

Extracts from the Report on the Study of Public Service Broadcasting for Hong Kong published by the Panel on Information Technology and Broadcasting in October 2006

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dealing with disabilities such as Progeria, Primordial Dwarfs, Alzheimer's and speech disorders are available.

2.15 Channel 4 does not produce its own programmes but commissions more than 300 independent production houses across the UK. To enhance its accountability, the Communications Act 2003 requires Channel 4 to publish annually a Statement of Programme Policy setting out its goals and benchmarking the performance against the goals. Channel 4 has a market share of 9.8% in 2004-05.

Corporate and financing structure to ensure editorial independence

BBC

2.16 Under the Charter and Framework Agreement, BBC is protected from any editorial interference from the government, Parliament and commercial organizations. It is also required to set out its editorial standards in the BBC Editorial Guidelines, which serves as a working document for programme makers. The Guidelines are drawn up by the BBC Editorial Policy Unit and approved by the Board of Governors. According to BBC World Service, it operates independently of the government albeit funded by the Foreign and Commonwealth Office.

2.17 BBC receives most of its funding from the licence fee (which is 77% of its total funding, i.e. £3,101 million¹³ in 2005-06) paid by households possessing televisions, supplemented by income (16% of total funding, £620 million in 2005-06) generated through its commercial subsidiaries which sell goods and services relating to the BBC brand and/or its services around the world. The annual rate of licence fee is set according to a formula announced by the UK government in February 2000 based on an independent review. Under the formula, the annual increase in the licence fee from 2000-01 to 2006-07 is pegged to the change in the Retail Prices Index level plus 1.5%. Effective from 1 April 2006, the annual licence fee for a colour television set

¹³ The exchange rate of Pound Sterling to Hong Kong Dollar for September 2006 was £1=HK\$14.805.

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and a black and white television set is £131.50 and £44.00 respectively. BBC World Service is funded in full by the Foreign and Commonwealth Office, and this accounts for 6% (i.e. £239 million in 2005-06) of BBC's source of funding.

2.18 Review of the BBC's Charter is conducted by DCMS once every 10 years to benchmark BBC's services with its objectives and to consider its future. As the current Royal Charter will expire in 2006, DCMS has started the new Charter Review process in 2003 and in March 2006, a White Paper on the future of BBC was published. The White Paper proposes, among other things, to replace the Board of Governors by the BBC Trust and the Executive Board. The new Charter was subsequently accepted by the Queen of UK on 19 July 2006 and will last until 31st December 2016. Details of the proposals in the White Paper and the new Charter are in **Appendix II-(b)**.

2.19 After examining alternative funding options for BBC for the next Charter period, the UK government decides that the licence fee funding model will continue but if BBC is to launch any new service funded by licence fees, Ofcom will first conduct a market impact assessment based on a public value test conducted by BBC itself. The scope for alternative funding mechanism will also be reviewed around the end of the digital switchover in 2012.

~~Channel 4~~

2.20 While the government has made available the frequency spectrum, Channel 4 is funded entirely by advertising and its own commercial activities such as subscription television channels, sale of programmes, provision of Internet advertising and leasing of studio facilities. From 1 November 2004 onwards, Channel 4 has been under the regulation of the Advertising Standards Authority which enforces Ofcom's Advertising Standards Codes for television and radio broadcasting and handles related complaints.

2.21 The review conducted by Ofcom on PSB concludes that Channel 4 shall remain a commercially-funded public service broadcaster. With the digital switchover, Channel 4 is facing a number of challenges such as the possible decrease in advertising revenues due to audience fragmentation.

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Channel 4 has announced an anticipated funding deficit of £100 million per annum by 2009-10. As such, Ofcom has proposed some self-help measures and regulatory support to secure Channel 4's position as a public service broadcaster.

Mechanism to enhance public accountability

BBC

2.22 Under the existing Charter, the BBC is answerable to its Board of Governors appointed in accordance with the Nolan principles that public appointments should be made on merit. The Board acts as the trustee for the public interest and the day-to-day management of the BBC is handled by the Executive Board and three sub-boards.

