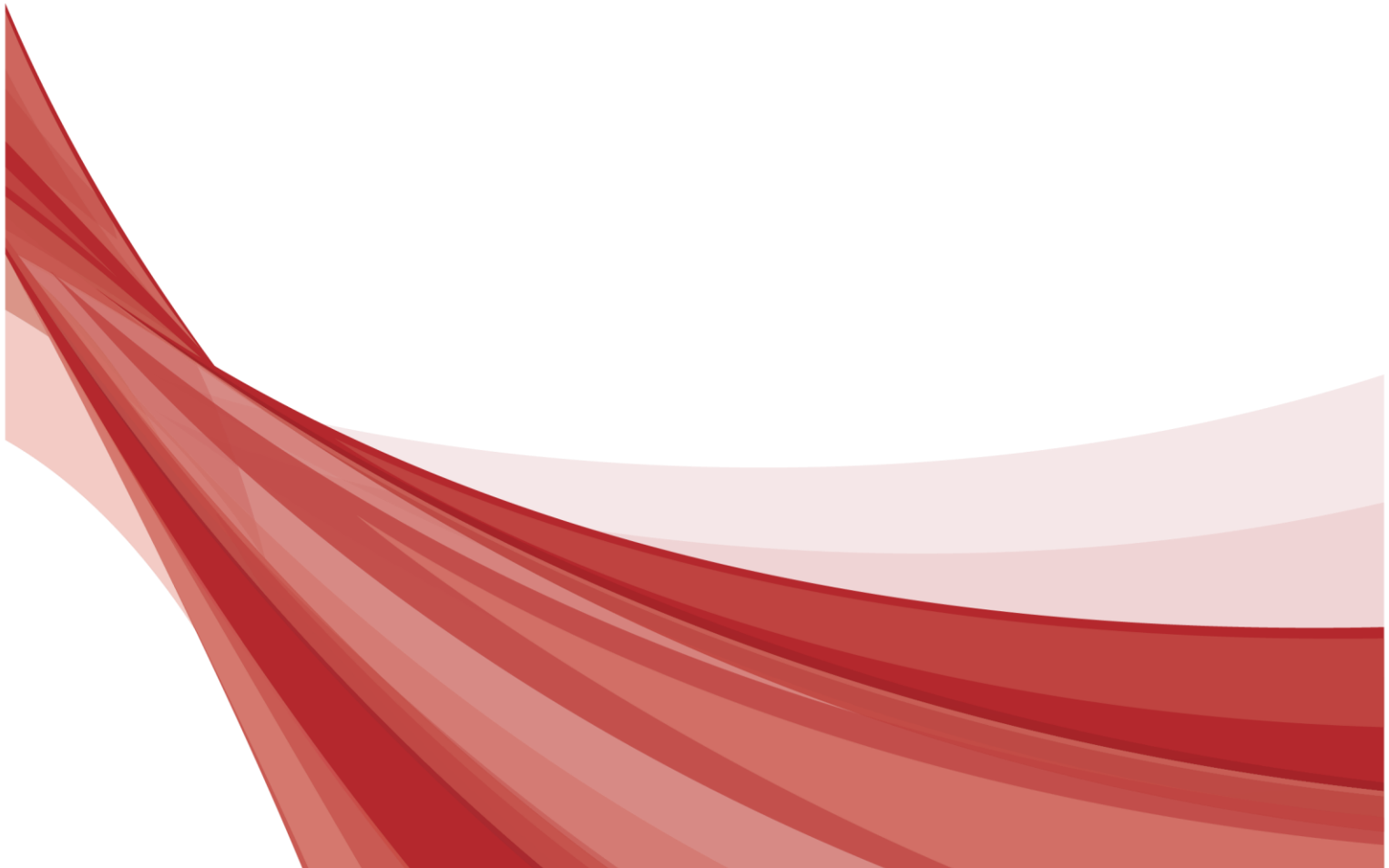


Best of British: How the BBC powers the UK's creative industries



Contents

4	Executive Summary
10	Acknowledgements
11	The future of The BBC
14	The strategic importance of the UK's creative industries
21	The BBC's contribution to the creative industries
25	Revenue and Investment
30	Content and Commissioning
35	Skills and Training
40	Education and Learning
44	Technological Innovation
49	Regions and Nations
53	Conclusion

Section one

Executive Summary

Introduction – The future of the BBC

- The review of the BBC's Royal Charter has provided the backdrop to a debate about the future of the Corporation. The outcome of this debate will have a significant impact on the role that the BBC continues to play in our national life.
- The traditional BBC model based on a strong public service ethos, a secure source of funding and independence from commercial and political pressure faces an unprecedented challenge.
- By almost every available measure – audience ratings, quality of output, international reach and reputation – the BBC deserves to be thought of as an outstanding British success story.
- The debate about the future of the BBC must not become dominated by a narrow range of powerful voices with a vested interest in undermining it. The voice of those who work in the UK's creative industries, who understand the value of the BBC's contribution to the economic and cultural life of the nation, also needs to be heard.

The strategic importance of the UK's creative industries

- The creative industries now form one of the fastest growing and most successful sectors of the UK economy, contributing £84.1bn in 2014 or 5.2 per cent of total national output.
- The creative industries have been the fastest growing sector of the UK economy since the 2008 financial crash with a 37.5 per cent increase in output, compared to 18.2 per cent for the economy as a whole.
- Exports of services from the creative industries have increased by 34.2 per cent since 2009, compared to an overall increase in the UK's export of services of 20.6 per cent.
- The creative industries are also a crucial source of innovation with significant spillover benefits for the economy as a whole. Research shows that supply chain linkages to the creative industries are positively related to innovation elsewhere in the economy.

The BBC's contribution to the creative industries

- It is impossible to understand how the UK's creative industries evolved so successfully without appreciating the central role played by the BBC – from its earliest days as a pioneer of broadcasting to its modern role in the digital era.
- In 2013–14, the BBC invested £3.7bn, around £2.2bn of which was invested directly in the creative industries. Of this, £1.2bn was spent outside the BBC, directly benefitting 2700 different creative suppliers. The BBC contributes more than £8bn to the UK economy – approximately two pounds for every pound spent.
- What really defines the BBC's unique contribution in fostering British creativity is its mandate to serve the public interest set out in its Royal Charter and its agreement with the government. These 'public purposes' mean that the BBC behaves differently from other media organisations, complementing the private sector and supporting the creative industries overall.
- The BBC acts as a major generator of creative 'public goods' from which other providers within the sector derive significant benefits. These include a willingness to take creative risks and invest in new content and talent; significant investment in skills and training across a wide range of creative disciplines; work in promoting education and media literacy within British society; a readiness to champion technological change; and support for creativity across the nations and regions of the UK.
- The BBC doesn't distort the market or crowd out the private sector; it helps to sustain it. As the strength of British broadcasting and our creative industries shows, a mixed economy that combines a public BBC with a dynamic private sector has proved to be a highly successful formula for the UK.

Revenue and Investment

- One of the BBC's most important contributions is its commitment to invest in original British content, which is defined as a core feature of its public purposes. It is this kind of investment that fuels British creativity and feeds through to the rest of the economy in the form of demand for new services, products and ideas.
- The figures show that the BBC is by far the most efficient mechanism for channelling television revenues into new, domestically-produced creative output. For every £1 of income it receives, the BBC invests 56p in the production of original UK content, compared to 44p for the commercial PSBs (ITV, C4 and C5) and 7p for the non-PSBs (Sky etc.).
- The BBC's highly successful international commercial arm, BBC Worldwide, also channels its earnings into the production of original British content – a total of

First Section Heading

£226.5m in 2013–14 alone. In some ways the BBC functions like a sovereign wealth fund for the UK creative industries. Publicly constituted and underwritten, it channels overseas earnings into domestic investment according to nationally determined priorities.

- Research suggests that without the BBC, UK investment in television content would be 5–25 per cent lower, while investment in original British content would be 25–50 per cent lower. Most viewers would suffer a reduction in choice and value for money. The impact throughout the supply chain of the creative industries would be devastating.

Content and Commissioning

- The UK is a world leader in the quality and range of television output. A major reason for this is the BBC's willingness to take creative risks and invest in programming that other broadcasters would neglect. This is a direct result of its public service remit to champion originality and creative excellence and its unique model of funding through the licence fee, which reduces the pressure that is faced by other broadcasters to chase ratings.
- The quality of the BBC's output sets a creative benchmark for the rest of UK broadcasting. Healthy competition between the BBC, commercial PSBs and the private sector ensures that British broadcasting is defined by a race to the top in quality that allows the UK to retain a leading global position.
- The BBC plays an absolutely vital role in sponsoring the emergence of new talent in the performing arts. It runs seventeen separate talent schemes and competitions from BBC Young Musician to BBC Young Dancer. Many winners of these competitions have gone on to enjoy successful careers in their fields, such as internationally acclaimed violinist Nicola Benedetti, winner of the 2004 BBC Young Musician Award.
- The BBC's role as a patron of new music across all genres is a major reason for the international success of the UK music industry – 13.7 per cent of music consumed globally in 2014 was recorded by British artists. In popular music, initiatives like BBC Introducing provide opportunities for new and unsigned acts to make their mark. The BBC is also the largest commissioner of new classical music, which it champions through BBC orchestras and Radio 3. The BBC Proms is now the world's largest classical music festival and a showcase for new British music.

Skills and Training

- The BBC is the leading provider of training across the creative industries. As the terms of its agreement with the government make clear, it has a responsibility to

raise and maintain skills levels across the audio-visual industry as a whole. The BBC Academy and the BBC College of Journalism provide industry standard training in production, technology and journalism, including for many non-BBC employees.

- A 2010 report by Deloitte noted that the BBC spent £44.4m on training in 2008–9 compared to an estimated £6m spent by ITV. Around 16,000 BBC staff received 52,000 days of face-to-face training, with a further 130,000 online training modules completed. A total of 1,900 non-BBC staff received 5,000 days of face-to-face training through BBC courses and events. The report offered a projection of what would happen if the BBC reduced its training programme to the same level as ITV's. Its conclusion was that productivity output in the creative sector would decline by between £38m and £73m a year
- The BBC's commitment to apprenticeships is particularly welcome. It has met its own target for apprentices to make up 1 per cent of staff with 177 non-graduate apprentices employed throughout the BBC network, including all departments, production centres and local radio stations. The BBC also offers more than 1,200 work experience placements every year, with places reserved for the young unemployed, in addition to a range of other pre-employment initiatives.
- The BBC's training budget has been cut by 20 per cent and the BBC Academy's budget has been cut by 35 per cent. There is a serious risk that the skills base of the UK creative industries will become dangerously eroded if cuts to the BBC's training programmes continue.

Education and Learning

- Education has been core to the BBC's work since Lord Reith defined its mission to "inform, educate and entertain". The BBC fulfils this mission by broadcasting programmes and providing online content of high educational value.
- The BBC acts directly to support learning in schools, especially through the development of online content designed to support students. BBC Bitesize is a free online study resource designed to help primary and secondary school pupils study and revise for exams. The GCSE section of the Bitesize website cover 37 separate subjects.
- The science documentaries presented by Brian Cox contributed to a 20 per cent increase in the take-up of A-level physics and a 52 per cent increase in applications for university physics courses between 2008 and 2012. The declining take-up of science subjects has long been identified as a major skills weakness for the UK economy.
- The creative industries benefit directly from the BBC's efforts to promote media literacy within British society. Its media literacy strategy has evolved from teaching people basic online skills to a new emphasis on fostering digital creativity in areas

First Section Heading

like app design, computer coding and digital art. The BBC micro:bit programmable pocket computer is being distributed free to secondary school children as part of its ambitious Make it Digital initiative.

Technological Innovation

- Through the development of iPlayer, the BBC has led the way in the promotion of Video-on-Demand viewing. By taking on the burden of investment and risk, the BBC developed the technology and created a market for VoD, from which private suppliers have benefited. The early introduction of this technology is one of the main reasons why the UK VoD market is more than two and a half times larger than the next biggest market in Europe – 57 per cent of adults were using these services by 2014.
- The BBC management, funding and technical know-how were critical to the success of the 2012 switchover from analogue to digital. The transition would have been much harder to achieve in a fragmented broadcasting market composed of private suppliers.

