

HOUSE OF LORDS
MINUTES OF EVIDENCE
TAKEN BEFORE
THE SELECT COMMITTEE ON COMMUNICATIONS

BBC STRATEGY REVIEW

WEDNESDAY 7 APRIL 2010

MR JOHN TATE and MR PETER SALMON

MR DAVID BABBS, MR BEN FENTON and MS MIRANDA SAWYER

Evidence heard in Public

Questions 1 - 140

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WEDNESDAY 7 APRIL 2010

Present

Bonham-Carter of Yarnbury, B
Fowler, L (Chairman)
Gordon of Strathblane, L
Howe of Idlicote, B
Inglewood, L
King of Bridgwater, L
Maxton, L
McIntosh of Hudnall, B
St John of Bletso, L

Witnesses: **Mr John Tate**, Director of Policy and Strategy, and **Mr Peter Salmon**, Director of BBC North, BBC, examined.

Q1 Chairman: Good morning. Thank you very much for coming in at short notice. You will notice, of course, that this Select Committee is working up to the very last possible moment before Parliament dissolves. What we really want to do is to look at the BBC Strategy Review. Obviously, we cannot do a full report on it before the Election, but it would be a pity if it slipped through unquestioned, and so we would like to explore with you some of the questions which seem to us to be involved. Just set out for me the process. The process, as I understand it, is that the BBC Executive have put forward proposals at the request of the BBC Trust. When did the BBC Trust ask for those proposals, and why?

Mr Tate: The process was initiated in June of last year by the Trust requesting proposals from the Executive and it was agreed between the Chairman and the Director General that we would formulate and propose those proposals, which we have done in the form of the Strategy Review. The Charter is very clear that it is the job of the Trust to approve overall the strategy for the BBC and we are, therefore, to propose that strategy as the Executive. It has the standing of a proposal, as you will no doubt know; it goes into consultation which finishes at

the end of May and, thereafter, the Trust will take stock in the round on the consultation responses and decide which of the proposals to pursue in regulatory terms, whether in public value tests or other means.

Q2 Chairman: So the process began in June 2009, yes? When do you expect it to end?

Mr Tate: Different parts of it will end at different times. The overall consultation, as I said, finishes by the end of May. At that point if the Trust decides, on the back of that consultation, to proceed with particular changes – take, for example, the service closures – those bigger elements of the review would require public value tests. That procedure would take, at a minimum, I believe, around six months.

Q3 Chairman: So, first of all, the BBC Trust would have to actually decide that that was what they wanted to do, and then there would be a further six months?

Mr Tate: For the bigger changes as regards services that would involve further public value tests.

Q4 Chairman: That is not going to be done, therefore, before 2011.

Mr Tate: To fully implement the proposals, 2011 is when we would ----

Q5 Chairman: It is a pretty elaborate procedure.

Mr Tate: It is the one we have been following and is the only one available to us.

Q6 Chairman: This is almost where we came in, for some of us in this Select Committee. I thought we had gone through all this in the BBC Charter Committee. Did we not have a strategy laid down there?

Mr Tate: I think the changes in the media landscape which you will be aware of are profound enough to warrant us to revisit our strategy, and I think, as responsible custodians of public

funds, it is incumbent on us to revisit our funds in light of the mission we have been charged with under the Charter. The key drivers of undertaking this, really, around the challenges to high quality public service content, are really complex and profound – never more so than at the moment. The public’s expectation for high quality content is going up and up, and it is driven by the best of the content that they see from abroad but, also, by increasingly strong offerings domestically. Also, the ability of other broadcasters to support the highest quality public service broadcasting has never been more uncertain, and I think a third factor for us has been that the proliferation of devices and technologies on which to view and consume media content has meant that the technology bets for us have become more risky, costly and uncertain. So in terms of the public’s desire for high quality content, the ability of other broadcasters to support high quality content and the means by which that content is made available, we have seen such profound change that we felt it right to revisit our strategy. The meeting of the purposes under the Charter – the six public purposes – we are not proposing to revisit or alter; we have not put that in our proposals to the Trust; rather our interpretation of the best ways to meet those purposes we have formulated a new strategy for, and that is what the document before you sets out.

Q7 Chairman: To cut through it, you are revisiting but that, surely, does mean, does it not, explicitly, that the Charter does not actually last for ten years?

Mr Tate: I think we remain very true to the Charter and the public purposes of the BBC. They need revisiting in light of new circumstances in the best ways to deliver those public purposes. So it is a reprioritisation to enable us better to meet those public purposes; it is not a revisiting of the public purposes.

Q8 Chairman: One last question before I bring my colleagues in. For this process the Trust really drops its role as a regulator and, would it be fair to say, second-guesses the Executive?

Has the Trust the skills – it may have the skills as a regulator but does it have the skills as a manager – and the experience to actually second-guess in this way?

Mr Tate: The Trust is discharging its responsibilities under the Charter to give overall approval and scrutiny to proposals for the BBC’s strategy from management. I certainly could not comment on its capabilities; all I would say is it feels like scrutiny is fairly tight on the Executive side. We do not feel like we are under-scrutinised. I would not comment otherwise on their capabilities.

Q9 Chairman: You do not feel under-scrutinised?

Mr Tate: No.

Q10 Baroness McIntosh of Hudnall: Can we just tease this out a little bit by referring specifically to something that the Trust has put into its response to your proposals? I found this particular form of words quite confusing, and I may simply have misunderstood them, but it goes to the heart of the issue about the relationship between the Executive function and the Trust function, it seems to me. The Trust says that they would expect to receive formal applications from the BBC in due course in relation to the proposals that you have put forward. It then goes on to say: “... and we would expect the Executive to put those forward only after the Trust has completed its own work and set out its final view on what the BBC’s future strategy ought to be.” The difficulty that I have with that is in the words “its own work” because it is not clear to me whether there is a single BBC strategy which is developed by the Trust and the Executive together and results in something that the rest of the world can see clearly to be the BBC strategy, or whether the Trust is operating, to some extent, independently of the Executive in developing a strategy – “its own work” – which it is then going to map on to whatever the Executive brings forward. I may be elaborating those few words beyond the weight that they will bear, but it does feel to me as though there is

something not quite resolved about the relationship between the Trust and the Executive, as far as the resolution of long-term BBC strategy is concerned.

Mr Tate: I think the words reflect the fact that the Trust gave us, I think as you would expect them to, some starting guidance on the parameters of the strategy and what they would expect it to achieve. They did do that from the outset; the Trustees gave us a set of considerations – benchmarks and hurdles – and other thoughts that we should reflect on and include potentially in our proposals. It was not so far as to create a blueprint, and they did not provide a blueprint; it was very much to stimulate the strategy and its development and to say upfront the terms on which they would assess our strategy. We found that helpful and directional, not micro-managing, and quite natural, actually, in terms of their role. I think that is what the words reflect.

Q11 Baroness McIntosh of Hudnall: What is the “its own work” that it is going to be completing during the time that the consultation is going forward on the proposals that the Executive have put forward to them?

Mr Tate: To be able to scrutinise our proposals and to take in all the consultation responses it needs to have a good, independent objective view, and that is something you would expect the Trust, with the Trust unit, to develop, and that is certainly going on. In respect of these being taken forward as regulatory proposals, that would happen completely separate from the Executive, but there is a level of guidance given to us as to the strategy and its conclusions, and that is, we feel, appropriate and right.

Q12 Baroness McIntosh of Hudnall: Not to labour this point unduly (and this is probably a very unfair question and you are quite at liberty to decline to answer it), do you regard the relationship between the Trust and the Executive as ideally constructed and functional?

Mr Tate: The regulation of the BBC is not a fit subject for us, as executives within the BBC, to comment on, so it is not something we would discuss; it is a subject for other people, including yourselves.

Q13 Lord Gordon of Strathblane: The particular instance of the perceived difference of opinion between yourselves and the Trust might be 6 Music, because my understanding is that the Trust had only a few weeks ago published a review suggesting some changes, and here the Executive have come out recommending its closure. Do you want to comment?

Mr Tate: I think the Trust in its review of 6 Music recognised that it provides a very distinctive offer that is much loved by its audience base. They did, however, flag that if the service continues to grow on its current trajectory, maintaining that distinctiveness would be a challenge and its market impact would become something that needs addressing in terms of the impact on the core audience served by commercial stations. I think when we did something rather different to the Trust, which is look comparatively at all of the radio services, which is not something that the service review of 6 did, we came to the conclusion that growing 6 Music and ending up with three national popular music stations was not the right priority for the BBC and we are better focusing on setting higher challenges for our core networks. I can see why there appears to be a difference, but the job of that service review of the Trust's was slightly different from the more root and branch comparative exercise we were doing across all of the stations.

Q14 Lord Gordon of Strathblane: You axed Radio 6 because you thought it might become a threat to the commercial sector? Do you see any chance in the foreseeable millennium for the commercial sector producing a service like Radio 6?

Mr Tate: The starting point for us really is around: "Are nine standalone radio networks the best way to serve audiences and to drive digital radio?" We do not think they are and we

think in terms of best use of overheads, marketing, costs and other scarce resources we can concentrate our effort on fewer standalone radio networks. With regard to market impact, these considerations are pertinent but they are not the sole driver. I would observe that the average age of 6 Music is 37, which puts it right at the heart of the most attractive commercial audience, but that was not the primary driver; the primary driver was reprioritisation of scarce resources amongst nine radio networks.

Q15 Lord Gordon of Strathblane: You introduced those, presumably, as part of what you then perceived to be the strategy of making digital something different from analogue. Have you not possibly reduced the attractiveness of digital at a time when digital switchover might be quite difficult by removing one of the things that you can only get on digital and not on analogue?

Mr Tate: We are very sensitive to that perception that we may be stepping back from driving digital, but it is absolutely not the case. We have been very careful in the proposals to say any resources, whether spectrum or money, freed by this change would be kept within digital radio. We do not think that 6 was itself a particularly significant and important driver of digital radio take-up; it played its part, we think there are other more powerful ways through our core network of driving digital take-up. You will know, I think, that our contribution to digital also extends to building up a network, and we have just announced a whole series of new steps including new transmitters to build out to 90 per cent coverage in the UK. So we are not stepping back from backing digital radio at all, but we are sensitive to the perception that that might be the case.

Q16 Lord Gordon of Strathblane: Although you said that the trajectory might include quite rapid growth, the impression I got from the review here was that its audience was not as high as you would have liked.

Mr Tate: There are some underlying performance issues: the awareness of the station, the cost per listener hour of the station, the reach of the station - particularly the unique reach - and the number of marginal extra people it brings to BBC services; all of those metrics are not as healthy as we would like them to be. I think what it comes back to is, if you are going to have a third national popular music station you need to set the bar very, very high on its performance, and we did not think that it was operating quite well enough to justify its continued existence.

Q17 Lord Gordon of Strathblane: Is it intended to be popular music? My understanding (I must confess, as a non-listener to 6, but from everything I hear about it) was that it was precisely music that you would not hear on mainstream, popular services.

