

TUESDAY 10 JANUARY 2006

Present

Armstrong of Ilminster, L.
Bonham-Carter of Yarnbury, B.
Fowler, L. (Chairman)
Gibson of Market Rasen, B.
Howe of Idlicote, B.
Kalms, L.
King of Bridgwater, L.
Manchester, Bp.
Maxton, L.
O'Neill of Bengarve, B.
Peston, L.

Witness: **Mr Philip Lowe**, Director General of Competition, European Commission, examined.

Q1646 Chairman: Mr Lowe, welcome to you. Thank you very much for coming over. We are very grateful. As you know, we are conducting a review of the BBC in the context of the Charter Review and we have already produced one report, but we are now looking at a number of areas which we could not do justice to in the first report. One of these is the issue of sports rights. Can we start from the beginning? We are obviously interested in what you are proposing as far as the Premier League is concerned. Could you explain first why the Commission is involved in the first place in television rights and the Premier League, given that the present system appears to allow Premier League to maximise its income?

Mr Lowe: The involvement of the Commission in the sale of audiovisual rights for football originated from complaints made to the Commission before 2002. Since 2004, we have a parallel application of European competition law by national and European authorities. Perhaps this case would have been dealt with directly by the OFT and the Competition Commission if necessary were it to take place today. However the historical aspects of it

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were that we received complaints. We also received complaints in respect of similar cases in Germany and with respect to the sale of rights of UEFA Champions' League and the EBU.

The essential basis for those complaints and our initial concerns ~~that while any individual company selling its services has a right to restrict output and fix prices, if there is collective selling of rights,~~ there is *prima facie* a case for saying that that could be in the interests of restricting output and simply maximising revenue for the companies concerned at the expense of the consumer. Our main concern in attacking this case and indeed all our competition cases is the ultimate benefit to the consumer. The Commission's line on the Premier League case and in its previous decisions on the German Bundesliga and on UEFA Champions' League is based upon the following principles: that joint selling is possible in this area in particular given the specific nature of sports, contrary to other areas where it might be considered a cartel. If you think of companies operating to fix output and price together elsewhere, it might be regarded as a cartel but in this area there are specifics. The reason why we believe it is permissible under certain conditions is ~~where the product being offered has a value added for the consumer over and above the particular services offered by individual clubs. If Manchester United, Chelsea or any other club in the Premier League was marketing its own audiovisual rights to its matches, that would represent a certain value but there is an added value from the Premier League's marketing of its rights, a showcase for competition which makes sense.~~

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Q1647 Chairman: Even if the proposals that you put forward lead to a drop of income for the individual clubs?

Mr Lowe: I will come back to that later on. Our case started principally on the basis of saying, "Under what conditions would it be acceptable for joint selling to take place?" First, there must be value added ultimately for the benefit of consumers or something extra for consumers. Secondly, there should be open competition for the rights in a transparent way

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and, thirdly, any exclusivity which was given to any broadcaster at the end should be of limited duration and scope, offering the maximum choice for consumers. That is where we started from. We were particularly concerned in the Commission in 2002/3 that the successive purchase of all the live television rights for Premier League matches by one single supplier/broadcaster would in the longer run foreclose competition in that market, reducing the incentive for others to invest in possible entry into that market. That was aggravated by the fact that in the UK situation as opposed to other situations there is only one dominant operator on the retail subscription market. The purchase on an exclusive basis of all the premium content of live football upstream would not only successively foreclose competition possibly for competitors upstream but also downstream it would reinforce the dominance of the broadcaster who had the retail subscription rights. At least that reduced choice for consumers because there are consumers who want to buy all live TV matches; but there are consumers who perhaps would like to buy a few. Our concern was that there was not sufficient potential choice in the way in which the Premier League were offering matches in order to leave it open for the market to offer to consumers the maximum benefits. We started off from that point. We entered into negotiations with the Premier League in early 2003 on that basis. They had already agreed at that point to increase the number of live games which could be offered. They also agreed to increase the number of packages of rights. The more packages you have, the more chance there is that people will bid for different types of combinations. Some free to air broadcasters do not want more than 23 matches per season; others want to use the matches on a pay TV basis. At that stage, and on a preliminary basis we were working towards four packages with a total of, 138 matches. Indeed, the Premier League operated on that basis for the tendering of the 2004/2007 rights even before they reached an overall settlement with us in December 2003 to do that. The result of that bidding however was that one broadcaster got the entire rights. So we concentrated the 2003

