

JAMES MACTAGGART MEMORIAL LECTURE

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“THE CHOICE REVOLUTION”

Introduction

It's a great honour to be asked to address this distinguished and discriminating audience. The invitation, as always, is a personal one, but it also recognises a simple fact. This is that *no one* can properly describe the broadcasting landscape in Britain today without also recognising the positive contribution of Sky.

That was not always everybody's view. MacTaggart Lecturers have invariably spoken with wit, eloquence and authority. Yet, it must be admitted that they have not all spoken kindly of multichannel broadcasting, or indeed of Sky.

Dennis Potter, in by far the most brilliantly crafted and funny MacTaggart, thought that Sky's introduction of choice into television was verging on the criminal, calling for Rupert Murdoch to be given a show trial complete with gallows, and attacking his "team of wild-eyed horses". Still I suppose it could have been worse; in fact, compared to John Birt we got off rather lightly.

Others have been deeply sceptical about the size of the market for choice in television. Greg Dyke told the MacTaggart audience, in his first Lecture back in 1994, that: "The multichannel revolution is slowing down, not speeding up".

Of course, he is not the first to have got the future of the industry wrong. Many of you will know that in 1926 the radio pioneer Lee DeForrest said,

"While, theoretically and technically, television may be feasible, commercially and financially, I consider it an impossibility, a development of which we need waste little time dreaming."

The serious point is that there have always been many in our industry who have been deeply sceptical both about the value of choice and the appetite for it. Predicting technological developments and the demand for them is always hazardous and something I shall seek to avoid tonight, other than to state two obvious points: technology will continue to change our industry at an ever increasing pace; and consumers will demand that their tastes are catered for by ever

greater choice. Technology opened the way for Sky, but technology is only important, and Sky is only successful, because they came together to satisfy *individual choice*.

Sky and the TV Revolution

About 30 per cent of all homes in the UK now receive their television via digital satellite. And a further 20 per cent receive Sky channels through cable and Freeview.

Our progress has meant an explosion of choice for viewers. By investing over £2 billion in digital services and infrastructure, and persuading 7 million homes to take boxes, we've paved the way for *other* organisations to become national broadcasters at a fraction of the cost.

This has happened because Sky took a huge financial risk. We bet that a combination of private investment, technological advance and consumer demand would finally break down the old monopoly – one that had limited choice for so long. We did this without a penny of public money. And that gamble has paid off. Not just for viewers, incidentally, but also here in Scotland, where most of our staff are based.

Anyone who has Sky will also know that the doomsayers' predictions fifteen years ago of "wall to wall Dallas" have proved wildly wrong. Why? Not because we believe that a more varied diet of television is better for our customers' cultural health. We're not into the business of dictating taste. Sky provides a range of programmes because people *themselves* want quality along with variety.

Let me give you some examples. And if I'm blowing Sky's corporate trumpet a little, just think of it as the application of our industry's statutory commitment to balance.

Sky News is the original British 24-hour news channel and it's become a true third force alongside the BBC and ITN. It attracts a bigger audience and more accolades than its 24 hour rivals. The other twelve news channels on the platform mean that plurality for UK

citizens is greater than in any other territory in the world, and that has to be good news for all of us.

Or take services for the ethnic minorities. They are, by and large, pretty badly served by terrestrial channels, with just one or two token programmes, and those usually late at night. But using the DSAT platform, Bangladeshi, Pakistani, Punjabi and French language entertainment rub shoulders with Hindi, Chinese and Arabic news. C. P. Scott once remarked: "No good will come of tele-vision. The word is half Greek and half Latin". I'm not sure what he'd have made of our polyglot broadcasting now.

And in case Dennis Potter is right, and we are all going to hell for what we have done to British TV, Sky has made sure that God has his appointed slot. There are literally hundreds of hours of religious programmes broadcast each week on the platform.

Finally, I should mention the dozens of high quality documentary, history, science and nature channels that are accessed through Sky.

All of this has happened, in the end, because the British people wanted it to happen. Though they have to pay their BBC licence fee and have their programming interrupted by the commercials that fund ITV, they *don't* have to subscribe to Sky. They are free to choose. That's the true revolution – a revolution of choice for viewers.