Regions and Nations

- The BBC has a public purpose responsibility to represent the UK's regions, nations and communities. Its network throughout the UK is becoming more important as a source of information, opportunity and accountability at a local level. According to the Reuters Institute, the BBC accounted for 69 per cent of investment in television content for the nations and regions in 2012. It estimated that overall investment in such content would fall by at least 50 per cent if the BBC ceased to exist.
- The BBC has implemented a major shift in production and training activities outside of London over the last decade. Targets to locate more than half of its staff and produce more than half of its content in other parts of the UK were met and exceeded ahead of schedule in 2014. The BBC has taken these steps in fulfilment of its public purpose obligations to reflect the differing cultures of a more devolved country and encourage the development of the media industry across the UK.
- The BBC's new and expanded production centres around the UK are becoming important creative hubs, encouraging new enterprises to co-locate, develop and grow. The most ambitious of these, MediaCityUK, was established in Salford in 2011 with an initial investment of £188m. In addition to 3000 BBC staff, it also provides facilities for 4000 employees from the University of Salford, ITV Granada and more than 150 small and medium-sized enterprises, including independent production companies like Shine North and Red Productions. A study by KPMG

calculated the BBC now contributes £277m of gross value added to the North West each year following its move to Salford.

Conclusion

To think of the BBC as a broadcaster in the narrow sense does little justice to the reality of its contribution to the economic and cultural life of the nation. It carries out a wide range of additional functions from which other organisations and businesses derive significant benefits, in the form of higher investment, bigger markets and a more skilled workforce. The success of the UK's creative industries is built on a strong marriage between public purpose and private enterprise, in which the BBC plays a crucial part. It is a lesson that should be applied to other parts of the UK economy.

Section two

Acknowledgements

This report was prepared for the TUC and the Great BBC Campaign by David Clark, a freelance political analyst and consultant. David served as Special Adviser at the Foreign Office 1997-2001.

The future of The BBC

The government's review of the BBC's Royal Charter, the current version of which expires at the end of 2016, has provided the opportunity for a far-reaching debate about the Corporation's future. Issues under consideration include its governance arrangements, the scope of its public service remit, the size and structure of its management, its interaction with other content producers, its impact on the media market as a whole and the continuation of the license fee as its principal source of funding. The outcome of this debate will have a significant impact on the way that the BBC changes in the decades ahead and the role that it continues to play in our national life.

The BBC is today arguably under more intense and hostile scrutiny than at any other time in its 89 year history as a public corporation. Changing patterns of media consumption driven by the proliferation of new digital technologies and the rise of pay-per-view television have led some to question the BBC's place in an increasingly plural and competitive media environment. The freezing of the licence fee since 2010 has forced the BBC to make severe cutbacks at a time when it has also been expected to shoulder new responsibilities and expand its range of services. Proposed changes in its governance arrangements raise the spectre of political interference in its operations and editorial policy. The traditional BBC model based on a strong public service ethos, a secure source of funding and independence from commercial and political pressure now faces an unprecedented challenge.

The BBC is certainly not above criticism. Controversies over excessive levels of executive pay, the failure of the Digital Media Initiative and the mishandling of the Jimmy Saville scandal have all raised justifiable public concern. Yet there is often a lack of perspective in the scale and tone of criticism levelled at the Corporation by its most vociferous opponents. By almost every available measure the BBC deserves to be thought of as an outstanding British success story. Public trust and favourability ratings are high and have risen over the last decade.¹ It consistently produces the most popular content measured by audience ratings in the UK. Its global reach

¹ [Public perceptions of the impartiality and trustworthiness of the BBC](#), Ipsos MORI for the BBC, June 2015.

The future of The BBC

across all services is now at a record high of 348 million people per week.² It leads the field in original and critically acclaimed drama, documentary and comedy output.³ It remains the network of choice when the nation comes together for great public occasions like royal weddings and the World Cup. According to the independent consumer group Voice of the Listener and Viewer, the BBC “is probably the most respected, the most envied and the most commercially successful broadcaster in Europe.”⁴

The debate about the future of the BBC is in danger of becoming dominated by a narrow range of powerful voices with a vested interest in undermining it. Among these are some of the BBC’s major commercial rivals who accuse it of “crowding out” the media market by providing high-quality free-to-air content that could otherwise be sold at a profit by private subscription broadcasters. In 2009, News Corporation Chairman, James Murdoch, accused the BBC of “throttling” the competition by “dumping free, state-sponsored news on the market”.⁵ These arguments enjoy strong support from politicians, commentators and think tanks who are ideologically hostile to the provision of public services and insist that markets are always more efficient at allocating resources.

There are concerns that the government’s Charter review process is giving too much weight to these views and failing to reflect the real balance of national opinion on the BBC’s future. It has been reported that Ministers intend to ignore the results of their own public consultation because an overwhelming majority of its 200,000 responses expressed satisfaction with the quality and range of BBC services.⁶ The expert panel appointment by the Culture Secretary to advise him on Charter renewal is composed of several people who have already stated a desire to reduce the size and scope of the BBC to make way for commercial providers.⁷ It is particularly regrettable that the government failed to include on its advisory panel anyone from among the many thousands of employees working in the UK’s creative industries, who would have been able to provide a valuable perspective on the BBC’s contribution to what has become one of the country’s most successful and important economic sectors.

² [BBC’s weekly global audience rises to a record 348m](#), BBC website, 29 April 2016.

³ [Royal Television Society Awards 2015](#).

⁴ [Written evidence submitted to the House of Commons Select Committee on Culture, Media and Sport](#), December 2013.

⁵ [James Murdoch hits out at BBC and regulators at Edinburgh TV festival](#), Guardian, 28 August 2009.

⁶ [Survey on future of the BBC hijacked by Left-wingers](#), Daily Mail, 25 January 2016.

⁷ [BBC charter review: what the panel members have said in the past](#), Guardian, 12 July 2015.

This report aims to redress that imbalance by giving a voice to those who have devoted their careers to the pursuit of creative excellence in the technical and artistic disciplines that have given the United Kingdom such a vibrant national culture. They include musicians, actors, producers, designers, technicians and journalists. Some of them have worked for or with the BBC. Others have benefitted from the wider role that the BBC plays in nurturing creative talent and supporting the cultural life of the nation. All of them have a similar story to tell. Far from crowding out the private sector, the BBC is a vital source of innovation, investment and inspiration from which the creative industries as a whole draw enormous strength. Moreover, it is the BBC's very character as a politically independent public service corporation with a secure source of funding that enables it to make this unique and decisive contribution. Steps to weaken or undermine it would cause real and lasting damage to one of the few economic sectors where the UK remains a global leader.

The strategic importance of the UK's creative industries

According to the historian Dominic Sandbrook, the UK moved during the course of the twentieth century from being the workshop of the world with a commanding lead in industrial manufacturing to being a “cultural superpower” – exerting global influence through the attractiveness of its ideas and creative output. In his telling, this transition was far from accidental: “Britain’s history as the first industrial nation gave it not just a relatively large, affluent and, crucially, literate public, but also the means for talented people to reach them, from railways to newspapers. It was this industrial and economic success that underpinned the cultural institutions giving creative people a chance to flourish, from universities and art colleges to public libraries and the BBC.”⁸ The impact of this legacy is apparent today: in the extraordinary global diffusion of British brands and cultural products, such as Harry Potter, Dr Who and Downton Abbey; in the international success of our musicians, actors and writers; and in the strength of UK industries like film, fashion and theatre.

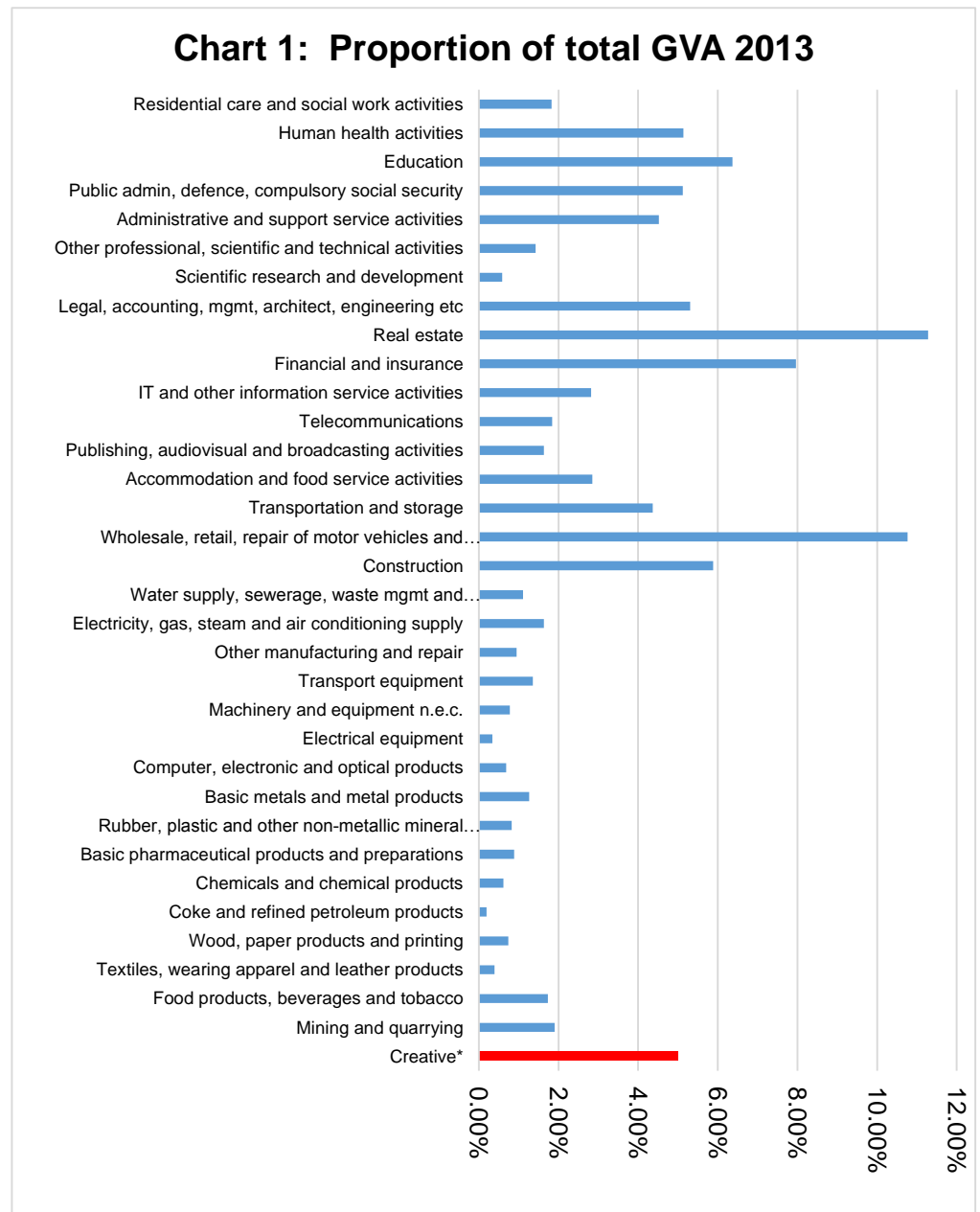
The creative industries now form one of the fastest growing and most successful sectors of the UK economy. As defined by the government, they comprise nine distinct sub-sectors: advertising and marketing; architecture; crafts; design; film, TV, video, radio and photography; IT, software and computer services; publishing; museums, galleries and libraries; and music, performing and visual arts. Together these industries contributed £84.1bn to the UK economy in 2014 measured by Gross Value Added (GVA), amounting to 5.2 per cent of total national output. Equivalent figures for the wider creative economy (a measure that includes those working in creative occupations outside the creative industries) are even higher at £133.3bn of GVA and 8.2 per cent of total national output in 2014.⁹

The last full set of figures, published in 2013, indicate that the creative industries now contribute more to our national prosperity than twenty-eight of the thirty-six industrial sectors listed by the Office of National Statistics (ONS) in its annual ‘Blue

⁸ Dominic Sandbrook, *The Great British Dream factory: The Strange History of Our National Imagination*, 2015, pxxvii.

⁹ [Creative Industries Economic Estimates](#), January 2016, Department of Culture, Media and Sport.

Book' statement of the UK's national accounts. They are ahead of sectors like telecommunications, chemicals and transportation, just behind construction and legal work, and catching up with financial services. Chart 1 gives a full break down.



Source: Office of National Statistics.

