



HOUSE OF LORDS

Select Committee on the  
BBC's Charter Review

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3rd Report of Session 2005–06

**Final discussions  
with the Secretary of  
State for Culture,  
Media and Sport**

**Report with Evidence**

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### *The Select Committee on BBC Charter Review*

The Select Committee on BBC Charter Review was appointed by the House of Lords on 2 March 2005 with the orders of reference “to consider the review of the BBC Charter”

### *Current Membership*

Lord Armstrong of Ilminster  
Baroness Bonham-Carter of Yarnbury  
Lord Fowler (Chairman)  
Baroness Gibson of Market Rasen  
Lord Holme of Cheltenham  
Baroness Howe of Idlicote  
Lord Kalms  
Lord King of Bridgwater  
Bishop of Manchester  
Lord Maxton  
Baroness O’Neill of Bengarve  
Lord Peston

### *Publications*

The report and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee are available on the intranet at:  
[http://www.parliament.uk/parliamentary\\_committees/bbccharter.cfm](http://www.parliament.uk/parliamentary_committees/bbccharter.cfm)

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NOTE: References in the text of the report are as follows:  
(Q) refers to a question in oral evidence



# The Review of the BBC Royal Charter

## REPORT

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1. The Select Committee on BBC Charter Review has already published two reports. Our first report, published in November 2005, focused on the Government's proposals in the Green Paper "Review of the BBC's Royal Charter: *A strong BBC independent of Government*". Our second report, published in March this year, explored some areas we had not had time to address in our first report and revisited some of the issues of particular concern. Later in March the Government published the White Paper "A public service for all: the BBC in the digital age".
2. Following the publication of the White Paper we took evidence from Lord Birt, former Deputy Director General (1987–1992) and former Director General (1992–2000) of the BBC and former strategy adviser to the Prime Minister. We also took evidence from the Secretary of State for Culture, Media and Sport who answered questions on the White Paper in front of a Parliamentary Committee for the first time.
3. This is our final report. It contains a letter to the Secretary of State following up our evidence session with her (Appendix 1). The issues raised in this letter are those about which we remain most concerned following the publication of the White Paper. This report also contains the transcripts of our evidence sessions with Lord Birt and the Secretary of State.

## **APPENDIX 1: LETTER FROM LORD FOWLER TO THE SECRETARY OF STATE FOR CULTURE, MEDIA AND SPORT**

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Thank you for the evidence that you gave to our Committee on 20 April. I very much appreciated the time you took to answer all of our questions. As you are aware that was the last public meeting of the Committee. The purpose of this letter is to follow up on points made during that session and made in our two earlier reports. We intend to publish this letter as part of the final report of the Committee.

Our first report focused in a large part on your plans for the future governance and regulation of the BBC as set out in the Green Paper “Review of the BBC’s Royal Charter: A strong BBC independent of Government”. We note from the White Paper that the Government are fully committed to the Trust model. This is despite our concerns and calls for outside regulation of the BBC. We were of course not alone in our criticism of the Trust model. Many of our concerns were shared by the House of Commons Select Committee on Culture, Media and Sport, your own independent adviser Lords Burns and the many industry experts we called as witnesses. Despite so much informed opposition to your plans you have rejected almost every one of our recommendations for improving the model. Given your mind is made up we will not revisit the details of our concerns here. We can only hope that your judgement proves to be correct.

Apart from this, our primary concern is the democratic deficit in the arrangements for agreeing the BBC’s Royal Charter and for setting the level of the licence fee. We strongly believe that the Government has too much unchecked power in both these areas and that Parliament must be given a greater role. We believe there is increasing support outside Parliament for this view.

At present the shape of the BBC’s Royal Charter and its associated Agreement is the result of negotiations between the Government and the BBC. No bill is presented to Parliament. Provided the Secretary of State for Culture, Media and Sport and the Chairman of the BBC agree, the deal is done. This is something short of the stated aim of your Green Paper “A strong BBC, independent of Government”.

