee (GPCC) if not satisfied.

The BBC has also established internal systems so that awareness of complaints and lessons learned are appropriately disseminated within the BBC. Complainants to the BBC may also complain to Ofcom except where the complaint concerns impartiality, inaccuracy and some commercial issues. In such cases jurisdiction remains with the BBC.

Room for improvement?

It is too soon to evaluate the new BBC system, commissioning of which took place whilst an exceptional volume of complaints (c65, 000), arising from the BBC's screening of 'Jerry Springer – The Opera' on 8 January 2005, were being handled. However, for those with Internet access, submission of complaints to the BBC now seems straightforward and the BBC transparently reports the volume and outcome of complaints (see, for example, BBC 2004: 78-9).

Discussion point

How far is submission and monitoring of the progress of a particular complaint sufficiently clear and accessible for those without Internet access?

Nonetheless, the split between the BBC's and Ofcom's responsibilities for complaints handling may be unhelpful and confusing to complainants. Finally, the BBC could usefully benchmark its complaints handling against other organisations.³⁴

Authorisation of the BBC's activities is thus undertaken by Government (through setting the level of the licence fee and thus of BBC finance, approval of new services, and appointment of Governors), by the BBC's Governors (who ensure the licence fee is spent in accordance with the BBC's mandate, regulate the BBC's fair

³⁴ In 2003-4 the National Audit Office surveyed 277 government organisations to identify practices and procedures in investigating complaints and providing redress (NAO 2005). The NAO found significant and pervasive weaknesses in official bodies' complaints handling and redress procedures. The BBC was not included in the NAO study so it is not possible to identify how well it performs in comparison to other public bodies in the UK

trading and the accuracy and impartiality of its broadcasts) and by Ofcom (which has powers to regulate – though with some important lacunae³⁵ – the BBC in respect of competition, BBC content – except where the BBC's Governors are so charged – and to fine the BBC up to £250,000). The new Charter and Framework Agreement (DCMS 2006c and 2006d) sets out important new provisions notably by charging the Trust to co-operate with Ofcom, provide Ofcom with any information and assistance it may reasonably require, to consider the BBC's impact on competition in the 'wider market' and to 'have regard' to Ofcom's views in formulating a BBC fair trading code (which is to be the subject of public consultation). These provisions may do much to lay to rest some of the concerns about BBC.

Discussion point

To what extent is the BBC 'self-authorising'? Is self-authorisation essential to the BBC's editorial and journalistic independence and authority? How adequate are mechanisms for formal accountability to viewers and listeners?

³⁵ See, inter alia, Collins, Cave and Crowther 2004. The Government's White Paper (DCMS 2006) foreshadowed establishment of stronger ex ante codes to address some of these issues and the range of measures specified in the new Charter and Framework Agreement

4. Creation of public value

Role and public service remit of the BBC

Organising to create public value requires that public value is defined – or at least that those charged with making it have a sense of what they are aiming for and know what public value is when they see it. From one point of view, public value seems but the most recent theoretical construct used during the quest for a durable definition of public service broadcasting. Definition of each of the successive terms used, public service broadcasting, citizen value, public value has proven fugitive.

But a better definition is clearly required and perhaps is now encapsulated in the new Charter agreement, not least because, as Davies stated, 'Too often the BBC in effect behaves as if public service broadcasting is everything the BBC chooses to put out' (Davies 1999: 139). As with other public bodies the difficulty is centred on the terms 'citizen value' and 'merit goods'. Conceptually, there are few problems in defining the task of delivering 'consumer value' as long as viewers and listeners listen and watch in sufficient numbers and express sufficient appreciation.

Important second order issues may also arise – is the job being done efficiently? Should the public sector be doing a job which could effectively be done by the private sector? Is it right that consumer value is funded by a compulsory subscription? But the core justification for public provision and the heart of public value, citizen value, remains hard to define. Who is to judge whether society's interests are served and served sufficiently? If people don't know what they want or need who does and what assurance can there be that a public body, and in this case the BBC, is a good enough judge of such matters? Can the provision of citizen value/public value/public service broadcasting effectively be combined in a single organisation with the tasks of delivering consumer value and with hitting the commercial targets with which Government has charged the BBC?³⁶

There are further areas of difficulty. First, that of proportionality. If a commercial broadcasting market won't provide sufficient citizen benefits/merit goods/public value then how much intervention is required? Too little and society and its citizens are underserved, too much and possible alternative providers are 'crowded out'. It is a version of the Goldilocks problem – how are we to know whether a specific level of intervention is too much, too little or just right? And because of this dilemma, it is right that the BBC understands the citizens in whose interests it

³⁶ In 2000 the then Secretary of State agreed the BBC licence fee settlement of RPI +1.5% on condition that the BBC realised £600m in savings and £490m in commercial earnings by 2006

Box 4: The BBC's UK broadcasting services

Television:

BBC1
BBC2
BBC3
BBC4
CBeebies
CBBC
BBC News 24
BBC Parliament

Radio:

Radio 1
Radio 2
Radio 3
Radio 4
Radio 5
Radio 5 Sports Extra
1 extra
Radio 6
Radio 7
Asian Network
BBC Local Radio (40 stations in England)
BBC Radio Foyle and BBC Radio Ulster
BBC Radio Scotland and BBC Radio Nan Gaidheal
BBC Radio Wales and BBC Radio Cymru

Online:

BBC.co.uk
BBCi
The Digital Curriculum

operates, as it has striven to do during the Charter Review process, and as the BBC Trust will be tasked with making sure it does under the new BBC Charter.

The second area of difficulty arises from changes in the BBC's organisational structure and procurement arrangements: in the name of efficiency, diversity and innovation an increasing amount of BBC programme production has been outsourced (so too with some inputs to the remaining in house production). In consequence, broadcasters' careers have become 'portfolio careers'. Working for the BBC is less and less a lifetime commitment, a vocation, but more a way station in a career spent as much, in the commercial as in the public sector with a consequential change in corporate values and ethos. Such change may well be healthy but there is also the risk of losing a public service broadcasting ethos (see The Work Foundation's 'Tipping Point' analysis, The Work Foundation 2005). Public value doctrines promise a way to revivify a diminished public service commitment and ethos.

Five types of public value

Both the Government and the BBC have striven, as part of the Charter review process, to specify more clearly the BBC's public service and public value mandate.

The new Charter and Agreement set out six public purposes for the BBC to discharge, they charge the Trust with fleshing out these purposes in 'purpose remits', service licences, through the public value test and the requirement, specified in the Framework Agreement, for programming to exhibit at least one of the following five characteristics, 'high quality, challenging, original, innovative and engaging'. The BBC Executive is enjoined to publish statements of programme policy showing how such remits are to be discharged. All this suggests that the Government recognised the force of criticisms that the BBC's public service remit was insufficiently clearly specified. The new Charter and Agreement certainly establish a clearer framework within which the BBC is to work and the Trust and Executive are gradually to bring on stream reporting and management information systems (notably through the service licences and the Executive's publication of statements of programme policy) which will make clearer the basis on which BBC output may be judged (or judged not) to have fulfilled its public service vocation. But, of necessity, much will depend on the interpretation of these formal mandates: the vessels have been but the character of their contents will depend on the interpretation placed by BBC management and creative staff on criteria such as 'high quality, challenging, original, innovative and engaging'. The BBC's recent published reflections on public value suggest how this is to be done.