Mr Tate: I think it is distinctive. There are services that cater for similar tastes. As a genre, I think it is fair to say, it is certainly not classical, or jazz or folk or organ music; it is in the popular genre but it is at the more distinctive end of popular music. That is a fair comment. We would very much hope to provide space for that output within the schedules of other radio stations – so not to lose the best of its output but to make the best use of it.

Q18 Lord Gordon of Strathblane: In the full knowledge that if you put on this kind of music instead of Radio 1 as mainstream, you will lose audience.

Mr Tate: In terms of unique reach I do not think we will lose very significant numbers of listeners.

Q19 Lord Maxton: You did mention earlier the drive of technology in this. Did this have any impact on your decisions on your digital radio? Increasingly, of course, your own services are online and you can listen to the radio online, on the iPlayer. Does that affect the way in which you have taken these decisions?

Mr Tate: It does. The technological backdrop in the round and the decisions on which technologies to back are becoming more frequent and more risky as technologies proliferate. So it is very much a piece of the context of the review overall. As regards radio, as I said earlier, we do very much back the migration to digital listening, both DAB and online. We are separately working on a project with the industry around a common standard for listening to radio online - a radio player, as it is called - to facilitate easier access to radio listening online. We think, in that context, a lot more online listening will offer better access to non-BBC services as well as our own services. As regards DAB, as I have said before, we remain very strongly behind DAB as a distribution platform, building out the capacity of it, the reach of it and the promotion of it. So, yes, future listening on different devices and technologies for radio was uppermost in our minds.

Lord Maxton: Standalone internet radios are increasingly coming on the market. They will, to some extent, make BBC 6 irrelevant because this music will be available from anywhere around the world where it is already produced.

Chairman: What is your question, Lord Maxton?

Q20 Lord Maxton: The question is, there will be around the world radio stations which anybody can listen to which will be producing music which is very similar, including of course, possibly, pop groups' own direct websites.

Mr Tate: Certainly online creates a lot of choice and access to stations around the world. There are important barriers, difficulties, with online radio listening as regards its mobility - the ability to listen in a car. There are important reasons to suspect that a very rapid migration to internet-only listening is a long way away, but it is very promising and it is something we are very much behind and working on with the industry to facilitate through this common standard for listening to radio online through something we are calling a radio player.

Chairman: Not in the Maxton household is it a long way away; it is already there.

Q21 Baroness McIntosh of Hudnall: Can I ask you a more general point about, as it were, the message that comes with proposing to close two digital-only stations? You have just said, and we know because your colleagues have told us as part of an earlier inquiry, that you are very much behind the drive towards digital radio. The closure of two digital-only stations seems to be slightly perverse given that your declared objective is to get more people to engage in digital radio. However, over and above that, there is the question of what is available to listen to on digital radio and, therefore, the question of content. Is it any part of your strategy, in thinking about closing the two stations that you have identified, to reallocate the funds that become available from that (which I suspect are not enormous but let us suppose they are at least significant) to creating more content for the other digital-only stations that you have? One of the issues with them has been that there is not a lot of original content there at present.

Mr Tate: In terms of the closures themselves, it is not quite as binary as it appears. To take Asian Network, outright closure of the entire service is not quite what is being proposed; we want to look at the option of retaining Asian Network output in core areas where the community is strongest for that output, so very much making use of the best of its output and continuing that but not as a national service – and it is the proposal to close it as a national service which the Trust is considering, not outright closure. Again, with regard to 6, I think we would very much look to make a home for the best of its output on other stations, and that is something we are giving a lot of thought to. Overall, the resource commitment that I have described around keeping the money and the freed resources in terms of spectrum within the digital radio drive is a commitment we have given in the strategy review, and one we are going to stick to. The unique contribution of 6 and Asian to driving digital take-up per se, I think, is actually quite low now. I think they have played their part in important bridging steps towards the take-up of DAB, but I think we can now hunker down slightly and back

digital through our main stations with, in many cases, extra allied services – so, for example, the proposal that we re-version Radio 7. That is part of adding coherence to the portfolio, I think.

Q22 Lord Inglewood: Can we return slightly more generally to where the discussion began? Some commentators have suggested that the strategy review marks a fundamental change of direction in the way that the BBC is moving. However, you yourself, in your opening remarks, said that really it represents an evolution of the way in which the BBC is taking forward the fundamental principles contained in the Charter. I do not think it can be both. Do you think it can be both, or do you think I have misrepresented the question? How significant is this? You said that even since the Charter came into effect your strategy has changed because the world has changed, but are we seeing here a fundamental change or is this merely readdressing the same issues in a slightly different way in a changed world?

Mr Tate: The Charter itself is not a strategy; it tasks us with lots of important duties that we have to create a strategy to undertake and meet. So there is a difference there, I think, in the logic of it. I would characterise the overall change as moving from a sort of “both/and” strategy for the BBC, where we could produce great content and new services to deliver that content, now to a more “either/or” strategy for the BBC, where we are having to make very tough choices at the edges and more actively manage the portfolio of services. I think we have been very clear in the review that we are doing this with a very firm fix on what we are put on earth to do as an organisation, and we have expressed that in these five content priorities for the BBC and, if you like, trying to define the DNA of what it is the BBC has got to do in content terms. This is our proposal to the Trust as to what that should be and these five priorities - around the best journalism in the world, children’s content, outstanding knowledge and drama, events of national resonance and significance - editorially, is our redefinition, if you like, of our strategy in content terms. I think, in logic, the job of a strategy

to reinterpret how we meet the mission in light of altered circumstances is a slightly different one. Peter?

Mr Salmon: I look after BBC North, which is one of the great ----

Q23 Chairman: We are going to come to you in the next question.

Mr Salmon: Thank you very much; I was feeling rather overlooked. In some ways it feels, with Pacific Quay in Scotland, Salford Quays and the digital roll-out, as though the BBC is ending a phase of build of capital projects and, in some ways, kind of going back to its knitting with *Putting Quality First*. In some ways I think even the term “putting quality first” feels quite old-fashioned but it actually is fundamental to what we are about; all the work we do with licence fee payers tells us that first and foremost it is just about innovation and high-quality programmes and programmes of distinctiveness, and we are trying absolutely to recalibrate all the various demands on the BBC to make sure that can place our bets there, given that whilst there is going to be a lot of uncertainty, as John says, about which technological bets to put your money on, the one thing we know from that is what licence fee payers want is more original, high-quality British content from the BBC.

Q24 Chairman: Does that mean you have moved away from *Quality First* over the last few years?

Mr Salmon: I think the demands on the BBC, for all sorts of reasons - the mushrooming platforms, technology, et cetera - means we have been quite stretched; in some ways we have been having to hedge our bets in a number of different directions. We feel now that we need to say quite simply and quite starkly what we stand for over the next period, in the face of some of those tough decisions. I think *Putting Quality First* is about that.

Q25 Lord Inglewood: When the BBC began, the BBC was all broadcasting. Since then other forms of broadcasting and information technology have developed. If I can use the comparison – maybe rather apt in this room – when the future of the British Empire was being discussed a century or more ago, you could either see the world as entirely covered in pink or the world with merely bits of it covered in pink, and you voluntarily and deliberately relinquished aiming to get involved in the rest. Is it the case now, without any equivocation, that you see yourselves in a point in time where you are clearly demarcating those areas where the BBC can legitimately be involved, and distinguishing them from those where under no circumstances they will get involved?

Mr Tate: If you like, boundary control in that sense is now more important than ever. I can see where you are coming from. How to come at this? I think the challenges that we were meeting regarding audience expectations, technology and the ability of other broadcasters meant that, actually, our role in providing high quality content had become more and not less important in many ways. Added to that, the whole prediction for digital media, that as digital media proliferated – digital ubiquity, if you like – the BBC’s role would diminish and its visibility, salience and everything else would diminish, has not proved to be the case; actually, the BBC’s role as the setter of standards and as a trusted guide has been enhanced, if you like. So I think it is certainly in our minds for this strategy to play a really important role in digital media, but, yes, we have to redraw the boundaries more tightly around high-quality public service broadcasting in order to play that role. It is complex.

Mr Salmon: It is tougher in some ways. I think it is interesting the decisions that have been made around the online space to limit our spend or to close down certain sites. It is harder to control digital space; the web seems to kind of go on and on and on. It can be like a kind of untidy garden; from time to time you have to prune it back and reassert your central purposes to make sure the spend in the digital space actually mirrors your core ambitions. That is quite

painful. We have done lots of good work in that space. However, in some ways, the first era of the BBC spend in that digital space is over and it is time that we, as it were, reasserted a broader strategy on the digital space too, and that is quite painful.

Q26 Lord Inglewood: Is there not a slight dichotomy at the heart of your thinking? It has been pointed out to me that one of the priorities that you are going to have is to focus predominantly on areas where market provision is weakening or at risk. There will be other times, you said, where you will be very interested in focusing on things where your audience expected you to do things. Those two could be completely different.

Mr Tate: A strategy entirely dictated by market gaps is not a strategy; you will end up where you are completely responsive. So it is not a market failure strategy in that sense. We are, though, sensitive to the ability of other broadcasters to guarantee and provide public service broadcasting, and it would be absurd if we were not sensitive to that, but it does not dictate our pattern of provision; it does inform it. Similarly, if we were to go to the other extreme and ignore the provision of the market that would not be a strategy either; I think it would just be to do everything for everyone on every platform, which would drive everyone else crazy and us too, I think - as the Director General has pointed out on previous occasions. So we need to be in the middle; in fact, slightly more sensitive to market provision but never have our strategy dictated by market provision. I can see why you call it a dichotomy but we have to place ourselves on that spectrum.

Q27 Lord Inglewood: One of the things you said in the report is that the Trust's key tests are appropriateness, quality and distinctiveness. Of course, the key, and we are talking round that, is how you actually measure these things and how do you decide whether something is sufficiently distinctive or of sufficiently good quality, or sufficiently appropriate –whatever that might mean – in any particular set of specified circumstances.

Mr Tate: For the BBC we measure with a score card of reach, quality, impact and value – RQIV is the acronym. So we have in place mechanisms to look at the performance and effectiveness of all of our services on a regular basis. I think it is fair to say that the Trust were particularly keen to see emphasis on the distinctiveness of the BBC’s output, and for that reason you see in the heart of this review a focus on the five things we think we are put on earth to do in content terms, and those things are going to take up a bigger priority of spend and attention and everything else. We prioritising our spending towards those areas is really what the strategy is about.

Q28 Baroness Bonham-Carter of Yarnbury: This is actually a question for Mr Salmon. You talked earlier about quality having been stretched and that you needed a bit of recalibration. In the report you say you will re-establish BBC 2’s reputation as the home of ambitious drama, comedy and factual programming. A lot of those areas went off to BBC 3 and BBC 4, and I am just wondering, if there is this new emphasis on returning that kind of programming to BBC 2, where does that leave the strategy for your television channels.