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settlement on the issue as to how bidding should take place for the next round which is 2007/10. Our concern about the downstream effect, strengthening the position of retail subscribers on the pay TV market as well as reducing choice for consumers generally as to how much football they want to watch and at what price, led us to the conclusion that it was advisable not to have a situation where again, for various reasons but for the third and fourth time, only one broadcaster got the entire live TV rights. As a competition authority, I can say that this type of solution is not a solution which we would ideally go for. A competition authority is interested in creating structures, and processes which make the market work, not in determining outcomes. We thought very long and hard before we proposed a no single buyer rule in the context of the commitments in December 2003. The subsequent reaction of a market test to those provisional commitments was mixed. The vast majority of other broadcasters thought we had not gone far enough. In some cases, some of the regulatory authorities here thought we should have imposed a split of rights effectively, 50/50, between the existing dominant broadcaster and others. We felt that the way to go was to have the maximum number of packages of live rights open for the market to bid for, which is why we subsequently agreed on six packages. We have also placed emphasis on the need for stand alone bidding. That is to say, broadcasters cannot simply bid on the basis that, “If you give me one, I will give you X. If you give me two, I will give you 2X plus a premium. If you give me the whole lot, I will give you a massive premium” because that would encourage again this serial exclusivity which would cut out competition and choice for consumers. We placed emphasis in our settlement with the Premier League on six packages offering the possibility for broadcasters to choose to combine. They can even bid jointly if necessary. The packages are based upon a module of 23 matches which is what the free to air broadcasters believe is what they can tolerate in their programming. It equally allows other larger or joint bidders to bid for half the rights, for example. We want to determine the

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process, not the precise outcome. However, if we were to leave all six packages open to exclusivity by one bidder for another period of three years, our concern was that that situation would in the end lead to further foreclosure in the wholesale market for the premium content and further dominance of the retail subscription market. That is the logic of what we are doing.

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Q1648 Chairman: You said the whole process began by complaints. Who were these complaints from and were there many of them?

Mr Lowe: The number of operators or broadcasters on the UK markets is limited. I do not think it would be correct for me to indicate to the Committee the names of our complainants.

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Q1649 Chairman: It was operators who complained?

Mr Lowe: Broadcasters and also downstream operators. Of course there were countervailing views from other bodies. The Consumer Association was also in favour of the major complainants at the time.

Q1650 Chairman: You have done what you have done and proposed what you are proposing as far as Premier League football is concerned but does it therefore mean that if, for example, we look at cricket you are going to do exactly the same in that area?

Mr Lowe: As I said at the beginning, I personally believe that the issue of the market for live rights to for games such as cricket is a national one and not a European one. The way in which we have modernised our competition law framework in the European Union allows these problems to be dealt with at the level at which it is most appropriate, where there is the most proximity to the facts and where the national regulatory authorities can deal with it. In the situation of cricket, we have not received any direct, formal approaches from any of the parties. We have received a number of letters but we have not received any formal

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complaints. We know that Ofcom has also intervened in relation to the award of highlights of cricket matches to, for example, Channel 5.

Q1651 Chairman: In précis, it is not as far as I know widely played in France and Germany and there is regrettably no sign that it is going to pick up interest there. As far as that is concerned, that you would leave at the national level, basically?

Mr Lowe: Certainly. The only argument for looking at football at a European level is the degree to which there is similarity in the cases and also the degree to which the rights are not just sold nationally but also across Europe, which is the case.

Q1652 Chairman: What are other potential sport areas which could be brought into this? Would athletics be brought in? Would rugby be brought in?

Mr Lowe: ~~Sport~~ is a specific area for application of competition law because a ~~sports~~ competition in principle adds something to the individual performance and events presented by one or two clubs. Therefore, I think there are particularities which will always be taken into account by the competition authorities, whether it is the European Commission, the OFT or the ~~US FTC~~. We all struggle with the same ~~sort~~ of problem in ~~this~~ area. We have dealt on ~~occasions~~ with ~~specific~~ cases. In particular, for example, we have an ongoing case as far as the European Broadcasting Union is concerned, because many of the private broadcasters in Europe believe that the combined purchase on an exclusive basis by the public broadcasters throughout Europe of the Olympics and other activities precludes competition for them, particularly when some of the rights which they purchase are never used. For example, some of the public broadcasters in the European Union are buying rights to pay TV which ~~never~~ get used, but they get bought up. ~~Our overall approach to these cases is to apply some general principles~~. I have told you what they are: value added for consumers, reducing exclusivity in scope and in duration to the minimum necessary to ensure competition, open tendering

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procedures to ensure that competition takes place. ~~But we~~ do not have a proactive approach in this area.