We recommended that the BBC should be established by statute and not by Royal Charter. You have told us that “the door is closed to further parliamentary scrutiny” (Q 2208). Your main argument against establishing the BBC by statute is that you interpret the limited polling that was conducted as suggesting that people do not want either Government or Parliament to have any more control over the BBC. This is simply not what your polling shows. The question that was asked by MORI was: “Do you know who, if anyone, is responsible for making sure that services provided by the BBC are of an acceptable standard and who of these, if anyone, should be held to account when things go wrong?” Although individual MPs clearly have a role in taking account of the concerns of their constituents, we do not suggest that on questions of taste, decency and quality of programming Parliament should have a role. However, we believe the results of that poll would have been quite different had you asked the question: “Do you think that the BBC which has a power unique to other public bodies to levy money should be free from the normal accountability to Parliament?”.

In the case of the licence fee the Government currently agree a funding formula with the BBC that dictates by how much the licence fee will rise each year for the following few years. Parliament is given the opportunity to consider a negative

instrument when the licence fee changes annually and the figure in this instrument reflects the agreed formula. Under this procedure, Parliament can accept or reject but not amend the licence fee. There is no opportunity to scrutinise the licence fee formula. This is wrong. Parliament should have the opportunity to scrutinise properly and to amend the formula that will dictate how much every household will pay. The funding formula should be put to Parliament in a form that allows proper debate and amendment.

We accept your point that the BBC needs some stability and predictability in its funding. However, Parliament should have a role in scrutinising the formula that determines those up-rating orders. The BBC is in receipt of over £3 billion of public funds and this will rise to nearly £4 billion over the next seven years if the BBC's bid is met in full (and probably more once the costs of helping the "vulnerable" with digital switchover are included). It is unacceptable that MPs, the only people who can really claim to represent all licence fee payers, do not have a say in defining this settlement.

Your current task of negotiating the next licence fee settlement with the BBC is one that will have a profound impact on the Corporation over the next seven years. We welcome the Government's moves to encourage industry discussions on the BBC's current bid through the seminars led by Lord Burns at the beginning of this month. We also note that the Government have made moves to introduce independent assessment of the BBC's bid through the use of the consultants PKF. However, we have three continuing concerns.

First, we believe that in future the National Audit Office (NAO) should be involved in scrutinising the Corporation's bid. The NAO is the only body with the relevant public sector experience necessary to take on this task. It is a nationally respected institution that would provide an objective and non-political assessment of the bid. Without such an assessment Parliament cannot take an informed decision on the licence fee Order that will be placed before it. We also believe that without such an assessment your desire that the BBC should be accountable to the public will be thwarted as the public will not have the necessary information with which the BBC can be held to account.

Second, we also believe that the NAO should have full right of access to the BBC and autonomy to choose its own topics for value for money reviews of the Corporation. The NAO already has such autonomy in relation to the BBC World Service and the World Service welcomes the work the NAO does. We note your commitment that you will consider this point further (Q 2202) and we look forward to hearing your response.

Third, we are concerned that the BBC are asking for too much in their current licence fee bid. You told us that the Government view the BBC's proposal for a licence fee rise of RPI plus 2.3% as its opening bid which you expect to see reduced (Q 2168). However, this is not the view of the BBC. We are concerned that if the licence fee continues to rise at the unprecedented rate at which it has risen since 1997, then public support for the fee will progressively diminish. If the BBC's bid is agreed then the licence fee will cost £180 in cash terms by 2014. We therefore have strong concerns about the Government's decision to load new costs onto the licence fee payer, most notably the costs of helping the vulnerable with digital switchover and the possible costs of charging the BBC for digital spectrum. We also wish to underline our opposition to the link between the licence fee and the Retail Price Index. This link gives the BBC insufficient incentive to make economies and improve efficiency.

With regard to the costs of helping the vulnerable with switchover you argued that these are broadcasting costs and therefore should be borne by the licence fee payer. These are not broadcasting costs. They are costs that arise from a Government policy decision. A policy decision moreover which by the release of analogue spectrum will benefit the Treasury. It is accepted that the costs of helping the over 75s pay for their licence fee should be borne out of general taxation—the costs of helping the vulnerable are the same in principle. We see no reason why these costs should be borne by the licence fee payer and we note that Michael Grade (along with many of our other witnesses) is also concerned about the impact this cost might have on delivering other BBC services.