Mr Salmon: Inevitably when we launch services, this not being a precise science, there are degrees of overlap between certain services. There is the strategy of the channel, there is its service licence, there is the taste of the controllers, as you know – they commission programmes that they feel are in the zeitgeist and will be attractive to their viewership, et cetera. There are moments, I think, in the lives of channels, particularly of new and nascent channels, where you need to look at them and say: “Is it on the right path? Does it need a certain amount of realignment?” The wonderful thing about BBC 1 and BBC 2, potentially, is that between them they are commissioning more serious documentary and more serious programmes about culture and the arts and the rest of it, and with BBC 3 in that portfolio as well. However, I think, looking at 2 and making sure that, as it were, 3 or 4 does not steal its thunder (after all, it is a really important mixed genre channel), it has an enormous reputation

for producing intelligent, distinctive work and we would like it to be able to afford to do more of that kind of thing; more original writing, more original voices, more risks in the comedy area and more drama. I think, we would all agree that, actually, there are too few dramas on BBC2. We do not want it to become a factual channel. In some ways, that is more the brief for BBC4 and I think, from time to time, you have to kind of realign these things and reshape them to ensure that they are vibrant and healthy and mixed going forward. So 4 will have a clearer remit around factual programmes, around culture and the arts, around serious documentary and around exploiting our archive. BBC3 already, I think, is beginning to prove its value with younger audiences; there are now 17 million people a week sampling BBC3 and it has seen some really interesting things with its target audience. But, clearly, 2 remains an enormous priority for the BBC, and if there are funds available and new funds available through remixing our budgets, through remixing the genres, I think it is only right that BBC2 benefits from that because it is a fundamentally important channel to the BBC and the BBC's long-term future.

Q29 Baroness Bonham-Carter of Yarnbury: However, inevitably, there are fewer funds because you have got BBC3 and BBC4 overlapping. Does that make sense in this climate?

Mr Salmon: One of the things we want to do in *Putting Quality First* is to make some economies, make some cuts by closing some services and remix our genre spend to shift more money into certain genres. I think BBC2 will benefit quite substantially from that (as indeed will, by the way, an area that I look after, BBC Children's), and that is a matter over the course of several years of remixing our budgets to make sure that more of that kind of quality of output ends up on a channel like BBC2.

Q30 Lord King of Bridgwater: Peter Salmon, you are in charge of the move to Manchester. Is that correct?

Mr Salmon: I am indeed, yes.

Q31 Lord King of Bridgwater: I wonder if you would like to tell us something about how it is going now.

Mr Salmon: I think it is proceeding pretty well. We are four-fifths of the way through the journey to Salford. The take-up of staff transferring to the North of England has proven to be higher than anticipated and higher than equivalent transfers in the public sector – round about 50 per cent of the total number of staff have opted to move with the BBC, which is terrific; we get a lot of business continuity from that but we can also create new jobs and new opportunities and new structures as a consequence of some of that change. The BBC buildings have all been completed on time and under budget, we are about to instigate a number of quite complex technology contracts to deliver the kind of digital technology, production technology and broadcast technology that we would like to put in this centre which is kind of built for the internet age, in many ways – there was broadcasting out of Television Centre – and hopefully what Salford might achieve for the BBC. We feel that we are pretty much on course for the total move by the end of next year, which was always our initial commitment to this project.

Q32 Lord King of Bridgwater: Okay. Can I just ask a few specific questions? You said “on time and on budget”.

Mr Salmon: Yes.

Q33 Lord King of Bridgwater: As you know, construction costs have fallen very sharply in the present recession, and estimates previously of what costs would be, most construction which is going on at the moment is coming in well under previous estimated costs. Are you finding you are getting savings?

Mr Salmon: We are making some savings.

Q34 Lord King of Bridgwater: Have you got a profit share or a cost share basis with your contractors?

Mr Salmon: I cannot tell you the specifics of the contracts, I am afraid. I would have to send you those in a letter, if that is appropriate.

Q35 Lord King of Bridgwater: It is a very interesting question to ask, because you will find that most people are finding a way of saving. Are you anticipating compulsory redundancies for the people who decline to move?

Mr Salmon: Our offer to staff has been that we will attempt to redeploy staff where appropriate, and we are putting a lot of effort into that. There will be some compulsory redundancies, yes, and that is built into the overall cost of the project.

Q36 Lord King of Bridgwater: Looking at the strategy document, this is a very important move for the BBC, is it not?

Mr Salmon: Yes, it is.

Q37 Lord King of Bridgwater: Why is it not mentioned in this Strategy Report?

Mr Salmon: Because in some ways, I think – and John can probably comment on this more broadly – this strategy document is about the next licence fee period. This is a project which belongs to this particular licence fee period; it is one that we will deliver in this licence fee period. The *Putting Quality First* document is about moving into the next licence fee period.

Q38 Lord King of Bridgwater: You are going to move something like 2,500 people.

Mr Salmon: In total, yes, from Manchester and ----

Q39 Lord King of Bridgwater: The biggest move ever out of London.

Mr Salmon: It is.

Q40 Lord King of Bridgwater: Or the South. You have already got 7,000, Glasgow, Cardiff, Bristol – virtually the same equivalent numbers. This is all listed in the report, and all the costs and what they generate in economic value. I was just rather surprised to find one mention on page 55, I think it was, where suddenly we get into Salford. Salford is mentioned once.

Mr Salmon: I think this is not to overlook Salford or Pacific Quay or our move into Wales, or indeed the network supply route review strategy, which is moving 50 per cent of content outside of London by 2016. In some ways I suppose we have assumed that was part of the trajectory of the current licence fee and will be delivered within it.

Q41 Lord King of Bridgwater: How many people work in total for the BBC?

Mr Tate: Just under 20,000.

Q42 Lord King of Bridgwater: So you are now going to have 10,000 of the 20,000 outside London and 10,000 will be in London? Or in the South East.

Mr Salmon: I do not think that is an exact figure. Fifty per cent of output will be outside London by 2016.

Q43 Lord King of Bridgwater: It does seem strange. Is the purpose of your move only to be shown to be in another important conurbation in the UK and not just London oriented? Does it not have a number of economic benefits, cost benefits, as well?

Mr Salmon: Of course.

Q44 Lord King of Bridgwater: Like much lower value in the costs of property and lower costs in other directions? Is that right?

Mr Salmon: It does, yes. There are several different purposes behind our move outside London. One is, clearly, serving audiences outside London, who have often felt more marginalised than audiences in the south of England, to try and give them, as it were, more pleasure, more benefit, more use and more recompense from the licence fee investment. It is absolutely about investment in the independent sector, in the technology sectors outside London; it is about opportunities for people to work for the BBC and for the BBC in some ways to benefit from the range of voices we could employ by being based not just in the South but also outside London. We have launched a number of quite substantial initiatives already anticipating the move to the North of England to stimulate, for instance, the digital media sector in the North of England.

Q45 Lord King of Bridgwater: Were you consulted on the preparation of this strategy?

Mr Salmon: Of this strategy?

Q46 Lord King of Bridgwater: Yes.

Mr Salmon: Of course, yes.

Q47 Lord King of Bridgwater: You do not feature at all in increasing the efficiency of the BBC operations, and Deloitte's report on the economic impact on the BBC and the UK does not mention you either. It seems very odd.

Mr Tate: Increasingly the whole move north is regarded as core business by the BBC and we do reference the out-of-London commitments of the BBC, but in specific terms it is not a new move for the BBC now; it is definitely part of our core business to get on with this. For that reason we may not have devoted pages and pages to it.

Q48 Baroness Bonham-Carter of Yarnbury: A point that was made in the debate we had here yesterday, which I had not appreciated, is that ITV has pulled out of Salford. Is this correct?

Mr Salmon: No, it has not. Not that I know of – unless this is hot news, by the way.

Q49 Baroness Bonham-Carter of Yarnbury: In which case my question is redundant!

Mr Salmon: I believe negotiations are ongoing.

Q50 Baroness Bonham-Carter of Yarnbury: It is part of the move, is it not?

Mr Salmon: Yes, it is. It is part of MediaCity.

Q51 Chairman: Could we move on to BBC Worldwide – the commercial arm of the BBC? You say in the document that in future the growth is going to be “organic”. Why do you not bring in private investment?

Mr Tate: I think the model for a vertically integrated exploiter of BBC intellectual property has proven itself in the results of Worldwide as a wholly owned subsidiary of the BBC contributing of the order of £9 equivalent on every licence fee. It has contributed effectively as a wholly owned subsidiary vertically integrated; indeed, if you look at the rest of the media industry the vertical integration of your IP exploiters around the world is common in many areas. It is not something we are dogmatic about and the ownership structure is something the Trust has said it is not dogmatic about, but hitherto it has worked for us and it continues to work for us.

Q52 Chairman: You are or you are not rejecting the idea of a public/private company?

Mr Tate: We are not rejecting it but it is not something we are planning to do, and it is not something that is part of the strategy.

Q53 Chairman: Although if you did do that you would provide the BBC with capital receipts and, probably, the income would not suffer very much in any event, if at all.

Mr Tate: There are important questions as to how far we get from the exploitation of core BBC IP, and I think the centre of gravity for the company would need to be revisited if it had significant external investment. As I say, it is not something we have been looking at now. The idea that that could produce superior returns back to the BBC has to be weighed against issues of its place within the market. We have been very clear in the review that we see its place as moving more towards international markets and less in the domestic market, as a proportion of revenues, but ownership structure is not something we are looking at changing, and it is not featuring in this strategy.

Q54 Chairman: So you have rejected it, in other words? You have just said you are not thinking of changing.

Mr Tate: The strategy did not look in depth to reject it. We note that it is working very well, that it is common industry standard for the vertical integration of this sort of entity ----

Q55 Chairman: The point is, surely, that it could expand more; everyone accepts and knows that it could expand more. What you are really saying to a successful business is: “We do not want you to expand more; we do not want you, the commercial arm of the BBC, to make more money.” That is a pretty extraordinary thing for a commercial organisation to say. Is it not?

Mr Tate: It is a subsidiary entity of a public corporation and it must serve the public purposes of that corporation. Therefore, commercial incentive is not the only incentive overall for the BBC; it must exploit the BBC’s intellectual property within certain parameters. As custodians of the BBC and its brand and heritage, there must be limits on that – appropriate limits. So it is not purely a commercial governance issue.

Q56 Chairman: This is a commercial organisation. It has been set up as a commercial organisation.

Mr Tate: Absolutely, but within very clear protections and safeguards around the BBC's brand, editorial ----

Q57 Chairman: So you are asking the public for more money in licence fees but you are not prepared to take the full potential of your own commercial arm?

Mr Tate: If you think it is unconstrained potential to deliver superior returns that would come at a cost to the BBC's brand, to the BBC's core mission, and it is weighing that against the maximum commercial return compatible with our core public service mission. We think the maximum commercial return compatible with the core public mission is the goal, not just the maximum commercial return.

Q58 Chairman: You are not going to do it, are you? You are not going to bring in private investment.

Mr Tate: It is ultimately a matter for the Trust but it is not something we have looked at in depth as part of this review.

Q59 Chairman: I have never heard a more reluctant statement of policy than the one you have just given! Do you ever feel that the BBC has a wider responsibility to British television generally; seeking to distribute and sell programmes, other programmes, made by other people?

Mr Tate: It certainly does, and for that reason, amongst others, Worldwide works with 200 independent producers and sells content around the world for many other media companies beyond the BBC, and is looking to do more of that wherever it can.