Now, some people still look back to a "golden age" of television – the time before viewers were empowered – or as they would say standards debased - by all this choice. And, of course, it was a golden age if you were part of the producers' cartel, rather than just one of fifty odd million potential viewers.

It was a funny old world. When I accidentally started my career in television, running errands at a facilities house in London, the only people with the resources to produce any broadcast television were the BBC and ITV. Quite apart from the limits imposed by technology and by regulation, the capital costs alone meant that TV would remain a closed shop to all but the lucky few for years. That, of course, was the best possible news for the incumbents.

Anyhow, back to me. Having tried and failed to get an interview with the BBC, I was lucky enough to get a job at Thames as a junior engineer on outside broadcast programmes. And, of course, I joined the union. I soon saw that ITV's commercial monopoly meant there was plenty of cash to go round – and I also saw how the other half lived.

I remember looking at the well-stocked drinks cabinet in a Thames TV executive's office, while we negotiated pay rates for outside broadcast engineers for the 1981 Royal Wedding. We went well beyond the call of duty. We took Bank Holiday Rates, multiplied by notional day rates, then factored in broken ten hour break rates, and even, I think, danger money – presumably in case one of us got kicked by a horse. From memory, we went in hoping to get six times time, but when the management sat us down and offered us twelve times time, we reluctantly accepted. A Golden Age indeed. Even better, we weren't denounced in *The Guardian* for being fat cats.

Today, the technology revolution has swept away many of the jobs I used to do behind that camera. Yet it has also opened up the medium to thousands of competitors.

All change is disruptive. But in my view the results have been unquestionably good, both for the viewer, and for society as a whole. Today television is much, much more democratic. Once the sole preserve of states and the largest corporations, now, for the price of a Georgian town-house in Edinburgh, anyone can launch a TV channel. Digital technology is doing for television production what the Apple Mac did for the publishing industry two decades ago.

Like democracy itself, the results are not always pretty - for every uplifting History Channel, Artsworld or National Geographic there's a tacky, downmarket, ratings chaser – and I'm not just talking about BBC 3. But I hope this will never be an industry that despises its viewers. An industry that isn't confident enough to trust the choices of its consumers and direct its resources accordingly, is not one that is positioned for long-term success, or one in which Britain can aspire to world leadership.

Progress in Broadcasting

The indispensable condition for that success is to satisfy the consumer. Unfortunately, broadcasters have spent far more time trying to satisfy government.

In the days when spectrum shortage limited the possibilities of television, that was part and parcel of the way of doing things. Broadcasting was the preserve of the elites, who merely wished to use power for different objectives and in different interests.

On one side, government exerted pressures for public service broadcasting to be politically subservient, or at least not politically awkward. Against that, another elite – one that, unlike the government, couldn't be voted out of office – used television as a tool for its own ideas of social improvement. But both sides agreed (initially at least) that *public service broadcasting*, naturally, meant *public sector broadcasting*. Indeed, Lord Reith's core belief was, in his own words, that an "ethical policy cannot stand competition".

It's a high-minded view - that I'll admit. But it's not one to my taste, and I'm glad it's dead – at least in that form. ITV's creation in 1955 began to tear it apart.

But although that was fought tooth and nail by the BBC, it needn't have worried. In short order a comfortable duopoly emerged, only disturbed by ritual sniping.

We now know the result. Despite extorting billions of pounds from its captive customers over the years, despite the benefit of the English language, ITV missed goal after open goal. It failed to promote new technology, or leverage its innovation in programming, or build up an international business. Monopolists are rarely innovators.

But, of course, technology does not stand still, however much the monopolists may want it to. Spectrum use was improved. Channel 4's success and the development of the independent production sector were other important challenges to the old cartel. And I'm pleased to say that multichannel TV has rendered it moribund altogether.

It often happens, though, that old attitudes persist long after the conditions that gave rise to them have vanished. So, in case they do, let me re-state three cardinal points about government and broadcasting - ones, incidentally, on which we should *all* now be able to agree.