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Q1653 Baroness Gibson of Market Rasen: I would like to ask you about where we are with the draft decision at the moment. Has it been prepared by the Commission and sent to Member States for consultation? If it has, have there been any responses so far? What is its status? Finally, when will a final decision be made, because I understand it is due to be made in the first quarter of this year.

Mr Lowe: Under the law which we are applying, this is a decision which enables the Commission to obtain from the Premier League ~~legally binding commitments to behave in a~~ certain way and change things in a certain way. This decision is already prepared inside the Commission. We have not formally adopted it yet and it will be preceded by a consultation of the advisory committee of experts of the Member States who are experts from each of the national competition authorities. We expect that to happen in the next few weeks and at the very latest we should have taken a decision by March of this year.

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Q1654 Lord Maxton: I am a trifle confused by this. You said that you would not consider cricket because it is a national issue but the Premier League is a national thing, or are you telling us that some of the complainants about the Sky contract came from outside of the United Kingdom?

Mr Lowe: I am sorry I was not clear. Historically, this has become a European issue. ~~There~~ is arguably a precedent value across the EU because several markets have similar problems but I believe that if the case arose today under the new framework for European competition law it would have been dealt with by the OFT and other bodies in the UK.

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Q1655 Lord Maxton: You would not therefore have come to this decision. You would never have had to deal with it.

Mr Lowe: We would never have had to deal with it unless, ~~as~~ many commentators ~~have~~ ~~suggested – it was felt that~~ the European Commission should take a clear line on this, ~~we~~ must as 25 national authorities and the Commission have a similar approach, ~~applying the same competition law~~. ~~In certain sectors such as energy policy or airline alliances, you would~~ expect the Commission to take the lead in showing how the law should be applied. In this case, due to the history of the cases, we have developed an approach which has been broadly followed by the Dutch authority, by the German ~~Cartel Office~~ and by the OFT.

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Q1656 Lord Maxton: I am even confused a bit on that, because the Premier League is not a monopoly for football in England, let alone the rest of the United Kingdom. Last weekend, there was major football being shown on the BBC, because it was cup and not league. If you like, there was a competition for television watching and football even within that one area which you are considering is a monopoly. Is that not right?

Mr Lowe: This is a question of degree and proportionality. 73 per cent of the live rights available for premium football ~~shown in the UK~~ come from the Premier League.

Q1657 Lord Maxton: Those of us in Scotland might find that helpful.

Mr Lowe: I am talking about the Champions' League, national matches, ~~cup matches~~, et cetera.

The Committee suspended from 15.52pm to 16.00pm for a division in the House

Q1658 Chairman: Having gone through this process slightly reluctantly -- may I paraphrase? -- can you not now repatriate it back to the United Kingdom authorities?

Mr Lowe: Once we have taken our decision which we intend to do by the end of March, it will be up to the UK authorities in our view to take any further action which they may believe necessary in the interests of consumers either at the retail level or at the wholesale level. What we have tried to indicate here are some principles, which I believe the UK authorities share, on the way in which you deal with exclusivity, and the way in which you have an open tendering procedure. The Premier League have been very open to ensuring that the tendering procedure is fair and non-discriminatory. The more packages of rights which are open for offer, the more opportunity there is for competition to take place. I do not think the result in terms of the application of law will be any different particularly between the Commission and the OFT. The proximity of both the OFT and, for example, Ofcom to the realities will help in reaching a more rapid decision.

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Q1659 Chairman: As we go forward after that, will it become a matter for the OFT and for Ofcom initially, first?

