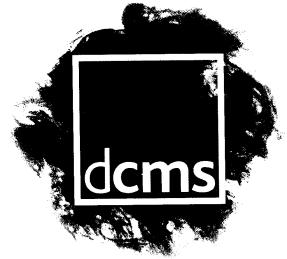


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23 September 2003



Dear Sir and Madam,

**SPEECH BY THE SECRETARY OF STATE FOR CULTURE, MEDIA AND SPORT TO
THE ROYAL TELEVISION SOCIETY IN CAMBRIDGE**

In a letter to the First Minister of Wales dated 19th September, the Secretary of State for Culture, Media and Sport promised to deposit a copy of her speech to the Royal Television Society in the library of the Welsh Assembly.

I enclose a copy of the speech for the information of Members.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Richard Smith'. The signature is fluid and cursive, with a prominent 'R' and 'S'.

RICHARD SMITH



CHECK AGAINST DELIVERY

STRICTLY EMBARGOED UNTIL 19.00 HRS THURSDAY SEPT 18 2003

SPEECH BY TESSA JOWELL, SECRETARY OF STATE FOR CULTURE, MEDIA AND SPORT TO THE RTS BIENNIAL CONVENTION, 18TH SEPTEMBER 2003

AFTER THE COMMUNICATIONS ACT

It is a pleasure to be here with the RTS again in Cambridge.

Today I want to look at the Broadcasting environment now the Comms Act is in place and as we begin to focus on the next challenges for public policy:

- Getting the conditions right for the market to flourish and deliver quality and range to the public;
- Moving forward on Digital Switchover;
- Getting Ofcom up and running, particularly its early work on the PSBTV review; and
- Setting in train an effective process to review the BBC so that a new Charter can be comfortably in place before the current Charter expires in December 2006.

Living with the Communications Act

I want to stress that the Act is a point in a continuing process. It is neither an end nor a beginning. The work that starts now takes the Act as its foundation. We do not start afresh.

So, although you can all look forward to a great deal of consultation over the next few years, no-one starts with a blank sheet of paper.

It took two years 8 months from White Paper to Royal Assent, but the extended timetable allowed a consensus to develop around most of the key issues.

It is an Act that is a response to a changing environment, but it will itself change that environment.

There may well be changes in ownership. Obviously I can't say anything about the ITV merger as that is very much a matter for the competition process, with the announcement still a couple of weeks away.

In any event, the questions of further ownership changes for ITV or Five are now much more matters for markets, competition authorities and the regulator and much less for politicians.

However, I was intrigued to hear that Greg Dyke at Edinburgh said that he wanted to see ITV emerge as an 800lb gorilla.

At first I thought he meant he wanted a big beast that you couldn't ignore, then I realised that he's been watching his David Attenborough, and what he actually wants is a gentle, shy creature on the edge of extinction.

For our part, I can say that we want all the commercial PSBs to continue to play a big part in the broadcast environment.

They are a vital part of the architecture established by the legislation. That's because we want them to continue to be creative, popular, substantial and commercially successful, and able to adapt to the rapid pace of change.

Another vital part of the architecture is the independent sector.

The media industry should be about diversity not monopoly, large scale and vertical integration.

A strong, vibrant independent sector is essential for a successful future for the multi-channel world.

It is good for creativity, good for the viewer, and ultimately it is good for the big companies, however much they may complain about the short-term burdens of quotas and codes of practice.

The PSBs are the biggest clients of the independent sector, precisely because of the quota system. But that commissioning power should not be wielded in a heavy-handed way. Independent suppliers need to have the confidence that they can build their businesses, retain value in their product, and not be unfairly squeezed by organisations much larger than they are.

Adapting to change

You all know just how fast the pace of change is.

That pace, the rapid move by millions of people to enthusiastically embrace the digital offer, is why Government continues to be committed to Digital switchover.

Already 48% of the households are watching digital television. By the turn of the year that could be 50%.

Sky now has 6.6 million subscribers. 800 000 receivers for Freeview were sold last quarter, and the total for 2003 should be between 2 and 2.5 million.

And for broadband, for so long the technological equivalent of waiting for Godot, the Godot phase is over. It is actually arriving.

Already there are something like 2.3 million customers and more are signing up at the rate of about 25,000 a week.

That's more than two connections every minute.

Over three-quarters of the British population now live within reach of a broadband connection, a huge improvement on the situation just a year ago. We are overtaking France and are catching up with Germany.

It is this enthusiastic take-up of digital by consumers that makes Government believe that Switchover is the right decision.

Patricia Hewitt and I are publishing today a report summarising a cost benefit analysis of switchover carried out for our Departments.

It suggests that there are quantifiable benefits in the region of £1½–2 billion in Net Present Value terms.

It underscores that switching off is less wasteful than maintaining dual transmission systems.

But my main point is that switchover is most justified because of what it would bring to people as consumers and as citizens.