Box 5: Five main types of public value supported by the BBC

- *Democratic value*: the BBC supports civic life and national debate by providing trusted and impartial news and information that helps citizens make sense of the world and encourages them to engage with it.
- *Cultural and creative value*: the BBC enriches the UK's cultural life by bringing talent and audiences together to break new ground, to celebrate our cultural heritage, to broaden the national conversation.
- *Educational value*: by offering audiences of every age a world of formal and informal educational opportunity in every medium, the BBC helps build a society strong in knowledge and skills.
- *Social and community value*: by enabling the UK's many communities to see what they hold in common and how they differ; the BBC seeks to build social cohesion and tolerance through greater understanding.
- *Global value*: the BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience (BBC 2004: 8).

5. Measuring public value

‘Public value should not be seen as a broad justification for what the BBC does, but as a **practical test** that can be applied by the BBC itself, by its Governors and by the public, to decide what to do - and how well it does it.’ (BBC 2004: 8).

Measurement of public value is a necessary pre-condition to effective accountability of public bodies. The category ‘measurement’ points to two important aspects of public value: first, the importance of output and, second, the potential of measurement systems to skew what’s actually done - to hit the target but miss the point. As Holden observes of the cultural sector in general, cultural value cannot be fully captured in a casting up of economic or monetary value accounts. Right across the public sector, he claims, ‘there is disquiet that ways of demonstrating benefit have become tortuous, employing ‘complicated and contested assessments of causation’. Worse still, ‘those things that [are] easy to measure tend to become objectives, and those that [are not, are] downplayed or ignored’. This presents a particular difficulty for the cultural sector, where much of what is done is not ‘easy to measure’ (Holden 2004: 17).

As with other public services, notably in education and health, users of the service are not able to use price (or type or level of taxes paid) as a signalling and accountability system. Whether or not the services are used (and parents can educate their children at home or in private schools, secure private medical care or consume subscription television) there is no exit from payment for the public service. This general problem manifests itself specifically in the case of the BBC as an inability of television viewers to effect a lawful exit from their relationship with the BBC (unless they are prepared to forego all consumption of television) even though they can choose to watch different channels and not consume BBC services at all. Radio listeners are differently disempowered: those who are not also television viewers have no financial relationship with the BBC and those, the majority, who are also television viewers (and so licence fee payers), have no radio specific relationship.

The absence of possibility of lawful financial exit combined with the absence (compare, for example, the accountability of schools to parent governors and to elected local education committees with broadcasting) of effective institutions for the expression of voice mean that signalling between user and provider in public

broadcasting is notably weak. Accordingly, ad hoc audience research becomes an important means for the BBC to discover the views of its user base but it is not a substitute for exit or voice³⁷ – again, an affliction facing many public bodies.

Measuring attitudes – what’s the public willing to pay for the BBC?

Given that the White Paper identifies ‘the value licence fee payers would place on the service public value’ as one of the key constituent elements of public value (DCMS 2006: para 5.3.10) assessment of viewers’ and listeners’ willingness to pay becomes a key issue for public value. Both the BBC and Ofcom have attempted such assessments. The BBC assessed viewers’ and listeners’ willingness to pay for its services in its study ‘Measuring the value of the BBC’ (see BBC and Human Capital 2004b) and Ofcom also did so in its review of public service television (see Ofcom 2004a).

The headline finding from the BBC study was that a substantial majority, 81%, of those polled thought the BBC worth the (then) £121 licence fee. However, the 19% that were dissatisfied have no lawful means of exit from their relationship with the BBC (short of ceasing to watch TV entirely). Of course, this lack of the power to exit applies to relationships with other public bodies, for example, 84% of residents are satisfied with waste collection by their local authority, leaving 16% who are unable to exit and secure waste collection by another means (OPSR 2004: 5) – though such residents do enjoy some power of voice and are able to hold their local authority to account through the electoral process.

Table 1: BBC income and expenditure on UK services 2004/5³⁸

BBC licence fee income	£2940.3m
Expenditure on UK TV	£1669.7m
Expenditure on UK Radio	£362.9m
Expenditure on UK Online	£94.6m

The BBC’s research distinguished between respondents’ sense of the ‘consumer’ value of BBC services and their ‘citizen’ value. The research (BBC and Human Capital 2004b: 18) suggests that respondents identified the total average value of the

³⁷ Here I refer to the alternative systems of holding institutions to account, voice and exit, which Hirschman (1970) identified in his classic ‘Exit, Voice and Loyalty’

³⁸ From BBC Annual Report and Accounts 2004/5: 104 and 106. NB, expenditure on programming, such as news is not included

BBC to society as within a monetary range of £20.70 and £23.50 pm with average 'consumer value', ie the value to them as individuals, identified as within a range of £18.35 and £18.70 pm.

Table 2: Value attributed to BBC services

Total value attributed to BBC services	Consumer value attributed to BBC services
£20.70 to £23.50	£18.35 to £18.70

One interpretation of this finding is that respondents were ready to pay more than twice the level of the licence fee which was obtained (c£10 per month) when the research was undertaken. However, the apparent willingness of the **average** respondent so to do is undermined by the potentially worrying falling off of support for licence fee increases by significant numbers of respondents. Reference to 'average' masks the effect on the average exerted by the minority respondents who were willing to pay very high licence fees. For example, 38% of respondents were prepared to pay a licence fee of between £30 and £60 per month for BBC services. Only 60% were willing to pay a fee of £15 pm (which, if the Government's inflation target of 2% is achieved year on year and the BBC succeeds in securing its 2005 licence fee bid of RPI +2.3%³⁹, may be required during the next Charter cycle)⁴⁰. And only 42% were willing to pay £20 per month (which equates to more than twice the level of the licence fee which obtained when the research was undertaken). The research is skewed by the numbers who expressed their preparedness to pay considerably more than double – up to £30, £40, £50 and £60 pcm. At a figure somewhere between £15 and £20 per month willingness to pay that level of licence fee fell to fewer than 50%. It may reasonably be argued that evidence of willingness to pay at x date is no guide to willingness to pay at a future x+y date when the value of money, and thus public tolerance for a particular price level, may have changed. The critique of WTP methodologies is that they draw

³⁹ The BBC's bid of RPI + 2.3% does not include the unspecified costs of assisting those whom the Government classifies as vulnerable to switchover to digital. The Government has stated that these costs will be a charge on licence fee revenues. No authoritative estimate of such costs is yet available but they are assumed to amount to an annual licence fee increase equivalent to at least an additional 0.5%

⁴⁰ The licence fee bid includes the estimated costs of the BBC's contribution to managing digital switchover. The Government expects the BBC to pay the lion's share of these costs though all terrestrial broadcasters will benefit from switchover. Effectively the BBC licence fee is being 'top sliced' to fund general broadcasting industry costs

conclusions from hypothetical questions. Though an aid to decision making, they cannot substitute for the co-production central to Moore's version of public value and to which other UK public value initiatives aspire.

A variety of conclusions might be drawn from this data which perhaps suggests that too much weight should not be placed on the findings of polls such as those which informed 'Measuring the value of the BBC'. Indeed the BBC themselves have not reallocated funding towards the services that the public deemed more valuable. For example, we might conclude that what people say may be different to the way they behave – unsurprising given that stated preference analyses examine responses to hypothetical scenarios rather than look how people actually behaved (revealed preferences). Or that people are altruistic – their support for BBC digital television (as compared to analogue radio) may have reflected their altruistic approval that the weight of BBC digital television funding was directed to children's (£49.7m) and news (£22.9m) services.

