

Overspending in 1992 has led to a cut of £18 million (US\$28.4 million) in 1993's budget across both channels. The BBC is under additional pressure to reduce costs as the licence fee has been capped, with increases being set at a level below inflation.

Although the BBC was left unscathed by the 1990 Broadcasting Act, it faces a period of great uncertainty in the run up to the renewal of its charter in 1996. Amid criticisms of overstaffing and weak management, over 3,000 job cuts have been made so far to a work force which was around 25,000 and more cuts are expected in order for the BBC to reduce its cost base.

In order to slim down its resource base and in an attempt to improve efficiency, in April 1993 the BBC introduced an initiative called Producer Choice. All departments in the Television service have been split into business units, and are free to purchase the resources and services they need from inside or outside the Corporation. This will force BBC resources and facilities to compete with external suppliers, thereby forcing them to become more efficient, and to market themselves at a competitive rate.

This is a revolutionary concept for the BBC and has met with considerable opposition from some quarters, particularly those departments which argue that it will force them to be driven by commercial rather than creative concerns, or which fear that they will be undercut by the independent facilities sector which is currently starved of work and will therefore be aggressive in its pursuit of work. Those BBC business units which do not break even will be threatened with closure.

One of the biggest dilemmas the BBC faces in the run-up to Charter renewal in 1996, is the question of what kind of service it should offer viewers in the face of increasing commercial competition and how this service should be funded. In its own proposals, recently outlined in a document titled "Extending Choice - the BBC's role in the new Broadcasting Age", the corporation accepts that a continued decline in audience numbers is inevitable. As a result Director General John Birt believes the best way forward for the broadcaster is to move towards a narrower, slightly more upmarket, mix offering programmes that may disappear from commercial broadcasters' schedules. Levels of bought-in Australian and US programming will fall, as will derivative formula comedy and unchallenging game shows.

The corporation argues that the licence fee should remain its main source of revenue and initial indications are that the Government will accept this argument in the short term. But as audiences continue to decline it will become increasingly hard to justify the licence fee, especially in the face of pressure from many in the advertising industry who would like to be able to advertise on the BBC. Although advertising on the BBC does not appear to be on the Government's agenda at present, there is no guarantee that it will not reappear as an issue in the medium term. ITV is opposed to any suggestion of the BBC selling airtime as it would then be forced to compete directly against BBC for audiences and airtime.