We were disappointed with your assertion that you would not use your power of direction under the Communications Act 2003 to instruct Ofcom not to charge the BBC for its use of spectrum (Q 2198). The Treasury stand to make a profit from the sale of spectrum. If the BBC is required to pay for spectrum then the Treasury will be in direct receipt of a significant sum of licence fee payers' money. The licence fee is a regressive tax. It may currently enjoy public support but this is by virtue of the fact that the public believe it is being used to provide the BBC services which are valued and desired. We are aware that as part of these licence fee negotiations you are commissioning willingness to pay polling. It would be more valuable to see the public response to a poll if questions were asked about the public willingness to pay for a licence fee used to cover the social costs of switchover and to pay the Treasury for a resource that has always been provided to the BBC for free.

This brings us back to our fundamental point. We believe that Parliament should judge whether the licence fee should be used to fund non-BBC specific services, that Parliament is best placed to know what role the NAO should have towards the BBC and that Parliament is certainly in as good a position as Government to make an independent judgement as to the role of the BBC. If Parliament were given the opportunity to participate more fully in the process of decision making, then we believe that the outcome would be better than that which is emerging from the Department of Culture, Media and Sport.

In conclusion may I again take the opportunity to thank you for your co-operation and courtesy over the past fourteen months.

## APPENDIX 2: MEMBERSHIP OF THE COMMITTEE

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### Select Committee on the BBC Charter Review

The members of the Select Committee which conducted the inquiry were:

The Lord Armstrong of Ilminster  
 The Baroness Bonham-Carter of Yarnbury  
 The Rt Hon the Lord Fowler [Chairman]  
 The Baroness Gibson of Market Rasen  
 The Rt Hon the Lord Holme of Cheltenham  
 The Baroness Howe of Idlicote  
 The Lord Kalms  
 The Rt Hon the Lord King of Bridgwater  
 The Rt Rev the Lord Bishop of Manchester  
 The Lord Maxton  
 The Baroness O'Neill of Bengarve  
 The Lord Peston

Richard Collins, Professor of Media Studies at the Open University, and Member of the Centre for Research on Social and Cultural Change, was appointed as Specialist Adviser for the inquiry.

### Declaration of Interest

ARMSTRONG OF ILMINSTER, Lord

*15(a) Membership of public bodies*

*Chancellor, University of Hull*

*15(b) Trusteeships of cultural bodies*

*Chairman, Leeds Castle Foundation*

*Trustee, RVW Trust*

*Trustee, Derek Hill Foundation*

BONHAM-CARTER, Baroness

*\*12(f) Regular remunerated employment*

*Television Associate, Brook Lapping Productions a subsidiary of Ten Alps*

*Communications plc*

*\*13(c) Financial interests of spouse or relative or friend*

*I also disclose the interests disclosed by Lord Razzall*

*16(b) Voluntary organisations*

*RAPT - Rehabilitation of Addicted Prisoners Trust*

FOWLER, Lord

*\*12(e) Remunerated directorships*

*Chairman, Aggregate Industries plc*

*Chairman, Numark plc*

*Chairman, Numark Trading Ltd (joint company of Numark plc and*

*Phoenix Medical Services Ltd)*

*15(d) Office-holder in voluntary organisations*

*Vice Chairman, all-party Group on AIDS*

*16(a) Trusteeships*

*Trustee, Thomson Foundation*

**GIBSON OF MARKET RASEN, Baroness***\*12(i) Visits*

*Visit to Bosnia - Herzegovina (30 May - 30 June) representing the I.P.U and paid for by the B.H.I.P.U*