The strategic importance of the UK's creative industries

Note: The ONS does not list the creative industries as a distinct sector and already includes their data under different headings.

Growth trends suggest that the creative industries are set to become even more important to the UK economy in the decades ahead. The most recent figures show that the creative industries grew by 8.9 per cent in 2014, almost twice the 4.6 per cent growth rate for the economy as a whole. The government has published a comparison of growth in the creative industries with the growth of ten general economic sectors defined in the Blue Book. These figures are set out below in Table 1. They show that only construction grew faster in 2013–14 at 10.2 per cent, while professional support services were in third place with 7.3 per cent.

Table 1: Creative Industries growth compared to other economic sectors

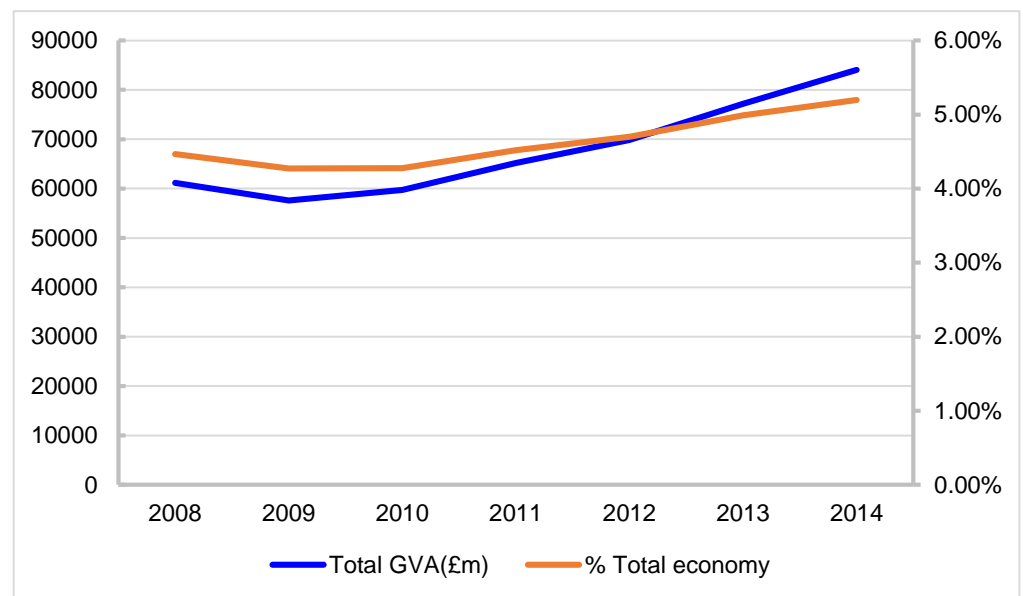
Blue Book Sector or Creative Industries	Percentage Change in GVA between 2013 and 2014	Percentage Change in GVA between 2008 and 2014
Construction	10.2%	9.7%
Creative Industries	8.9%	37.5%
Total professional and support	7.3%	22.6%
Other services	7.1%	30.6%
Financial and Insurance Activities	7.0%	21.6%
Distribution, transport, hotels and restaurants	5.5%	16.3%
Real Estate Activities	3.7%	34.7%
Agriculture, Forestry and Fishing	2.5%	11.9%
Information and Communication	2.2%	13.3%
Government, health and education	2.2%	12.7%
Production	-0.2%	11.7%
UK Economy Total	4.6%	18.2%

Source: Table taken from [Creative Industries Economic Estimates](#), January 2016, Department of Culture, Media and Sport.

The picture is even clearer when the figures for 2008–14 are considered. These show that the creative industries have been the fastest growing sector of the UK economy since the 2008 financial crash, with a 37.5 per cent increase in output, compared to 18.2 per cent for the economy as a whole. The next fastest growing sector was real estate with 34.7 per cent, followed by “other services” with 30.6 per cent. Production (manufacturing, agriculture and mining) registered growth of 11.7 per cent and construction 9.7 per cent. If anything, these figures understate the growing

importance of the creative industries relative to the rest of the economy, since the Blue Book includes their contribution in the figures for the ten general industrial sectors instead of identifying them a distinct sector on their own.

Chart 2: Creative Industries growth 2008-14



Source: Office of National Statistics.

The creative industries have registered strong growth in the numbers of people they employ in the UK in recent years. The figures in Table 2 show that there were 1,808,000 million people working in the creative industries in 2014, compared to 1,561,000 in 2011 – an increase of 15.8 per cent. The creative industries now account for 5.8 per cent of UK employment. The broader measure of the creative economy puts total employment at 2,754,000. That’s 8.8 per cent of the UK workforce and a 13.7 per cent increase since 2011. The creative economy is currently expanding its workforce at a rate of more than 100,000 per year. Figures show that employment growth in the UK creative industries is more than three times higher than the EU average.¹⁰

¹⁰ [Creative Economy Employment in the EU and the UK: A Comparative Analysis](#), NESTA, December 2015, p15.

The strategic importance of the UK's creative industries

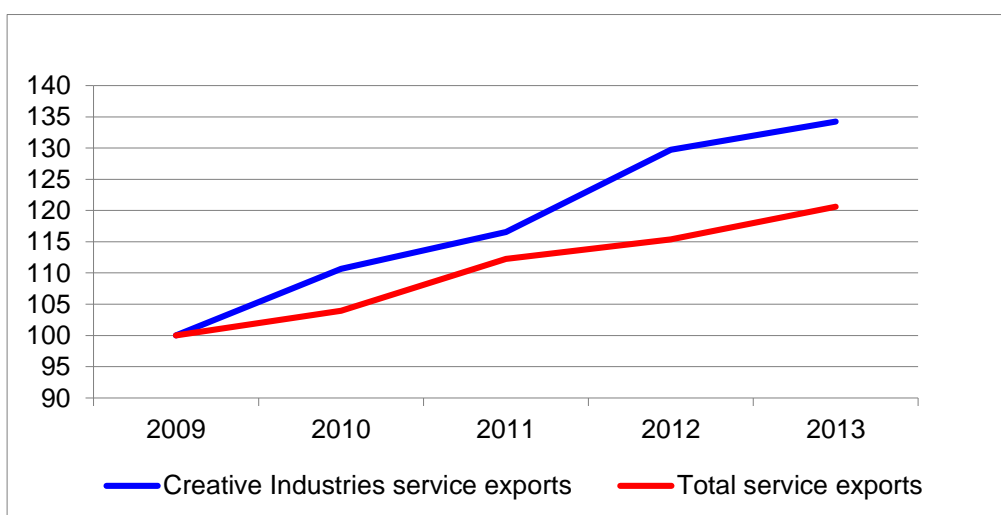
Table 2: Jobs in the Creative Economy, Creative industries and Creative Occupations as a share of UK total jobs

	2011	2012	2013	2014	Change	
					2011–14	2013–14
Creative Economy	2,422,000	2,558,000	2,622,000	2,754,000	13.7%	5.0%
Proportion of UK total jobs	8.0%	8.4%	8.5%	8.8%	0.8%	0.3%
Creative Industries	1,561,000	1,691,000	1,713,000	1,808,000	15.8%	5.6%
Proportion of UK total jobs	5.2%	5.6%	5.6%	5.8%	0.6%	0.2%
Creative Occupations	1,685,000	1,757,000	1,799,000	1,915,000	13.7%	6.4%
Proportion of UK total jobs	5.6%	5.8%	5.8%	6.1%	0.5%	0.3%

Source: [Creative Industries: Focus on Employment](#), Headline Tables 2011-14, Department of Culture, Media and Sport.

A third area where the creative industries are making a vital contribution to the UK's overall economic performance is in exports. In 2013, the creative industries sold £17.9bn worth of services overseas. IT, software and computer services contributed the most with £8.6bn, followed by film, TV, video and photography with £4bn.¹¹ These figures represent a 34.2 per cent increase since 2009 compared to an overall increase in the UK's export of services of 20.6 per cent in the same period. The strong export performance of the creative industries compared to the economy as a whole is illustrated in Chart 3. Ensuring a continuation of this trend is a major element of the Government's strategy for improving the UK's balance of payments and rebalancing the economy towards exports. Two years ago Ministers set a target of doubling the export of services from the creative industries to £31bn by 2020.¹²

Chart 3: Changes in export of services indexed to 2009 = 100



Source: Chart taken from [Creative Industries: Focus on Exports](#) June 2015, Department of Culture, Media and Sport

In addition to being an increasingly important driver of economic growth, employment and exports, the creative industries are also a crucial source of innovation, with significant spillover benefits for the economy as a whole. According to research commissioned by NESTA in 2008, the creative industries stimulate innovation in two distinct ways: by introducing creative products as direct inputs to innovation processes and by transferring ideas and knowledge to other businesses throughout the supply chain. The research identified a measurable impact on innovation performance: “Our estimates suggest that firms that spend double the average amount on creative products – 6 per cent compared with 3 per cent of their output – are 25 per cent more likely to introduce product innovations either new to their firm or to their market.” It concluded that: “...supply chain linkages to the creative industries are positively related to innovation elsewhere in the economy.”¹³ The fact that the UK has the largest creative sector in Europe must be seen as a major source of competitive advantage.

Harder to quantify, but no less important in its impact, is the role that the creative industries play in strengthening the UK’s ‘soft power’ capabilities at an international level. Now widely recognised as an important determinant of global influence, soft power describes the ability of countries to advance their interests and values through the attractiveness of their ideas and cultures. This is an area where we retain a position of global leadership thanks to the openness and creativity of our society and the popularity of our brands and cultural products. The most recent edition of the Soft Power 30 Index, which ranks countries using extensive data and polling analysis, placed the UK first ahead of Germany, the United States and France.¹⁴ The report identified the vibrancy of our creative industries, alongside the strength of our public

¹³ [Creating Innovation: Do the creative industries support innovation in the Wider Economy?](#), Hasan Bakhshi, Eric McVittie and James Simmie, NESTA, February 2008, pp5-6.

¹⁴ [The Soft Power 30: A Global ranking of Soft Power](#), July 2015.

The strategic importance of the UK's creative industries

institutions, the quality of our business brands and the diversity of our civil society, as one of the main reasons for the UK's top position.

Feelings of trust, respect and familiarity generated by effective soft power resources are of considerable value in promoting trade and diplomatic influence. Evidence suggests that they are also among the main reasons for the UK's strong performance in attracting inward investment. The 2015 edition of EY's Attractiveness Survey showed the UK extending its lead as Europe's top destination for foreign direct investment. The most important set of reasons for locating in the UK cited by overseas investors surveyed in the report was "quality of life, diversity, culture and language" with 90 per cent rating the UK as "very" or "fairly" attractive according to this measure.¹⁵

The UK's creative industries are much more than a source of entertainment and pleasure. They have also come to form a strategically crucial part of our national economy, making a disproportionate and increasingly significant contribution to its growth and competitiveness. While it would be a mistake to rely too heavily on one sector of our economy, especially if the need for wider rebalancing is ignored, it would be equally dangerous to neglect what we are good at or fail to invest in areas where we enjoy a strong comparative advantage. Building on the success of our creative industries requires a proper recognition of the institutional and cultural underpinnings that allow them to flourish.

¹⁵ [EY's Attractiveness Survey: UK 2015](#), p28.

The BBC's contribution to the creative industries

The UK's position as a world leader in the creative industries is the result of a unique combination of factors, such as a strong literary tradition, the early adoption of new technologies, effective cultural institutions that foster British talent, a reputation for excellence in the quality of output and the widespread use of the English language at an international level. This has produced a talent pool of extraordinary breadth and depth across a wide range of creative disciplines from art and design to the performing arts and audio-visual production. The size and diversity of this talent pool gives rise to networks of creativity that facilitate the flow of ideas, skills and technologies between different sectors and specialisms to the mutual advantage of all. For example, the global success of our advertising and video gaming industries owes a great deal to the power of the British imagination developed through literature, film and television. Perhaps more than in any other sector of the economy, success in one part of the creative industries breeds success elsewhere.

