

Annex 1

The Secretary of State's letter to Gavyn Davies
and press notice



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From the Secretary of State for Culture, Media and Sport
THE RT HON CHRIS SMITH MP

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30 November 1998

Review of the Future Funding of the BBC

I am very pleased that you have agreed to make time to chair the independent review panel; I know how busy you are. I am writing today to let you have some further information on the role of the panel.

As you are aware, the BBC's Royal Charter guarantees the future of the Corporation until 2006. A separate formal Government Agreement with the BBC guarantees the licence fee until the end of March 2002 and provides for a review of the funding arrangements before that date in the light of technological and other developments.

The level of the licence fee until 2002 is based on a five-year settlement announced in April 1997 following an independent assessment of the BBC's funding needs. The settlement amounts to a cumulative change for the five years from 1 April 1997 just below the level of changes in the RPI (RPI minus 0.08%). The level of the licence fee post-2002 will be looked at separately in the run up to 2002.

Extent of the review

The review will be a closely defined one. The time is not right for an extensive review of the BBC's purpose and governance; that will be more appropriately carried out in 2003-04 when we approach the issue of Charter renewal. Nor is it yet appropriate to consider alternatives to the licence fee as the main source of BBC funding. The review will therefore start from the position that the licence fee is sustainable, at least until Charter review. It will focus, within the existing framework, specifically on a number of closely defined issues, including ways in which funding to support public service output can be extended from other sources, regulation of the BBC's fair-trading commitment and the current concessionary arrangements.

Handling

As part of this review, I am establishing an independent review panel which you have agreed to chair. As you know it is to include people with a range of experience. I am asking the panel to consider the issues set out in the terms of reference (Annex A).

I shall be asking the panel to take a high level, strategic look at these issues and to provide clear and objective advice which will inform the Government's decisions.

The prospective members of the panel are shown at Annex B. I suggest you arrange an early meeting with Melanie Leech (Head of Broadcasting Policy Division) and Paul Heron to discuss the exercise, in particular how you wish to handle issues like the taking of evidence. The meeting should also provide a helpful initial opportunity to consider how best the Department can give the panel the support it needs.

I expect the panel to report to me no later than the end of July. I will then consult on the panel's findings.

I am confident that your personal authority and experience of broadcasting will enable you to guide the panel's deliberations and help it to produce clear, impartial advice on the issues. The outcome is important to the population as a whole as well as to those directly involved in broadcasting.

Yours ever
Chris

Chris Smith



DCMS 4/99

12 January 1999

Chris Smith announces panel to carry out BBC funding review

Culture Secretary Chris Smith announced the membership of the BBC funding review panel.

The panel will be chaired by Gavyn Davies and comprises Lord Newton of Braintree, Lord Gordon of Strathblane, Sir Alan Budd, Rabbi Julia Neuberger, Helen Black, Ruth Evans, David Lipsey and Heather Rabbatts.

The review will start from the position that the licence fee is sustainable at least until the review of the BBC's Charter due in the run up to 2006. It will, within the existing framework, take a strategic, high level look at ways in which funding to support public service output can be extended from other sources, and how to secure an appropriate balance between the BBC's public and commercial services.

The review will also examine the mechanisms under which the fair-trading commitment as to commercial services is delivered, and consider the current structure of the concessionary licence scheme and whether a suitable alternative structure could be available.

The panel will report to Chris Smith by the end of July 1999, who will then consult publicly on its findings.

Announcing the composition of the review panel, Chris Smith said:

"This is an important review which aims to ensure the BBC's continuing ability to meet its public service obligations effectively, while at the same time ensuring that it retains the ability to operate effectively in a competitive market place."

"I am pleased that Gavyn Davies has accepted my invitation to chair the review panel. The panel members have the knowledge, authority and judgement to weigh the issues, and I am confident that they will do so impartially, without preconceptions and with the national interest in mind."