First, public funding is no more a sure-fire guarantee of quality in the making of programmes than it is in the making of anything else. It's often suggested that creativity and the market don't mix – that you need money that's not in search of a return, if you're to encourage the risks that creative productions require.

There may be something in this. But we shouldn't suspend the healthy scepticism that comes from years of observing this argument applied in other contexts. Who now mourns the creative risks which state funding allowed British Leyland to indulge in? The public sector backs losers as well as winners. And if it does too much – and if it does it at the expense of others – the losers will come to dominate.

My second point is that the more state subsidy and government control you have in broadcasting, the greater the scope for abuses will be. And I mean serious abuses, the sorts that don't just result in snuffing out the odd inventive programme. Of course measures are in place to protect publicly funded broadcasters from political diktat, but as with any publicly funded body, ultimately the government of the day holds most of the cards.

Previous MacTaggart Lectures, including Michael Grade's and Greg Dyke's, highlighted the inherent danger of an industry so reliant on the Government's decisions, also being the industry charged with broadcasting about politics in an impartial way. This is something that must have dawned again very clearly on the BBC in recent months.

I don't want to comment on these topical disputes. But I do say that they reinforce how important are choice, competition and private initiative in broadcasting.

It's a funny thing, isn't it? Some people get very excited about the dangers of concentrating ownership and power in the highly fragmented commercial sector. Yet they hardly seem worried at all

about having a much greater concentration in the public sector. And there, indeed, we have just one proprietor with its own large vested interests enjoying a far, far greater audience share. Inconsistencies like that eventually lead to trouble. We should reflect on them.

The third point follows from these other two. It is that publicly funded broadcasting in an age of spectrum abundance has to work harder than ever to justify itself to the taxpayer. Money spent by the BBC is money coerced from people under legal sanction, ultimately under the threat of jail. Such coercion is clearly not ideal in a free society where consumers have great choice. If it were used to fund a free broadsheet newspaper, for example, I am sure that the TV festival's sponsors might just have something to say about it. So it is certainly incumbent upon those who receive the funding to be accountable, and it is where that breaks down, that problems arise.

The BBC is, of course, ultimately accountable to the nation, but not to the nation *as customers*, because it is financed by a compulsory levy. As a result, there is scope for endless argument about whether the Corporation is really fulfilling its mandate. There is, in fact, no final answer, because there can be no final arbiter. That's a fact of life, and there's no point in grumbling about it. But it *must* mean that where there are *other* solutions that can look to markets and choice, not the state and coercion, they should be preferred.

In short, we should start to worry about our customers in Whitehall and Westminster a little less and our other customers a little more.

Yet as we meet this weekend, the hope that we'll become less dependent on government decisions seems some way off. Out of the new BBC's super lightweight, slimmed down, positively anorexic, corporate centre, the Corporation has managed to scrape together a team of 50 people who happened to be free - plus an outside consultancy - to lobby the Government on the review of its Charter. That process will take up the time of executives in the rest of the industry as well, as we all seek to put our case to a review process that will affect the shape of our industry for years to come.

So in the rest of this Lecture – and set against the background philosophy I've upheld in the first part - I want to talk about the role

and shape of the BBC and of public service broadcasting in the future. And I want to do it with special reference to the Charter Review.

The Government has told us that the review of the BBC's activities will be extremely searching, with no stone left unturned. It also confirmed that change to the current arrangements is somewhere between the improbable and the impossible. Which of these assertions proves closer to the actual outcome, only time will tell. But it is in the hope that the Government is more committed to the former than the latter that I offer my own contribution tonight.

The Davies Report and the BBC

The trouble with the debate about the role of public service broadcasting is that it tends to be drowned out by the grinding of axes. As a result, it can become noisy and ugly.

Each side has a tendency to make its case on the basis of very few, often unrepresentative, programmes, rather than on the basis of proper analysis. So the BBC's falling standards and commercialism are denounced with reference to *Fame Academy*, *The National Lottery* show, and the precise slot in the schedule occupied by *Panorama*. Equally, the BBC is adept at justifying its entire empire, on the grounds that it made *Walking with Dinosaurs* and *Blue Planet* three years ago. (Well actually a commercial outfit co-produced them, but let's leave that aside).