Q60 Chairman: However, you do not deny, I think – do you – that the full financial potential of BBC Worldwide is not being fulfilled and could be fulfilled if you made a policy decision?

Mr Tate: I think they are doing very well within the parameters of serving a public service mission. They serve it commercially, but within those parameters. If you throw away the parameters you ----

Q61 Chairman: The management of BBC Worldwide are not going to suddenly throw out all the values of the BBC; they are responsible people.

Mr Tate: It is their job to push the envelope of those parameters and to seek to maximise commercial returns within them. That is their job and they do it very well. You can understand that the BBC receives very conflicting messages on this; on occasion we have been asked to unleash BBC Worldwide's potential and on other occasions we have been asked to have it do rather less. I think we are drawing the line in the right place around the maximum possible commercial return within the public service parameters. If we are to decide that we redraw those that is a separate matter and not one that we have considered in the review.

Q62 Chairman: The Government does not agree with you.

Mr Tate: The proposals for a British rights company within the original ----

Q63 Chairman: No, they go further than that.

Mr Tate: I think the proposals, as first drawn, that we had some sort of merger potential with Channel 4 whereby ----

Q64 Chairman: No, there has been a second proposal since then, as you perfectly well know, and that is that there should be some sort of private investment. It was restated to us in the response from the DCMS in our latest report.

Mr Tate: It is not something we have looked at in this review.

Q65 Lord St John of Bletso: Quite clearly, BBC Worldwide has huge scope to become a global media company, exploiting and acquiring rights. When John Smith gave evidence to our Committee he spoke about the fact that companies grow organically and by acquisition, yet he then went on to say that there was a reluctance to grow by acquisition because of taking on debt. It surely applies at a time now when the interest rates are so low that it is an obvious time to be growing by acquisition, and I find it extraordinary that there is this reluctance to grow when there is such a huge scope for acquisitions in the global market now, and bringing it much needed revenue exploiting British content.

Mr Tate: I think it is axiomatic; if you have free access to capital that is what businesses want – relatively freer access to capital. With regard to the BBC, our purpose is the efficient exploitation of our intellectual property and allied intellectual property that has great synergies with that. We are not in the business of creating a standalone, global media company for its own sake. I happen to think the current functioning of Worldwide is very strong and if there are very specific opportunities for expansion, in the US, for example, they are things that we will look at; both the Executive and the Trust will entertain those plans and indeed have pursued many of them to date, as the Committee will know. I do not think we are muzzling growth potential in the way that you suggest; I think there is plenty of opportunity for growth left compatible with the BBC's public mission. I think if the proposition is to remove all of the consideration around the BBC's public mission and parameters then you are simply dealing with a different consideration, and we are not in that place.

Q66 Lord St John of Bletso: The point I am really making is that he specifically stated that there was a reluctance to take on additional debt, and when there has not been that much debt taken on it seems with this opportunity to have a public/private partnership it is an ideal opportunity to expand and exploit the opportunities of BBC Worldwide into a really truly global media company.

Mr Tate: If plans were for more inorganic growth and acquisition then a higher debt limit and more commercial debt limit might be appropriate, but that is not our plan. We think that the centre of gravity for Worldwide is and should remain around the exploitation of BBC IP, predominantly within BBC-branded environments and channels. That is the direction we want to go in rather than building up a standalone, global media company.

Q67 Baroness Howe of Idlicote: Just very briefly, I think one appreciates the stance that has been taken as far as competition is concerned with other media. Having said all that, you have more than picked up the feelings that perhaps this Committee has, that they are very concerned about Worldwide. Certainly, Worldwide has made a huge contribution, without any doubt at all, to the BBC and to other areas as well, and we were all expecting much greater things into the future. However, just thinking back to your current plan, the BBC brand internationally is going to be promoted more, what particular areas are you going to be concentrating on? How is it going to work out in practice? More drama exploited, that you are intending to make anyhow, more BBC-oriented channel 2 – that sort of set up? How much do you reckon is going to be lost each year (taking the current year or the previous really good productive year of BBC Worldwide) to the BBC and how much is going to have to be made up in other ways as a result?

Mr Tate: We can certainly write to the Committee with more detail on Worldwide's strategy, but just to answer at a headline level, as regards the first part of the question, the status of the BBC and its brand as a trusted, authoritative voice for the UK, a reflector of UK values and

culture, and all of that around the world, is pre-eminent and of capital importance to us. So we do think within that mission abroad, around the BBC's news mission, the World Service and other manifestations of BBC abroad, there is the important role for the exploitation of BBC content. We have been doing that to date very often selling to other channels, selling content to other people's channels around the world. I think the BBC Worldwide rightly see an opportunity for more development of BBC-branded channels abroad, so the direction, in terms of business to consumer through BBC-branded channels, is very much the direction of travel for BBC Worldwide. In terms of the pressures upon BBC Worldwide we see continued opportunities for growth rather than diminishing returns, albeit constrained, and there are lots of pressures upon it, and so on and so forth.

Chairman: You offered to send us more details of your strategy. We would take that up.

Q68 Lord Maxton: In a sense you are whistling, because you have promised, as Greg Dyke promised years ago when I saw, over ten years ago, an exhibition of the BBC's release of its archive and how it would be used, and it has never happened. You now are promising in the review this will happen. How are you going to do that? Will it be on a website, very largely? How do you ensure – because this has always been the problem – that you get paid for that, particularly when whatever you are releasing is not actually owned directly by you but is in your archive?

Mr Tate: I think the last part of your question contains some of the answer, in that releasing the content is often supposed to be quite a simple exercise of getting it out of a dusty archive but it is much more; you have to work in negotiation and, often, partnership with the rights holders, and it is very costly and complex. Nonetheless, we have said in the strategy that we are going to put resources and priority behind getting the archive out. We hope the greater part of that will be done – and indeed we are confident the greater part of that will be done – in a way that is free to access for the consumer, where content would not otherwise be able to

be made available. If the consumer could not have access other than to pay they might be given the option of being able to pay for that content, as they already do if they are to buy a DVD of BBC's content, for example. We would also look to make it available in partnership with others, so we are working with the likes of the British Film Institute and the British Library and others to create common archive projects to release publicly valuable archive material on common standards (and so-called metadata and tagging, and so on and so forth, is part of the approach) and very much to use the BBC's digital presence online potentially even as part of Canvas and potentially even as part of the iPlayer to make that content more accessible. So it is less a single thing than an approach to the making and distribution of content that, certainly from now on, we want to routinely make the entire stock of what we make available to the public. It is a difficult and complicated thing.

Q69 Lord Maxton: I understand at the present time the iPlayer video is only available in this country. When you are talking about releasing the archive, are you talking about only releasing it in this country free and charging elsewhere? I understand that because we are the licence fee payers and have already paid for it in a sense, we therefore could be, it could be argued, entitled to get it for nothing. Would that be true of someone in the United States or Canada or Australia watching it online?

Mr Tate: Just particularly on the iPlayer?

Q70 Lord Maxton: Yes, at the present time the iPlayer is UK only for vision but not for radio?

Mr Tate: Correct. We are not proposing to alter the seven days for vision for iPlayer as part of the Strategy Review proposals. Looking at the archive more generally, we look to have a large stock of material available on a permanent basis to the public but I think I am right in

saying, and this can be confirmed, the bulk of that would be UK only but we can provide further details to the Committee in writing.

Q71 Lord Maxton: Ofcom are trying to change the rules on Sky for sports, you have an enormous sporting archive, have you ever considered changing BBC3 to a sports channel?

Mr Salmon: As John mentioned earlier, the clearing rights for archive is really quite complicated. You are often much more a kind of production gun for hire in the sports world than you are being in the position of owning sports rights. My guess is, although I am not an expert on the sports archive although I have run BBC sport for many years, there will be an enormous complexity behind selling off a sports archive service per se on the BBC with enormous commercial considerations.

Q72 Lord Maxton: You own the sports rights? You must now own that right.

Mr Salmon: When you look back at the complexity of who owns what and you get down to approving the release of an archive, you often find it is much more complicated than you first thought it was.

Chairman: Let us go to this question of efficiency savings.

Q73 Baroness Howe of Idlicote: Just thinking about what was originally planned with your efficiency savings programme in April 2008, when you began that particular programme, you apparently saved some £192 million costs in the first year. Given that is well and truly under way, in what way are your proposals for a more efficient BBC different?

Mr Tate: The focus of this strategy is beyond 2012-13, so for a future possible licence fee settlement. The efficiency programme we have now takes us up to 2013 and within it we would release just under £2 billion-worth of savings and 3 per cent cash-releasing efficiencies per year. What we propose beyond that is to carry on reducing overheads. We have already

come down from roughly 24p in the £1 to 15p, they are now at 12p, and we are continuing to reduce that down to 9p, which supposes that beyond 2012-13 we would reduce overheads by roughly a quarter and carry on the efficiency savings at a similar rate in order to get overheads overall down to around 9p in the licence fee £1.

Q74 Baroness Howe of Idlicote: In what sort of areas? Just going back to the discussions about different parts of the country and maybe cheaper living costs in certain areas – we can see that – what else?

Mr Tate: Digitisation involves an initial investment hump to get the equipment but once you have got it you can start achieving quite important efficiencies. If you imagine a video journalist equipped with his own or her own high definition video camera, you can source the material, you can send it to HQ all quite seamlessly and paperlessly, and that takes out a number of process steps and you can begin to realise savings if that equipment is more widely spread and advertised around the organisation. In digital technology we foresee quite a number of savings. Overall in the organisation of the BBC we have said we want to further de-layer the BBC, reduce the level of hierarchy in the BBC; there are sections of the Strategy Review which deal with that and which we are taking forward. Elsewhere we are looking to take efficiencies from the market where we procure services where they are available, sensitive to the independent production communities but there are efficiencies to be passed on in many areas. For the entire range of BBC activities we will look to maximise efficiency and reduce overheads.

Q75 Baroness Howe of Idlicote: That gives some context to what you are going to be doing, but thinking about the proposed cuts in pay at senior management level, which are definitely referred to in the Strategy Review, does cutting the pay bill by 25 per cent not

rather indicate that rather large over-paying has been going on for some time, or over-manning, or both?

Mr Tate: We have undertaken studies benchmarking ourselves against the rest of the media industry which show us certainly not to be over-paying but actually paying less than the rest of the industry, with a significant gap between us and most of the rest of the industry in most areas. What we have proposed is to reduce the senior manager headcount by 18 per cent and then the overall senior management pay bill by 25 per cent, and the upshot by 2012-13 will be that the average executive member's take home pay will be roughly 15 per cent less in real terms. There are important changes and they see us marking below market for the foreseeable future.

Q76 Baroness Howe of Idlicote: You are not worried about that cutting into the quality of what is being produced?

Mr Tate: We need to be vigilant but the BBC brand is still a great recruiting sergeant for talent. That will allow us to mark lower than the market to a degree. Taken too far it absolutely would cut into quality and we are at the limits of that, to be honest.

