

# The BBC and “public value”

Richard Collins\*

*The paper identifies the roots of ‘public value’ management in the work of the American scholar Mark Moore, describes its mediation to the UK and its adoption by the BBC as a regulatory as well as a management doctrine. The author proposes that the BBC’s adoption of public value doctrine responds to critiques of the BBC’s divergence from public service principles in its broadcasting practice and to the challenges of the contemporaneous review of the BBC’s Charter. The paper describes the Work Foundation’s public value model of authorisation, creation and measurement of public value and its application to the BBC. It evaluates the concepts of co-production and contestation (derived from Mark Moore) and reach, impact, quality and value for money (the four public value ‘drivers’ adopted by the BBC) and considers Hirschman’s ‘exit, voice and loyalty’ model of institutional responsiveness to users and the applicability of the concepts ‘consumer’ and ‘citizen’ to the BBC’s public value doctrine and practice. The paper concludes that the Moorean core concepts ‘co-production’ and ‘contestation’ are of limited applicability to the BBC and that the BBC’s distinctive status and scale may limit the relevance of its pathbreaking implementation of public value management to other parts of the UK’s public cultural sector.*

**Keywords:** BBC, public value, co-production, contestation, UK public cultural sector, Work Foundation, Hirschman, four drivers – reach, impact, quality, value for money.

‘It [the BBC] must apply the test of public value to everything it does – its services, its commercial activities, its scope and scale.’ (Michael Grade – Chairman BBC Governors)<sup>1</sup>

The BBC ... is still wrestling with many of the same issues as the rest of the public sector. How to modernise. How to reform. How to use the market. How to drive efficiencies and improve quality of service at the same time. How to put the priorities of its users first.” (Mark Thompson – BBC Director General)<sup>2</sup>

The BBC’s place in the history and mythology of public service broadcasting is assured. However, though enjoying a privileged and, particularly in recent years, well funded place in the UK’s broadcasting system its status has increasingly been put into question since its first exposure to UK based competition from ITV in 1955. Following competition in television, competition in radio began in 1972 and in the 1980s and 1990s a massive increase in viewing alternatives thanks to cable and, even more important, satellite television put the BBC’s claim on the licence fee in question. In terms of ideology and

---

\* The author is Professor of Media Studies at the Open University and was specialist advisor to the House of Lords Select Committee on BBC Charter Review. However, this paper and the House of Lords Committee Report should be read as expressing only the views of their respective authors.

1 BBC (2004): Building public value. Renewing the BBC for a digital world. London: BBC, 5.

2 Thompson, Mark (2006): *Delivering Public Value: The BBC and public sector reform*. Smith Institute Media Lecture. 11 October 2006. At: [http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson\\_smith.shtml#top](http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson_smith.shtml#top) [11.5.2007].

doctrine the Peacock Report of 1986<sup>3</sup> put forward a powerful case for a diminution of the BBC’s role and in turn, what one of its principal intellectual animators called, a “standard defence”<sup>4</sup> of the BBC and public service broadcasting was advanced to counter Peacock’s propositions. Allied with this material and intellectual context a growing level of concern about the adverse effects of BBC expansion on pluralism, diversity and the growth of new commercial service providers has recently put the BBC’s future under question in an unprecedented way. In its own defence and to secure its future, the BBC adopted and elaborated a notion of *public value* both to legitimise its own institutional status and as a guide to its future conduct and practice.

### BBC Charter renewal

Following an unprecedentedly intense period of public enquiry and debate, during what one senior BBC manager described as the most difficult charter renewal to date<sup>5</sup>, the terms of the BBC’s “constitution”<sup>6</sup> for the next 10 years have been agreed. The most important changes to the status quo, in the new “constitution” for the BBC, include replacement of the BBC Governors by a BBC Trust (though continuity is assured by confirmation of a number of established Governors as Members of the Trust), a clearer separation of the Trust’s regulatory and governance responsibilities from the management responsibilities of the BBC Executive (which, rather confusingly includes non-executive members and also provides, at least theoretically, for the Executive to be chaired by a non-executive!), introduction of a “Public Value Test” (PVT) prior to the launch of new BBC services and strengthening of the BBC’s fair trading obligations. The Trust will be supported by a secretariat (the “Trust Unit”)<sup>7</sup> so that it may effectively scrutinise the BBC and hold management to account. The BBC’s new “constitution” thus firmly separates management of the BBC (the Executive’s responsibility) from regulation and governance of the BBC (the responsibility of the Trust together with the Office of Communications – Ofcom) and enshrines “public value” as a key regulatory criterion.

The Trust will use the PVT to exercise an important new power – the power to approve (or not) any BBC management proposals to establish new services (or significantly change established services)<sup>8</sup>. The first PVT has been applied to the BBC’s proposal to establish a BBC iPlayer service – that is to provide BBC audio and video content on-demand to UK audiences over the Internet. Established (and unchanged) BBC services, and in particular those which involve the selection or commissioning of

3 Peacock, Alan [Chair] (1986): *Report of the Committee on Financing the BBC*. Cmnd 9824. London: HMSO.

4 See inter alia Graham, A. (1999): *Broadcasting Policy in the Multimedia Age*, 17–46. In: Graham, A. et al.: *Public Purposes in Broadcasting*. Luton: University of Luton Press.

5 David Levy, the BBC’s controller of public policy, at the Oxford Media Convention 2006.

6 The new Royal Charter and the Agreement between the BBC and the Government which took effect from 1.1.2007 are at <http://www.bbc.co.uk/info/policies/charter/>. Royal Charter at [http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/charter\\_agreement/royalchartersealed\\_sept06.pdf](http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/charter_agreement/royalchartersealed_sept06.pdf) [11.5.2007] and Agreement at [http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory\\_framework/charter\\_agreement/bbcagreement\\_july06.pdf](http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/charter_agreement/bbcagreement_july06.pdf) [11.5.2007].

7 The Trust Unit already existed in “shadow” form as the “Governance Unit”, that is as the Governors’ secretariat.

8 Formerly, approval powers were vested in the Government department responsible for the BBC, the Department for Culture, Media and Sport (DCMS).

content and its scheduling or distribution, will be licenced (a “service licence”) by the Trust and through the licencing process all BBC services contribution to public value will, over time, be assessed.

### The Public Value Test

The BBC Public Value Test (PVT) will be based on a Public Value Assessment (PVA) designed to identify the public value likely to be created by the new (or significantly changed) service under consideration. The PVA will take into account the BBC’s six public purposes which are:

- sustaining citizenship and civil society,
- providing education and learning,
- stimulating creativity and cultural excellence,
- representing the UK, its nations, regions and communities,
- bringing the UK to the world and the world to the UK,
- building digital Britain.

The PVT will include a market impact assessment (MIA), which for new services will be undertaken by Ofcom (the BBC trust will undertake the MIA for significant changes to established BBC services<sup>9</sup> using a methodology agreed with Ofcom). Initially, therefore, the majority of the BBC’s activities will not be subject to a formal PVT but will be “licenced” by the Trust and the “service licences” will be, as Chris Woolard, a member of the BBC Governance Unit, described them, ‘mini PVTs’ (although the BBC will undertake the MIA).<sup>10</sup>

The separation of the Trust from the Executive, the explicit definition of objectives and the regular assessment of BBC performance (together with other important changes such as the requirement for the Trust to “regularly discuss” BBC efficiency with the National Audit Office and the strengthening of both the BBC’s fair trading obligations and Ofcom’s powers in respect of BBC trading practices<sup>11</sup>) mean that the governance regime under which the BBC henceforth will operate is both more independent and more stringent than that which preceded it.

At the time of writing, the Trust had been in existence for only a few months (and, following Michael Grade’s resignation to lead ITV, the new Chairman, Sir Michael Lyons, had yet to take up office) and the first PVT had barely been completed. But there seem few reasons to doubt Caroline Thomson’s, the BBC Director of Strategy, assessment that the Public Value Test will involve ‘a large element of judgement on behalf of the BBC Trust, not the application of an algorithm’<sup>12</sup>. The BBC’s pioneering use of Public Value Tests, and its embrace of a wider doctrine of public value management (PVM), has attracted the attention of a number of public service broadcasters in Europe and across the world. But what is meant by the term “public value”?