If the Charter Review is to resemble a serious exercise, we have to move beyond all that. The Government should apply rigorous intellectual analysis and objective research, rather than just go out and take sound-bites of opinion from the people who shout the loudest. Charter Review provides an opportunity to start from first principles. We should seize it.

So what are the arguments in favour of public service broadcasting in an age of spectrum abundance - and how strong are they?

Gavyn Davies's attempt to put forward those arguments in his report, four years ago, was impressive. He didn't focus on woolly concepts,

like the BBC's role as the so-called "glue of the nation". - You know, I've heard enough about that glue to last me a lifetime. I don't think the nation's falling apart, and in any case it's not the BBC's job to stick things together in the way that it sees fit.

No: Gavyn's Report focuses on basic economics. It justifies public funding of broadcasting by reference to market failure. It states that "It is impossible to argue for a public service broadcaster unless market failure can be shown" but then argues that a fully commercial environment wouldn't produce outcomes that were economically efficient or socially desirable for three central reasons.

First, public service broadcasting is what economists call a *public good*. Like a lighthouse or national defence, the consumption of it by one person doesn't affect consumption of it by someone else, and nobody can be excluded from enjoying its benefits. As a result, it shouldn't just be left to markets to provide.

Second, he argues that public service broadcasting is, in economist-speak, a *merit good*. Like education, it is worth more to society than people would pay for it. This is especially the case, he says, because people can't know just how wonderful a great television programme is until they have actually seen it. A purely commercial environment wouldn't produce enough of these merit programmes, he says, and society would be worse off. I don't think he had *Ready Steady Cook* in mind.

In any case it's a tricky argument. Outside of broadcasting, it would sound very much like buying a pig in a poke. But somehow, in our world, that's how the better sort of pig is bought.

Third, Gavyn Davies argues that the end of the spectrum scarcity which created it, should not in itself spell the end of public service broadcasting. Fragmenting audiences in digital homes, he says, will mean that the commercial sector won't have the money to produce the quality programmes that society collectively wants. So neither advertising-funded nor Pay-TV channels would fully serve the consumer's needs.

And my view of these arguments put forward by Gavyn Davies?

Well, basically, I agree with them all. No I didn't read that incorrectly and it's not a wind-up. Or an insurance policy in case the Government decides to take its revenge on the BBC by forcing the Governors to choose between me and Alastair Campbell as the next Director General.

Yes: Free-to-air broadcasting can be a public good, and there should be some public provision. The *best* broadcasting is also a merit good – and please note that little word “best” – because it provides more value to a society than viewers would pay for when they sat down to watch. And advertising and subscription TV will not produce all the quality television we need. So, there is still a case for public service television in my view.

Public Sector Broadcasting – and Its Limits

You know too much time has probably been spent denying the benefits of it. So a truce should be called. The debate between those who say that public service broadcasting has no place in our society any more, and those who argue that it should have an ever expanding role, isn't really worth continuing.

But, given all those considerations I've set out earlier - and given my unashamed preference for solutions based on freedom, markets and choice - *how much* public service broadcasting is needed? How much market failure *is* there? That's the two and a half billion pound question.

And it will probably come as no great surprise, when I say that on these matters my views may begin to differ a tad from those of the Chairman of the Governors of the BBC.

As I've said, Charter Review allows us to start from first principles. So instead of taking the world as it is and suggesting some tinkering, let's start, as in Hobbes' *Leviathan*, with the State of Nature.

Imagine we live in a digital TV State of Nature where there is no BBC, no public service broadcasting, no government and where life is – according to Hobbes – “solitary, poor, nasty, brutish and short”. And if

that sounds like the working environment faced by the next ITV Chief Executive, that is complete coincidence I assure you.

Well, in that frightening world, the only funding would be from advertising and subscription. And the only broadcasters would be red in commercial tooth and consumer-conscious claw - all locked in an endless battle for market share.

Let's, then, think of state intervention in £100m blocks. The first block added to this world might actually be a bit of a waste of time, on its own – it could sink without trace, and produce little benefit.