In April 2006, the BBC Governors published research undertaken by Barwise which included an assessment of public willingness to pay the licence fee. This found a high level of tolerance for a licence fee of £150 (in constant 2005 pounds). Barwise noted that 'there is a lot of uncertainty about these projections' (Barwise 2006: 3) but also found that nearly half of respondents opposed inclusion of the costs of targeted help for digital switchover in the licence fee.

Ofcom has also undertaken research on viewers' willingness to pay the television licence fee as part of its review of public service television broadcasting (Ofcom 2004, 2004a and 2005). Ofcom offered an important critique of the BBC's research methodology (that is of contingent value analysis – see Ofcom 2004a: 50) and adopted different, qualitative, methods for its own enquiry (which it acknowledged were also open to methodological objections). Broadly, Ofcom found public willingness to support funding for PSB at a level between £121 and £150 a year. Ofcom interpreted this to mean support for standstill funding of PSB television – that is at 'broadly the same as today in real terms' (Ofcom 2004a: 51). Ofcom also found (Ofcom 2004a: 49) that 43% of respondents did not believe the BBC to deliver good value for money (though 46% thought the BBC did provide either fairly good or very good value for money).

The most recent willingness to pay (WTP) study was conducted by The Work Foundation on behalf of DCMS (September 2006). The study found respondents who were asked about the value of the BBC from a citizen perspective, ie thinking about the benefits to British Society, valued the BBC's current and proposed services more than those respondents who replied from a consumer perspective (£178.48 per annum vs £168.12 per annum). The survey approach therefore found that when asked to deliberate about the BBC's wider purposes, rather than what one merely consumes, people value the BBC more. This suggests that public engagement and debate about the BBC are far from deleterious to its legitimacy, in fact, they are necessary if the public is to fully appreciate the role of the BBC in society.

The BBC's own research on willingness to pay is illustrative of an important and theoretical conundrum to which 'Measuring the value of the BBC' points. It bases its conclusions, and thus the case it makes for the legitimacy of the BBC, on what the BBC's users (for whom the respondents are a proxy) say. It deems them responsible and competent judges of their own and society's interests. Yet some of the most powerful arguments formerly presented to support the BBC's legitimacy and its allocative decisions reject popular judgement as a basis of legitimacy.

Reith's canonical definition of the BBC's vocation is an outstanding case in point:

'the responsibility as at the outset conceived, and despite all discouragements pursued, was to carry into the greatest number of homes everything that was best in every department of human knowledge, endeavour and achievement; and to avoid whatever was or might be hurtful. In earliest years the BBC was accused of setting out to give the public not what it wanted but what the BBC thought it should have, the answer was that few knew what they wanted, fewer what they needed' (Reith 1949: 101).

Reith's viewpoint has continued to inform BBC regulation and practice, in varying degrees, throughout the BBC's history. In this respect the BBC reflects a general problem of public sector bodies – patients are not always the best judges of their own interests (if they were doctors wouldn't be needed), students are thought (whether correctly or not) to know and understand less than those who teach and assess them, police are empowered to require people to do what they don't

want to do and so on. In all these instances the power of professionals over the public is bounded and regulated but nonetheless this power is intrinsic to their public offices. The balance between professional judgement versus popular demand is always going to be a fine one to strike. The Work Foundation's view is that WTP methodologies, as used as one of several tools by the DCMS and the BBC, can now help guide public managers' decisions and gauge public support for what and how public services are provided alongside other forms of deliberative engagement, for example as proposed by the audience councils, and supplemented with audience research and so on. These techniques further enable the BBC to assuage its legitimacy in the eyes of the public rather than for it to take the professions know best approach, that assume legitimacy based on first principles espoused half a century earlier.

Citizen and consumer value – social capital

As the BBC recognised: 'we established that the difference between the total value and the consumer value could be identified as citizen value, it is not clear that this figure adequately represents the sum total of all the citizen value created by the BBC. It appears that some of the citizen value is buried within people's perceptions of the consumer value' (BBC and Human Capital 2004b: 13).

Though taking a slightly different approach to the concepts of citizen value, The Work Foundation's study did encourage the same participants to think firstly about their own household, then about the wider benefits of the BBC, but it is difficult to know exactly how strictly people answered questions as consumers, solely as consumers, suggesting that, at least some of the time, notions of citizen and consumer value are hard to disentangle.

The genre analysis in 'Measuring the value of the BBC' revealed that, when asked to classify programme genres in terms of their contribution to citizen and consumer values, respondents identified few differences. For example, the same types figure in seven of the top ten programme genres in each category (though in a different order). News is the highest rated genre in both categories. However, when citizenship considerations come first, current affairs, education and consumer programmes displace three genres, British drama, US film and Blockbuster movies, from the top ten listing (see figs 18 and 19, BBC and Human Capital 2004b: 25). Ofcom, through its research for its Review of public service

television broadcasting, came to a similar conclusion. Ofcom's respondents found television news to be of equal societal and personal importance, serious factual programming to be of greater personal than societal importance, sport to be of greater societal than personal importance and arts and classical music to be of greater personal than societal importance (Ofcom 2005: 43).

Though the evidence suggests that respondents do not distinguish clearly between citizen and consumer value, they do clearly recognise something valuable to UK society in some or many of the BBC's activities. This chimes with the arguments put forward in another study undertaken for the BBC: Martin Brookes' study for the BBC and The Work Foundation on broadcasting and social capital (Brookes 2004). The BBC's summary of Brookes' findings stated that 'Producing popular programmes that are watched and talked about should be regarded as a valuable component of public service broadcasting and important to preserving and building the social capital of the UK' (http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/05_may/06/social_capital.shtml on 7.1.2006).

Proponents of public service broadcasting and defenders of the BBC often tend to reject the term 'consumer' on the grounds that the term 'consumer' betokens a view that price will take care of everything and that price and value are the same. However, the perception that the term 'consumer' betokens a simple purchaser/provider relationship in which all conflicts of interest can satisfactorily be resolved by price misrecognises a body of consumer theory and advocacy which provides a positive value set for production of public value. Consider Potter's (1988) five basic principles of consumer interest: information, representation, redress, choice and access.⁴¹

Neither public nor commercial broadcasters satisfy all Potter's criteria. However, the BBC does satisfy, at currently affordable prices, the criteria of access to services and choice between services. It also provides information about services but neither redress nor the means to represent user needs and interests beyond complaints handling. Moreover, there are no means, within either Ofcom's or the BBC's procedures, for complainants to secure redress. In *Peck v UK* 2003 (which concerned broadcasting of CCTV footage of a private act) the court found that

⁴¹ Others have identified further consumer criteria such as safety (the late Naomi Sargent drew attention to this criterion – see Sargent 1993) and value for money (indeed Potter herself, 1988: 157, describes value for money as a 'classic consumer demand')

‘the lack of legal power.... To award damages..... means those bodies could not provide an effective remedy.... The ITC’s power to impose a fine on the relevant television company does not amount to an award of damages’ (Peck para 109. 36 EHRR 41).

Ofcom is the legatee of the ITC’s responsibilities in this respect and has, under the CA 2003, strictly limited powers to fine the BBC but this does not, as the court found in Peck, amount to redress. So much for consumer value, what of citizenship?

What is citizenship?