---

9 In the case of the application of the PVT to existing services, the criteria to be used to determine whether changes are ‘significant’ changes (and therefore subject to the PVT) are: impact, scale, novelty and duration.

10 Interview, 4 May 2006.

11 It is not always realised that the BBC has very significant commercial operations and the relationship between these and its public service operations may raise significant competition and fair trading concerns.

12 Thomson, C. (2006): Speech at Oxford Media Convention, 19.1.2006. Text supplied to Collins by Thomson. For delivery see webcast at [http://webcast.oii.ox.ac.uk/?view=Webcast&ID=20060119\\_118](http://webcast.oii.ox.ac.uk/?view=Webcast&ID=20060119_118) [11.5.2007].

## Building Public Value

The BBC has used the term “Public Value” widely during the last two years, most notably in “*Building Public Value*”<sup>13</sup>, the document which a senior BBC manager privately described as the BBC’s “manifesto” for Charter Renewal. In it and other statements<sup>14</sup>, the BBC has put forward what is probably the most fully developed set of reflections on public value and the implementation of a public value based regime of any UK public body. The BBC’s proposals have been widely seen as thoughtful, self-critical and innovative. David Elstein<sup>15</sup>, for example, in a lecture for the Institute of Economic Affairs, argued that “*Building Public Value*” is one of the most radical documents the BBC has ever issued ... It contains much self-criticism and many promises of reform ... A steady flow of statements and activity has confirmed that the BBC is contemplating dramatic change’. Although Elstein qualified his praise by stating that the BBC ‘stops some way short of real transformation’<sup>16</sup> and concluded that the BBC’s proposals were unacceptable substitutes for ‘real choice, real accountability, real transparency and real value-for-money tests’<sup>17</sup> his testimony to the boldness and scale of the BBC’s proposals is eloquent enough.

The BBC’s embrace of Public Value doctrines echoes an important theme in public management theory, crystallised in the US scholar and Harvard management theorist’s, Mark Moore, 1995 canonical book “*Creating Public Value*”<sup>18</sup> where Moore formulated and successfully mobilised the idea of “public value” as a public sector management doctrine. The BBC also echoes a more general application of public value informed public management in the publicly funded UK cultural sector.<sup>19</sup> The Public Value Test is perhaps the most obvious instance of the BBC’s embrace of public value doctrine. And public value objectives such as the output and user orientation exemplified in the BBC’s adoption of four management “drivers”: reach, impact, quality and value for money (often abbreviated to RQIV and pronounced “arkiva”) testify to the BBC’s commitment increasingly to reference its activities against user oriented needs and interests. David Levy, the BBC’s Controller of Public Policy (interview 18 May 2006), has described the impact of the adoption of the RQIV drivers as ‘quite dramatic’ and referred to the

13 BBC (2004): *Building public value. Renewing the BBC for a digital world*. London: BBC.

14 For example BBC (2004): *The BBC’s contribution to informed citizenship*. At [http://www.bbc.charterreview.org.uk/pdf\\_documents/BBC\\_submission\\_informed.pdf](http://www.bbc.charterreview.org.uk/pdf_documents/BBC_submission_informed.pdf) [11.5.2007].

15 Though beginning his broadcasting career at the BBC, and mischievously described by the BBC as “Popularly supposed to be the cleverest man in broadcasting” see [http://news.bbc.co.uk/2/hi/uk\\_news/344427.stm](http://news.bbc.co.uk/2/hi/uk_news/344427.stm) [11.5.2007], latterly Elstein has fulfilled a number of senior positions in the commercial sector as Director of Programmes for Thames Television and for BSkyB, Chief Executive of Channel 5. At the invitation of the Conservative Party he chaired the group which authored the report “*Beyond the Charter*” (Elstein 2004) and now chairs the Commercial Radio Companies Association.

16 Elstein, D. [chair] (2004): *Beyond the Charter: 2*. London. Premium Publishing.

17 Ibid: 15.

18 Moore, M. (1995): *Creating Public Value. Strategic Management in Government*. Cambridge MA.: Harvard University Press.

19 See, inter alia Kelly, G., G. Mulgan and S. Muers (2002): *Creating Public Value. An Analytical Framework for Public Service Reform*. London: Strategy Unit, Cabinet Office. At [http://www.cabinetoffice.gov.uk/strategy/downloads/files/public\\_value2.pdf](http://www.cabinetoffice.gov.uk/strategy/downloads/files/public_value2.pdf) [11.5.2007] and Hewison, R. and J. Holden (2004) *Challenge and Change: HLF and Cultural Value. A report to the Heritage Lottery Fund*. London: Demos. At <http://www.hlf.org.uk/NR/rdonlyres/4A9BB4D0-CA7D-4372-92FE-38C85ED1EB20/667/DEMOS1.pdf> [11.5.2007].

changes in senior BBC management practice following adoption of the four drivers around which the quarterly management reporting packs submitted to the BBC executive board and to the governors are structured.

The BBC's first Public Value Test<sup>20</sup>, on the BBC Executive's proposals for an "iPlayer", gave conditional approval for:

- seven-day TV catch-up over the internet,
- seven-day TV catch-up over cable,
- simulcast TV over the internet (streaming of live television networks),
- non-digital rights management (DRM) audio downloads over the internet (podcasting of selected radio programmes).

After a public consultation on its provisional conclusions, the Trust confirmed its approval<sup>21</sup> of the BBC Executive's proposals (subject to qualifications which were principally designed to protect rights holders in adjacent markets). That the first PVT resulted in approval may suggest that the Trust will simply "rubber stamp" the Executive's proposals, but there is evidence to suggest this may not be the case. For concurrently the BBC Trust suspended the established BBC Jam service (a BBC online educational service for 5 to 16 year olds) because of competition and market impact concerns. The BBC Executive has been required to submit new proposals for BBC Jam which will be subject to a full public value test by the BBC Trust.<sup>22</sup>

The BBC's public value initiative came at a time of multiple challenges to the BBC – challenges shared by public service broadcasters generally. These include the impact of the BBC's declining share of television consumption on the BBC's legitimacy and on the willingness of licence fee payers to pay rising licence fees<sup>23</sup>, concerns about programme quality and character, and concerns about the possibly adverse impact of a well funded public sector incumbent on competitiveness, diversity and innovation in the broadcasting market as a whole. However, as well as these challenges shared by other public service broadcasters across the world, there were also some UK specific factors which cast a shadow over Charter review: not least the Hutton Report<sup>24</sup> of 2004.

---

20 The test was in fact initiated by the BBC Board of Governors – the body which preceded the Trust.

21 See extensive documentation at [http://www.bbc.co.uk/bbctrust/consult/closed\\_consultations/ondemand.html](http://www.bbc.co.uk/bbctrust/consult/closed_consultations/ondemand.html) [19.5.2007].

22 See BBC Trust Press Release of 14.3.2007 at [http://www.bbc.co.uk/bbctrust/news/press\\_releases/14\\_03\\_2007.html](http://www.bbc.co.uk/bbctrust/news/press_releases/14_03_2007.html) [11.5.2007].

23 From 1998 to 2006 the licence fee has risen annually by RPI + 1.5%. The BBC has bid for a licence fee from 2007–2014 rising at RPI + 2.3% annually (with an additional, unspecified, sum of perhaps 0.5% annually to defray the costs of support for the vulnerable during digital switchover). The Government set increases to the licence fee at, a below inflation, 3% in 2007 and 2008 and a further 2% each year between 2009-2011 and a lower, as yet unspecified, sum in 2012.