Q77 Baroness Bonham-Carter of Yarnbury: You have just referred to one of the ways to cut costs being the use of smarter technology, which is also I think in the Review. It says that you can bring down costs without affecting the quality of content. I want to concentrate on journalism, which is an area I come from, and your aspiration to achieve the best journalism in the world. I would suggest in this area multi-skilling can have a detrimental effect on what is achieved. If there is one person doing everything in that particular area, there is less opportunity to dig, to investigate, to achieve the top kind of journalism. I know from my own experience how important in that area collaboration is, because you are working against the

clock, so I do just slightly question that, Mr Tate, as an area where there could be efficiency cuts which did not affect quality. I would question that.

Mr Salmon: I think it is a very good point. John has mentioned, we do not think there is a one-size-fits-all approach to efficiencies in terms of the genres that we cover or in different types of journalism. Working out in the field in Afghanistan, for instance, as you know, is more complex for all sorts of reasons and more costly than it is working in your own backyard here in the UK. There are a number of different approaches to bringing back original stories and working on distinctive stories. I think it is true to say that with *Panorama's* new slot at 8.30, the consistency of the scheduling, the quality of the investigation of that particular brand on television, but also some of our radio series like *File on Four* et cetera on Radio 4, prove that our pursuit of original journalism is pre-eminent in the BBC; we put it first and foremost. We have made it very clear in *Putting Quality First* that where we re-shuffle the deck of cards in the BBC that distinctive original journalism is of foremost importance. Entering an Election period of course just underlines that for the BBC at the current point. But I think your point is well made. We do not think that future efficiencies come from an evenness of application across the BBC and it is not all about, as it were, new digital technologies and reducing the manning of our operations out in the field that will deliver that, in fact that would be rather hazardous for reasons we have just reflected on. Looking at our outsourcing, looking at our property portfolio, looking at our technology provisions in general, looking at our structures, our layers of management, our overheads, et cetera, is likely to be a more profitable way of prioritising efficiencies.

Q78 Lord King of Bridgwater: A quick question, and I declare some sort of interest in this. You say in the paper, "We support the sports rights strategy set out in response to the Government's listing review ...", but you also then indicate you are going to spend rather less on sport and you are going to limit yourself to 9 per cent, or that figure is under review. What

is going to happen to the number of sports which are very concerned at the impact this will have on their finances?

Mr Salmon: We felt again it was important to make clear in *Putting Quality First* where we intend to place our bets, where we intend to spend our money, so we have capped foreign acquisition of programmes at 2½ per cent, we have placed a cap on sports rights at 9p in every £1. We feel that is quite a robust settlement in the BBC in terms of our ambitions for sport – take the 2012 Olympic Games, 2014 Glasgow Commonwealth Games, these are very sizeable productions and sizeable projects for the BBC. There will be some tough decisions but we equally wanted to make it clear that the BBC was not a bank of last resort for sports rights holders, that there was a limit to the BBC's funds and appetite for sporting events and sports going forward. We actually do not think this will be to the detriment of our current portfolio.

Q79 Lord King of Bridgwater: Are you saying you support all those things which are listed and the changes which are proposed and you will package them all under a 9 per cent limit of expenditure; 9p in the £1? You know the number of sports – from the Open Golf Championship, to rugby league, to cricket and the Ashes - the range of sports which are very concerned at the impact on their budgets, because your position seems to be, “Let's support this idea of having it free-to-air and we will get a legal position and not to have to pay very much for it.”

Mr Tate: As Peter says, what this Strategy is very clear on is there is a limit on the BBC's ability to spend on sports rights and we think that limit is where we have stated it; at 9 per cent. Both for reasons of not being able to pick up every sport as it might enter either a listing or a troubled phase, if you like, with regard to the listing if it is the case that live test cricket is required to be shown on free-to-air, it is not simply our requirement, there are others who could show that content as well and a debate must be had, but we have finite resources in

order to support sport on the BBC. There is an upper limit and we have sought to express that, both for reasons of prioritisation but also not to incrementally get into more and more areas of sports coverage.

Q80 Lord Maxton: There has been a lot of controversy recently over the BBC's payments to presenters on television and radio. Do you think your own proposals go far enough in this area in terms of the Review or do you, as I do, believe it is time that freedom of information legislation covered the whole of the BBC as it is a publicly funded body and not just the executive arm of it?

Mr Salmon: It is true to say that artists and presenters are at the heart of our programmes and our content; we value what they do incredibly highly. We realise we are often in quite a difficult market in some genres for talent at all sorts of levels. We have been quite clear in releasing figures for different levels of payment to artists from the more highly paid to the more modestly paid, and equally we have revealed the fact that less than 7 per cent of the licence fee on an annual basis goes towards on-air talent of all shapes and sizes. We have begun to reduce the amount we pay to our top stars, and that total amount will be revealed each year in our annual review. I think it is fair to say that in an independent review, conducted for the Trust by Oliver & Ohlbaum, that showed there was no evidence the BBC was paying significantly more than the market price for top talent. We feel we are in a difficult position on some of these issues, they are inevitably of headline-making stuff, but where we have currently got it, ie being as open and transparent about where things currently sit but also putting pressure on this budget year on year and reporting on it, is probably about the right position.

Q81 Lord Maxton: If John Humphrys and Jeremy Paxman can go on television and radio and comment on MPs' pay and salaries, why should I not know, and every politician and the

public know, exactly what they get paid and what their expenses are? They are paid out of public funds, are they not, in exactly the same way?

Mr Salmon: Well they are not; an awful lot of our staff on screen – on screen particularly – are not entirely paid from the public purse. As you know, they are often freelance.

Q82 Lord Maxton: They may be freelance but they are paid by the public purse.

Mr Salmon: There are lots of issues there around data protection, around fairness and transparency to some of these figures. With respect, I am not sure there is an equivalence between people holding high public office and TV presenters.

Q83 Lord Maxton: They think they are more important.

Mr Salmon: Well, you might say that but I do not think we say that.

Chairman: I do not think we will get agreement on that one! One very last question on training.

Q84 Baroness McIntosh of Hudnall: I think this is probably a question for Mr Salmon. The BBC has constantly reiterated its commitment to training. We know, from everything we have heard, it represents a very, very significant and increasingly significant part of the overall training available for the industry. Could you tell us how that commitment is going to be sustained in view of the changes you are intending to make to the way you spend your money?

Mr Salmon: It does remain paramount. We are very explicit that, even as pence fall away from the independent sector in the market for training, the BBC intends to maintain current levels of spend in the training sector. Clearly as we move around the country and the industry changes and we change in terms of regional and national pools of talent, we have to be flexible, nimble and agile about how we, as it were, evolve our training budget. The pace of

technological change clearly means we have to move into new areas. We have formed an academy in the BBC, the BBC Training Academy, which works at opening up the BBC's own internal resources to external bodies, so for instance our College of Journalism is available to everyone in the sector but also by working with bodies like Skillset to move money more nimbly across the sector into, for instance, freelance areas where they can work more ably at training freelancers than we do. Our commitment to training is unchanged and unfettered. It will clearly keep changing in terms of its style and substance, but in terms of level of commitment it remains absolutely steadfast.

Q85 Baroness McIntosh of Hudnall: Is Salford an important part of that?

Mr Salmon: Salford is a really important part. We are working currently with more than 50 training organisations in the North of England, bringing on students, teaching them new, applicable, digital skills, equipping them for working for the new BBC workforce in the North of England.

Q86 Chairman: Thank you both very much indeed. I am afraid we have taken you over your time but that is because we have tried to cover a great number of the issues and obviously your Strategic Review covers the whole waterfront. Thank you very much for the way you have answered your questions. There are one or two things you are going to follow up on, which we appreciate, but thank you for coming today.

Mr Tate: Thank you.

Witnesses: **Mr David Babbs**, Executive Director, 38 Degrees, **Mr Ben Fenton**, Chief Media Correspondent, *Financial Times*, and **Ms Miranda Sawyer**, radio critic and feature writer, *Observer*, examined.

Q87 Chairman: We are very sorry to have kept you waiting but, as I think all of you saw for yourselves, the last session rather over-ran. Thank you very much for coming. I am going to deal with this in two parts and we will start, if we may, with David Babbs. Perhaps you could tell us in a few words what your organisation, 38 Degrees, stands for?

Mr Babbs: 38 Degrees is a quite new people-powered campaigning organisation. Essentially our starting point is that we think there are lots of people in the UK, hundreds of thousands, who care passionately about politics, have broadly progressive values they believe in, address the big issues of the day, but they are not currently engaged in politics, they are not switched on by the traditional means of engaging, and we are trying to use the latest techniques and technologies to engage those people in politics. We draw very heavily on the techniques and insights of organisations like Move On in the States and Get Up in Australia, who have both successfully engaged over 1 per cent of the population of those countries in campaigning activity and engaging with their elected representatives and engaging with the big issues. We launched at the end of last May, and over 120,000 people have got involved in those eight months, so there are signs it is working and our members are very passionate. We started campaigning on the BBC after a large number of our members got in touch with us asking us to start standing up for the BBC, really after the first media outpouring around the Ross-Brand affair and then James Murdoch's high profile speech at the Edinburgh Festival last August. We then polled our membership and asked, "Do you want us to do this?" because that is something which really decides what issues we campaign on, and over 90 per cent said, "Yes, we want you to start running a campaign standing up for the BBC."

Q88 Chairman: In the time you have been running your campaign you have had quite a lot of sign-up, have you not, in your concerns as far as the Strategy Review is concerned?

Mr Babbs: Yes, about 40,000 people have signed our petition against the BBC's current proposals and over 20,000 have emailed the Trust in direct response to the consultation using our website. A further 2,000 in the last week have donated money to fund billboard advertisements expressing our opposition to the idea of cuts to the services which we will put outside the Trust offices and BBC buildings around the country. The important thing about that is that it shows this is not just people doing one click stuff and not really caring that much, they are putting their money where their mouth is and chipping in to this campaign.

Q89 Chairman: Is it fair to say that most concerns expressed are about 6 Music and the BBC Asian programme?

Mr Babbs: That is a really interesting question. In preparation for coming here today, we have poured over all the comments and done a lot of analysis of where people are coming from and the first thing to say is that people signing the petition signed against the threats to 6 Music, the Asian Network and the website services, so they are not of a "them not us" persuasion. Most people's starting point in terms of what they talk about in their comments is those services, that they value those services, but we do see a bit of a pattern. The first few thousand people signing the petition were predominantly coming from the 6 Music perspective, they were definitely the most wired-in, connected people, but over time that has balanced out and broadly speaking there are a lot of people who are passionate about both those radio stations and about the website and see them all as examples of precisely the kind of thing they value the BBC doing and make that connection between a particular service and the more general. My assessment is that while there are a few people who just love 6 Music and do not want to not be able to listen to their favourite radio station, overwhelmingly this is

something that is about a public response to a valued public service they see as being under threat rather than a fan campaign about a particular radio station.

Q90 Chairman: Do you have any information on the ages of your respondents?

Mr Babbs: Yes. We engage with people a lot via Facebook where you get very detailed demographic information – it is slightly sinister actually! Also we survey our members all the time and ask them questions about that. It is a very broad demographic and geographically very evenly spread across the country, as you would expect, although some greater pockets in the Midlands from the Asian community there who are engaged via the Asian Network, but a very wide geographical spread. We think about 60 per cent are over 35, so by no means a web-e-youth movement going on here.