Tessa Jowell (2006: np), the Secretary of State for Culture, Media and Sport (and thus the Minister responsible for the BBC), stated that ‘public value hasn’t yet been properly defined’. She also laid out a further challenge to definition stating ‘We will also have to try and clarify the murky concept of what it means to be a citizen, much, much more than being just a consumer’. Definitions of citizenship are, of course, legion (though Gavyn Davies’ provocative account of it as ‘simply a particular type of externality’ [Davies 2005: 134] should not go unremarked). But the BBC has defined informed citizenship and its contribution to fostering informed citizenship in the UK as:

‘The BBC’s contribution to informed citizenship refers to those of the BBC’s activities that are designed to help equip the public with the knowledge and capability necessary to act as informed citizens, through:

- Providing accurate, impartial and balanced coverage of news and current affairs in order to help the public make informed choices
- Reporting the proceedings of the political process in the UK and internationally
- Stimulating the public debate on a range of social, political and other current affairs issues’ (BBC 2004a: 2).

The BBC identified ‘accurate, impartial and independent journalism’ (BBC 2004a: 2) as its principal contribution to informed citizenship and also described its aim to ‘engage everyone in the UK with impartial and accurate news and information’ as ‘the single most important justification for the licence fee’ (BBC 2004a: 7). However, this contribution accounted for only 18% of the BBC’s licence fee funded

expenditure (BBC 2004a: 3). But importantly, the 18% is 18% of a growing pot and the BBC's output of news and current affairs and the number of different stories covered have grown (BBC 2004a: 33).

The term 'citizenship' opens up a different route to a consideration of 'public value', and in this respect, the BBC's thinking on public value raises as many issues for the emerging theory of public value and debates about the public realm, as it does about public service broadcasting. Instead of considering public value theory as a specific doctrine rooted in Mark Moore's ideas and mediated to the UK through Kelly and Muers' work for the Cabinet Office, public value might be considered in a looser, less specific but literal sense as a matter of what the public values, as both Davies' (2005) and Hewison and Holden's (2004) discussions of public value suggest.

It's clear from both the BBC's own research and Ofcom's public service television review that the UK broadcasting public not only values what it likes, ie consumer value, but also what's good for society as a whole, citizen value (though the ability to distinguish between the two may be more developed in broadcasting policy makers than in television viewers). And successful supply of broadcasting services that provide viewers and listeners with what they like and what they think good for society as a whole does not depend on adoption of Mark Moore like public management practices: though Mark Moore like public management practices may well assist in the efficient and effective delivery of such services.

Measuring the un-measurable

Many of the key debates within broadcasting, or content production and distribution, depend on the ability to measure characteristics of broadcast content such as 'quality' and 'creativity'. The debates get caught in the quagmire of trade offs between hard outcomes, like audience figures and production costs, and these less tangible concepts. For instance, while audiences for some reality television shows may be large, some argue that their quality is inferior to that of other types of programmes such as traditional documentaries.

One consequence of the difficulty of defining public service broadcasting (or citizen value, or public value in broadcasting) is that many categories are invoked

to reduce uncertainty about that which, to invoke again the Davies panel, definition is difficult but which can be recognised when seen. *Post hoc* categories such as innovative, quality, diversity, universality, independence⁴² are customarily invoked and of these attributes of public service programming the terms quality and diversity are central. Though, curiously, diversity is not among the four public value 'drivers' (reach, impact, quality and value for money) of public value which the BBC has identified.

The four 'drivers' of public value: reach, impact, quality and value for money

The BBC's four 'drivers' of public value are reach, impact, quality and value for money. The National Audit Office assessed the BBC's performance measurement system based on these criteria in 2005 (NAO 2005a). Broadly, the NAO endorsed the BBC's proposals for implementing its new performance measurement system and commented that 'the BBC is at the forefront of current thinking on this topic' (NAO 2005a: 7). The NAO remarked, unsurprisingly in the early stages of implementation of a new scheme, that different divisions in the BBC were not wholly consistent in their application of the scheme and that some of the measures were 'perception' based (NAO 2005a: 2). It urged the BBC to 'establish clear definitions of reach, quality, impact and value for money' (NAO 2005a: 9). These definitions, and the indices which are associated with them, are currently under consideration in the Governance Unit and in the BBC. Much will depend on which specific Key Performance Indicators (KPIs) are devised in respect of each 'driver'.

Reach

Reach is relatively easily measured using the standard BARB and RAJAR data. Barwise cogently argued (Barwise 2004: 31) that, though reach is a 'useful metric' the BBC's choice of reach as a driver is political (Barwise 2004: 30) and that share, rather than reach, is the crucial foundation of consumer value expressed as viewers, or listeners, per programme hour. However, if viewing and listening share is given appropriate emphasis as a component of the value for money driver then criticism of the choice of reach, rather than share, as a driver falls away.

Impact

Impact can be measured in a variety of ways, such as audience retention of concepts and information imparted in programmes, their recollection of programmes, scores in appreciation indices and the number and quality of awards

⁴² See BRU undated, c1985, for an influential compendium of categories

and reviews received from independent arbiters. Though choice of indices is important, there seems no reason to question either the importance of impact as an indicator (or 'driver') or the ability of the BBC to identify and use appropriate indices.

Quality

Quality requires more sustained consideration for:

'(quality is) the one issue in broadcasting that resists, more than any other, a definitive and rational answer' (Mulgan 1990: 5).

Quality is, as Mulgan suggests, the most difficult criterion to define. Quality is a key element in any merit good argument for PSB but has been tainted by use of the term to 'legitimise, and disguise, the narrow tastes and prejudices of a small, metropolitan, cultural elite' as Mulgan put it (1990: 5). Focusing on four of Mulgan's seven types of quality in broadcasting allows us to hone in on some of the more pertinent aspects of what constitutes quality:

- **Producer quality and professionalism** – though implementation of a governance regime based on this conception of quality might be vulnerable to elite capture and special pleading, expert judgement and broadcasters' commitment to high standards are desirable and worth nourishing.
- **Consumer quality and the market** – what consumers want and what they judge to be good must have a very significant part in any policy for quality. However, at least some classes of consumers are not good judges of what's in their interest and so this conception of quality can't be the only type used in governance.
- **Television and the person** – this conception of quality recognises that we must develop our competencies, rather than rely on innate faculties, if we are to live free and fulfilled lives. Broadcasting should be good for us, it should educate and its power and performance to do so is a legitimate criterion for assessment of its performance.
- **The television ecology** – broadcasting should be truthful. Even if consumers are fooled, and are happy to be so, mendacity is the enemy of quality. True, some kinds of mendacity may be unexceptionable, but only

when known to be so, ('The Sunday Sport' headline – 'World War II Bomber found on Moon' is acceptable because we know 'The Sunday Sport' to be unreliable). Others, such as Sky News faking a report of a missile launch from a Royal Navy submarine during the 2003 US/UK invasion of Iraq, are not.

Truthfulness is a category that may be applied to one programme or utterance. Another criterion, bias, is also important and this implies assessment of a range of programmes or utterances. The BBC enjoys high levels of public trust, an achievement which is undoubtedly associated with its reputation for unbiased and truthful reporting eschewing a 'journalism of attachment'. The public trusts BBC news more than that of any other news provider (BBC 2004a: 45). The BBC has maintained this high level of trust. YouGov found⁴³, in a poll conducted in January 2005, that the BBC is 'still the most trusted for news' (though Sky News is more trusted than the BBC's News 24). Abundant testimony to the high levels of public trust in the BBC was evident at the time of the Gilligan affair and the subsequent Hutton enquiry when public sentiment inclined towards the BBC rather than the Government.