24 In 2003, a senior judge, Lord Hutton, was appointed to inquire into the death of a British civil servant, Dr David Kelly. His report, (which constitutes the chief public official judgement on the UK's 2002 invasion of Iraq and also on the BBC's news report of 29th May 2003 which asserted that the Government had "sexed up" the threat posed by Iraq's supposed weapons of mass destruction), found, inter alia that the BBC's editorial procedures were "defective" and that the BBC management were "at fault". Hutton's findings prompted the resignation of both the BBC's Director General and the Chairman of the BBC Governors.

## Public Value Management and the UK Public Sector

The BBC’s public value orientation is representative of an approach to public management which is increasingly apparent across the public sector in the UK. The Department for Culture, Media and Sport, proposes to embed the criterion of ‘public value’ in funding agreements with public bodies, such as the Arts Council of England and the Royal Opera House, which it funds. Further, police services, local government, health and education services in the UK have all, in varying degrees, adopted public value based management doctrines<sup>25</sup>. They have done so because Public Value Management (PVM) seemed to provide an attractive alternative to two established public sector management doctrines: that is to “command and control” (C&C) management and to “new public management” (NPM).

C&C management, or what Denhardt and Denhardt call ‘old public administration’ (OPA), was flawed both by the vulnerability of public sector bodies governed in this way both to be “captured” by those who worked in and controlled them and for its lack of responsiveness to users.<sup>26</sup> “New public management” (NPM) sought to redress the inadequacies of C&C management by applying market mechanisms to public sector provision and using the price system as a form of communication, or dialogue, between providers and users. NPM thus re-oriented public bodies to the doctrines and practices of the private sector and, in particular, to competition and contestability. NPM was meant to remedy inefficiency and lack of responsiveness to users but, for its critics, wrenched public bodies into a “privatised (even if not actually privately owned) stance and constructed downward accountability as a simple purchaser/provider relationship between unequals. Whereas public value-based public management re-orientates public sector bodies towards best serving the public best.”<sup>27</sup>

Both OPA and NPM have marked the BBC: Reith’s BBC was cast in a classically “old public administration” mould and John Birt, the BBC’s Director General from 1992 to 2000, became notorious for his advocacy of NPM techniques and practices. Whatever the justice of the adverse judgements on OPA and NPM, public value management doctrine was developed to redress their perceived deficiencies and institute a relationship of partnership between providers and users.

Like NPM (at least in theory) public value management emphasises communication between users and providers. It aspires to reassert the public in organisations that had, under NPM, become excessively privatised. And public value rejects NPM’s quantification of the unquantifiable leading to “hitting the target but missing the point”: Instead of NPM’s numbers of arrests, public value-informed policing would provide security; instead of ratings, public value-informed broadcasting would foster cultured and knowledgeable viewers and listeners; instead of market mechanisms and prices, PVM would focus on providing goods and services that cannot satisfactorily be priced and/or which should not be provided through price and market regimes.

25 See *Deliberative Democracy and the role of Public Managers*. 2006. London: The Work Foundation.

26 Denhardt, R. and J. Denhardt (2000): ‘The New Public Service: Serving rather than steering’, *Public Administration Review*, Vol 60, No 6 Nov-Dec, pp. 549–559.

27 Bozeman, B. (2002): ‘Public-Value Failure: When efficient markets may not do’, *Public Administration Review*, Vol 62, No 2 Mar-Apr, pp. 145–161.

### Why public value and where did the concept come from?

As stated above, the idea of “public value” as a public sector management doctrine was first formulated and successfully mobilised by the US scholar and Harvard management theorist Mark Moore. Moore proposed:

‘Public managers create public value. The problem is that they cannot know for sure what that is. Even if they could be sure today, they would have to doubt tomorrow, for by then the political aspirations and public needs that give point to their efforts might well have changed.’<sup>28</sup>

Here lies the importance of the case studies around which Moore’s account is organised. His stories of PVM in a library, a housing department and a police department show public value to be more than and different from the realisation of easily quantifiable outputs (such as the number of houses built or the number of convictions achieved). He emphasises both the ‘*co-production*’ of outcomes achieved by public managers and public authorities working together with their clients and the importance of *contestability* in the provision of public services.

Moore’s notion of public value has become a slogan and rallying cry for reinvigoration of the public sector. Under the banner of public value, institutions can renew themselves and mobilise those who work within them to respond to the public, involve the public and serve the public’s (or publics’) needs and aspirations rather than institutional and personal interest. Gavin Kelly, Geoff Mulgan and Stephen Muers’ 2002 “*Creating Public Value. An Analytical Framework for Public Service Reform*” paper for the Cabinet Office was a key route for transmission of Moore’s public value doctrine into the UK and, as David Levy testified (Interviewed 18 May 2006), into the BBC. Their critique of some established public sector practices and procedures rests on the view that their under-realisation of public value is due to under-representation of:

- ‘public/user involvement,
- satisfaction (as distinct from outcomes),
- trust in government and service providers,
- procedural fairness’.<sup>29</sup>

It’s clear therefore that Kelly, Mulgan and Muers’ “official” transmission of public value doctrines into the UK public sector institutional field follows Moore by foregrounding “co-production” – the idea that public sector bodies should share decision making by involving, empowering and collaborating with their users in order to realise public value. They affirm that ‘In a democracy this value is ultimately defined by the public themselves. Value is determined by citizens’ preferences’<sup>30</sup> and ‘Good government requires citizens and their representatives to continually revise shared values and objectives through a process of public deliberation’<sup>31</sup>. Co-production is thus proposed as a form of dialogue between users (citizens) and providers (the public sector) which stands as an alternative dialogic system to that central to market governance, that is the price

---

28 Moore, M. (1995): *Creating Public Value. Strategic Management in Government*. Cambridge MA.: Harvard University Press, 57.

29 Kelly, G., G. Mulgan and S. Muers (2002): *Creating Public Value. An Analytical Framework for Public Service Reform*. London. Strategy Unit, Cabinet Office. At [http://www.cabinetoffice.gov.uk/strategy/downloads/files/public\\_value2.pdf](http://www.cabinetoffice.gov.uk/strategy/downloads/files/public_value2.pdf) [11.5.2007].

30 *Ibid.*: 4.

31 *Ibid.*: 7.

system through which market regimes reconcile users’ preferences, suppliers’ interests and resource constraints.

Kelly, Mulgan and Muers further argue that the quality of public services, and the public sector, is likely to be strengthened if provision of public services is contestable and affirm the continuing validity and relevance of classic NPM (and Moore type PVM) notions such as competition and contestability. They provocatively claim that:

‘Much of the experience of the last 20 years has shown that public value is best maximised neither by competitive private markets nor by monopoly public provision. Instead, as UK experience in prisons, employment and welfare services has shown, the combination of strong public sector institutions and competition from private and non-profit organisations achieves the best balance of accountability, innovation and efficiency’<sup>32</sup>.

### Public value and public service broadcasting

But the public value principles of contestability and co-production pose particular challenges of implementation in respect of public service broadcasting. Broadcasting lacks the face to face contact characteristic of co-production and, moreover, co-production poses awkward problems for an institution, such as the BBC, whose independence is taken to be indivisible and which, putatively, must therefore be self-authorising if it (and its journalistic and editorial practices in particular) is to maintain its independence. The new BBC Charter is clear and strong in this respect: It states ‘The BBC shall be independent in all matters concerning the content of its output, the times and manner in which this is supplied and in the management of its affairs’<sup>33</sup>.

Contestation presents no less of a problem for the BBC: A major justifying rationale for public service broadcasting is that it exists to provide services which a contestable market will either not supply or, at best, will undersupply.<sup>34</sup> In consequence, neither of the classic Moorean objectives of contestability or of co-production feature strongly in the BBC’s own distinctive version of public value doctrine. Contestation falls away in the versions of public value doctrine developed in and for the BBC (and the UK cultural sector more generally) because a well-functioning market with effective contestation is unlikely to prevail in the sectors in question – opera, museums, libraries and so on. And co-production metamorphoses from the radical notion of joint decision making, based on direct involvement of users put forward in Moore’s seminal book “*Creating Public Value: Strategic management in Government*”, to a more modest duty on public sector managers to explain, consult and converse with users. Tessa Jowell’s (Secretary of State for Culture, Media and Sport and the Minister responsible for the BBC) statement: ‘A public value world would include a lot more “co-production of services” at the local level. Instead of funding what we think is important, we’d start by asking people what’s

---

32 *Ibid*: 5.