Gavyn Davies said:

"I am delighted to have been asked by the Secretary of State to chair this panel. These are important issues and I am fully aware that the outcome of the review is important to the population as a whole as well as to the Government and those directly involved in broadcasting. The panel will give careful consideration to all the issues and aim to make positive recommendations."

There will be a further announcement on how the panel intend to take the review forward, including the taking of evidence, once they have held a preliminary meeting.

A note of the precise remit for the review is attached.

Biographical details

Gavyn Davies - Chief International Economist at Goldman Sachs International, responsible for managing the global economics department, and co-head of London Investment Research. He became a Partner of Goldman Sachs in 1988. Gavyn Davies has been repeatedly ranked as the City's top UK, European or global economist in surveys of institutional investors over the past two decades. Previously an economist at Simon and Coates, 1981-86, and Phillips and Drew, 1979-81. From 1974-76, Gavyn Davies was a member of the Policy Unit at 10 Downing Street and was an Economic Policy Adviser to the Prime Minister, 1976-79. He was also a member of HM Treasury's Independent Forecasting Panel; Economic Adviser to the House of Commons Select Committee on the Treasury; and is now a Visiting Professor at the London School of Economics. In July 1998, he received an Honorary Doctor of Science (social sciences) from the University of Southampton.

Lord Newton of Braintree - Professional Standards Director of the Institute of Directors, and part-time Non-executive Chairman of the North-East Essex Mental Health NHS Trust. As Tony Newton, he was Conservative MP for Braintree, Essex, from 1974-1997, and held various Ministerial positions, including Minister for Health, Social Security Secretary and Leader of the House of Commons. He became a life Peer in 1997.

Lord Gordon of Strathblane - Chairman of Scottish Radio Holdings since 1996, having previously been Managing Director of Radio Clyde since 1972, and for a period political editor of STV. He was Chairman of Scottish Exhibition Centre, 1983-1989. He has also served on the Committee of the Scottish Development Agency and the Committee of Inquiry into Teacher's Pay and Conditions. Recently he chaired the Advisory Group on Listed Sports Events. He is currently Chairman of the Scottish Tourist Board.

Sir Alan Budd - Member of the Monetary Policy Committee of the Bank of England since 1997. Previously Chief Economic Adviser to HM Treasury and Head of the Government Economic Service; Professor of Economics at the London Business School, 1981-92; Group Economic Adviser, Barclays Bank, 1988-91; Director of the Centre for Economic Forecasting, 1980-88; Special Adviser, House of Commons Treasury and Civil Service Committee, 1979-81; Ford Foundation Visiting Professor, Carnegie-Mellon University, Pittsburgh, 1969-70; Member, Bloomsbury Health Authority, 1986-88; Member, Securities and Investment Board, 1987-88; Special Trustee, Middlesex Hospital, 1989-97. He is currently a Member of the Advisory Board for Research Councils; a Governor of the London School of Economics; and Chairman of the British Performing Arts Medicine Trust.

Rabbi Julia Neuberger - Chief Executive of the King's Fund since 1997, Member of the General Medical Council and Medical Research Council. Julia Neuberger served the South London Liberal Synagogue as its Rabbi for twelve years, Chaired Camden and Islington Community Health Services NHS Trust for five years until 1997, and is Chancellor of the University of Ulster. (She was a Visiting Fellow at Harvard Medical School as a Harkness Fellow 1991-92, and is on the Board of Visitors of Memorial Church, Harvard University.)

Helen Black - Regional Head of Health in UNISON's Southern Region, having previously worked as a Regional Officer for the Confederation of Health Service Employees (COHSE) in Wales. She has also been a campaign worker for a local community health campaign group and a researcher for the London Community Health Council.