These performance criteria refer to **programme quality**. But programme quality isn't the only relevant locus of quality issue – another, for example, is technical quality of transmissions (though this is readily quantified and measured). However, it's programme quality that's particularly difficult to conceptualise and for which it's particularly difficult to devise assessment criteria. However, the following could act as quality indicators:

- audience appreciation indices
- peer review - eg TV and radio critics' assessments, prizes at international festivals.

These indices of quality are, not surprisingly, already used and also respond to the BBC public value 'impact' criterion. The public value test provides an instrument for their systematic use in project appraisal and resource allocation. But, as the issues identified by O'Neill indicate, a public value test may not be sufficient to ensure that the standards in which quality is founded are maintained at an appropriately high level. Although, on the other hand, the effect of implementation of the

⁴³ YouGov press release at http://www.yougov.com/archives/pdf/OMI050101003_2.pdf on 27.2.2006

Neil Report (BBC 2004d) may strengthen the delivery of high quality broadcast journalism.

Value for money

The BBC's financial performance has been the subject of commentary by external agencies such as the House of Commons Committee of Public Accounts (see *inter alia* House of Commons Committee of Public Accounts 2006). However, the NAO observed that 'performance against the value for money driver has been assessed less consistently than the other drivers, with cost information not presented each quarter and in some divisions only at the end of the financial year making it more difficult to track performance' (NAO 2005a: 12).⁴⁴ The NAO provided a succinct account of the BBC's implementation (albeit at an early stage) of its new performance management scheme and commented that 'the drivers of the framework - are becoming common currency in the BBC's thinking' (NAO 2005a: 19). The NAO acknowledged that 'The BBC has made good progress in developing the performance measurement framework' (NAO 2005a: 1) and testified to the challenges that remain: notably 'how to present the information in an understandable and manageable form given the volume of data involved. There are also technical challenges' (NAO 2005a: 21).⁴⁵ The PKF review of the BBC Value for Money and Efficiency Programmes, commissioned and published by DCMS (DCMS 2006b) in the course of evaluation of the BBC's licence fee bid, also stressed the challenges that remain for the BBC to overcome in delivering value for money to the licence fee payer. The terms of the new BBC Charter and Framework Agreement, which charge the Trust with regular discussions on BBC efficiency and effectiveness with the NAO, suggest the Government's recognition of the value of independent audit and evaluation.

Diversity – a missing driver?

The objective, or 'driver', of diversity is a curious omission from the BBC's list of four drivers of public value – indeed Barwise (2004: 95) specifically recommended that the BBC should consider formally measuring diversity. There are better established and more robust models to measure diversity than there are for quality assessment - notably, the United States' Federal Communications Commission's Herfindahl-Hirschman index (see Napoli 1999) and Hellman's model (Hellman

⁴⁴ For some value for money assessments of BBC activities see http://www.bbcgovernors.co.uk/docs/rev_valueformoney.html on 14.2.2006

⁴⁵ The BBC's response to the NAO report is at http://www.bbcgovernors.co.uk/docs/reviews/VFM_PSB_webversion.txt on 14.2.2006

2001) of relative entropy⁴⁶ and deviation indices (drawing on Swedish and Finnish research and practice).

However, assessing what constitutes diversity is not straightforward. Is a choice between several different types of programme at any particular time better, ie providing greater diversity, than choice between several different examples of the same type of programming? Is diversity within programme types more important than diversity between programme types? Ideally both are desirable but, depending on which type of diversity is prioritised, mirroring of PSB and commercial services programme and schedule mixes may be seen positively or negatively.

The FCC approach is to assess source diversity by measuring market share, both in programme supply and in hours of programming consumed transmitted by a particular broadcaster.⁴⁷ The high PSB (especially BBC) share of viewing and listening (and the internal sourcing of the majority of PSB programmes) could be seen, using FCC methodology, as hostile to source diversity. There is often a presumption that source diversity (although desirable in itself) necessarily leads to diversity in programming.

But US research suggests this may not be the case.

Napoli's survey of US research on the relationship between the extent of competition in sources (few or many broadcasters in a particular market) and the extent to which a number of different types of programmes were offered provides no clear conclusion. Source diversity may not lead to programme diversity.

⁴⁶ A Relative Entropy Index is compiled by measuring the likelihood of different genres to be broadcast. Hellman states (2001:11) 'The Relative Entropy Index (H) represents the sum of likelihoods for the different genres to be broadcast on television. High relative entropy on a channel implies a high probability that many, or all, programme types are available in the programme mix. The more genres are represented in the output and the more evenly they are distributed across the schedule, the higher the relative entropy score. The higher the relative entropy, the higher the diversity to the viewer'. He defines the Deviation Index as a measure of 'how much the content of one network, in terms of programme types represented in its schedule, deviates from the content of another. Mathematically this is derived by subtracting the percentage of time p per programme category i by one broadcaster A from the corresponding figure by another and summing up the differences' (Hellman 2001: 12)

⁴⁷ The FCC uses the Herfindahl-Hirschman index. This assesses concentration - diversity - in supply by squaring the market share of each supplier in a particular market and benchmarking an unconcentrated, diverse, market as one in which the summed scores are less than 1000 and scores exceeding 1800 indicate a concentrated, undiverse, market. I draw on Napoli (1999) for this information

UK commercial services provide some diversity in programme supply but possibly under serve groups that are not attractive to advertisers and lack an ability to pay for subscription services. Moreover, commercial services tend (relative to UK PSB) to under provide high budget original programming in core PSB categories such as news, investigative and iconoclastic documentaries and drama. Arguably if PSB wasn't there commercial services might fill this gap although the empirical research undertaken by Mediatique, in the course of Ofcom's Public Service Television Review (see Ofcom 2004a: 43) casts serious doubt on such a possibility.

Research and theory therefore provide no firm guidance on whether, in the long term, PSB augments or diminishes diversity. However, there are clear UK cases, eg south Wales and west central Scotland, where (assuming entry is not foreclosed by the presence of PSB) ending PSB services would seriously diminish diversity. Again target setting is important. What sort and level of diversity do we require of our broadcasting system? What gaps should PSB fill? Examination of the BBC's indices of public value, the four 'drivers' and associated KPIs, raises interesting theoretical and technical issues. However, two of the core concepts in public value theory put forward by both Moore and Kelly and Muers – co-production and contestability – remain to be considered.

6. Co-production

Central to both Moore's foundational account of public value and to Kelly and Muers' paper is co-production: that is the concept of collaboration between public sector/public service provider and users to produce public value outcomes. Co-production is perhaps the clearest signal that public value doctrines and practices point to network governance, a different form of governance to either hierarchical, 'command and control', or to market governance based on the price system. Network governance is distributed, shared, flatter and non-hierarchical. Stoker emphasises the equalitarian, dialogic character of public value governance and relationships:

'public value can only be achieved through deliberation involving the key stakeholders and actions that depend on mixing in a reflexive manner a range of intervention options. Networks of deliberation and delivery are central features of the approach' (Stoker 2003: 1).

And he points out the gaps that a move to such systems and procedures engenders:

'it prioritizes political debate and exchanges the search for public value, and championing of networks, leaves the role and status of elected politicians unclear and ambiguous. Moreover because of the fluidity associated with network governance there appears to be an absence of formal accountability' (Stoker 2003: 1).