33 *Royal Charter for the continuance of The British Broadcasting Corporation*: para : 6.1Cm 6925. At [http://www.bbccharterreview.org.uk/pdf\\_documents/Cm6925\\_BBCRoyalCharterFinal.pdf](http://www.bbccharterreview.org.uk/pdf_documents/Cm6925_BBCRoyalCharterFinal.pdf) [11.5.2007].

34 Of course, there can be contestability between public service broadcasters (eg as between the ARD and ZDF in Germany and the BBC and Channel 4 in the UK). But it may plausibly be argued that because funding is not contestable (in the way it might be under the Public Service Publisher regime canvassed by Ofcom News Release 3.11.2004 at [http://www.Ofcom.org.uk/media/news/2004/11/nr\\_20041103](http://www.Ofcom.org.uk/media/news/2004/11/nr_20041103) [11.5.2007]) contestability is more apparent than real.

important to them<sup>35</sup> gives a flavour of this change in emphasis. An emphasis that's echoed in the Framework Agreement between the BBC and the DCMS where the BBC Trust is charged to 'assess carefully and appropriately the views of licence fee payers'<sup>36</sup> – hardly a ringing call to co-production!

Moore's work is undoubtedly the source of UK public value doctrine but, in practice, public value management in the UK has come to signify something much looser than Moore's prescriptions: Rather than co-production and contestation in the UK public value management now tends to suggest a re-orientation of public institutions towards outputs and users and a feeling that too much is lost if 'hard' criteria dominate public sector policy and provision<sup>37</sup>. The BBC's own adoption of public value doctrine reflects both this (sometimes rather loose and unspecific) re-orientation towards users and a distinctive, and thus far unique to the BBC, appropriation of the concept 'public value' as a regulatory criterion when embodied in the Public Value Test. However, in both senses the BBC's commitment to public value departs from both Moore's usage (with its emphasis on co-production and contestation) and the systematic exposition of a 'post-Moorean' form of public value doctrine by the UK "think tank" The Work Foundation<sup>38</sup>.

### Authorisation, Creation and Measurement of Public Value

The Government's White Paper on the future of the BBC, "*A Public Service For All: The BBC in the digital age*"<sup>39</sup>, charges the BBC Trust with taking into account the 'principles of The Work Foundation's Public Service Performance Model as a basis for assessing public value.'<sup>40</sup> The Work Foundation's model identifies three interdependent activities on which the production and delivery of public value depends – *authorisation*, *creation* and *measurement* – and builds explicitly on Mark Moore's concept of the authorising environment and Kelly, Mulgan and Muers' work in the Cabinet Office Strategy Unit.

#### *Authorisation*

The problem of *authorisation* is an inescapable issue in the management of all public bodies and is logically first in the public value trinity of authorisation, creation and measurement. But authorisation is a vexed question in public service broadcasting be-

35 Jowell, T. (2006): keynote speech at the 'Capturing the Value of Heritage' event at the Royal Geographical Society, 26 January 2006.

36 *BROADCASTING – An Agreement Between Her Majesty's Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation*: cl 103.9 p 56. Cm 6872. At [http://www.bbccharterreview.org.uk/pdf\\_documents/BBCAgreement\\_Cm6872\\_july06.pdf](http://www.bbccharterreview.org.uk/pdf_documents/BBCAgreement_Cm6872_july06.pdf) [11.5.2007].

37 These versions of public value theory draw on the thinking of John Holden and Robert Hewison at the 'think tank' DEMOS. See for example Hewison, R. and J. Holden (2004): *Challenge and Change: HLF and Cultural Value – A report to the Heritage Lottery Fund*. London: DEMOS; Holden J. (2004): *Capturing Cultural Value: How culture has become a tool of government policy*. London: DEMOS.

38 The Work Foundation (see [www.theworkfoundation.com](http://www.theworkfoundation.com)) is a charity which undertakes a variety of research, consultancy and public policy initiatives.

39 In the 2006 white paper on the future of the BBC: Department for Culture, Media and Sport (2006): *A Public Service For All: The BBC in the digital age*, London: DCMS.

40 The white paper also enjoins the Trust to consider The Work Foundation's methods of improving public participation.

cause public service broadcasting should be independent and because it’s presumed that the public is not always a good judge of its own needs and interests. To whom, then, is public service broadcasting accountable? Or who, in Moore’s terms, issues the authorisation that legitimises management initiatives?

The firmness of the Charter commitment to BBC independence means that the BBC is formally self-authorising, leaving a potential accountability gap. The centrality of co-production in PVM theory not only responds to the insight that public services are generally delivered better when delivered through collaboration between users and producers but also responds to a growing demand by users for involvement and participation in decision making. This was a striking finding from the Government’s public consultations in the course of the BBC Charter review process. Jonathan Zeff, head of broadcasting policy at DCMS, stated:

‘In the responses from the public, there was a strong emphasis on the importance of the BBC’s independence, and there was also clear evidence of a general desire for greater accountability to viewers and listeners, for ensuring that the interests of licence-fee payers are properly represented, and for greater transparency in the way that the BBC operates.’<sup>41</sup>

The BBC acknowledges that it has ‘historically been rather closed as an institution’ and that reform should ‘make the BBC more responsive and accountable to the British public.’<sup>42</sup> Mark Thompson, the current Director General, said in an important recent speech that ‘although public value is becoming something real inside the BBC, there is a still a missing civic piece ... there is also a case for more proactive and dynamic deliberative engagement by the public themselves’.<sup>43</sup>

Under Michael Grade’s chairmanship<sup>44</sup>, the BBC took significant steps to improve the quality and comprehensiveness of information about the BBC entering the public domain. Introduction of an Annual General Meeting (AGM)<sup>45</sup> in 2005, which innovatively blended face-to-face and virtual contact with viewers and listeners, is an important recent example of these initiatives. Like many other public bodies, the BBC has also taken advantage of the internet to make available considerably more information about itself, with a consequential increase in the transparency of its operations and policy. But although better informed, viewers and listeners lack the ability to co-produce, to decide and to exercise sanctions. These powers reside in the BBC itself: that is with the Trust (formerly the Governors) who, legally, are the BBC, who govern the BBC and who thus authorise the BBC’s actions and activities, and who also have important regulatory

41 ‘*The Future of the BBC*’, Westminster Media Forum consultation seminar on the green paper, June 2005.

42 BBC (2004): *Building Public Value: Renewing the BBC for a digital world*. London: BBC.

43 Thompson, M. (2006): *Delivering Public Value: The BBC and public sector reform*. Smith Institute Media Lecture, 11 October 2006. At: [http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson\\_smith.shtml#top](http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson_smith.shtml#top) [11.5.2007].

44 Grade was the last Chairman of the BBC Governors and was expected to become the first Chairman of the BBC Trust. However, he resigned his position as Chairman of the Governors in late 2006 to become Executive Chairman of ITV. After a protracted interval (many media reports suggested that prominent potential candidates have declined to be appointed) Sir Michael Lyons was appointed as Chairman.

45 AGMs are customary in many organisations ranging from limited liability companies to charities but, prior to Grade’s initiative, did not figure among the BBC’s repertoire of practices whereby it gave an account of itself to the public.

responsibilities for the BBC. In these respects the BBC is *giving a fuller account* of itself to stakeholders.