It is impossible to understand how the UK's creative industries evolved so successfully without appreciating the central role played by the BBC, from its earliest days as a pioneer of broadcasting to its modern role in the digital era. The most obvious way in which it does this is through the commissioning and purchasing of cultural products and services. The licence fee gives the BBC a stable revenue stream that enables it to invest in scale across different areas of creative activity, sustaining employment and income in other organisations and sectors. In 2013–14, the BBC invested £3.7bn, around £2.2bn of which was invested directly in the creative industries. Most of the rest was invested in digital and high-tech industries, driving innovation and creativity in the wider economy. Of the money invested in the creative industries, £1.2bn was spent outside the BBC, directly benefitting 2,700 different creative suppliers. Most of these (2,200) were small or micro-sized businesses employing less than fifty people.¹⁶ In addition to being the largest producer within the UK's creative industries, the BBC is also its largest customer. It has been estimated the expenditure by the BBC contributes more than £8bn of Gross Value Added to the UK economy – approximately two pounds for every pound spent.¹⁷

¹⁶ [The contribution of the BBC to the UK creative industries](#), Frontier Economics, April 2015, pp4-5.

¹⁷ [The Economic Value of the BBC 2011/12: A Report by the BBC](#), January 2013, p11.

The BBC's contribution to the creative industries

The big data is important in demonstrating the size and importance of the BBC's position within the creative industries, but it tells only part of the story. Although the extent of its investment obviously matters, what really defines the BBC's unique contribution in fostering British creativity is its mandate to serve the public interest. This obliges it to pursue objectives and assume responsibilities that no comparable organisation in the private sector would be willing to shoulder. As the Corporation's own vision of its purpose states: "While commercial broadcasters aim to return value to their shareholders or owners, the BBC exists to create public value. In other words, it aims to serve its audiences not just as consumers, but as members of a wider society, with programmes and services which, while seeking to inform, educate and entertain audiences, also serve wider public purposes. Public value is a measure of the BBC's contribution to the quality of life in the UK."¹⁸

The BBC's public purposes are set out in a variety of documents, principally the Royal Charter and the more detailed formal Agreement with the Secretary of State for Culture, Media and Sport. The current Royal Charter states that:

"The Public Purposes of the BBC are as follows – (a) sustaining citizenship and civil society; (b) promoting education and learning; (c) stimulating creativity and cultural excellence; (d) representing the UK, its nations, regions and communities; (e) bringing the UK to the world and the world to the UK; (f) in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television."¹⁹

The Agreement elaborates on these public purposes. For example, the goal of sustaining citizenship and civil society includes a specific responsibility to promote media literacy. Stimulating creativity and cultural excellence is defined to include, among other things, the nurturing of talent, the inclusion of new audiences and the development of a film strategy. The BBC's lead responsibility for managing the switchover from analogue to digital television, successfully completed in 2012, is set out in detail, including obligations to ensure sufficient coverage, run a public information campaign, administer the Digital Switchover Help Scheme and provide a sizeable proportion of the necessary funding.

The Agreement also sets out a range of further general obligations in addition to its public purposes. These include the promotion of equal opportunities and the

¹⁸ [Building public value: Renewing the BBC for a digital world](#), BBC, June 2004, pp7-8.

¹⁹ [Royal Charter for the continuation of the British Broadcasting Corporation](#), Department of Culture, Media and Sport, October 2006, pp2-3.

maintenance of research and development programmes “geared to the promotion of the BBC’s Public Purposes and which aim to maintain the BBC’s position as a centre of excellence for research and development in broadcasting and other means for the electronic distribution of audio, visual and audiovisual material, and in related technologies.”²⁰ Of particular note is the obligation on the BBC to contribute to “the preparation and maintenance of a highly-skilled media workforce across the audio-visual industry.”²¹

The BBC’s public service remit and the specific commitments that follow mean that it behaves differently from other media organisations, complementing the private sector and supporting the creative industries overall. In particular, it acts as a major generator of creative ‘public goods’ from which other providers within the sector derive significant benefits. Goods are defined as public if they are ‘non-excludable’ (access cannot be restricted to paying customers) and ‘non-rival’ (can be enjoyed by more than one consumer). Because it is difficult or impossible to make a profit from non-excludable goods, commercial providers usually see no value in producing them. The most important economic contribution of the BBC, therefore, is to perform functions and provide services that, while instrumental to the development of strong and internationally competitive creative industries, would be under-produced or not produced at all within a pure free market framework.

As will be set out in more detail below, the BBC does this in a variety of ways. Its spending and commissioning policies are based on a willingness to take creative risks and nurture new British talent to a far greater extent than profit-making enterprises looking for a direct return on their investment. In doing so, the BBC provides a showcase for new ideas and artists that are often exploited commercially by others. The BBC is also now the main provider of quality training across a significant range of creative disciplines, producing a wider and deeper pool of skills from which others are able to draw. The BBC’s work in promoting education and media literacy helps to create a more knowledgeable and receptive public for creative organisations and businesses to engage with. Its role in pioneering technological change has been vital in setting and raising industry standards. Its commitment to representing the UK in all its diversity is crucial in sustaining creativity across the nations and regions of the UK and developing the strongest base of British talent on which the creative industries are able to flourish.

The BBC is only able to assume these responsibilities because its aims and objectives are non-commercial. In fulfilling its public purposes it helps to insure the creative

²⁰ [Broadcasting: An Agreement Between Her Majesty’s Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation](#), July 2006, p48.

²¹ Agreement, op cit, p47.

The BBC's contribution to the creative industries

industries against the risk of market failure through the provision of public goods and other investments that are crucial to the success of the sector as a whole. It is worth noting that the BBC was originally turned from a private company into a public corporation in 1927 because the consortium of radio manufacturers who formed it four years earlier concluded that it was unprofitable. Without that decision, it is likely that the growth of British broadcasting would have been retarded and the UK would not today enjoy a position of global creative leadership.

The BBC doesn't distort the market or crowd out the private sector; it helps to sustain them. As the strength of British broadcasting and our creative industries shows, a mixed economy that combines a public BBC with a dynamic private sector has proved to be a highly successful formula for the UK. The specific ways in which this relationship works in practice can now be examined in more detail.

Revenue and Investment

The BBC retains a pivotal role within the UK's creative industries in terms of the resources it is able to deploy, although it is no longer financially dominant in the way that it used to be. This is a result of two factors; the freezing of the licence fee, which has meant a 20 per cent real terms cut in the size of the BBC budget since 2011, and the growth of subscription television services like Sky and Netflix. The share of UK television revenues provided by the BBC licence fee has fallen from around half twenty years ago to 21.4 per cent in 2012, with 28.4 per cent of revenues accounted for by advertising on commercial networks and 44.2 per cent by pay TV subscriptions. The most recent figures show the BBC's share of revenues continuing to decline.²²

This in itself might offer compelling evidence that the 'crowding out' thesis is flawed, except that the critics have a tendency to shift the goalposts by arguing that the growth of pay TV indicates that the BBC is no longer needed. Private subscription providers must be catering to public demand otherwise they wouldn't be able to generate such a large and growing share of television revenues. To understand what this misses about the BBC's unique contribution to British broadcasting and the creative industries more generally we need to consider how those revenues are used and the extent to which they add value to the UK economy.

The figures for overall content investment show that the BBC spent £1,611m in 2012 or 27 per cent of total UK spending on television content. Commercial public sector broadcasters (the three commercial PSBs are ITV, Channel 4 and Channel 5) spent £1,831m or 31 per cent of the total. Non-PSBs (other commercial providers, such as Sky) spent the most – £2,463m or 42 per cent of the total. However, 72 per cent of non-PSB spending (£1,772m) was devoted to content for premium film and sports channels that offers little, if any, added value for the UK creative industries. A more revealing way to look at the data is to consider the amounts spent on original UK content. It is this kind of investment that fuels British creativity and feeds through to the rest of the economy in the form of demand for new services, products and ideas. Here the rankings are reversed. The BBC spent £1,517m on original British content in 2012 – 46 per cent of the total. The commercial PSBs came next with £1,323m or 40 per cent of the total, while non-PSBs spent an estimated £450m or 14 per cent of

²² [The Communications Market Report 2015](#), OFCOM, August 2015, p166.

Revenue and Investment

the total.²³ So although the BBC today only receives around a fifth of overall television revenues, it still accounts for almost half of all investment in first-run UK content.

Another way to illustrate the point is to note that for every £1 of income it receives, the BBC invests 56p in the production of original UK content, compared to 44p for the commercial PSBs and 7p for the non-PSBs. Table 3 gives the figures in full and shows that the BBC is by far the most efficient mechanism for channelling television revenues into new, domestically-produced creative output. This is a vivid example of how the BBC's public service remit shapes its priorities in ways that benefit other parts of the UK creative industries. Only a broadcaster with a secure source of funding, freed from the pressure to chase ratings and mandated to act in the UK's interests would choose to make investments of this kind and on this scale. In the BBC's case, its commitment to original British content arises from its public purpose obligations to function in a way that "enriches the cultural life of the UK through creative excellence in distinctive and original content" and "reflects and strengthens cultural identities through original content at local, regional and national level".²⁴ It is no accident that commercial broadcasters spend more on foreign imports and less on domestic production. Their imperative is to maximize ratings and minimize costs.

Table 3: UK Television Revenue and Content Spending 2012

	Revenue	Spending on content	Spending on original UK content	Spending on original UK content as a percentage of revenue
BBC	£2.72bn* (22%)	£1.61bn (27%)	£1.52bn (46%)	55.9%
Commercial PSBs	£2.98bn (24%)	£1.83bn (31%)	£1.32bn (40%)	44.3%
Non-PSBs	£6.59bn (54%)	£2.46bn (42%)	£0.45bn (14%)	6.8%

Source: [What If There Were No BBC Television?: The Net Impact on UK Viewers](#), pp21-8.

*Share of the licence fee devoted to television

²³ [What If There Were No BBC Television?: The Net Impact on UK Viewers](#), Patrick Barwise and Robert G Picard, Reuters Institute for the Study of Journalism, February 2014, pp27-8.

²⁴ Agreement, op cit, pp3-4.

The BBC does, of course, engage in commercial activity outside the UK, primarily through its international arm, BBC Worldwide. This sells the international rights to hugely successful British programmes like Dr Who, Top Gear and Sherlock, as well as show formats like the Great British Bake-Off and Strictly Come Dancing. BBC Worldwide also provides risk capital to independent producers, owns television channels in foreign markets, secures inward investment from foreign broadcasters in the co-production of new content and handles the international distribution for a significant amount of non-BBC content. It represents more than 250 independent producers, securing total foreign earnings of £113.1m for the sector in 2013–14. It is the world’s largest non-US distributor of television programmes and its annual TV export fair, Showcase, is a major international event attracting more than 700 buyers to the UK every year.

The main purpose of BBC Worldwide is to maximise international earnings on BBC output and in 2013–14 it generated a profit of £127.1m on sales of £948.1m. Yet for all of its growing commercial success, it remains bound by the BBC’s public purposes in how it uses those profits. Unlike a private company, it doesn’t have to pay a dividend to shareholders, so all of the proceeds are available to be re-invested in new UK content. BBC Worldwide returned £226.5m to the BBC in 2013–14, boosting its programming budget by 12.6 per cent and increasing demand along the supply chain of independent creative businesses and producers.²⁵ In some ways the BBC’s international commercial operation functions like a sovereign wealth fund for the UK creative industries. Publicly constituted and underwritten, it channels overseas earnings into domestic investment according to nationally determined priorities. No other mechanism for re-investing the returns of the UK’s creative success on this scale currently exists.

The BBC’s significance for the UK creative industries goes well beyond its immediate role as the main investor in original British content for television, radio and the Internet. According to analysis produced by Frontier Economics, BBC investment contributes to the growth and competitiveness of the creative industries on three distinct levels; what it calls first round impacts, second round impacts and spillover impacts.²⁶ First round impacts describe the immediate effect of BBC spending on content, products and services. As has already been noted, a significant part of this is commissioned from a network of around 2,700 external suppliers. These are drawn from across the spectrum of the creative industries, including 1,489 from film, radio and photography, 518 from music, performing and visual arts, 233 from IT, software and computer services, 174 from publishing, and 292 from other creative sectors.

²⁵ [BBC Worldwide announces record returns to the BBC](http://www.bbc.co.uk), www.bbc.co.uk, 14 July 2015

²⁶ Frontier Economics, op cit.

Revenue and Investment

The BBC is also a major investor in UK intellectual property through the purchase of rights and the payment of royalties to performers and producers whose creative output it broadcasts. Even the BBC's in-house production has an important first round impact in maintaining a skilled workforce of 18,000 people and the employment of freelancers. It employs around 2,000 full-time equivalent freelancers, which is comparable to 12,400 individual bookings for freelance professionals including editors, producers, journalists, make-up designers, camera operators and technicians.

