

Governance, Accountability and Regulation

11 February 2005

Agenda

- **Introduction to the BBC**
- **BBC's current structure and problems**
- **BBC's Proposals**
- **Independent Review Panel's Proposals**
- **Comparison with BT's Proposals on Equivalence**
- **Conclusion**

Introduction

The BBC is...

- A “unique British institution”
- Governed by Royal Charter (first 1927)
- Reviewed every 10 years - due by 31 Dec 2006
- Funded by TV licence fee:
 - £121 pa colour, £40.50 pa b/w
- (largely...) outside of the oversight of Ofcom

Current BBC Governance

12 Governors:

- **Set objectives and monitor achievement**
- **Manage in the public interest**
- **Are accountable to licence fee payers and parliament**
- **Ensure BBC complies with law and high standards**

**But conflict arises from dual role as
“cheerleaders” and “regulators”**

Issues with the Current Structure

BBC Governors responsible for due accuracy and impartiality

- **“Sexed-up dossier”**: Iraq WMD, highlighted tension in roles
 - Resisted government pressure, but...
 - Was complaint investigated thoroughly?
 - Were editorial standards maintained?

Concerns from commercial competitors, e.g.

- **Local BBC radio stations**
- **BBC online**

BBC Proposals: Building Public Value

No formal change to Governors' responsibilities, but:

- **Operational separation between (executive) management and (non-executive) Governors**
- **BBC to operate within framework of “service licences” approved by Governors**

Burns' Proposals

Dual roles of management and public interest oversight should be split (structural change):

- **BBC Board (governance)**
- **Public Service Broadcasting Commission (public interest regulation and accountability)**
- **Ofcom (competition /economic regulation, plus some tier 1 editorial issues)**

BBC Board

Follow current best practice for corporate governance:

- **Combined Code on Corporate Governance**
(see www.fsa.gov.uk/pubs/ukla/lr_comcode2003.pdf)
- **Responsible for promoting success of BBC by directing and supervising its affairs**
- **Non-executive chair and majority of independent non-executive directors (NEDs)**

Public Service Broadcasting Commission

New body, independent of government:

- **Non-executive commissioners, outsource some activities to Ofcom**
- **Bring to bear public interest on all BBC's activities**
- **Ensure BBC's independence from government and parliament**
- **Ensure BBC's compliance with editorial standards and prompt and fair response to complaints**
- **Recommend to government level of licence fee and other funding**
- **Judge the allocation of licence fee between BBC and others to ensure plurality**
- **Subject BBC's board's strategic plan to open and transparent scrutiny**

Ofcom's Role

- **Regulation of BBC's commercial (non PSB) activities**
- **Competition regulation**
- **Tier 1 requirements on harm, offence, privacy and fair treatment**
- **Quotas for news and current affairs, regional programming**
- **Quotas for original and regional production**

Telecoms: Equivalence

Ofcom strategic review of telecoms

- “enduring economic bottlenecks” in fixed access (controlled by BT)
- **Requires Equality of Access**
 - Equivalence of inputs (products)
 - Changes to BT’s behaviour / organisation
- **Ofcom cannot mandate organisational change**
 - Invited BT to make proposals
 - Enterprise Act reference as fall-back

BT's Proposals

Creation of “Access Services Division”

- **Assets and manpower (26,000) associated with access network (NTP to MDF)**
- **Deliver basic services (inlc LLU) to all customers, including BT, on input equivalence basis**
- **Managed as BT division by CEO supported by management board**
- **Oversight by Equality of Access Board**

Equality of Access Board

- **Chaired by BT group CEO**
- **Two independent members, appointed in consultation with Ofcom**

Roles include

- **Monitor performance of new business**
- **Publish equality of access code of practice**
- **Agree and monitor KPIs**
- **Publish annual report**
- **Propose changes where necessary to achieve equality of access**

Conclusion

Governance, accountability and regulation

- **DCMS has different models to consider for the BBC**
- **BT proposals are innovative, but no doubt competitors will identify concerns**
- **How do these models compare to the German experience?**

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