Q91 Chairman: You said something quite interesting about the Asian Network. I suppose most publicity has gone on 6 Music but there is quite a lot of concern about the Asian Network as well.

Mr Babbs: Yes, very much so. My overall assessment is that the 6 Music people, especially when the announcements were first made or were first leaked, because of where they are technologically, being a digital station, were quicker to respond and probably initially more savvy in their response, but we have seen a slow and steady response from the Asian community and from people who access that service, along with, I have to say, a lot of people who probably do not listen to the Asian Network but think that is the kind of thing they would expect a public service broadcaster to be doing and they perhaps encountered some things which were first showcased on the Asian Network and they have encountered them elsewhere. So just like 6 Music, they are people making the point about the kind of service it is rather than as fans of it.

Q92 Lord Gordon of Strathblane: How is your organisation funded and could you split it between campaigns in general and specific ad hoc funding for one particular campaign?

Mr Babbs: There is a lot of detail about this on our website; it is something which is very important to be transparent about. Our aim is to be fully funded by small donations from individual members within the next three years. We are some way towards that already and we have received seed funding from a small group of founder donors to get us going. The two main ones were Gordon Roddick, formerly of the Body Shop, and Henry Tinsley who used to run Green & Black's chocolate. We are a very small operation, we have four staff and a website, so we are pretty cheap, and 120,000 members.

Q93 Lord Inglewood: If you become a member, do you pay a subscription?

Mr Babbs: No. You are classified as a member if you are taking multiple actions and engaging in our consultations, our polls, tell us about what you do; membership is about being active.

Q94 Baroness McIntosh of Hudnall: Can I ask about your agenda, as it were, because the particular issue to do with the BBC and the potential closure of these two stations and the changes to the website, are things which have come up to you as issues which people might want to have a view about, and you have invited them to have those views and they have overwhelmingly tended in a particular direction. Do you have policies of your own as an organisation about things you want to campaign about or particular campaigns about which you want to take a view?

Mr Babbs: I am a director and obviously I have views ---

Q95 Baroness McIntosh of Hudnall: Yes, but does your organisation ---

Mr Babbs: --- but as an organisation we are very much focused on being driven by what our members do. We have to mediate that and flesh that out by taking advice from civil society more generally and thinking about it as a strategy. Before we launch a campaign, we will poll our members on whether or not they want to participate in it. We are probably quite unique in the way we genuinely read and analyse all the member correspondence we get. We are continually engaged in a discussion with our members on our Facebook group and on our blog. Essentially what we are trying to do is to apply in some ways quite old fashioned community-organising techniques to engage in a very participative way with the community which would, before the internet, have been possible with people in a room like this but with a much broader community. Different people engage to different extents, we are not in touch with every one of those 120,000 every week, but what we are finding is that those who do engage with us the most do reflect in their views and instincts the broader constituency. It is all quite fluid. We take decisions with our members at the heart of them.

Q96 Chairman: Do you find it slightly ironic that one of the great advantages of the switch-over to digital radio is that new services will be provided, but at the same time the BBC closes down, or looks like it will close down, two of the most interesting ones?

Mr Babbs: I am trying to talk on behalf of our members here. I think they definitely do see that. To them it does not feel in any way like the kind of thing which makes sense for the BBC to be doing with their understanding of what public service broadcasting means and their understanding of the trends and directions in which this kind of content is going. They see both those services, and indeed a lot of what the BBC provides online, as being things which, if there were commercial alternatives, they have not found or they do not think they are anywhere near as good, and they think it is the BBC's job to provide things like this.

Q97 Baroness Bonham-Carter of Yarnbury: Having once worked for the BBC, I feel a certain sympathy for them because they are attacked from both sides. There has been, it seems, years of campaigning by commercial radio stations that they were too large, they were taking too much space. Does any of that come through?

Mr Babbs: Very powerfully actually. Our engagement and the issue pre-dates these particular proposals and it was probably stimulated by no man more than James Murdoch. The most common phrase people used in their response when we consulted them on whether or not to start this campaign was, “The BBC is not perfect but ...” and then the “but” would be a variety of things on the theme of, “it needs improving, supporting and nurturing”. So many people we see as the most dominant voices in the debate about how to improve the BBC are people with very strong commercial or political interests in doing the opposite – constraining it, undermining it, shrinking it so they can pursue their own ends – and I think that is what people were looking to 38 Degrees to do; to advocate the other side of that, not in an uncritical, “everything the BBC does is perfect” way but in the sense of “this debate needs rebalancing”.

Q98 Chairman: Let us move on a little more generally. Miranda Sawyer, you are the radio critic of the *Observer* and you also write features for the *Observer* and you have a column in the *Observer Music Magazine*, I think.

Ms Sawyer: It was *Music Monthly* but they have killed it!

Q99 Lord Gordon of Strathblane: You should get a campaign going!

Ms Sawyer: I know!

Q100 Chairman: We join in the mourning on that one! Ben Fenton, you are the chief media correspondent of the *Financial Times*, where you have been since 2007 but you have vast experience around the world as a journalist?

Mr Fenton: Yes, that is true.

Q101 Chairman: Let me ask you both, what is your overall assessment of the BBC's Strategy Review proposals? Do you see it as a significant change of direction for the BBC or do you see it as a response to what they see as short-term political pressures? Which of those is a more accurate way of putting it?

Ms Sawyer: I would say, obviously, I have a lot of sympathy for the BBC, I am a big supporter of the BBC, and I think they are under a lot of pressure from different sides, not just the side that thinks perhaps the Conservatives may get in, but also because they have been trying to be many things to all men. So they have been trying to advance digitally in quite a haphazard way, I would say, I think slightly unstrategically. For instance, they have been expanding the website like billyoh, they have been trying to promote digital radio and yet they have not actually had enough digital radio transmitters for people to even get the things they are trying to advertise. So I think they have just sat down and tried to focus and I can understand why they have tried to do that; I am not entirely convinced by some of the minutiae of their actions but I understand it is quite a good point for them to have a policy that they can gather around in the sense of an army going forward. So I understand why they are doing it, I think some areas they have got wrong.

Q102 Chairman: What do you think, Mr Fenton?

Mr Fenton: I think there are two ways of approaching it, one is a cynical way and the other is a more generous way. The cynical way is that there is an Election coming up so they are bound to have done something like this; the idea they could have arrived at the point a few

weeks before a General Election having given nothing at all to their critics I think was unthinkable to them. If you look at what they are doing, the bulk of the Strategy Review involves moving money around in ways which will not be all that visible after a period of time. They have picked a couple of fairly small, although obviously vocally supported, radio stations to close down. They have not, for instance, taken what would be a much braver step of, for instance, suggesting the privatisation of Radios 1 and 2, which I know has been suggested by some people, and if you think 40,000 people who have gathered against 6 Radio's closure is a lot, I suspect Radio 2 privatisation might have swamped that number. I think they have probably done the bare minimum really in the face of considerable pressure from outside. On the particular question of Radio 6 Music, for instance, it has played very nicely to the BBC that there is vocal opposition to the closure of 6 Music because it allows the BBC to say, "Look, we try and close something which is essentially a minority interest and we get a huge campaign against it, people donating money to take out billboards", that kind of public pressure you could not have imagined a couple of decades ago about any kind of closures in the media. As I say, I think they have probably done the bare minimum they had to do for political purposes. A more generous interpretation, I think, would be that the BBC has, since the mid 1950s, been engaged in a balancing act with the commercial sector, since the commercial sector came into being. It worked out pretty well as long as there was just ITV, it was a straightforward balance and they both scratched each other's back, generally speaking. When Channel 4 came along, and then 5, that situation became slightly more complicated but was essentially not too difficult for them to keep their balance, to keep providing a broad range of services without looking too powerful. They were undergoing much greater scrutiny of their costs in the 1970s and 1980s by people in these Houses than they are now. It was really when multi-channel television arrived that the game changed completely. At that point the balance really became one where you have the BBC on one side

growing larger and larger and a multifarious group of broadcasters on the other side of incredibly variety. If you look on Sky's electronic programming guide I think you will find there are two Nigerian movie channels. I do not think Lord Reith would have thought he would ever have to be competing against Nigerian movie channels, one let alone two! Those are huge counterweights now to the BBC. The interesting thing that has happened in the last 18 months to two years is that with the exception of Sky and to a lesser extent the Virgin Media offer as well on cable television, those companies on the other side of that balance have suddenly started to fall off. Even if they are still clinging on by their fingernails, their weight is not as much as it was and, therefore, the BBC suddenly looks like a big fat gorilla and it looks as though it is weighing down very heavily on their side and, therefore, they are much more exposed than they have ever been. I do not think the BBC has become particularly over-mighty, as much as the other side is feeling it very much more severely than it ever has done.

Chairman: Okay. Let us try and go into some of the specifics.

Q103 Lord Inglewood: Reference has been made to the proposed closure of the two digital radio stations. Do you think that is going to have any material impact on the development of digital radio as a whole in this country and if so what might that be? It does not matter which order you take it in.

Ms Sawyer: I think it is quite interesting in terms of 6 Music because the argument that the BBC has given is in terms of age. They say if you shut 6 Music the average age is 37 of those who listen to it and then all the people who listen to 6 Music will then migrate to commercial stations who deal with pop music in that area for that age group. It is a mis-analysis of how people listen, so age is becoming less relevant to the way that people would quantify themselves. What 6 Music does essentially is provide an alternative music station. It is just an attitude to a particular kind of listening. For instance, if you are the kind of person who

wants to go and see plays at the Royal Court rather than David Hare at the National you have a slightly more alternative attitude towards culture. I think people who listen to 6 Music have an alternative attitude towards music that is not satisfied at all by the commercial sector, I must say.

Q104 Chairman: And very unlikely to ever be so.

Ms Sawyer: Very unlikely to be. I can understand their problem in that they think it costs quite a lot of money to run a radio station and maybe they would like to shut it down at night. They also have another problem with 6 Music in that I can understand why they want to streamline their radio offerings into 1, 2, 3, 4, and 5 and then take the other digital channels and tag them on so they are moving Radio 7 to be Radio 4 Extra. BBC Radio 7 is quite cheap to run, it is a lot of repeats, some of it is CBeebies. I do not know if you have ever listened to it, I have watched it with my kid, but if you listen to it, it is just terrible. It is quite successful. The problem with 6 Music is that it does not tag naturally on to anywhere else because Radio 2 they are also trying to alter. Radio 2 is a very, very strange station that has gone through different stages according to its different Controller. The last controller Lesley Douglas was very interested in music so, therefore, she brought in slightly edgy people like Russell Brand. She was very interested in the music side of things and she also ran 6 Music. Since she has gone that attitude towards music has changed quite a lot and so the BBC has realised that people perhaps are worried about the fact that older listeners are not getting catered for so they are deciding to move Radio 2 more towards what they call an over 50s listenership which therefore will cut out, as we see in the proposals, quite a lot of the more alternative listeners that they were courting over the last few years with programmes like *Radcliffe and Maconie*. It is a strategy that you could do, I have no moral problems with it; off you go and Radio 2 becomes that kind of station and you tag 6 Music on the end of it. There is an entire niche, and a very vocal niche as we have found out, of alternative music listeners and alternative

culture seekers, I suppose really, who will not be catered for because the commercial stations generally genuinely do not cater for them. They do not make documentaries. If you listen to XFM which is often offered as an alternative, it is quite laddish to listen to and its alternative music is quite mainstream.