But the BBC is not *held to account* by stakeholders such as its viewers and listeners. What constitutes an appropriate level and manner of accountability is a vexed question. The BBC has neither followed proposals<sup>46</sup> advocating direct accountability of the BBC to viewers and listeners nor Parliament's recommendations for more effective independent scrutiny of the BBC and improvements to its accountability to Parliament<sup>47</sup>. The BBC, however, has resisted such suggestions and has been supported by the Government in doing so. It has argued that accountability to Parliament would weaken its independence, even though the absence of Parliamentary scrutiny and authority means the BBC depends completely on Government to set the level of the licence fee, appoint Members of the Trust and draw up its mandate (in the form of the Charter and Agreement). And in respect of election of its advisors (how much more strongly would election of its governing body be resisted!) the BBC reported that all of its advisory bodies rejected election of their members.<sup>48</sup>

In 1970 Albert Hirschman published his "*Exit, Voice and Loyalty*"<sup>49</sup> in which he identifies three ways in which stakeholders can hold institutions to account – through exercise of what he called "exit", "voice" and "loyalty": Stakeholders can signal their preferences by **exiting** from the relationship (eg by ceasing to buy products and services), by making their **voice** heard (eg by voting) or by demonstrating their *loyalty* (doing nothing in circumstances where the alternatives of exit and/or voice are available). "Loyalty" may be regarded as a null option (if one is loyal then one does not exercise voice or exit), however, broadly, exit is exercised through price and markets and voice through politics. Applying Hirschman's model to broadcasting shows that viewers and listeners are unable to hold the BBC to account either through voice or exit. Indeed one might claim there is a system of compulsory loyalty for there is no lawful way for television viewers not to fund the BBC – irrespective of whether they use its services.

Accountability is a particularly intractable question for free to air public service broadcasting because users, viewers and listeners lack an ability to signal preferences through price – Hirschman's exit – or through the control of policy and conduct by elected officials – Hirschman's voice – because of concerns about political independence. However, the BBC, and thus UK public service broadcasting in general, has been particularly resistant to considering whether workable compromises might be found eg by drawing on forms of mediated accountability whether political (eg as used in Germany or the Netherlands) or financial (as in NPR and PBS in the USA). Moreover, in the UK there is a strikingly impoverished literature addressing public service broadcasting accountability which scarcely extends beyond Heller's slim pamphlet "*Broadcasting and*

46 See for example: Campaign for Press and Broadcasting Freedom (1996): *Media Manifesto*. London: CPBF and Collins, R. and J. Purnell (1995): *The Future of the BBC: Commerce, consumers and governance*. London: IPPR.

47 See: House of Commons Select Committee on Culture Media and Sport (2004): *A Public BBC. First Report of Session 2004–05*. Vols I and II, HC 82-I and HC 82-II. Norwich: TSO; House of Lords Select Committee on the BBC Charter Review (2005): *The Review of the BBC's Royal Charter. First Report of Session 2005–06*. Vols I and II, HL 50-I and HL 50-II. Norwich: TSO.

48 BBC (2005): *Review of the BBC's Royal Charter: BBC response to A strong BBC, independent of government*: 94, 97, 100, and 103. London: BBC. At [http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/02\\_03\\_05\\_bbcgreen.pdf](http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/02_03_05_bbcgreen.pdf) [19.5.2007]

49 Hirschman, A. (1970): *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States*. Cambridge MA: Harvard University Press.

*Accountability*”<sup>50</sup>, Warnock’s very brief essay<sup>51</sup> (though both are well worth reading) and the Peacock Report’s<sup>52</sup> advocacy of the price mechanism. There is thus a gap in terms of public value theory and authorisation – particularly in respect of accountability through voice.

The BBC uses three sources of information about its users’ preferences and values: audience research, advisory bodies and viewer and listener complaints to fill the accountability gap, but none of these are linked to formal authorisation. Rather, authorisation of the BBC’s activities has been undertaken by government (through setting the level of the licence fee and thus of BBC finance, approval of new services and appointment of governors), by the BBC’s governors (who ensure the licence fee is spent in accordance with the BBC’s mandate, regulate the BBC’s fair trading and the accuracy and impartiality of its broadcasts) and by Ofcom (which has powers to regulate – although with some important lacunae<sup>53</sup> – the BBC in respect of competition, BBC content – except where the BBC’s governors are so charged – and to fine the BBC up to £250,000). The Trust has taken on some of the Government’s powers (notably approval of new services if they pass the Trust’s Public Value Test) as well as the Governors’ responsibilities but it is too soon to tell whether this body, with a substantial continuity of members drawn from the BBC Governors, housed in a BBC building (albeit now separate from that occupied by the BBC management) and with a small secretariat (c30 people) will establish itself as an effective and independent authorising body.

### *Creation*

Organising to ensure *creation* of public value requires that public value is defined; or at least that those charged with making it have a sense of what they are aiming for and know what public value is when they see it. From one point of view, public value seems but the most recent theoretical construct used during the quest for a durable definition of public service broadcasting. Definition of the key terms used – such as public service broadcasting, citizen value, and public value – has proven fugitive. But a better definition is clearly required, not least because, as Davies stated: “Too often the BBC in effect behaves as if public service broadcasting is everything the BBC chooses to put out.”<sup>54</sup>

The BBC’s adoption of its four output oriented performance indicator “drivers” – Reach, Quality, Impact and Value for Money – testify to its recent commitment to developing a more “output” oriented conception of public service broadcasting, that is more sensitive to what users value, than the producer centred practices to which Davies referred. In developing a user oriented, public value informed, set of performance indi-

50 Heller, C. (1978): *Broadcasting and Accountability*. London: British Film Institute.

51 Warnock, M. (1974): Accountability, Responsibility – or Both? In: *Independent Broadcasting*, 2. November, 2-3.

52 Peacock, A. [Chair] (1986): *Report of the Committee on Financing the BBC*. Cmnd 9824. London: HMSO.

53 The Government’s White Paper (Department for Culture, Media and Sport (2006): *A Public Service For All: The BBC in the digital age*. London: DCMS) foreshadowed establishment of stronger ex ante codes to address some of these issues.

54 Davies, G. [Chairman] (1999): *Review of the Future Funding of the BBC, Report of the Independent Review Panel*. London: Department for Culture, Media and Sport: 139. At: <http://www.culture.gov.uk/NR/rdonlyres/E506C90B-5D57-47AD-82F1-AB4EFC4A8EFC/0/reviewcobbcc.pdf> [17.5.2007].

cators the BBC has distinguished between the ‘consumer value’ and the ‘citizen value’ which accrues to users from BBC output.

Conceptually, there are relatively few problems in defining ‘consumer value’ – as long as viewers and listeners listen and watch in sufficient numbers and express sufficient appreciation consumer value can be assessed and assured. Certainly, important second order issues may arise – is the job being done efficiently, should the public sector be doing a job which could effectively be done by the private sector, is it right that consumer value is funded by a compulsory subscription etc – but the primary questions arising from consideration of consumer value are capable of being fairly simply resolved. Not so when ‘citizen value’ is concerned.

Citizen value resides in the extent to which value accrues to society as a whole beyond what accrues to individual consumers and it is such civic benefits to which Mark Thompson refers when defining the BBC’s conception of public value:

‘I want to begin with what has become the central idea in the BBC model – which is the concept of public value. For us, public value is the sum of the civic, social and cultural benefits the BBC delivers when it meets its public purposes’.<sup>55</sup>

But defining such terms is fraught with difficulty as Tessa Jowell, the Secretary of State for Culture, Media and Sport (and thus the minister responsible for the BBC), acknowledged when she stated that ‘public value hasn’t yet been properly defined’<sup>56</sup> and that: ‘We will also have to try and clarify the murky concept of what it means to be a citizen, much, much more than being just a consumer’.<sup>57</sup>

As with other public bodies, the BBC experiences both the difficulty of identifying the value which accrues to society beyond that which accrues to individual users of its services and of ascribing authority to those who are charged with making judgements and allocating resources in the name of society and the citizen. Who can legitimately judge whether society’s interests are served and served sufficiently? If people don’t know what they want or need who does and what assurance can there be that the BBC, whether Governors, senior management or programme makers, is a better judge of such matters? And can the provision of citizen value/public value/public service broadcasting effectively be combined in a single organisation also charged both with delivering consumer value and with hitting the commercial targets which government has given the BBC?<sup>58</sup>

There are two further areas of difficulty in an organisation’s mandate to provide citizen value. First, that of proportionality. If a commercial broadcasting market won’t provide sufficient citizen benefits/merit goods/public value (and few doubt that some level of public intervention is required to redress this market failure) then how much intervention is required? Too little and society and its citizens are underserved, too much and possible alternative providers are ‘crowded out’ (with adverse consequences for pluralism and perhaps for efficiency, diversity and innovation, too).