Ruth Evans - From 1992-98, Director of the National Consumer Council. Previously a consultant to the Department of Health, 1991; General Secretary of War on Want, 1990; Deputy Director, then Acting Director of the National Association for Mental Health (MIND), 1986-90; and Director of the Maternity Alliance, 1981-86. Currently Chair of the Standing Advisory Group on Consumer Involvement in the NHS Research and Development Programme; Chair of the Money Advice Trust Planning Committee; a Trustee of the Money Advice Trust; and a Member of the NHS Charter Advisory Group; the 'Consumers First' Award Scheme Panel; the UK Round Table on Sustainable Development; the Sustainable Development Education Panel; the Financial Services Authority Ombudsman Board; and the Liverpool Victoria Group.

David Lipsey - On sabbatical from The Economist this year while serving on the Jenkins Commission on the Voting System and the Royal Commission on the Funding of the Long Term Care of the Elderly. Political Editor, The Economist, 1994-98. Previous journalistic posts include: acting Deputy Editor, The Times; co-founder and Deputy Editor, The Sunday Correspondent; Editor, New Society; and Economics Editor, The Sunday Times. Formerly a special adviser to the Prime Minister, 1977-79, and to Anthony Crosland MP as Foreign Secretary, 1976-77, and Environment Secretary, 1974-76. He is currently Public Interest Director at the Public Investment Authority; Director of the Horserace Totalisator Board; and Visiting Professor of Public Policy at the University of Ulster.

Heather Rabbatts - Chief Executive of the London Borough of Lambeth since 1995. Previously Chief Executive of the London Borough of Merton, 1993-95; Director of the Women's Department (1987-89), Director of Personnel (1989-91) and Deputy Chief Executive and Director of Strategic Services (1991-93) at the London Borough of Hammersmith and Fulham; and Equalities Officer, then Parliamentary Liaison Officer at the Local Government Information Unit, 1983-86. She is currently a Governor of the London School of Economics.

Notes to editors

1. Chris Smith announced the panel membership in a Written Answer to Joan Ryan MP (Enfield North). A copy of the Answer is attached

2. The precise terms of reference for the review are as follows:

“The review panel will:

- i. against an expectation that the licence fee will remain the principal source of funding for public services for the Charter period:
 - consider ways in which funding to support public service output can be extended from other sources; and
 - take a forward look at other possible mechanisms for funding the BBC in the longer term, particularly in the light of technological development
- ii. consider how to secure an appropriate balance between the BBC’s public and commercial services, and review the mechanisms under which the fair-trading commitment as to commercial services is delivered;
- iii. consider the current structure of the concessionary licence scheme and whether a suitable alternative structure could be available.

The review panel will report no later than the end of July to the Secretary of State, who will then consult on the panel’s findings.”

3. The Secretary of State announced details of the review in his speech to the Royal Television Society Synposium on 14 October 1998. Details can be found in PN 256/98.

Press Enquiries: 0171-211 6266

Out of hours: Ask for pager 01399 751153

Public Enquiries: 0171-211 6200

<http://www.culture.gov.uk>

Joan Ryan MP (Enfield North)

To ask the Secretary of State for Culture, Media and Sport when he will announce the membership of the panel looking at the future funding of the BBC, and if he will make a statement.

Answer

Culture Secretary Chris Smith

The panel will be chaired by Gavyn Davies and comprises The Rt Hon Lord Newton of Braintree, Lord Gordon of Strathblane, Sir Alan Budd, Rabbi Julia Neuberger, Helen Black, Ruth Evans, David Lipsey and Heather Rabbatts.

This is an important review which aims to ensure the BBC's continuing ability to meet its public service obligations effectively, while, at the same time, ensuring that it retains the ability to operate effectively in a competitive marketplace.

I am pleased that Gavyn Davies has accepted my invitation to chair the panel. The panel members have the knowledge, authority and judgement to weigh the issues, and I am confident that they will do so impartially, without preconceptions and with the national interest in mind.

The panel will be announcing shortly how it intends to take the review forward, including the taking of evidence.

The panel will report to me by the end of July and I will then consult on its findings.