There is therefore, *prima facie*, a limit to the extent to which the BBC, embedded in a hierarchical set of authorisation relationships and with a governance and internal accountability structure that is predominantly hierarchical, can engage in genuine co-production. The evolving UK 'soft' version of public value theory emphasises consultation and conversation with users rather than co-production, which suggests that UK public value theory and practice has now assumed its own distinctive trajectory rather than following scrupulously in the steps of Moore.

However, a striking feature of UK broadcasting is the absence, relative to arrangements in some overseas jurisdictions, of organised groups representing viewer and listener interests. For example, in Germany there is a formal place in the governance of public service broadcasting reserved for civil society organisations

(such as churches, trades unions and employers' associations, sports and refugee organisations etc). In the Netherlands viewers and listeners have the opportunity to adhere to Broadcasting Societies which contribute programming to Dutch public broadcasting channels. And in the USA the reliance of National Public Radio (NPR) and the Public Broadcasting Service (PBS) on listener and viewer financial support means that users can influence the governance and conduct of US public broadcasting, though the influence of corporate and Government funding is undoubtedly also very strong.

In the UK some civil society and para-statal organisations such as the Campaign for Press and Broadcasting Freedom, the Commission for Racial Equality, Mediawatch, the National Consumer Council, the Royal National Institute of the Blind, Voice of the Listener and Viewer and Which: The Consumers Association could, and in varying degrees do, act as interlocutors with the BBC on policy and viewer and listener interest matters. But none of these bodies has a formal consultative status let alone co-production or co-decision powers.

Discussion point

How might individuals engage in co-production with a public service broadcaster? How far can the problems posed by the effective absence of opportunities for exit and for the expression of voice be mitigated?

7. Contestability

Much of the experience of the last 20 years has shown that public value is best maximised neither by competitive private markets nor by monopoly public provision. Instead, as UK experience in prisons, employment and welfare services has shown, the combination of strong public sector institutions and competition from private and non-profit organisations achieves the best balance of accountability, innovation and efficiency (Kelly and Muers 2002: 5).

A contestable BBC dates from 1955 (or arguably before if one takes into consideration the offshore English language radio services of Radio Normandie and Radio Luxembourg) when ITV began service. Competition for BBC audiences' attention grew throughout the 1960s with pirate radio and then commercial radio in the early 1970s. It grew mightily in 1990 with Sky's entry into the UK television market with the first direct to home satellite television services and has continued to grow with more and more alternative viewing opportunities; Channel 5, internet streamed video and file sharing, and the fall in prices of VCRs and DVD players.

Contestability in programme production and supply has also grown, beginning with the 25% independent television programme production quota inspired by the Peacock Report and continuing with the BBC's voluntary embrace of the NPM oriented Producer Choice, radio and online production quotas and the plan to subject a further 25% of the supply of its television programming to contestability between in house BBC production and external independent production to open a Window of Creative Competition (WOCC).

In the context of increasing contestability in supply of the factors of production and intense competition in a market where switching costs are very low and good information about alternatives is available, there are few grounds for concern about the BBC's programming services being insufficiently subject to contest (although, as previously noticed, users' ability to hold the BBC to account through either exit or voice is somewhat limited). Nonetheless, there is growing concern, well represented in Ofcom's review of public service television broadcasting (Ofcom 2004, 2004a, 2005), that the evolution of UK broadcasting may lead to a BBC monopoly in public service broadcasting provision (though not, of course, in

provision of broadcasting services as a whole). Ofcom's empirical concern seems an instance of one of the potential theoretical grounds of 'Public value failure' identified by Bozeman,⁴⁸ that is a scarcity of providers of public value (Bozeman 2000: 24). Ofcom claimed, for example, that 'If no action is taken, the BBC will emerge by default, as the only PSB provider of any significant scale' (Ofcom 2004a: 13) and recommended that 'competition should be sustained at all points in the value chain: production, commissioning and PSB outlets' (Ofcom 2004a: 59). Elsewhere, Ofcom argued that 'Competition in the provision of PSB is at the heart of an effective system. In a digital world, a single monopoly supplier of PSB is unlikely to be the most effective model for delivering PSB purposes or characteristics. We need to examine the case for sharing existing funding streams among a greater number of broadcasters and allowing broadcasters or producers to bid for PSB funding' (Ofcom 2004: 11).

However, analysis of the UK television market and the lessons to be learned from New Zealand's experiment in establishing a contestable fund for financing public service broadcasting, Ofcom also pointed to the disadvantages of a high degree of contestability in public service broadcasting and concluded that 'the costs of a fully contestable PSB fund would clearly outweigh the benefits' (Ofcom 2004a: 64). Nonetheless, though cautioning against adoption of so radical an innovation as the New Zealand fund, Ofcom did foreshadow establishment of a fund administered by a new institution, a Public Service Publisher, which would be used to commission and distribute public service content so that the public service sector of the UK audiovisual market would not become excessively dependent on the BBC (see Ofcom 2004a: 76-84 and Ofcom 2005: 68-80).

Because there is no lawful exit for UK television viewers from paying the licence fee, (in common with the absence of individual exit from tax funded services such as policing and many services provided by local authorities); there is some limit to the extent to which the BBC is subject to competition and contest. The BBC's funding is not contestable and the BBC has strongly resisted Ofcom's proposals for 'top slicing' the licence fee to fund other public service provision⁴⁹, whether by any or all of Channels 3, 4 or 5 or by other organisations established and supported under the umbrella of the Public Service Publisher. Contestability may be a useful 'NPMish' instrument for fostering internal efficiency (x-efficiency) within the BBC and as a valuable means of securing pluralism of supply (both of programmes to

⁴⁸ In a work cited in 'Building Public Value' (BBC 2004: 29)

⁴⁹ Ofcom also sotto voce implicitly recommended 'capping' the BBC's licence fee in arguing (Ofcom 2004a: 6) that PSB funding should not increase

broadcasters and broadcasting services to viewers and listeners) but it has not been embraced as a means of improving the accountability of the BBC to its users through more thorough going market governance relationships.

The Office of National Statistics' decision in 2006 (ONS 2006) formally to classify the BBC licence fee as a tax, rather than as a service charge, clarifies the nature of licence fee payers' relationship to the BBC. It means that the question of whether viewers should enjoy a right of 'exit' (Hirschman 1970) falls away – viewers should no more be able to exit from their obligation to pay the BBC licence fee than they should be able to exit from their obligation to pay income tax. BBC funding, once defined as a tax, is outside the contestability of conventional market relationships.

However, the ONS's decision raises other questions. What should be the nature of viewers' (and listeners') 'voice' (Hirschman 1970)? How far are 'co-production' and 'voice' synonymous? Should their voice be exercised through Parliament, as it is where other taxes are concerned? If so, how is the BBC's independence of Government to be secured? Is the licence fee, the 'BBC tax', to remain a hypothecated tax or is the BBC to enter relationships of contestation with other claimants on public funding – defence, health, education and so on? The BBC has argued against the idea of 'top slicing' the licence fee as a means of funding other public service broadcasters but it and Government have concurred on the top slicing of the licence fee in order to fund support for those whom the Government categorises as 'vulnerable' during digital switchover.

It is too early to anticipate what the consequences of the ONS' decision may be. However, in categorising the licence fee as a tax, rather than as a service charge, the ONS has made clear that the type of contestability usually associated with a service charge should not apply to the BBC's licence fee funding.