It is a familiar, and probably well founded, complaint in Australia, Canada, New

55 Thompson, M. (2006): *Delivering Public Value: The BBC and public sector reform*. Smith Institute Media Lecture, 11 October 2006. At: [http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson\\_smith.shtml#top](http://www.bbc.co.uk/print/pressoffice/speeches/stories/thompson_smith.shtml#top) [17.5.2007].

56 T. Jowell’s keynote speech at the ‘*Capturing the Value of Heritage*’ event at the Royal Geographical Society, 26 January 2006.

57 Ibid.

58 In 2000 the then Secretary of State agreed the BBC licence fee settlement of RPI +1.5% on condition that the BBC realised £600m in savings and £490m in commercial earnings by 2006.

Zealand and the United States (and doubtless elsewhere) that public service broadcasting is under-funded. But public service broadcasting and/or specific institutions charged with its delivery may also, elsewhere, be over-funded. And in the UK much attention, not least during Charter review, has been given to the question of whether the BBC is over-funded and, if so, “crowding out” alternative providers of broadcasting services. Concern has been expressed both by clearly self-interested parties (notably rival broadcasters) but also by academic commentators<sup>59</sup> and by Ofcom (in its concern that the BBC might soon become the UK’s sole PSB). The level of BBC funding remains a matter of contention – the 2007 licence fee settlement was considerably lower than that for which the BBC had applied.<sup>60</sup>

The second area of difficulty is that arising from changes in the BBC’s organisational structure and procurement arrangements: In the name of efficiency, diversity and innovation an increasing amount of BBC programme production has been outsourced (so too with some inputs to the remaining in house production). In consequence, broadcasters’ careers have become “portfolio careers”. Working for the BBC has become less and less a lifetime commitment, a vocation, and more and more a way station in a career spent as much, or more, in the commercial as in the public sector with a consequential change in corporate values and ethos. Some such change may well be healthy but change on the scale that now obtains perhaps risks loss of a public service broadcasting ethos. And herein lies one of the most positive potential aspects of the BBC’s embrace of the notion of public value: Public value doctrines promise a way to revivify in the BBC a diminished public service commitment and ethos in the same way that they have in other public sector bodies.

### *Measurement*

‘Public value should not be seen as a broad justification for what the BBC does, but as a practical test that can be applied by the BBC itself, by its governors and by the public, to decide what to do – and how well it does it.’<sup>61</sup>

*Measurement* of public value, the third element in the Work Foundation triad, is necessary if managers (and/or stakeholders) are to know whether an organisation charged with delivering public value is operating effectively and efficiently. The issue of measurement points to two important aspects of public value: the importance of output and the potential of a particular performance indicator(s) to skew what is actually done – to hit the target but miss the point, as is often said of NPM systems – cultural value cannot be fully captured in a casting up of economic or monetary value accounts. Right across the public sector, Holden claims: ‘There is disquiet that ways of demonstrating benefit have become tortuous, employing “complicated and contested assessments of causation”.’<sup>62</sup> Worse still: ‘Those things that [are] easy to measure tend to become objectives, and those

59 See inter alia Collins, R., M. Cave and P. Crowther (2004): Regulating the BBC. In: *Telecommunications Policy*, V 28: 249-272.

60 The BBC enjoyed a rise in annual income of retail price inflation plus 1.5% each year since 1997. It requested a similar 10 year settlement at the level of retail price inflation plus 2.3% annually from 2007 and received a 3% rise for each of the first two years of the settlement period and may not rise higher than £151 before 2012. See BBC news report at <http://news.bbc.co.uk/1/hi/uk/6273347.stm> [19.5.2007].

61 Ibid.

62 Holden J. (2004): *Capturing Cultural Value: How culture has become a tool of government policy*. London: DEMOS.

that [are not are] downplayed or ignored.’ This presents a particular difficulty for the cultural sector, where much of what is done is not ‘easy to measure’.<sup>63</sup>

The difficulties presented by the factors to which Holden referred are amplified by the weak signalling systems, whether of exit or voice, between the BBC and its users. As with many other public services, users of the BBC’s services are unable to use price (or type or level of taxes paid) as a signalling and accountability system. Television viewers are unable to effect a lawful exit from their relationship with the BBC (unless they are prepared to forego all consumption of television), even though they can choose to watch different channels and not consume BBC services at all. Instead of prices, there has been a striking recent tendency in the UK to use survey research on licence fee payers’ willingness to pay as a means of assessing at what price point, if they were able to exit, users of BBC services would do so. Surveys are used as a proxy for prices.

### *Measurement through willingness to pay*

The BBC, Ofcom and the Department for Culture Media and Sport have all undertaken willingness to pay (WTP) assessments: see the BBC’s “*Measuring the Value of the BBC*” of 2004<sup>64</sup>, the study Barwise undertook for the BBC Governors in 2006<sup>65</sup>, Ofcom’s “*Review of Public Service Television*”<sup>66</sup> and DCMS’ study undertaken by the Work Foundation<sup>67</sup>.

The 2004 BBC study found that a substantial majority, 81 per cent, of those polled thought the BBC worth the (then) £121 licence fee. However, the 19 per cent that were dissatisfied have no lawful means of exit from their relationship with the BBC (short of ceasing to watch TV entirely). Of course, this lack of the power to exit applies to relationships with other public bodies. For example, 84 per cent of residents are satisfied with waste collection by their local authority, leaving 16 per cent who are unable to exit and secure waste collection by another means<sup>68</sup> – although such residents do enjoy some power of voice and are able to hold their local authority to account through the electoral process. The BBC’s research distinguished between respondents’ sense of the ‘consumer’ value of BBC services and their ‘citizen’ value. The research<sup>69</sup> suggests that respondents identified the total average value of the BBC to society as within a monetary range of £20.70 and £23.50 per month, with average ‘consumer value’, ie the value to them as individuals, identified as within a range of £18.35 and £18.70 per month.

One interpretation of this finding is that respondents were ready to pay more than twice the level of the licence fee, which obtained when the research was undertaken. However, the apparent willingness of the average respondent so to do is undermined by the potentially worrying falling off of support for licence fee increases by significant

---

63 Ibid.

64 BBC and Human Capital (2004): *Measuring the Value of the BBC*. London: BBC.

65 Barwise, P. (2006): *The BBC Licence Fee Bid: What does the public think?*. London: BBC Governors.

66 Ofcom (2004): *Ofcom Review of Public Service Television Broadcasting: Phase 2 – Meeting the digital challenge*. London: Ofcom.

67 Fauth, R. et al (2006): *Willingness to Pay for the BBC during the next Charter period – A report prepared for the DCMS*. London: The Work Foundation. At: <http://www.theworkfoundation.com/Assets/PDFs/DCMS.pdf> [17.5.2007].