Q105 Lord Inglewood: Does this not encapsulate the difficulty they are facing? On the one hand they have not got limitless money and, on the other hand, they have obviously got to get an audience, and balanced against that is the fact that also, as was mentioned in the previous session, they ought to be looking partly towards market failure. You cannot do everything all the time. Anybody who runs a music station for people like me is going to go bust immediately.

Ms Sawyer: But the argument for the commercial sector essentially is they do not want 6 Music; they want Radio 1. If you wanted to support the commercial sector, you would privatise Radio 1. I am not saying that was a good idea but that is what they want. They are not interested in 6 Music. They do not care. People will say that they offered to buy it but ---

Q106 Lord Maxton: Radio 1 does actually put on new groups for those age groups which would not be on the commercial sector.

Ms Sawyer: It has a good strand in *BBC Introducing* and Zane Lowe is a very good example of that but it does not nurture bands. There are bands even more alternative that end up in the mainstream that are not nurtured in that way simply because Radio 1, just because of the nature of it, is more of a bubbly, very quick attitude towards music. It really is a very short attention span, it is like, "Oh, that is great, now we've got another one over there".

Q107 Chairman: Lord Inglewood is going to tell us, is he, at some stage what his music tastes are?

Ms Sawyer: Could we design a radio station for you?

Q108 Baroness Bonham-Carter of Yarnbury: Am I not right in remembering that when BBC Asian Network was launched there was a criticism of it even starting off?

Ms Sawyer: There is always a criticism of that kind of niche. Why do we have *Women's Hour*, why do we have BBC Asian Network? If you niche in the way that the BBC is, I think, very right to do then you always get an argument against that.

Q109 Lord Inglewood: Will it damage the development of digital which is where we started this discussion?

Ms Sawyer: It is interesting. I brought the list of the top radio stations that are listened to on digital and the biggest one by 100,000 or so is Hit, which is just mainstream pop, completely. It is the kind of thing you listen to on a radio. If you look at something like 6 Music I think the take-up has been low, although it has increased by exactly the same amount as 1Xtra and 7 has, simply because people do not know it is there. I still get a lot of letters from people saying, "I can't get DAB. It is all very well you saying we are moving to a digital future in 2015 but I can't get it, I can't even get digital tele let alone radio."

Mr Fenton: I think that is a broader point.

Q110 Chairman: That takes us back to our last report as well.

Mr Fenton: The switchover to digital radio, and I think it is accepted on both the commercial side and the BBC side, is going to require government impetus. It is not going to happen on its own, certainly not in a timescale of 2015, and certainly not at a time when commercial radio companies, although we do not know much about them because they are almost all privately held now, are all losing money. There is no way they are going to do infrastructure investment of the kind that is needed to roll out a national project.

Q111 Chairman: We will hand you our last report before you go. Do you have any other views on Lord Inglewood's main point?

Mr Fenton: Yes, I think one other view I would have, and I am not sure where this fits into my main thesis, is that the internet actually provides an incredible amount of variety of radio stations and they are not restricted to the UK. I was listening to music from Madagascar a couple of weeks ago and it was sensational and I do not think even Radio 6 could do that.

Chairman: You have made Lord Maxton's day.

Q112 Baroness McIntosh of Hudnall: Could I just go back, Mr Fenton, to your analysis about what has happened to the BBC, that the BBC, as you put it, has become a big gorilla, not because it has actually got any bigger or, as you put it, not because it is over-mighty but because the other guys got weaker. That being the case, and in a way you might say that is happenstance, that is the operation of markets, what responsibility do any of you think the BBC does have, given that is the case, to shrink itself so it does not look so much like a big gorilla because that is really at the heart of the issue, is it not?

Mr Fenton: I do not think it has a responsibility to shrink itself per se. I think it has a responsibility perhaps to be more open in shifting some of the wealth that it has and entering into partnerships with other commercial organisations. It talks a good game on partnerships. I do not want you to think I am too simian focused but somebody did say that co-operating with the BBC was a bit like getting a huge from a gorilla (Steve Morrison from All3Media). They are not actually very good at micro-partnerships with people according to those who they enter into those partnerships with, you have probably heard evidence of that yourselves. I think they need to work harder on that. I think certainly they have a responsibility from that point of view. Whether they have a responsibility broader than that to shrink down themselves so they do not look so bad, I would argue that is probably not what the BBC is for, I think the BBC is very much for keeping the commercial sector honest. If you look around

Europe, you will see no examples of countries where it has ended up being a net gain to the consumer or to society to slim down the state-funded broadcaster in order that commercial enterprises can either survive or thrive.

Q113 Baroness McIntosh of Hudnall: Except possibly in Italy, you might think.

Mr Fenton: I am not sure I really want to go there. The Italian media sector is an area which I think we would be very ill-advised to copy.

Baroness McIntosh of Hudnall: Or even comment on possibly.

Q114 Lord St John of Bletso: There has been a proposal for certain producers specialising in certain types of content. Do you support this and is this an efficient use of limited resources? We have heard about the resources in the previous evidence. Will this not reduce competition?

Mr Fenton: Are you talking about television production?

Q115 Lord St John of Bletso: Yes.

Mr Fenton: You mean the use of external production houses?

Q116 Lord St John of Bletso: Yes.

Mr Fenton: External production houses are in wide use in the BBC already. Programmes like *MasterChef*, which is a big ratings hit at the moment, is made by Elisabeth Murdoch. I think there is an awful lot of that already. I am not sure that I know the proposal that you are talking about specifically but the BBC certainly could easily redistribute its wealth to nurture and cherish the independent production companies in this country, but then so could ITV and so could Channel 4, and maybe at a stretch so could 5, and absolutely certainly so could Sky but they seem to be much keener on pushing other avenues, certainly at Sky. At ITV it remains to be seen how far they will go to change their attitude to independent production.

One of the great failures of Michael Grade's regime at ITV – and I think he got a bum press for how he ran ITV on the whole - was to shift towards the independent production centre, and he counts himself as a champion of that sector.

Ms Sawyer: I would just like to answer that in terms of radio. The BBC has a kind of monopoly in terms of independent production so if you wanted to make a documentary there are very few commercial operators that allow documentaries on there because they just do not think it is worth it. The BBC very recently has cut down on various uses of independent radio production houses, which seems a bit mean to me, to be honest, in favour of making it in-house. If we are talking about it as a gorilla, in terms of radio, it is the biggest gorilla, it is just enormous; it is not even fighting the small chimps, it is fighting the tiny, tiny, little aliens down there, little microbes. It is very hard for independent producers to get anything made by the BBC, to be honest, because there is so much of a backlog and a queue to get in there.

Q117 Baroness Howe of Idlicote: Thinking about the way the review has been conducted and the role of the Trust and the Executive, have you got views on that? Do you think it is effective? It would be interesting to know your views on that.

Mr Babbs: It is very hard to say until something has been completed, is it not, in lots of ways. We are at very early stages of it. I think lots of our members have reflected to us that the way the Trust has presented the consultation to the public is pretty esoteric and pretty challenging to get through and it is very hard to express.

Q118 Chairman: Do your members understand the fundamental difference between the Trust and the Executive and all that?

Mr Babbs: I think they are getting their heads around that. The idea that there is a proposal being made to a governing body that they perceive is minded to accept it but might be swayed by a lot of public opinion, that clearly has got through because that is the theory of change

which has sped them to take action. Do they get all the ins and outs of that or necessarily have confidence in the Trust to listen and to be operating independently of even political influence or influence from the Executive.

Q119 Baroness Howe of Idlicote: Are they sufficiently separated?

Mr Fenton: Your question might be better directed as to whether the BBC understands the difference between the Trust and the Executive. I think there is nothing wrong with the structure that was presented but I think it has been very poorly choreographed from the point of view of the BBC trying to establish that there is independence between it and its governing body. There have been some very unfortunate pieces of coincidental press statements and so on which to a cynical journalist like me ---

Q120 Chairman: You are from the *Financial Times*, a great financial paper, with expertise there, have you ever come across an organisation which is run in the way the BBC is run with the Executive on one side and then this Trust on the other side with the Chairman of the Trust being told that he can actually call himself Chairman of the BBC but only as an honorary title? Do you know any other organisation run in that way?

Mr Fenton: *The Guardian*.

Ms Sawyer: That is so funny, I was going to say that.

Mr Fenton: Apart from that, no, probably not, unless you count, of course, this place which has a chairman sitting up in Buckingham Palace and an executive here.

Chairman: Okay. I will not go down this route.

Q121 Baroness McIntosh of Hudnall: This is a completely different issue which is the question of the value and accessibility of what the BBC holds in terms of its archive and the material that it has got and is constantly creating. They are now talking about making that

archive more readily available. I am a little bit unclear about how that is going to happen but nonetheless they are saying it. Does it seem to you to be firstly a good thing from any of your points of view really? Secondly, do you see the way in which that could be done without running into all kinds of hideous problems about intellectual property, which Ann Wright told us, being so multifarious? It does slightly appear to compromise the remit of BBC Worldwide or it might be thought to given that BBC Worldwide's mission is to create income stream for the BBC by selling its intellectual property. Do you have any views about how these two things hang together?

Ms Sawyer: I have a consumer view as somebody who uses the BBC.

Q122 Baroness McIntosh of Hudnall: That is good enough.

Ms Sawyer: It seems to me that what they are trying to do, especially in terms of online, they are saying, "Okay, we are going to really reduce the amount of money in online", and I think they are then going to use that to try and free up the archive because I understand it is very difficult in terms of rights. It does seem that if you are an internet savvy user of the BBC you cannot believe that you cannot get some of the stuff. You assume you can, or you assume that you can get it in France so why can you not pay for it? It is the age old problem that the BBC has; if you are an internet savvy technological user of the BBC you expect it to do more than it does. You just think, "This is ridiculous, why can I not get archive?" It seems to me with Worldwide it is slightly different. That is again as a consumer of it the kind of slightly rubbish channel that you get when you watch in a hotel room, and you can also buy DVDs. It seems slightly different although they could merge. They are generally talking about online, with archive that is what they want to do, they want to get it up online and they want a final way of monetising it, I would assume. I would be for that, I just do not know quite how they are going to do it.

Q123 Lord Maxton: They have already got the last seven days online through the iPlayer so you can watch any of the BBC programmes for the last seven days and of course series, they just do not do seven days, they do the whole series.

Ms Sawyer: Yes. But there are still very classic serials that you might want to get hold of. There is an internet attitude that you cannot believe you cannot get hold of it right now. I want to *World at War*; why can I not watch it?

Q124 Baroness McIntosh of Hudnall: This really is the point I am trying to get at which is the relationship between the free availability of material for which we, as licence payers, have already in effect paid and BBC Worldwide's, as a commercial arm of the BBC, ability to turn that into money which we then supply by buying the DVDs.