8. Implementing the public value test

Professor Patrick Barwise's 'Independent Review of the BBC's Digital Television Services' (Barwise 2004) was the first application of a public value test to BBC services. Barwise's study for DCMS emerged at around the same time as did the BBC's own 'Building Public Value' and Barwise has stated that he drew on Kelly and Muers' (2002) elaboration of the concept of public value in making his analysis and formulating his recommendations. Barwise defined net public value as 'the benefit of the services to the UK public. This includes both short and long term benefits, both direct and indirect benefits, and both consumer and citizenship benefits' (Barwise 2004: 19) or, more succinctly, as 'public value after allowing for market impact' (Barwise 2004: 4). He illustrated the operation of a market impact test by explaining that 'if a particular BBC service competed so successfully for viewers that a commercial service targeting the same viewers was forced to exit the market – even if the commercial services represented better value for money – this would represent a reduction in net public value. The same would be true if the BBC services prevented the launch of a new commercial service which would have created more public value' (Barwise 2004: 7).

The allocation of costs between different BBC services is not straightforward but the basis on which cost allocation is made affects materially the findings of value for money analyses. Davies (2005: 141), for example, proposes to define the TV channel BBC One as the 'core' service and all other BBC services regarded as marginal services with only the incremental costs associated with their provision attributed to them. Not surprisingly, cost allocation of this kind suggests that non-core services provide extraordinarily good value for money. Though Davies leaves unexamined the extent to which the core service provides value for money under such a cost allocation regime.

Barwise judged that the object of his study, the BBC's digital television services, were, in 'a largely unsegmented medium... hard to see such small services having much impact on either the market as a whole or on specific competitors' (Barwise 2004: 7). He also refers to an Oliver and Ohlbaum (O&O) report commissioned by the BBC which found that the services 'had little market impact' (Barwise 2004: 65). Ofcom also made a market impact assessment (including a review of Oliver and Ohlbaum's findings) of the BBC's digital radio and television services (Ofcom 2004b).

Both Barwise's low impact finding, and Ofcom's finding (Ofcom 2004b: 5) that the results of a market impact test may be strongly influenced by the initial assumptions of those carrying out the test, illustrates a point Barwise makes later in his review (and which Caroline Thomson echoed, Thomson 2006) – the findings of a public value test are likely to be if not 'subjective' (a term used by Barwise 2004: 19) they are at least highly dependent on the evaluator's initial assumptions and on her or his judgement (Thomson's term). In the case of the market impact test, two reputable firms reached different conclusions.

Other instances support Barwise's contention that the findings of a public value test are 'subjective' (or, to use Thomson's term, judgemental). Not all would agree with Barwise, for example, that the BBC's digital television services have not had a significant market impact. In 2002, the chief executives of three commercial digital channels claimed the BBC's digital services have had high, rather than low, impact. Each testified to the threat posed by the BBC's digital television services. For example, John Hambley, Chief Executive of Artsworld,⁵⁰ testified to the difficulty Artsworld, and other similar channels, experienced as a consequence of the mutually reinforcing advantages enjoyed by the BBC. He referred to the withdrawal of one of Artsworld's principal investors, the Guardian Media Group (GMG), as a consequence of the launch of the BBC's digital services. Hambley said, 'If BBC4 hadn't come along GMG would have hung in there. They decided they couldn't face the might of the BBC'.

It may be that all these interviewees merit rebuttal with the immortal comment of Mandy Rice-Davies 'They would say that wouldn't they?' but their comments demonstrate very concretely that there is evidence to support a public value judgement different to that reached by Barwise and that implementation of a broadcasting public value test is indeed judgemental and perhaps even subjective. On the other hand, established broadcasters such as ITV and Channel 4 have successfully introduced new digital services (such as ITV 2, 3 and 4 and Channel 4's revision of its subscription service FilmFour as a free to air digital channel). Whether these successes, by broadcasters with established brands, are generalisable is a moot point. But such uncertainties about the extent to which BBC services may 'crowd out' rival services point to the importance of market impact assessments being made by a disinterested evaluator, of findings being

⁵⁰ Interviewed 12.9.02. Artsworld is a UK subscription financed digital television channel carried on Sky's satellite platform, in mid 2002 there was serious concern about the prospect of the imminent closure of Artsworld's services

published and the methodologies and the evidence which underpin judgements being fully exposed to public scrutiny and collective deliberation. Barwise constructively acknowledged this, recognising that 'the BBC will need credible, evidence based analysis of net public value' to command the assent of the disinterested commentator and the interested licence fee payer counter as well as to counter the assaults of the 'commercial vested interests' to which Barwise refers (Barwise 2004: 90). Ofcom also pointed to the importance of 'BBC plans for new services' being 'subjected to a rigorous **independent** (my emphasis RC) evaluation to ensure that they add public value and would not unduly displace commercial activities' (Ofcom 2004a: 9). Ofcom's responsibility for undertaking the Market Impact Assessment when a full Public Value Test of new (or significantly changed) BBC activities is undertaken testifies to the Government's recognition of independent assessment of market impact.

9. Challenges – making the good, popular and the popular good?

The BBC is currently caught in a vice. Its claim on the licence fee depends on fulfilling two contradictory obligations. First, it must retain a sufficiently large share of viewers' and listeners' consumption of broadcasting for them to feel that the requirement to pay the licence fee is not unacceptably onerous. That is they must feel that they consume enough BBC output to get value for money from their annual payment. This can be called the 'consumer' rationale for the BBC. Most still feel they secure value as consumers – but surveys suggest that the number of those who would like to exit from their compulsory subscription to the BBC is growing.

Second, the BBC must continue to provide the merit goods which, by definition, viewers and listeners are not aware that they want or need. Given the pressure on the business model of advertising financed broadcasters, such as ITV/Channel 3, Channel 4 and five/Channel 5, provision of broadcast merit goods is likely to become more and more the exclusive business of the BBC. Moreover, because there is no point in providing merit goods unless they are used, the BBC must find ways of squaring the circle and making the good, popular and the popular good. This is the 'citizen' rationale for the BBC.

The pressure in the vice grows as alternative consumption opportunities proliferate and the BBC audience declines. And as legitimacy declines in the 'consumer' area so legitimacy in the 'citizen' area becomes more important. But growing public expectations of the ability actively to exercise entitlements as citizens to participate in decision making and directly to hold institutions to account means that the legitimacy of 'downward' accountability has grown relative to 'upward' accountability. Moreover, a complementary official fostering of public value informed public management with 'co-production' at its centre would add pressure, albeit a positive and democratic one, to the BBC's traditional stance and mode of governance.

The high level of public trust which it enjoys has sometimes led the BBC to argue that public trust suggests a pervasive public desire for established BBC self-governance arrangements. However, Jon Zeff⁵¹ pointed out that the trust invested in the BBC and the linked concern for safeguarding the independence of the BBC on which that trust depends goes along with concern about a 'democratic deficit'.

⁵¹ At The Future of the BBC: Westminster Media Forum Consultation Seminar on the Green Paper. June 2005

The BBC's adoption of public value responds to these pressures, but in turn it is changing the application of Moore's account of public value to UK policy more broadly. In part this is because of the distinctive, and peculiar, characteristics of free to air and public service broadcasting. Conventional free to air, 'push' broadcasting means that there are few contacts between provider and user. It is a mode of delivery that may not readily lend itself to co-production. Moreover, public service broadcasting has an inescapably 'top down' character to it: if broadcasting is to supply merit goods then, by definition, user demand cannot be wholly sovereign.