More choice.

Better quality.

A wider range of services.

Access to all the services available, and not just the handful provided by analogue.

But there is much further to go. We are also publishing today a report on the usability of digital. It shows that it is significantly more difficult to understand and use than analogue. This is an important message to the industry:

Keep it simple, if you want everyone to love your products.

We will shortly publish another report, this time on what people's attitude would be to being required by Government to switch to digital. Utterly predictably, over 70% say they would resent it.

This shows the distance that we have to travel.

We need to convince people that switchover is good for them.

What are the arguments?

First, that dual transmission is unfair. Switching off the analogue signals is the only way we can bring digital terrestrial television to everybody.

The continuing use of analogue deprives about 20-25% of the population of digital terrestrial coverage, and we simply cannot improve this coverage before we turn analogue off.

Second, there is the waste of duplication.

Broadcasters are spending large amounts of money in transmitting their programmes both in analogue and in digital. And in the coming years, they will also need major capital investment to update the old analogue transmission networks.

Would not it be much better for the viewers if all this money were invested in programmes ?

Third, there is the opportunity offered by using spectrum more efficiently. Releasing spectrum means more and different services for consumers. More services also mean more jobs and more business opportunities.

The advantages of digital are such that the question is not whether, but how and when we will achieve switchover.

Much work has already been done by the Digital Stakeholders Group chaired by Barry Cox. We now need the public service broadcasters and multiplex operators to produce their plan for achieving universal coverage.

Ofcom and the BBC are both charged with publishing reports by March next year on developments in the digital market.

Altogether this will give us a great deal of information, and Government can then consult with industry, with our digital consumer expert group and with the public on the prospects for switching over. I hope that we will then be able to set a clear date – but we must carry the public with us, protecting their interests every step of the way.

We depend much on the market, but we cannot leave it to the market alone to get everyone into the digital world.

It is a transition that has to be co-ordinated by Government.

We now know that switchover will not happen overnight, but will be a phased process, perhaps over four years: transmitters will have to be converted, and switchover will happen region by region.

That will allow us to concentrate expertise and other resources, manage the spectrum carefully and cope with problems on a smaller scale than if we sought a single national switchover date.

So, we are still on track to complete the process by 2010, if that is what we decide. Tough but doable, if together we can resolve the many issues which remain.

People do understand that some things are so advantageous for the wider community that they accept the need to accommodate them.

That's where we need to get to with the move to digital.

We can't gently nudge an unaware public to the edge of the decision and then give them a push. People have to be persuaded that digital is right for them, or at least, right for so many other people in their community that they accept the need to switch.

In our society the majority cannot tyrannise minorities. If a substantial minority do not see the point of digital and cannot see the advantages to themselves, their families, their communities, and to the economy then the digital project will stall.

We remain committed to switching over. We remain committed to protecting the consumer and citizen interests.

And as we learn more about the market, about the technology, and about people's attitudes we will one by one take the decisions that get us there.

So firmness of intent, but also firm in the defence of the public interest.

Ofcom

That brings me to Ofcom.

I would like to see its Consumer Panel involved in identifying the public interest in switchover and coming forward with recommendations.

It will be for the Consumer Panel to decide on its work, but I would be surprised if they did not take an interest in switchover.

Of course we will make our own assessments of the consumer environment and will take advice from our own consumer expert group, but the Consumer Panel's independent position would give the public the assurance they need that their interests will be protected.

Ofcom is going to have a busy year, and I know that you will be hearing from Stephen Carter tomorrow about how Ofcom intends to set about its tasks.

One of those tasks is to carry out a review of Public Service Television Broadcasting.

This is an extremely important priority. It will of course contribute significantly to the BBC Charter review process, of which more anon.

But PSB is much more than the BBC.

The Public Service Broadcasters have always been standard setters.

They can invest in production quality, in writing and performance beyond what the market might fund.

They have requirements to be balanced, accurate and fair in news, and to provide news in peak time.

They sustain domestic and regional production and are the main market for independent producers.

We would be poorer as a nation without the diversity and choice that PSB offers.

And that is why the Comms Act states that OFCOM's review should be conducted with a view to maintaining and strengthening PSB.

Because we believe in the value of PSB and we wish to see it shaped and adapted for the future, not pushed aside to the margins.

The Comms Act places a strong and diverse PSB ecology at the heart of UK broadcasting. But PSB has to move with changing times. Supporting PSB does not mean supporting the status quo.

This is why the Ofcom review is so important. It will have to address some important questions:

- What are the current expectations around the purposes and definitions of PSB?
- How well are these expectations being met now?
- Are these expectations the right ones for the future, and if not then how should they change?
- And what action might be needed to maintain and strengthen the overall provision of PSB for the future?

Charter Review

And so to Charter Review.

As I said in Edinburgh, there has been much fevered speculation about the role of the BBC and the relationship between the BBC and Government.