The second round impacts describe the knock-on effects of BBC spending in boosting demand further down the supply chain, the increased sale of cultural products featured on its programmes and the additional commercial opportunities third parties get as result from working with the BBC. The report gives increased demand for broadband Internet, higher sales of music by performers and revenue from the sale of merchandise derived from BBC output as examples of second round impacts. Many of these are the consequence of the 'halo effect' of being associated with the BBC brand and its strong domestic and international reputation for excellence.

The final contribution of the BBC identified in the report comes in the form of spillover impacts – sometimes called positive externalities – that are generated as by-products of its operations and activities. More indirect, and therefore less easy to quantify, these impacts can benefit competitors operating in the same market or companies and organisations working in other markets. Examples of this include the diffusion of skills and knowledge, especially in a sector with high labour mobility, technology spillovers that occur when one entity takes a lead in technological innovation and the beneficial clustering effects that arise when complementary businesses and organisations co-locate in the same area. There are numerous ways in which the BBC does this. The only problem is with the terminology. A spillover impact implies a process that happens by accident or chance. As we shall see, many of the spillover benefits generated by the BBC are in fact the intended consequences of policy choices made in pursuit of its public purposes.

The crowding out thesis requires us to believe that the private sector in a pure free market would be willing and able to better the BBC's contribution to British broadcasting and the creative industries as a whole. As the authors of the only report to explore this proposition in detail have noted, advocates of this viewpoint have never backed it up with solid empirical evidence and have instead relied on conclusions drawn from general economic theory without reference to the specific conditions of the broadcasting industry.²⁷ The Reuters Institute for the Study of

²⁷ Reuters Institute, op cit, p10.

Journalism decided to test their case by exploring the hypothetical question of what British broadcasting would look like if there were no BBC. The conclusions it came to were startling. Even if the BBC's competitors increased content investment in proportion to their increased share of television revenues – a doubtful assumption given that the removal of the BBC would also remove pressure to compete on quality – total content investment would shrink by £0.95bn (15 per cent), while investment in new content would shrink by £1.33bn (40 per cent). This is because modest increases in investment by commercial providers would be dwarfed by the much larger loss of investment from the BBC.

Needless to say, the impact of such a reduction, whole or partial, would be devastating to the network of independent, and often small, creative suppliers that are linked to the BBC through the supply chain and depend on its willingness to invest disproportionately in original output. Nor would television consumers be well served. According to the report, most would end up paying more for a narrower range of content. The only potential beneficiaries would be the BBC's competitors who might gain a modest increase in advertising revenues of around 6 per cent or a larger increase in subscription revenues of around 26 per cent. This may be what opponents of the BBC are really getting at when they accuse it of crowding out the competition. It is not the BBC's impact on quality, choice or value for money that motivates their objections. It is the belief that it obstructs the ability of some private providers to maximise profits by charging more for less.

Content and Commissioning

If the BBC's willingness to make large-scale investments in original home-produced content is crucial to the success of our creative industries, the kind of content it is willing to commission is equally important. It is commonly assumed that private businesses responding to market signals are more willing to innovate and take risks than public organisations, which are thought to be culturally conservative and risk-averse. Broadcasting is one area where this is demonstrably untrue. International comparisons show that public service broadcasters are far more likely to carry new and diverse content of high social value whereas commercial broadcasters, driven by the need to sell advertising and subscriptions, prioritise spending on content that is guaranteed to attract audiences. A 2006 report for the Council of Europe identified a sharp divide between public service broadcasters and commercial channels, with the latter less likely to invest in areas associated with lower audiences and more likely to feature imports, repeats and conventional entertainment formats.²⁸

This is certainly true of the UK where the BBC has shown itself willing to take creative risks on content that other broadcasters have been unwilling to consider. This isn't, as some often argue, limited to the production of highbrow content for minority audiences. It also has significant implications for popular programming with general appeal. Perhaps only the BBC would have thought to turn ballroom dancing and baking, two hitherto unfashionable British pastimes, into forms of mass entertainment for the twenty-first century. These creative risks have paid off handsomely. The show formats for *Strictly Come Dancing* and the *Great British Bake Off* have enjoyed major international commercial success, being sold to 50 and 20 overseas broadcasters respectively. The British version of the *Great British Bake Off* has been sold to broadcasters in 196 territories.

The BBC's willingness to invest in untried formats and new artists is, of course, a direct result of its public service remit to champion originality and creative excellence and its unique model of funding through the licence fee, which reduces pressure to chase ratings. This is the core reason why the UK has become a world leader in the quality and range of broadcasting output. The BBC sets a creative benchmark that

²⁸ [The assessment of content diversity in newspapers and television in the context of increasing trends towards concentration of media markets](#). David Ward, Council of Europe, February 2006.

stimulates healthy competition with other broadcasters defined by a race to the top. This benefits the industry as a whole. An international comparative survey conducted by the BBC shows a positive correlation in the quality and diversity of output produced by public and private broadcasters within national markets. It also shows a positive correlation between the funding of public service broadcasting and the size of commercial broadcasting revenues, which suggests that even the assumption that the BBC diminishes private profits may be wrong.²⁹

A key source of the UK's creative strength is our ability to renew the pool of talent and ideas from which so much world class cultural output emerges. The BBC helps to do this not only within the broadcasting industry, but for other parts of the creative industries as well. Music, across all genres, is a particularly obvious beneficiary of the BBC's sponsorship of British creativity. The UK music industry is a global market leader. Along with the United States and Sweden, we are one of only three countries in the world to be a net exporter of music – 13.7 per cent of global album sales in 2014 were by British artists. In addition to contributing sizeable returns in growth and sales of its own, music is a showcase industry, advertising British talent and strengthening the global prestige of our creative sector as a whole.

The BBC is without question the main patron of British music. It spends around £125m on music annually and is the biggest employer of musicians in the country. It maintains five full-time orchestras around the UK, employing over 400 musicians on contract and many more on a freelance basis. It is a major organiser and promoter of live music events from the BBC Proms to Radio 1's Big Weekend. Probably the BBC's most important contribution is its role as a sponsor and commissioner of new music and new musical talent. Without the ability to produce outstanding new music, the UK's leading international position would soon be lost. Yet the ability of new performers and composers to break through would be much more limited without the platforms and opportunities provided across the BBC network. The BBC runs seventeen different talent schemes, mostly on musical themes, from Young Musician to Radio Ulster's School Choir of the Year. It is the country's main commissioner of new musical compositions. BBC radio and television channels make space for new music as a matter of editorial policy.

Those who work in the British music industry are clear about the centrality of the BBC to its strength and success. Dave Arch, who has achieved national fame as the bandleader on *Strictly Come Dancing*, describes the role that the BBC played in supporting his own career: "My first contact with the BBC was performing on local radio in Reading. All over the country there are BBC stations that give local bands

²⁹ [Public and Private Broadcasters Across the World – The Race to the Top](#), BBC, December 2013.

Content and Commissioning

and performers a chance to be on air, encouraging people to give it a try. Local radio remains a big help for aspiring acts looking to get their first break. It's almost more important than what happens at a national level because it involves all kinds of performers across the country from people just trying out for fun to semi-pros trying to build a career. After finishing college, I used to go up to the studios at Maida Vale and record for programmes like Jazz Club on Radio 2. They would record and broadcast sessions for up-and-coming bands on a weekly basis. I also took part in some of their In Concert programmes where they recorded live concerts for broadcast. I subsequently did a lot of session work recording original music for a wide variety of BBC programmes. So the BBC has been a hugely important part of my career development.”

Just as important as the opportunity it gives to young musician's to perform and record, in Dave's opinion, is the BBC's commitment to new music: “The BBC, with things like the Later... with Jools Holland, is now one of the only places where live and original music gets showcased. Other stations do things occasionally, but only the BBC provides a consistent platform. The arts aren't about money, and culture suffers enormously when that's all that counts. For example, opera houses would only ever show the most popular operas and would never try anything new. It's the same in concert halls. It's enormously important to keep creating new music instead of just repeating what's popular. The licence fee matters because it frees the BBC from the need to worry about profitability, which means that it can take the sort of creative leaps that commercial broadcasters can't afford to take because they need a guaranteed audience.”³⁰

A similar viewpoint can be heard from those involved in the independent music sector. Louis Barabbas is the Artistic Director of Debt Records, an artist-led record label based in Manchester. In his experience as a writer, performer and promoter, the BBC offers a unique outlet for new musical talent: “Our first really big splash came with Bridie Jackson and the Arbour who were probably one of the few independent bands ever to be on BBC Radio 1,2,3,4 and 6 all on the same day. Most of our artists have been played on 6 Music, particularly the evening and night time shows where the presenters have more control over their playlists. Some have been on Radio 1 and programmes like Loose Ends on Radio 4. The commercial sector is completely different. It's got to the point where I don't even bother trying the commercial stations. There are plenty of interesting, creative people there, but because they are governed by the need to sell advertising space, it doesn't make sense for them to feature smaller, less well known acts like the ones we represent. In a way, it's not really the same industry. Because the BBC is a public service, there is a real thirst to look around for new things. There just isn't another entertainment network that will allow these wild card elements to be picked up. And it's not just about reach, either.

³⁰ Interview with author, 3 March 2016.

It's also the credibility the BBC can lend to an artist. If you've got a presenter like Tom Robinson on your side, who is a great champion of new music across three different shows, that's a big weight in your corner, especially if you are an emerging act.”

One of the most important avenues for emerging musical talent in recent years has been BBC Introducing. Launched in 2007, this initiative is designed to promote unsigned and undiscovered British acts across the BBC network. Performers are able to submit their recordings online using an upload tool with the prospect of an appearance on local radio stations to follow. The best acts are featured on the BBC's national radio stations, given slots on BBC Introducing stages at major music festivals like Glastonbury and offered the opportunity to record at the BBC's Maida Vale studios. According to Louis: “BBC Introducing is invaluable for young bands, unless they've got a really big management company behind them, which most haven't. The first step is that you get to know the Introducing team in your local area and then you graduate to bigger things. It's like being apprenticed to your local station.”³¹ He cites Everything Everything, the award winning Manchester band, as an example how musicians can achieve a breakthrough via this route. Jake Bugg and The Ting Tings are among the other major acts to have got their first break thanks to BBC Introducing.

The BBC is also the most important supporter of classical music in the UK through Radio 3, the BBC Orchestras and the BBC Proms, the world's biggest classical music festival. The BBC funds five full-time orchestras – BBC Symphony Orchestra, BBC Concert Orchestra, BBC National Orchestra of Wales, BBC Scottish Symphony Orchestra and BBC Philharmonic based in Salford – in addition to the BBC Singers, the only full-time professional choir in the country. The orchestras have two main roles: to provide live music to as broad a geographic audience as possible and to record concerts for broadcast on the BBC.

Alex Gascoine is a professional violinist who has been with the BBC Scottish Symphony Orchestra for 26 years. He knows from experience the role that the BBC plays in sustaining British classical music: “If the BBC didn't fund its orchestras, there's an awful lot of music that just wouldn't get played. Other full-time orchestras survive on grants, sponsorship and ticket sales, so they need to be sure that people will come to their concerts and they need to play what's already popular. The great thing about the BBC orchestras is that we can play the sort of music that wouldn't get played by the other orchestras. The fact that we are not audience dependent means that we can play more obscure music, including contemporary music. The BBC Proms and Radio 3 commission new works every year from contemporary

³¹ Interview with author, 12 April 2016.

Content and Commissioning

composers. We have a lot of talented composers and a wonderful tradition of contemporary music in this country; probably the strongest in the world. That's largely because of the BBC." He gives the example of Sir James McMillan whose breakthrough composition, *The Confession of Isobel Gowdie*, was commissioned by the BBC for the Proms and helped to launch his internationally successful career as a composer and conductor.