Mr Fenton: I think there are two slightly different issues there. I am certainly not trying to make the BBC's point for it but Worldwide cherry-picks what it thinks are the most commercially successful programmes on either the current schedule or the relatively recent past schedule. I think what the BBC is talking about in its archive proposals is something rather older. I do not know because I have not spoken to them about it, but I would have thought that they are thinking about, for instance, giving access through Project Canvas, whatever shape that finally takes, to things like the entire history of *Dr Who*. I have some stakeholders sitting behind me who would welcome that, definitely, but I do not think that Worldwide would see that necessarily as being its area. I do not think there is a lot of money in doing that. It is the sort of thing that people will go and search for if they have an interest but I am not sure it is a mass market thing, and I do not think Worldwide in the future, at any rate, is going to be looking for that kind of relatively minority interest.

Mr Babbs: I said before that one of the phrases most commonly used by 38 Degrees' members in talking about the BBC is that "it is not perfect but" and in that "not perfect" bit of that, their very limited availability of old archive stuff which people cherish and they feel they

have paid for, they were happy to pay for, they support the idea of the licence fee, that is one of the frustrations. I would not say it is one of the most significant ones but it is definitely there in the mix. It is that internet expectation, you can put stuff up on the internet quite easily.

Q125 Lord Maxton: Is not the problem that recent programmes, presumably the productions that are put out on the iPlayer, are included in any negotiations on rights but if you go back 20 years they are not. That was not part of the payment and people who made the programmes expect payment for it. How you monetise that has been the problem for the BBC. As I said, 15 years ago I saw how the BBC could do it.

Mr Fenton: Absolutely, that is true, and obviously that is slightly easier when it is a BBC production itself, although there will still be IP issues there. The other point I want to make to Lady McIntosh, the whole question of the BBC's massive archive is one of those areas where commercial competitors feel endangered of being swamped. Miranda, just now, said why can I not see *World at War* ---

Ms Sawyer: That is ITV, sorry.

Mr Fenton: --- which is a Granada production as far as I recall. Your point was very well made because why should she not be able to see that and the reason is because it is an ITV production and they have real IP problems getting that out there. The BBC has fewer problems in doing so, and so whereas it is a bit of a legal nightmare and ITV probably does not keep quite as many lawyers on the staff as the BBC does to sort that out, I am sure ITV would love to put *World at War* on Canvas when it comes up.

Q126 Lord Inglewood: Disregarding the problems about the IP, is there not also an issue of principle which is that as television ceases to be linear, because after all the BBC is being paid for by everybody, why can we not get the backdated material? It would seem to follow

logically, would it not? On the other hand, I do see that they have a huge financial value, not only nationally but globally, and if you happen to be the people in charge of them you want to monetise it.

Mr Fenton: Yes. There is a question of scale as well, is there not? How many people will it take to prepare these programmes for rebroadcast or re-narrowcast to digitise them and so on and so forth? How big do you want the BBC to be? We go back to my question about balance, how big do we want the BBC to be? I think that is the very simple question which nobody in the political sphere, to be fair ---

Chairman: Do you have any other points on this area, Lord Maxton?

Q127 Lord Maxton: The BBC proposals have been described as a leapfrog from multi-channel into on-demand, narrowcasting - I am glad to hear someone else use the phrase - rather than broadcasting. Do you think that is a fair characterisation of what has been proposed, not on the radio channels but on other areas?

Mr Fenton: I think this Strategy Review is probably motivated by other considerations in its timing. I think the next Strategy Review will be very much enlarging on that, quite clearly not for the next 10-15 years but beyond that, we can argue about the timing, let us have a talk about it afterwards. If you look at research that has been done by people like Paddy Barnard (?) you will see that there is quite a long lead time before people will come to look on the internet as being a main source and not programming, that we really get into non-linear programming. As I say we can probably disagree about the timetable. I am sure you are right that they have one very large eye looking at the future. In fact, it is arguable that the whole pay TV review – Steve Hewlett made this point in *The Guardian* recently – was largely about the future on the internet and how to keep investment going down that line and I think the BBC has that very much.

Q128 Lord Maxton: Part of the problem is that at the moment everybody sees the internet and television as somehow separate. The first internet televisions are already on the market where you go into the internet directly using the remote control and use it on the television. If you look at the speed at which people have taken up flat screen televisions it is the same thing.

Ms Sawyer: But also allied to that, not entirely, I think there is an idea that is embedded in television at the moment that you might have to pay for some of the services. You understand that if you want Sky Sports you would pay for that. There is nothing like that on the internet at all so the combination of the two does provide a difficulty for the BBC.

Q129 Lord Inglewood: Mr Murdoch seems to think that might not be the case.

Mr Fenton: And the *Financial Times*.

Q130 Chairman: You posed a question how big should the BBC be? Let me ask you a question which is just a little aside from what we have been asking you. If ITV withdrew from regional news around the country, given the position of regional newspapers, which are not exactly in the most flourishing state at this moment, are we in danger of getting a regional BBC monopoly?

Mr Fenton: Yes, there obviously is a danger of that. There are enough companies out in the regions, just generally, I do not know where they are based. If you look at a company like Ten Alps, for instance, they want to provide the regional news broadcasts and narrowcasts in Northern Ireland, and they were in the North East of England pilot. To them, the 30-minute bulletin in the evening is not an afterthought but it is very much the icing on the cake of a much broader coverage there which they will produce through IPTV. If there are other companies like that, and I am assured that there are, who can see a state-funded way of establishing business models then I think there is a possibility of heading that danger off. If

insufficient funding, at least in the seed period, is not provided, I think there is a real danger that these “ifniks”, or whatever they are called, will just go off half-cocked and that is, if indeed, the next Government actually goes ahead with them.

Q131 Chairman: The question comes down to if you are going to build an alternative it comes down to how that is funded. Your view would be that unless there is some public money being made available certainly at the beginning then the chances of alternatives getting off the ground are not good?

Mr Fenton: That would be my view, yes. That is assuming that ITV actually decides to go ahead and give up its regional news space.

Q132 Chairman: Just go on with that, there have been conflicting signals, have there not, coming out about that? What is your view there?

Mr Fenton: I am absolutely convinced that they do not want to do it now.

Q133 Chairman: Sorry?

Mr Fenton: To be clear, I am absolutely convinced that Archie Norman thinks that it was a bad idea to go into the surrender of regional news slots to outsiders and that he will do whatever he can to reverse it.

Q134 Chairman: That potentially is very good news.

Mr Fenton: Again, yes, if it is invested in properly. I think what one would lose out on there is what I was saying, where would your Ten Alps be there? Not only would they as much smaller companies actually find it much more difficult to make that contribution but also what kind of service will people get from their regional news? We may all have different views about what kind of service ITV currently provides but it is difficult to imagine that in the future it would be substantially better.

Q135 Lord Maxton: In Scotland, which is where I come from, there already is a consortia that has bid and has been granted, as far as I understand it, for regional news provision in Scotland, a consortia which consists of at least two, *The Scotsman* and *The Herald* are both involved, so obviously STV were prepared to give it up. Well, they bid for it but they did not get it.

Mr Fenton: Yes. To be honest, I do not know what the legal position is there and I do not know who owns the slot, for instance. Presumably it is the licence holder which was STV. They competed to provide the service themselves and lost, which I gather was quite a big blow to STV. I am not quite sure what the legal position would be there, but if STV is prepared to let it go, maybe they will say afterwards, “Well, if ITV are keeping it, we will keep it.” I am afraid I do not know the ins and outs of this law and I doubt there are many people in the world who do.

Q136 Lord Inglewood: Can I just declare an interest as the Chairman of a company that is involved in the North of England, a successful but preferred bidder in the North of England. One of the things that struck us – and I would be interested in your comments – is that we think that ITV regional news has been extremely boring and that it is capable of very considerable enhancement in the public interest in the way it is delivered.

Ms Sawyer: Skateboarding dogs!

Mr Fenton: You might very well think that, my Lord, but I had better not comment.

Q137 Lord Maxton: It might be very boring but with the General Election coming up it raises very important issues of whether or not they can be balanced and impartial in their reporting. They may be but if they say they are going to use the same reporters as are working on newspapers, and I read in the *Glasgow Herald* some reporter who expresses a

particular view and then watch him on the same television the same night trying to be impartial, I know he is not.

Mr Fenton: That is certainly one issue.

Chairman: Okay. Unless we are careful we are getting into the situation where you are asking Lord Maxton the questions and he is giving you the answers. Before we bring it to a close, are there any additional points that you would like to make?

Q138 Baroness Bonham-Carter of Yarnbury: As I understand it, they have not survived the digital economy wash-up bill.

Mr Babbs: I think the thing I would really like to emphasise in terms of where our members are coming from is that they have sort of a cynical analysis of where the strategic review is coming from in that they see the driver as being larger forces, nefarious forces, threatening the BBC. I think the thing which comes through most strongly in that is the commercial threat and the single person probably named more than Mark Thompson in people's comments is Rupert Murdoch. Where they are coming from there is not principally an ideological position, it is that they cherish the BBC as a provider of services that they really value but they do not like having their radio listening interrupted by adverts, simple things like that; they do not like their children being exposed to adverts on all channels. You can infer within a minority of the comments that there is a sense that this becomes more of an issue with a change of government, I think some people are making that link but probably not all, but they do not feel that commercial considerations should be the predominant or pre-eminent consideration in how you make these decisions. As consumers of media, as consumers of public service content, they see the BBC as playing a valuable role. I do not think they trust the BBC currently to stick up for itself or the current political establishment to play fair in protecting what they value of the BBC as just ordinary people listening to it.

Q139 Chairman: Okay, thank you very much. Miranda Sawyer.

Ms Sawyer: This is just a personal view. I have fewer people to represent because I am just a radio critic. I suppose my view generally over the BBC is that it is subject to whoever is in charge and to vagaries of fashion, but one of the things which I find slightly distressing is that despite my age I am still interested in alternative music and Britain generally is seen as a kind of mecca for alternative music. We have amazing output that goes right across the world, we are really known for it. Not just by shutting 6 Music but generally across the BBC, I work for the *Culture Show* as an occasional presenter and the output of alternative music on the *Culture Show* has been cut down, even things like *Top of the Pops* have been cut out and generally there is much less representation of slightly offstream music across the BBC which I find very surprising. I do not know why because the people who are interested in it, generally are interesting in most of the things the BBC are interested in and they tend to be quite open-minded and well-read and culturally engaged people. It just seems to be sidelined and I am just not sure why. I think they think it is covered in other areas but I would argue that it was not.

Q140 Chairman: Thank you. Ben Fenton.

Mr Fenton: I think you could expand Miranda's argument right across the board. It is very easy to under-estimate the degree to which the BBC maintains the standards of other broadcasters and narrowcasters in the United Kingdom, keeping them honest when it comes to all manners of programming and online as well. Anybody who seriously wants to reduce dramatically the size and scope of the BBC needs to spend a couple of years living in the United States and they will realise just how much they miss it.

Chairman: Yes, and we certainly heard that point put to us when we were in the United States. It is a very good point on which to end. Thank you very much for coming. We have

much enjoyed your evidence and I thought it was also very important. Thank you very much indeed.