Mr Lowe: FAPL's commitments, if the Commission takes the decision in the next few months to accept these commitments, which I believe it will, will be valid for as long as necessary. If FAPL believe they are no longer relevant, they can come back to us and argue that they should not be bound by them. The commitments essentially relate to the way in which audiovisual rights for football are sold. The crucial moment will be later this year when the process of tendering for the period 2007/10 begins. We will see as a result of that what the outcomes are for competition. No doubt between 2007 and 2010 the various competition authorities, particularly the national ones, can judge whether any further intervention is necessary.

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Q1660 Baroness Howe of Idlicote: You talk the whole time about doing whatever you are doing and coming to whatever decisions you come to in the interests of the consumer. Is

there a difference in your mind between the interests of the consumer and the interests of the citizen? Might there be a difference literally between nations as well?

Mr Lowe: The interests of the citizen are in principle reflected by the decisions of government and Parliament. For example, in relation to the definition of public service broadcasting and the provision of a varied and wide scope of broadcasting. The interests of the consumer relate primarily to the markets which exist to provide him or her goods and services. In the area of purchase of audiovisual rights of football, we are largely operating in the realm of commercial activity, notwithstanding the fact that the national governments can take decisions to foresee listed events which must be shown for the citizen in general. That is the distinction I would make. We are talking here about the way in which markets are working for consumers as opposed to what the citizen must be provided by a decision of government and Parliament.

Q1661 Baroness Howe of Idlicote: Is this an additional argument for a subsidiarity approach so that more decisions are taken at the local country level?

Mr Lowe: The whole purpose of moving to a parallel application of our European competition law across the European Union was precisely to allow national authorities to deal with problems which were primarily national and yet the major problems -- for example, the energy market is one of them where the problems in energy are beginning to go beyond national boundaries -- need to be dealt with arguably by European action. To take another example which has occupied me personally for the last three or four years, it would be extremely questionable whether it would be useful for the 25 national competition authorities in the EU to pursue complaints against Microsoft on a parallel basis. Arguably, there is a case for having an investigation done on a comprehensive basis where the negotiation can take place, which is most highly informed by the situation across all the EU markets, because the remedies will be applicable everywhere. In the case of FAPL, there are specific national

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elements where, normally speaking, national characteristics will dominate over the continent-wide aspects.

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Q1662 Lord Kalms: When you first decided to investigate the UK situation, were there no authorities that were capable of doing this themselves or did you decide that you would rather take it over from them and you could do a universal, European view and pass back to the local authorities the implementation of those views? The first question is what was there before you interfered or took powers. You then made another statement that the remedies are universal. They are not universal. The whole *raison d'être* of subsidiarity is that the remedies should be suitable to the appropriate country. I am not sure I understand why you took the powers or why you took them away when there were already the OFT and the Monopolies Commission and there were sufficient safeguards in this country to deal with the complaints, which would have been directed through the OFT et cetera instead of coming to you. Nevertheless, you grabbed them, then set a universal standard and said to the local boys, "You deal with it from now on." Would that be misleading?

Mr Lowe: I think it would be a misrepresentation of the facts on legal grounds because there was no issue of competence. If a complaint comes to the European Commission under European competition law, we have to address it. If we take no action, there will be legal

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consequences in the courts. I have indicated that since the time when these first complaints were made, we have had a much more rational arrangement, in our view, so that national authorities and national courts can deal directly under European competition law with cases which are primarily national. That certainly avoids the impression which you have that we are grabbing competence. On the contrary, given the mass of cases that the Commission has to deal with, we would prefer not to deal with cases which are primarily of a national nature because there are many pressing cases of European if not global dimension which are much more important at European level. What we did in this case was to respond to the complaints

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and express a statement of objections after which the Premier League and ourselves entered into settlement negotiations which we have now finished. Examining particular effects in a national jurisdiction is one thing. Establishing principles which are broadly applicable everywhere is another. If you are applying the same law in the EU as a whole, the principles should be correct. The principles of the analysis should be consistent and similar as indeed the Premier League has argued in the comparison with us and the French or Bundesliga case. The effects have to be looked at nationally or indeed even locally in some cases and the remedies have to be adapted to the effects, which is why we think the next stage will probably be national in this case.