There is something indissolubly American about the two axioms of Moore's public value doctrine. Co-production seems to chime sweetly with American traditions of direct democracy, less well with other democratic traditions. Hood (1998: 123) firmly places co-production as a doctrine of 'limiting professionalism and maximising collective citizen participation' – and one pre-eminently exemplified by 'Citizen militias rather than standing professional armies, as in the Swiss or French Revolutionary tradition'. And contestability, aka competition, in broadcasting is more firmly accepted in the United States than in the UK as a method of securing the public interest in broadcasting. In the UK, debate has been dominated by the widely accepted view that broadcasting markets will inevitably fail (though there is much debate, of course, about how much they will fail and what is a proportionate response to failure).

However, whether or not public value doctrines are well adapted to the challenges presented by broadcasting the BBC has put public value theory firmly on the agenda for debate. If and when applied, the BBC's public value test will comprise two elements: a public value assessment (focussing on consumer/individual value and citizen value) and a market impact assessment (economic value). The public value assessment will consider whether a proposal fits the BBC's defined public purposes⁵², what its impact, cost and value for money is likely to be and whether public value is thereby created. Michael Grade said that 'We will not approve that new service unless the independent evidence clearly shows that the potential negative impact on other providers is outweighed by its public value' (Grade 2005).

⁵² As previously stated, the six public purposes are defined in the Government's Green Paper (DCMS 2005a: 8-9) as: sustaining citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, reflecting the UK, its Nations, regions and communities, bringing the world to the UK and the UK to the world and building digital Britain

The public value assessment will consider the 'four drivers': reach, quality, impact and value for money. These are certainly relevant criteria though all are forward looking and therefore involve going beyond objective evidence and drawing on the judgement of those administering the assessment – ie that of the BBC. The difficulty of making such judgements accurately is eloquently attested by the mismatch between aspiration and fulfilment in respect of the BBC4 television service (see Barwise 2004).

Caroline Thomson, then the BBC's Director of Strategy, acknowledged at the Oxford Media Convention on January 19th 2006, a 'large element of judgement will be exercised by the Trust'⁵³. Implementation of the public value test in the way the BBC proposes may not satisfy the concerns of the Burns panel such that 'if such a test is defined solely by criteria set by the BBC, using data and measures defined by the BBC, it will lack conviction. There is a clear need for an independently determined set of objective measures, applicable to the whole of the broadcasting industry, which the BBC should use when making such judgements' (DCMS 2004: 11). And it will be unlikely to satisfy the FABRIC recommendation that performance information systems should be independently reviewed (HM Treasury 2001: 21).

It may be that the BBC Trust will be seen to be too close to the BBC (and possibly outgunned in a classic regulator/regulate imbalance) by the BBC staff and management which it is to govern. Rather than a 'democratic deficit' there may be either or both a disinterestedness deficit and a regulatory power deficit. These are important lessons for other public bodies to reflect upon when they too alight on public value theory and its operational implications for how they authorise, create and measure public value.

It seems therefore that public value doctrine will not be used as a rallying point for reinvigorating staff commitment to a newly publicly oriented and renewed BBC, despite the high level and pervasive use of public value rhetoric as part of the BBC's re-branding, but rather as a technical system of quasi-regulatory appraisal of major new projects. On the one hand this makes the application of public value management workable but at the same time it underestimates the rhetorical power of public value to reinvigorate the ethos of public service – a power that has not gone underestimated elsewhere in the public sector.

⁵³ The Trust to which Ms Thomson referred is the body which the Government's Green Paper (DCMS 2005a) proposes as a replacement for the BBC's Governors

In its own implementation of public value oriented management, the BBC found few models for emulation neither among other broadcasters nor in other UK public sector bodies. However, Levy (interview 18.5.2006) mentioned that PBS in the USA had provided a useful model for assessing the wider impact of broadcasts, notably in recognising the social consequences of broadcasts such as the number of reading groups established after transmission of book based programmes. However, many European Public Service Broadcasters have, directly or through the European Broadcasting Union (EBU) obtained detailed briefings from the BBC about its approach to public value and the public value test in particular (communication from David Levy 28.6.2006).

Judging the BBC's new public value initiative against Moore's criteria may risk forcing the BBC into a procrustean bed. However, Moore's doctrine provides some appropriate yardsticks against which public management initiatives may be assessed – not least co-production and contestability. These yardsticks reflect the context in which Moore formulated his doctrine and embody assumptions rooted in NPM and some rather American assumptions about the value of competition and direct democracy. And as Barwise has observed there are real dangers in applying inappropriate evaluative criteria to public service broadcasting and the BBC (Barwise 2004: 19-20).

Lessons from the BBC for the UK public sector?

It is too soon to identify with confidence any general lessons from the BBC's experience and its implementation of public value centred management. As James Heath, Senior Advisor BBC Public Policy, stated (interview 18.5.2006) it's 'early days' in the embedding of public value based performance management systems in the BBC. Although a Governance Unit has been set up to formulate and issue service licences and to administer public value tests it is small in comparison to the scale of its responsibilities. Moreover, the Trust has not yet formally come into existence and in consequence the first service licences and the first public value test remain to be implemented. Embedding of a new public value ethos in BBC management objectives, practice and output is at a similarly early stage. But some distinctive features of an emerging BBC version of public value doctrine and practice are already apparent.

In its external environment, the BBC is subject both to an unprecedented high level of public scrutiny and to a more extensively and intensively contested broadcasting market. However, contestation does not extend to funding. And the weight of history; the intrinsic difficulties posed by one to many, free to air broadcasting; and the imperative of safeguarding BBC independence have all weighed against an elaboration of co-production.

The Work Foundation's public value triad of authorisation, creation and measurement, further suggests the BBC's exceptionality and the *sui generis* character of its formulation and implementation of a public value doctrine. For the BBC, authorisation is a particularly complex, multi-path and multi-agency, practice. However, creation is, and continues to become, eg through the BBC's proposed Window Of Creative Competition (WOCC) more, and perhaps excessively – see The Work Foundation 'Tipping Point' analysis (Work Foundation 2005) – contestable. And measurement is beset with difficulty – although each of the new BBC drivers (reach, impact, quality and value for money) is output and user oriented only one, reach, is straightforwardly susceptible to measurement. As stated above, there are important difficulties in defining, and therefore in measuring, quality and impact; and the BBC's meticulous care for its independence has, thus far, militated against the independent audit by the National Audit Office, characteristic of other publicly funded bodies, in order to secure optimal value for money for licence fee payers. Moreover, the BBC's size and distinctive mandate makes conventional value for money tools, such as benchmarking, less than straightforward to implement – particularly by a small, however high quality, Governance Unit (fewer than 40 people) charged with this and a host of other tasks. The BBC's size (its 38% share of TV consumption, 53% share of radio consumption and high level of public funding – equivalent on one estimate, see Vickers 2002, to one day's UK GDP) means that issues of market impact, value for money, authorisation and accountability are on a wholly different, and larger, scale to those that apply even to high profile organisations such as the Royal Opera House and the Tate.

It is too soon to tell whether the BBC's implementation of a public value based governance, regulatory and management regime will have useful lessons of general application to other parts of the UK public sector. Certainly, the BBC's elaboration of a public value doctrine (notably in 'Building Public Value' BBC

2004) leads the field. But the scale of the BBC, its distinctive 'constitutional' independence, the indirect application of the public value principles of co-production and contestation and, above all, the manner in which public value doctrine has been chiefly implemented, as a regulatory or quasi-regulatory principle in the form of service licences and a public value test, rather than as a management and motivational doctrine, sets the BBC apart from the public sector and public value mainstream.

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