As with other genres of music, Alex emphasises the BBC's support for new talent in classical performance: "The BBC also nurtures artistic talent. We have a thing called the Next Generation scheme for young performers. Radio 3 takes them under its wing and gives them concerts and recordings with BBC orchestras and recitals on the radio. It promotes them and gives them a platform. Look at Nicola Benedetti who won Young Musician of the Year in 2004 and is now a major international star. It's an inspirational competition, and the artists are nurtured and looked after through all the projects that go with it. It's not like one of those competitions you win when you're fourteen, then you're thrust onto a stage and burned out by the time you're thirty. It's a very positive, nurturing competition." He also draws attention to the work that the BBC Orchestras do to encourage musical talent at a local level: "The BBC has a memorandum of understanding with the Royal Conservatoire of Scotland under which the BBC Scottish Symphony Orchestra provides various forms of support - we have mentoring schemes, we have a concerto day and conducting and composition masterclasses. There's a whole set of linkages where people are nurtured and mentored. Some of my colleagues are professors at the Conservatoire. They compose pieces for us and we perform them. It's a strong, two-way relationship from which everyone gains."³²

³² Interview with author, 4 March 2016

Skills and Training

Continuous improvements in skills are vital to the competitiveness of a sector that relies on innovation, and the BBC's provision of quality training across a wide range of fields is among its most valuable contributions to the UK creative industries. When the training activities of a business or organisation inadvertently benefit others operating in the same marketplace, the effect can accurately be described as a spillover impact. But there is nothing inadvertent about the way that the BBC spreads skills and knowledge within the creative industries. The BBC's Agreement with the government states that it has a responsibility to assist with "the preparation and maintenance of a highly-skilled media workforce across the audiovisual industry" and must "use its best endeavours to work in partnership with others in the audiovisual industry in the planning and provision of training and retraining across that industry."³³

What the BBC provides through its training efforts is a public good mandated as part of its contract with the nation. The BBC's acknowledgement of that obligation was set out in its 2010 Strategy Review: "The BBC can and must offer everyone who works for it the best training and career development in world broadcasting, and an unrivalled creative space in which to do their best work. At a time when others in the industry are being forced to curtail their investment in training, the BBC should maintain its financial commitment here at £45m per year and share the fruits of that investment with the wider industry: training staff who may go on to work elsewhere, and providing face-to-face training direct to freelancers and industry organisations. Working with the rest of the industry to provide training is a key partnership role for the BBC, and part of its mission to act as a catalyst within public space."³⁴

A 2010 report by Deloitte assessed the impact of the BBC's training programmes on the creative economy as a whole. It noted that the BBC spent £44.4m on training in 2008–9 compared to an estimated £6m spent by ITV. Around 16,000 BBC staff received 52,000 days of face-to-face training, with a further 130,000 online training modules completed. A total of 1,900 non-BBC staff received 5,000 days of face-to-face training through BBC courses and events. The BBC also contributed £830,000 to the industry training body, Skillset. To quantify the contribution of this training to

³³ Agreement, op cit, p47.

³⁴ [Putting Quality First](#), Proposals to the BBC Trust, March 2010.

Skills and Training

the competitiveness of the creative industries, Deloitte offered a projection of what would happen if the BBC reduced its training programme to the same level as ITV's. Its conclusion was that productivity output in the creative sector would decline by between £38m and £73m a year.³⁵ This is not only because BBC training for non-employees would fall, but also because the rest of the industry relies heavily on recruiting BBC talent, so cuts to in-house training would diminish the skills base of the sector overall. A sample of industry professionals from the online network LinkedIn identified 9,071 former BBC employees working in broadcasting and online compared to 2,245 for ITV and 927 for Channel 4.³⁶

The BBC discharges its training responsibilities in a number of different ways. Most of its intensive, face-to-face training is provided by the BBC Academy, its dedicated training facility launched in 2009. There are four major strands to the Academy's work: the College of Journalism, which runs courses on a large number of topics from presenting and digital journalism to media ethics and safety; the College of Production, which focuses on the techniques and management of content production and editing; the College of Technology, which provides specialist training to technicians and engineers; and the Creative Leadership Programme. The BBC Academy offers a significant amount of online training, some of which can be accessed by other broadcasters and the general public for free. Its internal journalism training website was opened to public access in 2009 and last year it launched a four-week open access course, Digital Storytelling: Filmmaking For The Web, in partnership with the University of Birmingham, Creative Skillset and FutureLearn.

The BBC offers quality training at all levels. Particularly welcome as a way of spreading opportunity and encouraging talent is the BBC's commitment to apprenticeships. It has met its own target for apprentices to make up 1 per cent of staff with 177 non-graduate apprentices employed throughout the BBC network, including all departments, production centres and local radio stations. The BBC also offers more than 1,200 work experience placements every year, with places reserved for the young unemployed, in addition to a range of other pre-employment initiatives, such as BBC English Region's Kick Off Sports reporter scheme, Radio 1's Where It Begins programme and BBC TV's Mama Youth programme. One of the most ambitious is the Make It Digital Traineeship launched in 2015 in partnership with the Skills Funding Agency, the Department for Work and Pensions and the Scottish and Welsh governments. The aim of the initiative is to provide 5,000 unemployed 16- to 24-year-olds with digital skills, using the resources and experience of the BBC Academy.

³⁵ [The Economic Impact of the BBC 2008-9](#), Deloitte, 2010, pp79-84.

³⁶ The Economic Value of the BBC 2011/12, op cit, p18.

The sense that the BBC offers career progression through training is certainly borne out in the experience of Martine Croxall, who has been a BBC journalist for 23 years. Now one of the main presenters on the BBC News Channel, Martine started her career as a work experience volunteer with BBC Radio Leicester: “I started with jobs like making the tea and escorting guests to and from the studio. That’s how it all started. I got the most amazing opportunities from local radio. And the training has always been fantastic. The first course I went on was about the law for broadcasting. Then I did courses on interviewing techniques and creative packaging at the training units in London and Bristol. They were always superbly run, and they still are. The BBC College of Journalism runs really high quality online courses on things like data protection and libel law. There are certain mandatory courses and refreshers courses that you have to do and there are others you can choose. It’s the kind of professional development that keeps you where you need to be. And the employees love it because there is such an appetite to learn new things when the training is available. We’re all keen to have more of it because it’s of such good quality.”

Also important, in Martine’s view, is the BBC’s internal system of secondments that allows staff to apply to fill vacancies in other parts of the organisation before returning to their previous roles. This facilitates the creative process through the spread of knowledge and the acquisition of new skills: “People are able to do this because they know that their existing job will be kept open for them. It makes the BBC a more joined-up place where people know each other and collaborations are easier. I used this scheme to make the transition from radio to television. It encourages progression through the ranks and an opportunity for people to try new things out. They also do ‘hot shoe’ placements for two weeks. The people that do them come back re-invigorated, with new skills and new partnerships.”³⁷

As a public service broadcaster with a remit to raise skills within the audio-visual sector, the BBC is prepared to accept costs that other employers will usually avoid. One of these is a willingness to train people from scratch instead of always looking to recruit staff with existing qualifications. As an engineer in BBC’s Master Control Room based in London, Charlotte Simon is part of a team responsible for ensuring the flow of inputs and outputs that keep BBC News, the World Service and network radio on air. Her route into the BBC reveals an important aspect of its attitude to recruitment: “I graduated from university as a chemist and I saw an advertisement for a job as an engineer at the BBC which said “non-engineers read on”. It said that if you had a degree, but not in engineering, they would still be interested. So they took in a mix of graduate engineers and graduates with other degrees. It was a trainee scheme with a job at the end of it. We spent a lot of time at the BBC’s training centre having classroom-based training in engineering and physics in addition to time with each of the departments we might eventually be based in. We finished the course

³⁷ Interview with the author, 4 March 2016.

Skills and Training

with a qualification known as BBC Engineering Qualified, which is recognised across the industry.”

Yet despite the heavy investment involved, Charlotte’s traineeship came without strings attached: “A job was guaranteed if we passed the qualification, but the BBC didn’t make our training conditional on working for them. We could have taken the skills and used them to get a job elsewhere. Some of my contemporaries moved on to media engineering jobs outside the BBC within a couple of years of getting their qualifications. When I was still a trainee, there was a bit of an exodus of trained staff to a private Internet broadcaster that was offering higher wages, including people who hadn’t been at the BBC very long.”³⁸

This willingness to share the benefits of its investment in skills with industry competitors is something that defines the BBC’s approach, according to Chris Collier. Now Engineering Manager for BBC Global News Ltd, Chris has many years experience of how the BBC works and the importance of its training programmes to the rest of the industry: “The training opportunities the BBC provides are second to none. I went on training courses at Wood Norton when high definition was introduced. The BBC provides its employees with the schooling they need for their careers within the organisation and for when they move on. This is something from which the industry as a whole has benefitted. BBC training is also open to people from other broadcasters at agreed rates. On one of the courses I did at Wood Norton there were a couple of guys from STV. On another course, there were two people from a satellite channel. They come because the BBC training is known as the best. It sets standards and helps to keep them high.”³⁹

That the BBC invests heavily in training related to its output as a broadcaster is to be expected. More surprising has been its willingness to support training in parts of the creative industries with which it has a less direct relationship. As a young actor hoping to make a break into musical theatre, Nicola Hawkins was the beneficiary of a fund set up by the BBC with the proceeds of telephone voting for programmes including *How Do You Solve a Problem Like Maria*. Hoping to study at performing arts college, but faced with fees of £11,500 a year for three years and the axing of state scholarships, Nicola’s lifeline was the BBC: “I have an older sister and a younger brother, so there were three of us at university at the same time. My dad died when I was sixteen and he was pretty much the sole breadwinner. My mum was left trying to help us all through university on less than £15,000 a year. I had saved a bit of money of my own during my gap year. Then I found out about the BBC’s Performing Arts Fund. I was watching the *Maria* programme and it was announced that the BBC

³⁸ Interview with the author, 29 March 2016.

³⁹ Interview with the author, 15 March 2016.

would be using the proceeds from the telephone voting to fund scholarships for musical theatre students. So I applied and got about half of the funding I needed. I think about four or five other people in my year were funded through the same scheme.”

For Nicola, the help the BBC gave her consisted of much more than a cheque to cover her fees: “They really spent a lot of time with us. It was a really intense process. It was talent based. You had to win an audition. But once you had been awarded a scholarship, they kept in touch with you and were always on the end of a phone. They set up their own workshops and professional development days at the weekends where everyone who had been awarded a scholarship would come together for a whole day of workshops and meetings with industry professionals to prepare you for what was going on in the industry. So it wasn’t just about the money, it was also the support that they gave you. It was amazing. The teachers they got in for those weekend courses were great – top people from the Royal Academy, voice coaches to teach you how to look after your voice.” With a string of theatre credits to her name and a promising career ahead of her, Nicola is in no doubt about who to thank: “I would not have got through my training without the BBC. I just wouldn’t have been able to go to performing arts college.”⁴⁰

The BBC remains highly effective in pursuit of its public purpose responsibility to foster skills and training within its own sector. But a word of caution is needed at a time when the freezing of the licence fee has forced it to reduce its training spend by 20 per cent. As Creative Skillset pointed out in its 2014 submission to the House of Commons Select Committee on Culture, Media and Sport, financial constraints have led to a 35 per cent cut in the budget of the BBC Academy, the cessation or suspension of valued programmes like the Writers’ Academy, the Design Trainee Scheme and the Series Producer Scheme, the cancellation of the BBC’s £450,000 annual support to the National Film and Television School and a 25 per cent cut in the BBC’s support for Creative Skillset itself.⁴¹ Cuts of this magnitude can only be sustained for a limited period before serious and lasting damage results. The UK will not remain a world leader in the creative industries unless it is prepared to continue investing in success. That means doing more to support the BBC in its vital work as the main catalyst for higher skills and training standards within the creative sector.

⁴⁰ Interview with the author, 2 March 2016.

⁴¹ [Written evidence submitted by Creative Skillset to the Select Committee on Culture, Media and Sport](#), 2014.