But as we add further blocks of £100m, the benefits of addressing market failure kick in. The state funded broadcaster can spend money on programming that others wouldn't find commercially attractive. It can take greater creative risks, because there is no need to chase ratings or subscribers. There could be other benefits too, as commercial broadcasters were forced to raise their game in offering quality programmes.

Yet, at some point, this virtuous circle turns vicious. We encounter, as every economist would recognise, the law of diminishing returns. Each new addition brings somewhat less benefit. There's a crowding out of private investment. In other words, as more and more viewing goes to the state broadcaster, the opportunity for *other* broadcasters to generate advertising and subscription revenues to fund *their* investment in programming declines.

Then there's another fundamental issue, one that's relevant to *all* forms of state intervention. This is the fact that it's directed according to the preferences, biases and interests of the small elite running the institution. And it is *not* directed by the demands expressed by consumers. There's a name for this. It's paternalism.

Incidentally, this process of over-investing in public sector broadcasting has another well-known result. The well of ideas that a single institution can generate starts to run dry. Money is spent for the sake of it. It goes on copycat programming and copycat channels. Ever-increasing sums go on bidding against commercial broadcasters

for acquired content that would be available anyway to the viewers, even in the State of Nature.

Oddly enough, as all this happens, the case for state investment seems to get stronger in the eyes of some. The reason is that the excess in state funding crowds out the opportunities for other broadcasters. Despite the fact that state intervention itself is the culprit, it's argued that state investment must actually be increased. The deeper the hole, the harder they dig.

Of course we all have different views of where we are in that process. My view is that it's already gone much too far. The BBC's massive funding boost some three years ago was secured in the heady days of the technology boom when capital was nearly free and when dotcom seemed to spell destiny. The government bought into the BBC's ambitious plans at what turned out to be the very top of the market.

But what matters, in the end, is not my view, or the views of others in the industry. What matter are the views of the people who pay the licence fee. So we asked them. We commissioned an NOP survey that was done, incidentally, *before* the BBC's row with the government. We asked some of the key questions asked by the Davies Committee in 1999, to assess how opinion has changed on the BBC's value for money in the intervening years. The results are published today.

They show a sharp increase in the number of those who think the BBC licence fee *isn't* good value. In fact, for the first time ever, a narrow *majority* of those asked - 51 per cent - *don't* agree with the proposition that the licence fee provides good value for money – that's up from an already high 42 per cent four years ago, before the BBC embarked on its massive digital expansion. And the number that *strongly* disagree that the BBC is good value has leapt from 19 per cent in 1999 to 27 per cent today.

Perhaps most worryingly of all for the BBC, and the government, is that it is the poorest who feel most aggrieved. What the jargon calls the "C2DE's" are especially dissatisfied – a full 60 per cent of them don't think the BBC licence fee is good value. The recent sharp hikes,

to fund digital channels that are disproportionately viewed by the rich, have impacted severely on the poorest in society. Taken as a whole, the results of this research should wave a big red flag against those who want the BBC to carry on its expansionary ambitions.

There is a very special reason why this public discontent must be taken into account. The licence fee is a regressive, hypothecated tax. Such taxes can only ever be justified if they are set at a reasonable level, and if the services they fund are highly appreciated by the people who pay for them. It is clear that those who ultimately own the BBC – the British people – are becoming less and less convinced. The evidence that quality programmes can be produced without state funding is here for all to see.

So what should we do? Well, one proposal is that we follow the advice of the person who gave the MacTaggart Lecture nine years ago. He was unemployed at the time, and so the only lecturer with absolutely no axe to grind.

He proposed that the BBC, like other former monopoly providers, should be funded through the so-called “RPI-X” formula, pegging rises to an amount lower than the inflation rate each year. He said “The BBC should be given certainty of its income for the whole ten years of the charter . . . by giving it an annual increase of inflation minus one or two per cent”.

Well, if we had followed his inflation minus 2% prescription, the licence fee would now be £87. In fact it is a full third higher. By the end of the current Charter in 2006 the BBC will have 42% more money than he thought it would need to do its job. The person making the suggestion was, of course, the present Director General.

To get back on track with his funding formula, the licence fee would have to be cut by over 5% in each year of the new Charter. I look forward to seeing Greg stick to his guns on this proposal in the BBC’s submission to the Charter Review.