2.23 Under the new Charter, the government proposes to replace the Board of Governors by the BBC Trust which will have a Chairperson, a Vice Chairperson and 10 members appointed by Order in Council. The existing Executive Board will also be reconstituted into a new Executive Board, which includes mainly senior executives, with a significant minority of non executives. The Board is chaired by the Director-General to deliver BBC's services within the framework set by the Trust. Under the new Charter, a "triple lock" system will be established to ensure the highest standards in BBC's productions. In future, every BBC service will be run according to a new, detailed service licence issued by the BBC Trust. Any significant change in or establishment of new services of the BCC will undergo a Public Value Test, which involves a Public Value Assessment conducted by the BBC Trust, and a Market Impact Assessment overseen by a Joint Steering Group comprising members drawn from Ofcom and the BBC Trust. It is anticipated that the new arrangement will help meet the BBC's purposes/objectives to enrich people's lives with programmes and services that inform, educate and entertain.

2.24 BBC is accountable to the National Audit Office which scrutinizes public spending on behalf of Parliament, and the Public Accounts Committee

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of the House of Commons. It is accountable to the public through publishing Statements of Programme Policy and benchmarking its performance with the stated goals.

2.25 To ensure that its schedule and programmes will best serve its audience needs, BBC has conducted a review in 2004-05 to understand viewers' perceptions of its channels. The review has led to shifting of funding away from entertainment programmes, a reduction in the volume of lifestyle programmes and an increase in the amount of arts and current affairs programmes in peak time.

Channel 4

2.26 Channel 4 is overseen by its Board which provides entrepreneurial leadership for the Corporation, approves its strategic objectives and ensures that Channel 4's responsibilities are discharged in accordance with all applicable laws and regulations. The Board comprises the Chairman, eight non-executive members and four executive members. The existing Chairman was appointed by the then Independent Television Commission (duties of which being taken over by Ofcom) in 2003. The term of office of non-executive members shall not exceed five years.

2.27 Under the Broadcasting Act 1990, BBC and Channel 4 are accountable to Parliament by submitting its annual reports and accounts to the SSCMS who will table copies of them before each House of Parliament. They are also subject to inquiry by the Select Committee for Culture, Media and Sport.

Some Changes Arising from the Review of the BBC's Royal Charter

Introduction

1. In December 2003, the UK government published a public consultation document, *Review of the BBC's Royal Charter*, and received about 5 500 responses. In July 2004, a summary of the consultation and research findings entitled *What You Said about the BBC* was published, leading to the issuance of a Green Paper in March 2005, which attracted some 4 500 responses. On 14 March 2006, the government published the White Paper entitled *A public service for all: the BBC in the digital age*, setting out the future of BBC.

Governance

2. Under the new Charter, the Board of Governors will be replaced by the BBC Trust, which is tasked to represent the interest of licence fee payers and assess their views, secure the independence of the BBC, ensure BBC observe high standards of openness and transparency, exercise rigorous stewardship of public money, and give regard to the competitive impact of the BBC's activities on the wider market.

Standards in BBC's productions

3. To ensure the highest standards in the BBC's production, a "triple lock" system will be established. In future, every service will be run according to a new, detailed service licence issued by the BBC Trust. Moreover, new criteria of quality, originality, innovation, challenge and engagement will be established for each service. Any significant change in or establishment of new services will undergo detailed scrutiny via a Public Value Test conducted by the BBC Trust, which will be weighed against a Market Impact Assessment to be carried out by a Joint Steering Group comprising members drawn from Ofcom and the BBC Trust.

Governing Legislation

4. The new Charter and Framework Agreement will set out in detail the purposes, responsibilities, duties and obligations of the BBC as well as the Trust and Executive Board within it.

Funding

5. During the Charter Review, the UK government has examined alternative funding options for the BBC. Government funding has been considered but there are concerns that direct government funding will be subject to the biennial Government Spending Review process and may also threaten the independence of the BBC from the UK government.

6. Funding through advertising may affect the direction of BBC's programming as there is a conflict between its needs to fulfil public purposes and to generate revenue. There may also be fierce competition with other broadcasters for advertising revenue. Programme sponsorship was not accepted by some audiences who indicated that they may be distracted if commercial messages are attached to their favourite programmes.

7. Funding by subscription from users may undermine the BBC's public mission and principle of universal free access, and hence reduce its benefit to the society. The UK government decides that the licence fee funding model will continue but the scope for alternative funding mechanism will be reviewed around the end of the digital switchover in 2012.