Education and Learning

Education has been a core aspect of the BBC's work since its first Director-General, Lord Reith, decreed that its mission should be to "inform, educate and entertain". The Royal Charter defines "promoting education and learning" as the second of the BBC's public purposes and its Agreement with the government obliges the BBC to ensure that it "(a) stimulates interest in, and knowledge of, a full range of subjects and issues through content that is accessible and can encourage either formal or informal learning; and (b) provides specialist educational content and accompanying material to facilitate learning at all levels and for all ages."⁴²

The most visible way in which the BBC meets its commitment to educate is through the quality and breadth of its factual programming. As the 2006 report for the Council of Europe noted, the BBC devotes a much higher proportion of its broadcasting schedule to factual programming than other broadcasters. It noted that 39 per cent of BBC television output was of 'high social value' – defined as documentary, news and current affairs programmes – compared to 24 per cent for ITV, 16 per cent for Channel 4 and 14 per cent for Channel 5.⁴³ The quality of that output can be measured in the large number of domestic and international broadcasting awards given to the BBC for its factual content, like the Emmy Award-winning Planet Earth presented by David Attenborough and the Peabody Award-winning Wonders of the Solar System presented by Professor Brian Cox. It can also be measured in terms of public impact. The National Centre for Social research carries out an annual public opinion survey of the BBC's performance in fulfilling its public purposes. The most recent edition found that 74 per cent of respondents said that they had learned new things from the BBC and 66 per cent said that the BBC helped children with their education, rising to 72 per cent among those with responsibility for children under the age of eighteen.⁴⁴

Evidence of the positive impact that high-quality factual broadcasting can have on the learning environment is apparent in what the University of Manchester has hailed as the "Brian Cox effect".⁴⁵ The presenter of the hugely popular documentary series, The Wonders of the Solar System, The Wonders of the Universe and The

⁴² Agreement, op cit, p3.

⁴³ Council of Europe, op cit, p76.

⁴⁴ [Purpose Remit Survey UK Report](#), Autumn 2014, pp37-8.

⁴⁵ ['The Brian Cox effect' rejuvenates physics in Britain](#), School of Physics and Astronomy, University of Manchester.

Wonders of Life, has been credited with boosting the popularity of science and contributing to a 20 per cent increase in the take up of A-level physics and a 52 per cent increase in applications to physics degree courses between 2008 and 2012. Watched by millions of people, these programmes have reached 165,000 in DVD sales and 600,000 in book sales, further stimulating popular interest in science. The shortage of good quality graduates in science, technology, engineering and maths has long been identified as a major skills gap by the government and the CBI. Whereas previous initiatives to increase the take up of science subjects had made limited progress, the BBC seems to have made a significant difference.

In addition to carrying programmes of high educational value on its television and radio networks, the BBC also runs projects and provides online content designed to help school students learn and prepare for exams. BBC Bitesize is a free online study resource with accompanying app designed to help primary and secondary school pupils study and revise for exams. The GCSE section of the Bitesize website cover 37 separate subjects. Around 80 per cent of all secondary school pupils access Bitesize services every year. In a survey carried out after the 2015 GCSE exams, 80 per cent of users said Bitesize had made them feel more prepared and 57 per cent said it had helped them achieve better grades.⁴⁶ The BBC also supports teachers with a wide selection of printable materials and lesson plans, as well the Learning Zone, a catalogue of specially commissioned short films that can be downloaded for use in the classroom. A new initiative, BBC Live Lessons, is being launched this year and will provide live, interactive educational broadcasts direct to schools across the UK.

Max Hyde, who retired this year after thirty-nine years teaching physics and chemistry to secondary school pupils in Warwickshire, says she found the resources provided by the BBC to have been invaluable in her work: “There is much less collaboration between schools than there was when I started teaching in 1977, so it’s much easier to fall into the habit of thinking that there’s only one way to teach a subject. When you find these extra resources, it opens up a whole new world. Some children really need to see something before they understand it, so I found the little animations that the BBC does really useful when talking to my class. One example is waves. It’s much easier to understand waves when you see them moving than just to hear them described with the spoken word. So I used to show parts of BBC programmes during my lessons. I always trusted the BBC because I knew that everything had been thoroughly researched. That’s very important – to know that the science is right and that it’s accessible without being dumbed down. I felt supported by the BBC, and you can’t put a price on that.”

⁴⁶ [BBC launches new exam revision app for UK teenagers](#), BBC website, 1 May 2016.

Education and Learning

In Max's experience, BBC services like Bitesize played an important part in encouraging young people to learn and discover for themselves: "My pupils would come and talk to me about BBC content they had accessed on their own. They actually wanted to discuss what they had seen and know more. Now that's a very high accolade, because young people are busy and they have lots of other interests. The fact they remembered it and wanted to discuss it says an awful lot about how effective it is." As a STEM Ambassador, encouraging interest in science, technology engineering and maths across schools in the country, and as a member of the Girls and Physics Advisory Group, Max has been a passionate advocate of scientific learning in particular. She confirms the impact of the "Brian Cox effect": "The importance of what the BBC has done with Brian Cox is that you have people who talk really well about science and are doing very exciting things – things that are worthwhile and that you can aspire to. They present it in a way that really engages young people, which is why my pupils found the programmes so stimulating. It gave something to think about and a desire to find out more. I noticed an increase in the take up of science subjects and the BBC's willingness to support good science has certainly been factor in that."⁴⁷

The part of the BBC's educational activity that benefits the creative industries most directly arises from its mandate to promote media literacy within the UK. A society that knows how to use and adapt the latest creative technologies is crucial to fostering domestic innovation and maintaining the UK's competitive advantage. A notable example of this was the introduction in 1982 of the BBC Micro computer, a move which is today partly credited with kick-starting the British video gaming industry, a sector that employs 12,000 people and generates annual revenues of around £2.5bn. The BBC Micro was developed as part of the BBC's Computer Literacy Project and used on The Computer Programme to demonstrate programming, graphics and other aspects of home computing. Around 60 per cent of primary schools and 85 per cent of secondary schools in the UK eventually acquired a model with the help of government subsidies. The BBC's intervention meant that the most commonly owned first generation home computer in the UK was indigenously produced. As a consequence, the first video games for home use were also indigenously produced, often by young, self-taught 'bedroom programmers'.⁴⁸ It was from this unique synergy of public purpose and private initiative that the British video gaming industry emerged.

The BBC is today involved in a similarly ambitious push to spread the skills and knowledge required to succeed in the digital era. Its media literacy strategy has evolved from teaching people basic online skills through projects like BBC Webwise to a new emphasis on fostering digital creativity in areas like app design, computer

⁴⁷ Interview with the author, 29 April 2016.

⁴⁸ Sandbrook, op cit, p123.

coding and digital art. The BBC's Make it Digital initiative launched in 2015 aims to further those goals through a series of programmes, events and traineeships. The centrepiece of this initiative is the BBC micro:bit, a pocket-sized programmable computer currently being distributed free to every eleven and twelve year old school student in the UK. The aim is to encourage recipients to move beyond the use of digital devices to perform pre-set functions by teaching them the skills needed to adapt technologies for new uses, such as games and app designing. The project is being supported by a range of online and broadcast content intended to teach users the basics of computer coding. Another BBC resource is Mixital, a website that uses BBC content to encourage young people to create their own digital content, such as films, music videos and animated stories. With demand for digital skills set to grow rapidly and a quarter of firms already reporting shortages in this sector, the BBC's work in this area is a matter of significant economic importance to the UK.⁴⁹

⁴⁹ [Training deficit means UK faces digital skills gap](#), Guardian, 25 September 2015.

Technological Innovation

Much the same can be said of the BBC's role as a source of technical innovation in pursuit of its public purpose obligation to remain a centre of excellence in research and development for the audiovisual sector. The BBC was of course set up to pioneer the use of new technology in broadcasting, initially with the wireless and later with the introduction of television. It continues to perform that function today, both on its own initiative and on behalf of government. As the Institution for Engineering and Technology has said in its submission to the government's consultation on Charter renewal, the BBC is "a national champion for the rapidly-increasing range of digital technologies, for example, video streaming, helping to trial new technologies and helping promote innovation."⁵⁰

The most significant example of this in recent years has been the introduction of the BBC iPlayer, the Internet catch-up service launched in 2007. This has paved the way for a transformation in the UK television market with large numbers of people now using Video-on-Demand services provided by a range of public service, commercial and subscription broadcasters on a wide variety of devices, including PCs, tablets and smartphones. The early introduction of this technology to British consumers is the main reasons why the UK Video-on-Demand market is now more than two and a half times larger than the next biggest in Europe. By the end of 2014, 57 per cent of British adults were accessing these services, accounting for 8 per cent of total television viewing time. The iPlayer remains the most popular service, with 31 per cent of adults using it in the previous year, yet subscription Video-on-Demand services have also experienced rapid expansion. Netflix now has more than four million subscribers and Amazon Prime more than one million.⁵¹

The BBC's activist approach to technological change has enabled it to play the role of market maker for the audio-visual sector as a whole. Moreover, its ability to perform that function was the result of its unique organisational character. First, the willingness of the BBC to shoulder the risks associated with developing untried technologies for a market that didn't yet exist was dependent on a secure funding base provided by the licence fee. It should be remembered that when development of

⁵⁰ [Response to BBC Charter Renewal Public Consultation](#), Institution of Engineering and Technology, October 2015.

⁵¹ [The Communications Market Report](#), Ofcom, August 2015, pp50-3.

the iPlayer started in 2003, no one knew whether there would be any public appetite for Video-on-Demand and many of the supporting technologies now used to view it, such as smartphones, tablets and superfast broadband, weren't generally available. The large, up-front investments required to launch it represented a major creative gamble.

Second, the strength of the BBC's brand and content was critical to the iPlayer's success. Channel 4 launched its own 4oD player earlier than the iPlayer, but as a pay-per-view service with a more limited range of free content. The iPlayer achieved much higher rates of take up because it offered a wide choice of quality programming for free. Third, the BBC was prepared to pioneer this technological innovation despite the fact that it challenged the BBC's traditional business model and created opportunities for its rivals. Predictably, the BBC's critics have seized on the growth of Video-on-Demand to argue that the licence fee is no longer needed – people can simply pay for the television they want. The BBC was willing act against its own short-term interests because the public service remit set out in the Royal Charter calls on it to “deliver to the public the benefit of emerging communications technologies and services”.⁵²

Chris Collier, who started his career at Granada TV and is now Engineering Manager for BBC Global News Ltd, is in no doubt that things would have turned out very differently without the BBC's willingness to take the lead: “The iPlayer is something that only the BBC could have developed in the way that it did. That's down to its funding through the licence fee. It remains one of the most highly rated online video players in the world. The private sector in the UK would have been much more reluctant to sink the huge amounts of money into the development of the iPlayer and its companion applications. They just wouldn't have been willing to take the risk. Without the BBC, technological change would have been led by some of the big American companies who would have then dominated the market.”⁵³

Another example of how the BBC's technological leadership benefits other parts of the creative industries has been the development of Radioplayer, launched in 2011 to bring all of the UK's radio stations together via a single digital platform, initially on PCs and laptops, later on tablets and smartphones. Concerned at the slow growth of online radio use, the BBC designed the concept and initiated discussions with other radio broadcasters about bringing it to fruition. Within a year of its launch, Radioplayer had increased the number of stations featured from 157 to 330 and was attracting seven million users a month, representing a 32 per cent increase in online

⁵² Royal Charter, p3.

⁵³ Interview with the author, 15 March 2016.

Technological Innovation

radio listening. Commercial stations increased their online advertising revenues by £10m in that period.⁵⁴ Radioplayer has now been adopted in a number of foreign countries, including Germany, Canada, Austria and the Republic of Ireland. Again, the BBC was acting in fulfilment of public purposes, in particular the obligation set out in its agreement with the government that it “must pay particular attention to the desirability of supporting actively in national and international forums the development of “open standards” (that is to say, technologies where opportunities to participate in their creation and to use them are made widely available, free of charge or on terms that must be fair, reasonable and non-discriminatory).”⁵⁵

The BBC’s role as a technological innovator isn’t limited to the introduction of new content platforms. It’s also evident in the development of cutting edge production technologies and its strong reputation for graphics in particular. The BBC’s Piero 3D sports graphics system won a Queen’s Award for Enterprise in 2011 and has been sold to more than forty countries. The BBC is also an international market leader in news graphics. Simon Hunt, currently Creative Director for BBC Weather, has been a graphic designer with the news division of the BBC for 26 years. He describes the way the BBC works with its suppliers to develop and introduce new technologies through its major events broadcasts: “The BBC sees the general election as a massive showcase for new technology and its own innovations. When I’ve worked on it in the past there has been a lead up to it of about two years in which new technology is tried out in the coverage of local elections, European elections and the US elections. The BBC works closely with its suppliers in developing these technologies. We then cherry-pick the best of what works on election night and bring it into our regular news and special events coverage. So the rest of the BBC benefits from that investment. A lot of the virtual reality stuff that we developed for our election coverage has been fed back into the BBC. All of that learning process is a two-way thing with the suppliers. It’s not just a showcase for the BBC. It’s also a showcase for the companies who supply the technology. They put their general election work on their showreels, websites and material for trade fairs. They benefit from the exposure and credibility of working with the BBC.”