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Q1663 Lord Peston: I am a bit lost on the economics of all this. The Premier League by definition is not a complete monopolist of football. Searching my knowledge of monopolies, I can think of no other economic activity in our country corresponding quite to that degree of monopoly. It seems to me it then sells its product to a monopoly distributor, namely BSKyB. It has been doing that for some time. I would have thought any economist would argue that, whatever else that is, it cannot be in the interests of consumers. It might be in the interests of the Premier League and BSKyB but the one thing it does not do, to use old fashioned terminology, is maximise utility or welfare. I am totally puzzled by what I might call the fairly relaxed view that for the moment you, as the European Commission, take of this phenomenon. I am equally puzzled by how relaxed our own competition authorities seem to be about it. It seems to me *prima facie* therefore that the role of the authority trying to stop abuse of monopoly would be surely to limit what they could sell and how they sell it. What puzzles me is you come up with a solution of six packages. The notion that any distributor could buy as many as five hardly seems to take us forward at all. I am trying very hard to discover the economic analysis that leads to the outcome you have given. I am not saying you

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are wrong; I am simply saying I have great difficulty understanding it at all. It certainly does not correspond to what I would expect wearing my economics hat.

Mr Lowe: I apologise for responding to your question with a certain degree of delay. I omitted to mention that our complaints were preceded by a considerably activity by the UK Restrictive Practices Court and national authorities, particularly in the downstream market for subscription for football rights. It was a failure of the competition authorities in the complainants view to impose an effective solution that led them to come to Brussels. This is often why people do come to Brussels, because they do not feel they have found an adequate solution at home. Whether they are right or not depends upon the results of our decision. As to the question which Lord Maxton raised -- what is a monopoly? -- if in terms of our analysis, the absolute standard for a monopoly was to be 100 per cent owner of all the rights in a particular market, I would argue, and I think most competition authority heads would argue, that is too high a standard. The Premier League accounts for over 70 per cent of the live rights for TV. It is a 'must' have if you are going to deal with football on television. You have to have part of your programme devoted to Premier League activity because it is so much related to the others. The reason why you have Champions' League on your television is precisely because the European Commission imposed on the authorities the need for greater distribution of the live rights for Champions' League matches. You might argue that that is too much from the citizen's point of view. Some of the correspondents to our newspapers say that there is now too much football on television. The second point on the question is that a monopolist, whether it is 100 per cent or 73 per cent, is someone who can to a large extent determine what happens in the market, in terms of price and output. It is the capacity for a monopoly seller to drive the whole market process, and especially if there is only one exclusive purchaser. This analysis has been supported by UK authorities. Will our solution be adequate? Some are puzzled that we have not gone far enough. Some are puzzled that we

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have even intervened at all. I believe ~~—~~ and my Commissioner, having settled this agreement with the Premier League, is of the view ~~—~~ that in a situation where all these rights were historically bought ~~successively~~ by one purchaser, there will be no difficulty in selling these rights again at a quite high price to one purchaser for five of the packages and the sixth, if that is needed, will go to a second broadcaster at a comparable price. My view is that the market must be made to work. If the value of these rights is so high, it is very good that there should be competition for them. If there are other broadcasters who would like the rights, they have the capacity with six packages to bid for them and get them. We regard the ~~‘no single buyer’~~ rule which we have imposed on the one package as a failsafe mechanism in the event effectively that the market does not work for the benefit of the consumer. ~~A substantial part~~ of the revenue ~~from exploitation of Premier League rights does not come~~ from individual retail subscriptions to pay TV but ~~from~~ pubs and ~~clubs subscriptions~~. One would expect that ~~This~~ a very growing market for live TV. One would expect that there would be competing bids in this next round as compared to previous rounds. The market has in that respect changed significantly since 2004.

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Q1664 Lord Peston: I am really not satisfied. It is difficult to find another example. Coca Cola has considerable market power although nothing like the power of the Premier League. Supposing a large supermarket chain were to do a deal with Coca Cola and they said, “We will pay you much more than you are currently getting on one condition. We are the only retailers for Coca Cola.” Surely the competition authorities in any country would stop that and simply say that that must be against the interests of the consumer. Why are you so relaxed about it? Was it La Liga where we were told that the clubs have the individual rights and they sell them jointly? They all end up with a single monopoly model, as far as I can see. I would have thought a tough competition authority in Brussels would start off with the

simple proposition: no way. If I were a competition person I would want to see real competition. I do not see it.