It would be easy to say nothing about Charter Review, after all the new Charter is not needed for another three years.

But that would be wrong. The work needs to get underway. There needs to be extensive public consultation. And we need time for both Houses of Parliament to consider the new Charter.

There is no subtext of threat, no code to be decoded, just a determination to get an important process underway. A process that will be open, fair and transparent.

Ofcom's work will help the Charter process, and we will work with Ofcom to make sure that the two reviews complement each other.

I would now like to set out for you how I see the review of the BBC's Charter proceeding.

Those of you who were at Edinburgh will recall that I said that the process will be open, wide-ranging, with full industry and public consultation and with an appropriate Parliamentary stage.

And you will recall that I said that one certain outcome will be a strong BBC, independent of Government.

I want this Charter Review to be characterised by vigorous and open debate about the kind of BBC the public want for the future. The BBC is paid for by the British people and it belongs to them.

That is why I am determined that in the long process of review leading to a new Charter, the public will be fully involved.

We need to ask ourselves what we want and expect the BBC to deliver; what range and scale of services it should provide; how it should be positioned in relation to the market; how it should be funded and regulated; and whether it delivers good value for money.

These questions should surprise no-one in this room or beyond. They have been with us for many years, and in every decade have been asked and answered.

The Conservative peer Lord Ullswater reported on the role and scope of the BBC in 1935.

I note that he recommended that responsibility for the cultural side of broadcasting should be transferred to a Cabinet Minister free from heavy Departmental duties with the right of veto over programme material.

I'm not expecting a similar recommendation to emerge this time.

Indeed Clem Attlee, the Labour representative on the committee, went as far as indicating dissent; he wanted greater freedom for the BBC, arguing that even in war-time the B.B.C. must be allowed to broadcast opinions other than those of the Government. That was right then, and it is right now.

Beveridge looked at competition in 1949.

Pilkington revisited those issues in 1960.

In the 70s Lord Annan put the issue of governance under the microscope.

Peacock did the same for funding in the 80s, as did Gavyn Davies at the end of the 90s.

But of course the context changes all the time. Today, multi-channel choice means that the BBC's share of the television audience has fallen to barely a quarter.

So now, 7 years into the existing charter the time is right to look afresh at the shape and purposes of the BBC.

As Gavyn Davies said in his report "the role and financing of the BBC should be subject to a root and branch re-assessment at the time of Charter Review in 2004-6".

Before year-end my Department will publish a draft set of questions about the BBC and its future. They will be the questions that you would expect.

They will be today's version of the questions asked by Ullswater through to Davies. They might even include one or two asked by Elstein.

There will be public and industry consultation on whether these are the right questions – everyone here, and especially everyone not here – will have the chance to contribute to setting the agenda.

Ofcom's review needs to begin more or less immediately so that they can make an interim report available in the spring of next year to help the work on the Charter. Their final report will be available in the autumn of next year.

There are of course many Charter issues which are not matters for Ofcom. These include questions of governance, funding, value for money and of course aspects of the BBC's activities beyond television, not least radio.

So the Charter Review process will need to bring together the work by Ofcom, the Philip Graf review of the BBC's on-line services, and the reviews of the BBC's digital TV and radio services due next year, along with all the other work needed.

I intend to bring this sequence of reviews, consultation and analysis to the point where we can publish a Green Paper around the turn of the year next year.

It will set our policy on the big issues and will be the subject of a further round of consultation.

We will follow this up with a White Paper containing our considered recommendations to set before Parliament and the public.

We will of course bring the whole exercise to a conclusion well before the expiry of the current Charter so that the BBC and the industry have time to adjust to any change.

I am determined that this process should be open and fair. In particular, I am clear that it should be helped and guided by a strong, independent element, a source of advice, analysis and validation throughout the review process.

And I am delighted that Lord Burns, Terry Burns that is, currently Chairman of Abbey National, has agreed to act as this independent adviser.

His first task will be to advise on the set of questions that I referred to earlier and on the conduct of the consultation.

Later on in the process, Terry might chair a small independent panel – not to provide specific recommendations, but to help draw together the evidence and arguments on some of the key issues and to set out reasoned options. Any such advice will, of course, be published.

Conclusion

The future of PSB, Switchover and the BBC Charter.

Quite enough there to keep us all busy. And because of the absolute necessity of carrying the public with us there is going to be no shortage of consultation.

I'm not sure how long a consultation period we'd have to have to get everyone in this room to agree on the shape, size and role of the BBC or on the best date for switchover.

But of one thing I am sure, in the months ahead we will meet again. And again. The Westminster Media Forum and a legion of lobbyists will be delighted.

We can be proud – indeed you all can be proud – of the broadcasting we have in this country.

It is because it is so important that we have to get these big decisions right.

Right for the industry. And crucially, right for the people of Britain.