Apart from undertaking ambitious technological projects on its own initiative, the BBC is also the option of choice when ministers decide that the public interest demands technological intervention from above. BBC management, funding and technical know-how were critical to success of the 2012 switchover from analogue to digital television. In this it was acting explicitly at the behest of government in delivering a major infrastructure programme (the largest broadcast engineering project in history) of considerable value to the audio-visual sector and to the nation as a whole. The BBC was the lead partner in Digital UK, the consortium responsible

⁵⁴ The Economic Value of the BBC 2011/12, op cit, pp22-24.

⁵⁵ Agreement, op cit, p48.

for co-ordinating digital switchover. The government allocated £200m of the 2007–13 licence fee settlement to cover the public information campaign supporting switchover and a further £603m to fund a BBC managed Help Scheme to provide the elderly and people on benefits with equipment upgrades and technical support. In shouldering most of the cost and managerial responsibility, the BBC ensured that digital switchover happened smoothly and on schedule, something that would have been much harder to achieve in a fragmented broadcasting market composed mainly of private suppliers. This is what we gain by having a national champion to turn to.

Regions and Nations

One of the BBC's public purposes highlighted most often by the people interviewed for this report is its obligation to serve the different nations, regions and communities that make up the UK. Dave Arch described the role that local BBC radio played in giving him his first chance to perform live music on the airwaves. Louis Barabbas talked about the opportunities it still gives to young musicians trying to get their first break today. Martine Croxall referred to her own experience of working her way up from local radio news and argued that it continues to perform vital civic and democratic functions: "There is nothing like BBC local radio. Local commercial radio is just music with a few news bulletins. Without the BBC you would lose a lot of the accountability that we expect of public officials and elected politicians at a local level. We hold them to account. Local councils, social services departments, the police, crime commissioners. The BBC network provides a connection between people and the services they rely on at a local level."

If anything, this part of the BBC's work is becoming more important because of the decline of regional and local newspapers and the weakening of ITV's regional identity following the decision to allow its franchise holders in England and Wales to merge into a single company based in London. As the Reuters Institute report noted, the BBC accounted for 69 per cent of investment in television content for the nations and regions in 2012. Its authors concluded that overall investment in such content would fall by at least 50 per cent if the BBC didn't exist: "Without competition from the BBC, the ratings and revenue of regional ITV programmes would increase somewhat but ITV would still find it hard to make a commercial case for significantly increasing this content investment. C4, C5, and the non-PSBs have no regional distribution networks and do not invest in content for the nations and regions apart from S4C. In our view, they would be unlikely to invest in these even if there were no BBC because they would have little if any commercial incentive to do so."⁵⁶

In addition to investing in content relevant to the national, regional and local identities that make up the UK, the BBC has implemented a major shift in production and training activities to locations outside London over the last decade. Its proposals for the last round of Charter renewal, published in 2004, contained a commitment to ensure that more than half of its public service staff would be located

⁵⁶ What if there were no BBC TV?, op cit, p25.

outside London by the end of the Charter period in 2016. It further promised an increase in money spent on content production outside London to at least £1bn in the same period, a target that was later increased to 50 per cent of all production spending. The BBC met and exceeded both targets ahead of schedule in 2014. Its motive for doing so reveals a maximalist interpretation of its public service remit to represent the whole country. Relocating activities outside London would not only help the BBC to “reflect the differing cultures of a more devolved UK”, but would also be aimed at “encouraging the development of production talent and the media industry right across the UK.”⁵⁷ In other words, the BBC has been involved in a major programme of regional development and regeneration intended to promote balanced growth within the creative industries.

The BBC’s new and expanded production centres around the UK are becoming important creative hubs, encouraging new enterprises to co-locate, develop and grow. Cardiff has now become a major centre of BBC production based at its Roath Lock studios. A significant part of the BBC’s drama output is now produced in the city, including flagship programmes like Dr Who, Sherlock and Casualty. The number of people employed in the creative industries in Wales increased by 52 per cent to 48,000 between 2005 and 2014. The BBC’s commitment to Cardiff has attracted independent production companies like Bad Wolf, whose forthcoming production of the Philip Pullman trilogy, *His Dark Materials*, is expected to boost the local economy by £100m over the next ten years. In November 2015, BBC Wales approved plans to move its headquarters to Central Square, Cardiff’s city centre regeneration project. The BBC’s £120m investment in the scheme is projected to add £1.1bn Gross Value Added to the city’s economy in the coming decade.⁵⁸ BBC Scotland made a similar move in 2007 when the opening of its new Pacific Quay headquarters in Glasgow provided a state-of-the-art multi-media production facility with an investment of £188m. Nearly 1,000 hours of the BBC’s network television output was produced in Scotland in 2013, more than double the figure from five years earlier. This represents 10.9 per cent of the BBC’s total spend and a £90m boost to Scotland’s creative industries.

The BBC’s productions centres in the English regions have also benefited from the shift of resources out of London. BBC Bristol has doubled in size since the early 1990s and now produces around 500 hours of network television output with an annual programming budget of more than £70m. Building on its on its established status as the home of the Natural History Unit, with a string of award-winning documentaries like *Frozen Planet*, BBC Bristol has acquired a growing share of factual programme making. The benefits to the city’s creative economy are also clear.

⁵⁷ [Building public value: Renewing the BBC for a digital world](#), BBC, June 2004.

⁵⁸ [£1.1bn economic impact from BBC Wales new headquarters in the centre of Cardiff shows new research](#), walesonline.co.uk, 17 November 2015.

Regions and Nations

The production of BBC dramas like *Poldark* and *Wolf Hall* encouraged Bristol City Council to support the launch in 2010 of The Bottle Yard Studios, the largest production space in the West of England. This has attracted other production to Bristol, including *Galavant*, a major series produced for the US network ABC. The BBC is again increasing its commitment to Birmingham following complaints that radio and television production activity was being transferred to other centres. The city has been designated as the Corporation's centre of excellence for skills, recruitment and talent development. A new Digital Innovation Unit located at the Fazeley Studios joins the BBC Academy based at The Mailbox and the Drama Village production facility established in 2005 at the University of Birmingham. Investment in the Midlands is set to increase to £125m in 2016, compared to around £80m two years ago.

The BBC's most ambitious effort to shift resources and activity outside London is MediaCityUK, established in Salford in 2011 with an initial investment of £188m. It serves as both the headquarters for BBC North and a hub for the creative industries in the region. The BBC now has 3000 staff based there, the majority of them in skilled jobs, making around 35,000 hours of broadcast content annually. Some of the BBC's biggest departments have been relocated to Salford, including BBC Sport, BBC Children's and Radio 5 Live. The clustering benefits that have followed the establishment of MediaCityUK have had a significant and measurable impact on the local economy. Employment in the creative industries in Salford increased by 75 per cent between 2011 and 2014. Of the 7,000 people now working at MediaCityUK, around 4000 are employed by organisations and businesses other than the BBC. The University of Salford and ITV Granada are among the major employers that have chosen to locate there, along with more than 150 small and medium-sized enterprises, including independent production companies like Shine North and Red Productions.

A study by KPMG calculated the BBC now contributes £277m of Gross Value Added to the North West each year following its move to Salford. Aside from the immediate financial lift, the real value of the BBC's investment in Salford lies in its long-term impact in raising the economic potential of the region. As the KPMG report notes: "There is academic support for the idea that when a large, important, operator locates in a particular area, this tends to attract similar organisations looking to benefit from the same type of skills and experience. These 'agglomeration' and 'network' effects are observed in many sectors: from scientific research in Cambridge, to Formula 1 teams in the M4 corridor, to financiers in the City of London. There are signs that the BBC's relocation to Salford has triggered the beginnings of a similar network in the North West."⁵⁹

⁵⁹ [The role of the BBC in supporting economic growth: A report of the BBC Trust](#), October 2015, pp2-3

The effect of this change is apparent to those working locally in the creative industries. Russell Ware has been a camera operator in Manchester since 1984 and worked for the BBC for seventeen years before turning freelance in 2001. He is well placed to describe the impact of the BBC's move to Salford: "It's been a massive success in terms of the things I see going on around me; companies generating work, making programmes and creating a positive feel around the whole industry. MediaCity is a very lively and energetic place. And from a personal point of view it's been great because there's more work and new opportunities. It's part of a bigger picture. Greater Manchester is a very dynamic place and there was a lot already going on in the form of redevelopment and new projects. But there is no doubt that the credibility that comes with the presence of a nationally important institution like the BBC has given it an extra boost and created a bit of a buzz around the area. There are studio tours and people come sightseeing, just to look, because it's a very impressive campus and people are curious."

For Russell, the importance of the BBC's move to Salford isn't just about the economic benefits. It's also about the fulfilment of its broader public purpose: "The creation of MediaCity was an important decision to take. The BBC needs to be close to its audience, to represent different parts of the country and give people a chance to contribute and be involved. Back in the 1980s, when I started, the BBC in Manchester produced a full range of output. It had a drama department, a sports department, a children's department and everything else. We were like a mini BBC, able to produce programmes in every genre with a northern slant. But over time it got more centralised in London and the connection to other parts of the UK became weaker. Now people are moving back and it's a very positive thing. The BBC is, first and foremost, a public service and it needs that connection."⁶⁰

⁶⁰ Interview with the author, 28 April 2016.

Conclusion

The BBC is famous across the globe for its world-class radio and television output, yet to think of it as a broadcaster in the narrow sense does little justice to the reality of its contribution to the economic and cultural life of the nation. As this report has shown, the BBC at different times and in different ways performs the functions normally associated with an export promotion department, a skills agency, an arts council, a technology centre, a sovereign wealth fund, a music promoter, a cultural ambassador, an educational institution and a regional development agency. It carries out these responsibilities in the public interest and to the advantage of countless organisations and businesses in the UK who benefit from higher investment, bigger markets and a more skilled workforce as a result of its work.

The creative industries form one of the fastest growing and most successful parts of the UK economy. They are also one of the few sectors where the UK can genuinely be said to be leading the world. There are many reasons for this success story, but the existence of the BBC as a sponsor of creative excellence across a wide range of fields certainly deserves to be ranked as the single most important among them. Its commitment to investing in original British output, forming partnerships with independent producers, taking creative risks on new ideas, financing the development of leading-edge technologies, sharing knowledge and skills with its competitors and spreading the benefits of the UK's creative success across different parts of the country are unique contributions that only an organisation like the BBC could provide. It shows how economic success can be built on a strong marriage between public purpose and private enterprise.

Of course, the BBC's critics usually deny that they want to dismantle it and claim that they only propose to limit the scope of its operations in the name of stronger competition. Nevertheless, the consequences of an incremental reduction in the BBC's activities could be devastating for the creative industries and their global competitiveness. A 20 per cent real cut in its budget through a freezing of the licence fee has already resulted in significant reductions in training, investment and employment. Further cuts would be impossible to absorb without sacrificing critical aspects of the BBC's work in support of the creative industries described above. It is the BBC's scale that enables it to channel so much investment into the production of original British content and undertake ambitious projects like MediaCityUK. It is the stable funding offered by the licence fee that enables it to take the creative and technological risks that purely commercial operators are unwilling to accept. If we undermine these, we risk weakening the foundations of our own success.

We must continue to back the BBC with the resources and mandate needed for it to remain a national champion for the creative industries. But that isn't the only conclusion we should draw. The prosperity of a large country like the UK can't be secured through the success of a single industrial sector. The wider challenge of economic rebalancing remains to be addressed. British manufacturing once enjoyed the global pre-eminence that our creative industries now enjoy. It didn't lose that position because the UK lacked the ingenuity needed to compete. It declined because our capacity to innovate wasn't matched by the long-term vision and investment in skills and new technology required to remain ahead of the competition – the very things, in fact, that the BBC provides for the creative industries today. So perhaps the most important conclusion we should draw is that other sectors of the British economy would benefit from having a BBC of their own in the form of an institutional structure that looks beyond the short-term and supports the UK's natural creativity with the investment it needs. Rather than seeing the creative sector as the exception that proves the rule of British industrial decline, we should instead see it as a working model for our future industrial renaissance. The BBC is at the heart of that message.



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