68 Office of Public Services Reform (2004): *Customer Satisfaction with Key Public Services*. London: Cabinet Office.

69 BBC and Human Capital (2004): *Measuring the Value of the BBC*. London: BBC.

numbers of respondents. Reference to ‘average’ masks the effect on the average exerted by the minority respondents who were willing to pay very high licence fees. For example, only 60 per cent were willing to pay a fee of £15 per month and only 42 per cent were willing to pay £20 per month.<sup>70</sup>

A variety of conclusions might be drawn from this data, which perhaps suggests that too much weight should not be placed on the findings of WTP polls. For example, we might conclude that what people say may be different to the way they behave – unsurprising given that stated preference analyses examine responses to hypothetical scenarios rather than look at how people actually behaved (revealed preferences). Or, that people are altruistic – their support for BBC digital television (as compared to analogue radio) may have reflected their altruistic approval that the weight of BBC digital television funding was directed to children’s (£49.7m) and news (£22.9m) services. Although if this is the case, then this sentiment might be thought somewhat ill-founded given the weight of funding (at £92.9 million more than one-and-a-quarter times that devoted to news and children’s services) received by the rather populist channel BBC3, the best funded of the BBC’s digital television services.

In April 2006, the BBC Governors published research undertaken by Barwise, which included an assessment of public willingness to pay the licence fee.<sup>71</sup> This found a high level of tolerance for a licence fee of £150 (in constant 2005 pounds). Barwise noted that ‘there is a lot of uncertainty about these projections’.<sup>72</sup> Ofcom undertook research on viewers’ willingness to pay the television licence fee as part of its review of public service television broadcasting.<sup>73</sup> Ofcom questioned the BBC’s research methodology of contingent value analysis<sup>74</sup> and adopted different qualitative methods for its own enquiry (which it acknowledged were also open to methodological objections). Broadly, Ofcom found public willingness to support funding for PSB at a level between £121 and £150 a year. Ofcom interpreted this to mean support for standstill funding of PSB television.<sup>75</sup> Ofcom also found that 43 per cent of respondents did not believe the BBC delivered good value for money (although 46 per cent thought that the BBC provided fairly good or very good value for money).<sup>76</sup>

The Work Foundation conducted the most recent willingness to pay study for DCMS.<sup>77</sup> It found respondents, who were asked about the value of the BBC from a citi-

---

70 The licence fee bid includes the estimated costs of the BBC’s contribution to managing digital switchover. The government expects the BBC to pay the lion’s share of these costs, although all terrestrial broadcasters will benefit from switchover. Effectively the BBC licence fee is being ‘top sliced’ to fund general broadcasting industry costs.

71 Barwise, P. (2006): *The BBC Licence Fee Bid: What does the public think?*. London: BBC Governors.

72 Ibid.

73 Ofcom (2004): *Ofcom Review of Public Service Television Broadcasting: Phase 1 – Is television special?*. London: Ofcom; Ofcom (2004): *Ofcom Review of Public Service Television Broadcasting: Phase 2 – Meeting the digital challenge*. London: Ofcom; Ofcom (2005): *Ofcom Review of Public Service Television Broadcasting: Phase 3*. London: Ofcom.

74 Ofcom (2004): *Ofcom Review of Public Service Television Broadcasting: Phase 2 – Meeting the digital challenge*. London: Ofcom.

75 Ibid.

76 Ibid.

77 Fauth, R. et al. (2006): *Willingness to Pay for the BBC during the next Charter period – A report prepared for the DCMS*, London: The Work Foundation. At: <http://www.theworkfoundation.com/Assets/PDFs/DCMS.pdf> [17.5.2007].

zen perspective, valued the BBC's services more than did respondents who replied from a consumer perspective (£178.48 per annum versus £168.12 per annum). The survey approach therefore found that people value the BBC more when asked to deliberate about the BBC's wider purposes rather than reflect on what they actually consume.

The BBC's WTP research showed that the "citizen value" respondents found in BBC services was rather small in comparison to the "consumer value" they identified. The BBC responded to this awkward finding by stating that: 'we established that the difference between the total value and the consumer value could be identified as citizen value, it is not clear that this figure adequately represents the sum total of all the citizen value created by the BBC. It appears that some of the citizen value is buried within people's perceptions of the consumer value'<sup>78</sup>. Both the BBC's own research and Ofcom's public service television review show that the UK broadcasting public not only values what it likes, ie consumer value, but also what's good for society as a whole, citizen value (although the ability to distinguish between the two may be more developed in broadcasting public makers than in television viewers).

### *Consumer and Citizen*

The distinctions between citizen and consumer value in the context of WTP studies may be of theological importance only. But the term 'citizenship' opens up a different route to a consideration of 'public value', and in this respect the BBC's thinking on public value raises as many issues for the emerging theory of public value and debates about the public realm as it does about public service broadcasting. Instead of considering public value theory as a specific doctrine rooted in Mark Moore's ideas and mediated in the UK through Kelly and Muers's work for the Cabinet Office, public value might be considered in a looser, less specific but literal sense as a matter both of what the public values and what it ought to value.

Willingness to Pay studies about public service broadcasting point to an important and intriguing theoretical conundrum. In assessing users' willingness to pay such studies necessarily deem respondents to be responsible and competent judges of their own and society's interests. If they did not there would be no reason to undertake such studies. Yet some of the most powerful arguments formerly presented to support the BBC's legitimacy rejects popular judgement as a basis of legitimacy. Consumers of broadcasting services are thought to under demand what's good for both them and society and to therefore require more merit goods to be provided than they would themselves demand. But why should the expression of the preferences of the same people in a different form, which is in response to a survey, be thought to have greater validity than the expression of their preferences through prices (if they were able to express their demand for public service broadcasting through prices)?

In this respect the BBC reflects a general problem of public sector bodies – patients are not always the best judges of their own interests (if they were doctors wouldn't be needed), students are thought (whether correctly or not) to know and understand less than those who teach and assess them, police are empowered to require people to do what they don't want to do and so on. In all these instances the power of professionals over the public is bounded and regulated but nonetheless this power is intrinsic to

---

<sup>78</sup> BBC and Human Capital (2004): *Measuring the value of the BBC*: 13. London. BBC. See BBC Press Release at [http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/10\\_october/12/licence.shtml](http://www.bbc.co.uk/pressoffice/pressreleases/stories/2004/10_october/12/licence.shtml) [19.5.2007].

their public offices. However, in all these areas, health, education and policing, but not in broadcasting the implementation of PVM in the UK involves greater measures of co-production and shared decision making – more voice in Hirschman’s terms. Broadcasting remains exceptional in its mode of implementation of PVM in that it downplays both co-production and contestation.

### The BBC’s version of public value – co-production and contestation

The evolving UK ‘soft’ version of public value theory emphasises consultation and conversation with users rather than co-production. This is in keeping with the absence in the UK, relative to other countries, of systematic representation of viewer and listener interests in broadcasting governance. As for contestability, much of the experience of the last 20 years has shown that public value is best maximised when neither private markets nor public provision has a monopoly. Instead, as UK experience in prisons, employment and welfare services has shown, the combination of strong public sector institutions and competition from private and non-profit organisations achieves the best balance of accountability, innovation and efficiency.<sup>79</sup>

Contestability in UK broadcasting, and thus for the BBC, dates from 1955 when ITV began service (although arguably before that date if one takes into consideration the offshore English language radio services of Radio Normandie and Radio Luxembourg). Competition for BBC radio audiences’ attention grew throughout the 1960s with pirate radio and then commercial radio in the early 1970s. In television it grew mightily throughout the 1990s beginning with Sky’s entry into the UK television market using the first direct to home satellite television services, and continuing with more and more alternative viewing opportunities. Contestability in programme production and supply has also grown, beginning with the 25 per cent independent television programme production quota inspired by the Peacock Report<sup>80</sup> and continuing with the BBC’s voluntary embrace of the NPM-oriented ‘producer choice’, radio and online production quotas and the plan to subject a further 25 per cent of the supply of its television programming to contest, between in-house BBC production and external independent production, to open a window of creative competition (WOCC).