Reforming the BBC

Separate from the argument over the quantity of public service broadcasting required in the UK, is the question of the structures required to deliver it. We need to make sure that the governance and accountability of the Corporation are radically improved, and that the BBC's role and remit are clear to everyone in the industry.

Let me outline three ideas which, I believe, would allow the BBC to flourish, but would set clear limits to its role. In each case, by forcing the Corporation to concentrate its considerable strengths on the things it can do well, we can improve the totality of broadcasting in Britain.

First, every BBC network - analogue as well as digital - should have a specific remit and a set of measurable criteria against which it is judged on a regular basis. Too often the debate about whether the BBC is overstepping the mark is utterly nebulous, because nobody has defined where the mark is.

The Government has already decided to impose a clear remit on BBC3. This covers minimum hours per genre per week in peak time, and independent and regional production commitments. There is no logical reason why we shouldn't be equally clear about what we want other channels to do as well.

Please note. This wouldn't mean that the Government was setting the schedule. Just as with BBC 3, the requirements would be broadly drawn. Giving such direction to what a public body is expected actually to deliver in return for our money does not seem to me to be an outrageous threat to editorial independence. Michael Grade famously remarked that the BBC kept the commercial operators honest. I believe that a set of clear enforceable criteria for each service would have the same effect on the BBC.

My second proposal is to set limits on specific types of programming that we licence-fee payers definitely do *not* want our money spent

upon. Some programmes clearly fall outside any reasonable remit for a publicly funded broadcaster.

Just as there is a list of sporting events that must be shown on free to air television so there should be a list of programmes types that public money certainly should not pay for. We can argue what exactly should be on that list, but top of my list would be bought in American or other foreign programming.

Last year the BBC spent over £100 million on such shows, a 29% increase over the figure five years ago. Between them the BBC's two terrestrial networks broadcast nearly 70 hours of acquired programming each week, most of it imported from the US.

I really cannot see why public money is being diverted to those poor struggling Hollywood studios in this way. BBC resources should be redeployed to commission more independently produced UK programming. Why on earth, for example, did the BBC pay Warner Brothers millions for the terrestrial rights to the first Harry Potter movie in the face of competition from other free-to-air channels? The BBC's prime motivation appears to have been guaranteeing victory in the Christmas Day ratings battle – a clear example of executive vanity supplanting public service ethos.

My third proposal is for a recasting of the relationship between the BBC and the commercial sector, when it comes to UK produced programming.

It aims to resolve two strong arguments made by each side. The BBC argues that, as audiences fragment, only a well-funded public service organisation will have the resources, the risk-taking attitude and the expertise to make innovative new programming. For their part, commercial broadcasters argue that much of what the BBC shows is not any kind of antidote to market failure, since they themselves would be happy to run the same programmes.

I would end this argument by accepting that the BBC *does* have a role as an innovator and risk taker. But I would ensure that there is an

objective mechanism in place to make sure it's not spending on programmes that crowd out commercial operators.

So I have an idea. Let's call it Programme Syndication. Here is how it would work.

The BBC should be asked to license some of its established populist programme franchises to the commercial channels. The money it raises can then be ploughed back into more public service programming and developing the classic shows of the future.

The BBC would have the role of using public money to discover the best talent, taking the biggest risks, and building up the shows. Just as public money is used to fund scientific research, but not to fund the commercial applications of that research, so public funding should not be used to continue to fund programmes when it is clear that they can find a commercial home.

At the moment old formats still rule the schedule to a startling degree. Recent analysis of BBC1's peak time output showed that less than one fifth of the schedule is devoted to programme franchises less than 2 years old.

Under Programme Syndication, every year, a number of established BBC programmes that are a few years old would have to be offered to the commercial sector in a competitive auction. Clearly the process would need to be carefully managed to minimise disruption and guarantee a fair price to the BBC. Not all of the BBC's established franchises could be auctioned at once. But half a dozen or so programmes in the first year would seem a manageable experiment.