Mr Lowe: You have omitted our emphasis and stipulation in the presentation of the six packages that they have to be the subject of 'stand alone' bidding. There is no conditional bidding allowed. Last time, the primary broadcasters who got the rights bid conditionally. On this occasion, they will have to bid for each of the packages of rights individually. It is the highest bidder for each of those individual packages who gets the rights. There is no question of giving an exclusivity premium. ~~This was extremely important in the decision~~ which we are preparing and extremely important in the way in which for example the French competition authorities attacked a similar decision on the French league. We regard that as a very clear indication of our determination to ensure that competition takes place correctly. What the result is remains to be seen. A lot of people confuse money to football as benefit to consumers.

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Q1665 Baroness O'Neill of Bengarve: I am still lagging a little bit in understanding this. First of all, why the magic number six? At one point you said that you were looking at a maximum number of packages. Why is six the number for which you went?

Mr Lowe: When we were first discussing the whole question of how rights should be sold with the Premier League, there were over 300 matches played in the period and they were marketing something like 104 matches. They agreed with us in early 2003 that they should increase that number because maintaining this artificial output restriction could be seen as designed to increase the value of each individual game. That could have some compensating factors but we then agreed with them that 138 matches was a reasonable proportion of matches to be marketed jointly. The question arose as to how many and what kind of packages the 138 matches could be divided up into. ~~The more packages you have the more~~ chance there is that people compete for them in various forms because they fit in with their

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programming schedules. We then reached the situation where they marketed four packages rather than two as before. Because of the conditional bidding by the major bidder, that major bidder got all the packages last time. The creation of six packages, is a response to the market research which indicates that particularly the free to air broadcasters believe that in their programming schedules 23 live matches, which is broadly speaking one a week, is what they want.

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Q1666 Baroness O'Neill of Bengarve: That explains the six.

Mr Lowe: Yes. There are other players in the market who say also that hearing six packages it allows them to bid for three packages individually and get a very substantial proportion of the rights.

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Q1667 Baroness O'Neill of Bengarve: There is one well organised bidder who might well bid for five out of six and might get them. Do you regard that as a satisfactory outcome?

Mr Lowe: We have thought very long about the issue as to whether we should be looking at a much higher proportion of the rights which in some senses should be 'off-limits' for the major bidder. Our view -- and it is the considered view of my Commissioner -- is that it is better to have a situation where there are more packages available to be bought under open competition, on a stand alone bidding basis rather than to predetermine the result by, for example, reserving two out of the six packages for a second bidder. The one disadvantage of that kind of solution -- also there has been a proposal of a 50%/50% split -- is that, supposing the dominant bidder bid for 50, and there was no bid for the remaining 50? If there was not a bidder you would have to have all sorts of other arrangements for reserve prices to cover the residual amount which had not been bid for already. All the packages of comparable quality will at least allow a second broadcaster to re-enter the market for live TV Premier League which they had not been in for the last ten years.

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Q1668 Baroness O'Neill of Bengarve: I can see that it is an advance but some might say it is a rather small advance. We can see why putting an end to conditional bids is an advance but it is difficult to see why stand alone bidding is going to do much to impede the bidder who would gladly pay again for all six and has the facility in and beyond Europe to use those six very profitably but also has the facility to use five profitably. Why is stand alone going to make it a different outcome or is it just that you felt you could not go very far and at least allowing one of six packages to go to other hands was a gesture in the direction of competition?

Mr Lowe: ~~We are looking for~~ a proportionate solution. The Commission's view at this stage -- ~~hopefully it will be~~ the formal Commission view of all of the college of Commissioners -- is that in a situation where we are covering 73 per cent of live TV rights and not 100 per cent, in a situation where we have ~~'stand-alone'~~ bidding, in a situation too, where the market has developed such that other broadcasters are now very interested in taking a larger proportion of the rights, we should let the market work out what the outcome is and not predetermine the outcome by a very high percentage for a second bidder, by effectively reserving more than one package for a second bidder. Yes, it is less than what one might think of as a desirable outcome, but the purpose of our intervention is not to determine outcome but to determine process. The process, in our view as a competition authority, should be driven by the market, by people bidding for the rights at a value which is correct. If our research is correct, these rights are valuable and the Premier League is one of the most successful leagues in the European Union. It would be normal that broadcasters alternative to the one you imply also bid at the same rate.

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Q1669 Chairman: Did you have the benefit of government ministers giving you advice on the outcome that you wanted prior to your decision?