In the context of increasing contestability in supply of the factors of production and intense competition in a market where switching costs are very low and good information about alternatives is available, there are few grounds for concern about the BBC’s programming services being insufficiently subject to contest (although as previously noted, users lack an ability to hold the BBC to account through either exit or voice). Nevertheless, there is growing concern, well represented in Ofcom’s review of public service television broadcasting, that the evolution of UK broadcasting may lead to a BBC monopoly in public service broadcasting provision (although not, of course, in provision of broadcasting services as a whole). Ofcom’s empirical concern seems an instance of one of the potential theoretical grounds of ‘public value failure’ identified by Bozeman<sup>81</sup>; that

79 Kelly, G., G. Mulgan and S. Muers (2002): *Creating Public Value: An analytical framework for public service reform*. London: Strategy Unit, Cabinet Office. At [http://www.cabinetoffice.gov.uk/strategy/downloads/files/public\\_value2.pdf](http://www.cabinetoffice.gov.uk/strategy/downloads/files/public_value2.pdf) [11.5.2007].

80 Peacock, A. [Chair] (1986): *Report of the Committee on Financing the BBC*. Cmnd 9824. London: HMSO.

81 Cited in BBC (2004): *Building Public Value: Renewing the BBC for a digital world*. London: BBC.

is, a scarcity of providers of public value.<sup>82</sup> Ofcom claimed, for example, that ‘If no action is taken, the BBC will emerge by default, as the only PSB provider of any significant scale’ and recommended that ‘competition should be sustained at all points in the value chain: production, commissioning and PSB outlets’.<sup>83</sup> Ofcom foreshadowed possible creation of a public service publisher (PSP) to countervail the BBC dominance in public service provision which it anticipated.<sup>84</sup>

The BBC’s adoption of public value doctrines thus seems to represent a response to a number of separate pressures – not least a growing pressure on public sector bodies for greater accountability to their users – and in its embrace of PVM the BBC has developed a distinctive version of the doctrine which in turn has begun to influence doctrine and practice in the UK public cultural sector. The BBC’s re-versioning of Moore’s (and Kelly, Mulgan and Muers’) version of public value management has detached the notion of public value in broadcasting from its origins. In part this is because of the distinctive and peculiar characteristics of free-to-air and public service broadcasting. But the down-playing of the radical potential of Moore’s notions of co-production and contestation is characteristic of the appropriation of public value doctrine across the UK cultural sector – rather than subjecting public sector organisations to the rigours of democratic control by users and of markets public value in the UK cultural sector is a matter of a (welcome and laudable) re-orientation of inward looking institutions outward.

Perhaps this is because there is something indissolubly North American about the two axioms of Moore’s public value doctrine. Co-production seems to chime sweetly with American traditions of direct democracy, less well with other democratic traditions. And contestability, competition by another name, in broadcasting is more firmly accepted in the United States than in the UK as a method of securing the public interest in broadcasting. In the UK, debate has been dominated by the widely accepted view that broadcasting markets will inevitably fail (although there is much debate of course about how much they fail and what is a proportionate response to failure). Judging the BBC’s new public value initiative against Moore’s criteria may risk forcing the BBC into a Procrustean bed.

However, whether or not public value doctrines are well adapted to the challenges presented by broadcasting, the BBC has put public value theory firmly on the agenda for debate. The BBC’s Public Value Test comprises two elements: a public value assessment (focusing on consumer/individual value and citizen value) and a market impact assessment (economic value). The public value assessment considers whether a proposal fits the BBC’s defined public purposes<sup>85</sup>, what its impact, cost and value for money is likely to be, and whether public value is thereby created. The market impact assessment considers the likely wider economic consequences of the BBC’s proposal. Michael Grade said that: ‘We will not approve that new service unless the independent evidence

82 Bozeman, B. (2002): Public-Value Failure: When efficient markets may not do. In: *Public Administration Review*, Vol 62, No 2, pp. 145-161.

83 Ofcom (2004): *Review of Public Service Television Broadcasting: Phase 2 – Meeting the digital challenge*. London: Ofcom, p. 13.

84 See Ofcom (2004): *Review of Public Service Television Broadcasting: Phase 2 – Meeting the digital challenge*. London: Ofcom; Ofcom (2005): *Ofcom Review of Public Service Television Broadcasting: Phase 3*. London: Ofcom.

85 As previously stated, the six public purposes defined in the government’s green paper are: sustaining citizenship and civil society, promoting education and learning, stimulating creativity and cultural excellence, reflecting the UK, its nations, regions and communities, bringing the world to the UK and the UK to the world and building digital Britain.

clearly shows that the potential negative impact on other providers is outweighed by its public value.<sup>86</sup>

It seems therefore that public value doctrine will not be used as a rallying point for reinvigorating staff commitment to a newly publicly-oriented and renewed BBC, despite the high level and pervasive use of public value rhetoric as part of the BBC’s re-branding, but rather as technical system of quasi-regulatory appraisal of major new projects. On the one hand this makes the application of public value management workable, but on the other and at the same time it underestimates the rhetorical power of public value to reinvigorate the ethos of public service – a power that has not gone underestimated elsewhere in the public sector.

### Lessons from the BBC?

It is too soon to identify with confidence any general lessons from the BBC’s experience and its implementation of public value-centred management. As James Heath, BBC public policy senior advisor, stated it is ‘early days’ in the embedding of public value-based performance management systems in the BBC.<sup>87</sup> Although a governance unit has been set up to formulate and issue service licences and to administer public value tests, it is small in comparison to the scale of its responsibilities. Moreover, the Trust has been in existence for less than a year and it remains to be seen how effective the novel instruments of the service licences and the public value tests prove to be. Embedding of a new public value ethos in BBC management objectives, practice and output is at a similarly early stage. But some distinctive features of an emerging BBC version of public value doctrine and practice are already apparent.

Analysis of the BBC in the light of the Work Foundation’s public value triad of authorisation, creation and measurement further suggests the BBC’s exceptionality and the *sui generis* character of its formulation and implementation of a public value doctrine. For the BBC, authorisation is a particularly complex, multi-path and multi-agency practice. However, creation is, and continues to become, eg through the BBC’s proposed window of creative competition (WOCC), more and perhaps excessively – see The Work Foundation’s “Tipping Point” analysis – contestable<sup>88</sup>. Measurement is beset with difficulty, although each of the new BBC drivers (reach, impact, quality and value for money) is output and user oriented, only one, reach, is straightforwardly susceptible to measurement.

It is too soon to tell whether the BBC’s implementation of a public value-based governance, regulatory and management regime will offer useful lessons to other public service broadcasters and to other parts of the UK public sector. Certainly, the BBC’s elaboration of a public value doctrine (notably in “*Building Public Value*”) leads the field. But the scale of the BBC, its distinctive ‘constitutional’ independence, the indirect application of the public value principles of co-production and contestation and, above all, the manner in which public value doctrine has been chiefly implemented as a regulatory or quasi-regulatory principle in the form of service licences and a public

86 Grade, M. (2005): ‘*Changing the BBC*’, IPPR Media Convention, Oxford, 20 January 2005. Grade’s abrupt resignations as Chairman of the BBC Governors and Chairman elect of the Trust leave uncertain the vigour with which the Trust is likely to pursue such matters.

87 Interview, 18 May 2006.

88 The Work Foundation (2005): *The Tipping Point: How much is broadcast creativity at risk?* London: The Work Foundation.

value test rather than as a management and motivational doctrine sets the BBC apart from the public sector and public value mainstream. The BBC's adoption of public value doctrines seems likely to be recorded in broadcasting history as an unsuccessful gambit in a bid to secure renewal of its Royal Charter and a new licence fee settlement on favourable terms. The new Charter significantly changes the context in which the BBC operates, notably by constraining the autonomy of the BBC management (the Executive) *vis à vis* the National Audit Office and Ofcom and by establishing the Trust as a quasi-regulator. And the licence fee settlement is considerably less favourable than the BBC wished. The association of the concept "public value" with the trust's public value test is likely to deny the BBC the benefits associated with Moore's classic, dual, notion of public value as a collaboration (co-production) between providers and users and a programme of revivification of public sector providers' commitments to output orientated goals and service to users.