Successful franchises would all attract healthy interest from other networks. Each programme would have a minimum reserve price set according to its popularity and costs of production. And commercial channels would have to guarantee a place in the schedule so viewers did not lose out. The existing production teams, whether in-house BBC or independent, would continue to produce the show ensuring that editorial standards and production values are maintained. Commercial channels would simply be buying the first run UK licence.

Such a scheme would use the mechanics of the market to test market failure. It would help end the arguments about whether the BBC was sufficiently distinctive in its programming. If commercial broadcasters believed a programme could be supported by the market, then they would bid for it. If they did *not* bid, that programme would clearly pass the “market failure” test, and continued licence fee funding of it may be justified.

The proposal would free up time in the BBC 1 and BBC 2 schedules, and ensure that the licence fee was put to the most creative use possible. It would encourage the BBC to focus on innovative and risky popular programming – exactly as they should be doing. It would give the BBC access to new revenue streams without disrupting the commercial sector. And the latter would come to see the benefits brought by public funding.

For the independent production sector there would be a marked increase in BBC commissions, as the BBC had constantly to reinforce its schedule. In addition, independent production companies would benefit financially if their BBC-commissioned programmes were bought by commercial channels, since they would share in the spoils.

The licence fee would then truly be, in Tessa Jowell’s words a venture capital fund for the nation, stimulating new creativity, to the benefit of the entire industry and the viewing public. But, like venture capital, it would fund risky new projects with a high potential creative return, rather than being used to perpetuate established shows.

By concentrating resources on these new ventures, the syndication proposal would, I believe, help to underpin support for the BBC and the licence fee well into the future.

Of course I’m sure there will be objections even to a small scale experiment. The BBC will no doubt argue that depriving it of some popular shows will cause viewing share to decline, undermining its ability to serve the public. But if all that is underpinning support for the Corporation are old programmes or bought in US shows that would not be out of place on a commercial channel – then, frankly, in my view, the BBC is already failing in its mission.

The BBC is right to argue that the licence fee can only be justified if it provides something of value to everyone. But it must do more than this – it should provide something of *public service benefit* to everyone. As Patricia Hodgson has said, “beating ITV with *Blue Planet* is a triumph. Beating ITV with *Celebrity Sleepover* is a tragedy”.

At the very least, I hope that the principle of the BBC spending as much money as possible on innovative new programming and as little as possible on churning out the Nth run of a show is one which we can all agree on.

Conclusion

I am sure that as the Charter Review debate progresses there will be many other suggestions for reform of the BBC’s structures to make public service broadcasting as relevant in the digital age as it was when I started in television. We may all have diverging views about the size of the BBC. You know mine. But no less important than agreeing on the amount of funding, the Charter Review should clarify and codify the BBC’s role and remit.

The immediate response to the digital TV revolution from the government was to stuff the BBC full of cash. The result has been an unseemly fit of indigestion – and one that’s not been lost on the general public. A more considered approach is now required. That doesn’t mean an end to public service broadcasting. It simply means that it actually has to do what it says on the tin – that is, to serve the public, not the egos of those producing it.

Yes: it will be necessary in this new broadcasting age to keep up standards. The BBC must help in that. It has the talent and the tradition. And it can provide an anchor amid the storms that open markets sometimes create.

Radical surgery at the Corporation is certainly needed, but the aim – I assure you – is to cure not kill the patient.

The main driving force for standards will, however, remain the empowerment of the viewer through greater choice. That will lead to

a healthier broadcasting industry - one open to change, alive to challenge, and eager to serve.

Looking back, it is clear that the years since Greg Dyke told us about the slow down of multichannel television have been the most truly revolutionary in our industry since those immediately following Lee De Forrest's prediction that television had no future.

We have moved from 4 to 400 channels in less time than it took us to move from one to two. If we believe in freedom and democracy, that explosion of consumer choice should be celebrated, not condemned. In any case, once such choice is out of the bottle, it cannot be put back.

Against that background of empowering change Sky will make its case on Charter Review and broadcasting's future, and I hope I have given a flavour of it tonight. We will set out our views from a position of enormous pride in our achievements over the last fifteen years, enormous faith in giving viewers the choice and control to make their own decisions, and enormous confidence in our continuing ability to compete and innovate.

I look forward to hearing your views in the hours - and the years - ahead.

Thank you.