*15(c) Office-holder in pressure groups or trade unions*

*Member, AMICUS (former National Official of AMICUS)*

*President, RoSPA (Royal Society for the Prevention of Accidents)*

*15(d) Office-holder in voluntary organisations*

*President, Royal Society for the Prevention of Accidents*

*Hon. President, Yeadon Sqn. Air Cadets 2168*

**HOLME OF CHELTENHAM, Lord***\*12(d) Non-parliamentary consultant*

*Special Adviser to Standard Chartered Bank*

*\*12(e) Remunerated directorships*

*Adviser, NTL*

*Chairman of the Board, Globescan International, Toronto, Canada*

*Member of the Advisory Board, Liberty Global Partners, Boston*

*Member of the Advisory Board, Montrose Associates*

*Member of the Advisory Board, Venture Exchange, Toronto, Canada*

*Non-executive Chairman, SPRING Worldwide*

*15(a) Membership of public bodies*

*Chairman of Governors, English College in Prague*

*Chancellor, University of Greenwich*

*15(d) Office-holder in voluntary organisations*

*Chairman, Advisory Board, British-American Project*

*Chairman, Hansard Society for Parliamentary Government*

*Chairman, Royal African Society*

*Chairman LEAD International*

*Council Member, Overseas Development Institute*

*16(a) Trusteeships*

*Saïd Business School Oxford*

**HOWE OF IDLICOTE, Baroness**

*15(a) Membership of public bodies*

*Member of Governing Body, London School of Economics*

*15(b) Trusteeships of cultural bodies*

*Trustee, Architectural Association - School of Architecture*

*16(a) Trusteeships*

*Trustee, The Ann Driver Trust*

**KALMS, Lord***\*12(e) Remunerated directorships*

*Chairman, Volvere plc*

*\*12(f) Regular remunerated employment*

*President, Dixons Group plc*

*15(a) Membership of public bodies*

*Member (Shareholder) Dixon's C.T.C Bradford (Resigned Governor 18.6.03)*

*15(c) Office-holder in pressure groups or trade unions*

*Trustee, New Frontiers Foundation*

*16(a) Trusteeships*

*Trustee, Jewish Association for Business Ethics*  
*Trustee, The Stanley Kalms Foundation (15 September 2004)*  
*Trustee, RK and SK Trust (15 September 2004)*  
*Trustee, Kalms Grandchildren settlement (15 September 2004)*

KING OF BRIDGWATER, Lord

*\*12(e) Remunerated directorships*  
*Director, Electra Investment Trust*  
*Non-executive Chairman, London International Exhibition Centre plc and*  
*London International Exhibition Centre (Holdings) Ltd*  
*\*13(b) Landholdings*  
*Minority Partner in family farm in Wiltshire (including cottages)*  
*Partner in woodlands in Wiltshire*  
*15(d) Office-holder in voluntary organisations*  
*Patron, UK Defence Forum*

MANCHESTER, Lord Bishop of

*\*12(f) Regular remunerated employment*  
*In receipt of episcopal stipend*  
*15(a) Membership of public bodies*  
*Chair, Sandford St Martin (Religious Broadcasting Awards) Trust*  
*General Synod of the Church of England*  
*Manchester Diocesan Board of Finance*  
*Manchester Church House Co.*  
*Manchester Diocesan Council of Education*  
*Manchester Diocesan Association of Church Schools*  
*Life Governor, Liverpool College*  
*Governor, Hulme Hall*  
*15(d) Office-holder in voluntary organisations*  
*Lord High Almoner to H.M. The Queen*  
*National Chaplain, Royal British Legion*  
*16(b) Voluntary organisations*  
*Board of Royal School of Church Music*  
*Manchester Diocese, Mothers' Union*  
*Arches Housing*  
*Disabled Living*  
*Hulme Hall Trust*  
*Wigan & Leigh Hospice*  
*St Ann's Hospice*  
*Manchester University of Change Ringers*

MAXTON, Lord

*\*13(b) Landholdings*  
*Holiday home in the Isle of Arran*  
*A London flat*

O'NEILL OF BENGARVE, Baroness

*\*12(f) Regular remunerated employment*  
*Principal, Newnham College, Cambridge*  
*15(a) Membership of public bodies*  
*Chairman, Governing Body, Newnham College, Cambridge*  
*Deputy Vice Chancellor, University of Cambridge*

*15(d) Office-holder in voluntary organisations*  
*Trustee and Chairman, Nuffield Foundation*  
*Trustee, Sense About Science*  
*Trustee, Gates Cambridge Trust*  
*Member, Council of Management of the Ditchley Foundation*  
*President, British Academy*

PESTON, Lord

*\*12(e) Remunerated directorships*  
*Philip Allan Updates*  
*15(d) Office-holder in voluntary organisations*  
*President, Institute of Administrative Management*  
*Vice President, Speakability*