Mr Lowe: It is fair to say that not just any government minister but virtually every representative of the United Kingdom in any other form has always mentioned the Premier League to any Commission official who is remotely concerned with the case, although they were never clear as to precisely what solution should be found.

Q1670 Chairman: As far as government ministers are concerned, is the answer to that yes?

Mr Lowe: Government ministers have said that the case is important for the UK.

Q1671 Chairman: In what respect?

Mr Lowe: They have not elaborated on it in detail because they ~~were~~ not aware of the details of the case.

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Q1672 Chairman: The only thing they said was, “This is important for the UK”, but they could not define how it was important?

Mr Lowe: Correct. I am not talking ~~only~~ about ministers of the Crown but ~~about many~~ representatives of political opinion in the UK.

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Q1673 Lord Maxton: I am still a bit concerned about the monopoly thing because the assumption is that it is a monopoly maybe within football but football is one of many sports. My concern is much more with the almost monopoly that Sky have in bidding for a lot of other sports which in some ways is more dangerous than bidding for football. At the end of the day, is not technology going to overtake all this anyway? Manchester United may very well come to a decision that they would rather show all their own games on their own channel or on their websites and wherever and Arsenal and others will do the same and not bother selling the rights at all.

Mr Lowe: To answer that last question, clearly if technology is going to solve ~~the~~ problem we do not need to intervene, but where there is a collective agreement between ~~all~~ the Premier

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League clubs to sell their rights jointly – which there is from now until the year 2010 – we have to do something about it. As to the issue of intervention, the question of what is a monopoly and what is important downstream and upstream of the retail subscription market is a very, very important one. I also said the revenue from pubs and clubs subscriptions was very important for the revenue of football. I do not think, coming back My Lord Chairman to your initial remark, that the intervention here is susceptible of causing any major problem to the revenue stream of football.

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Chairman: We are coming into the last few minutes. Lady Howe.

Q1674 Baroness Howe of Idlicote: You have mentioned some of these areas so perhaps we could go quickly, confirming one way or the other. Looking at related Commission decisions in the past, certainly you have brought a number of cases against broadcasters on the grounds of their acquisition of exclusive rights to categories of content, and that is what you have mentioned. Equally, you have said that in the process you have been trying to define the principles against which these decisions are taken. In three particular cases the Commission found against European public service broadcasters for their collective acquisition of sports rights that was judged to restrict competition. However, the Premier League is able to collectively sell the rights without a similar adverse effect upon competition – or was in the past anyhow. What are the common principles there which underline the decision?

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Mr Lowe: As I mentioned before, the collective selling, if it is not to be anti-competitive, must be delivering some value-added for consumers in some form of an additional service or product for consumers who watch the games or indeed are in receipt of information. In that sense the joint selling of the rights of games within a competition can arguably be said to be offering that value-added. The principle which we have adopted in looking at other cases is to say that where rights of this kind are available, they should be tendered in an open way, in a non-discriminatory way, that if there is exclusivity it should be limited in duration and

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scope. In respect of the precise solutions in individual cases, in fact the decision which was taken by the Commission against the European Broadcasting Union was a decision taken settling our case for the EBU, but indeed was challenged twice in the courts by private broadcasters because they believed that the sub-licensing conditions which the EBU placed upon potential users were so restrictive as to be unacceptable, and the European Court of First Instance maintained their objections. For the moment, therefore, we have absolutely no decision of the Commission on EBU. That leads me on to the question what is the right formula for dealing with these situations of joint selling and exclusive purchasing? It could be that in some circumstances we will insist, as we have done with Premier League, on stand-alone bidding plus a 'no-single-buyer' rule. But it is conceivable too that one can envisage alternative remedies which comprise an element of compulsory sub-licensing. That is not something which we investigated very extensively with the Premier League, given in fact the lack of interest in that solution from the market itself.

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Chairman: Unless anyone has got any urgent questions, there might be one or two points that we would like to follow-up, if we may, by letter, and it would be very kind if you could respond to that. Thank you very, very much, Mr Lowe, for coming today. You have been very patient with our questions and we are very, very grateful to you. Thank you very much indeed.

Memorandum submitted by Lord Carter of Coles

Examination of Witness

Witness: **Lord Carter of Coles**, a Member of the House, examined

Q1675 Chairman: Lord Carter, I apologise for keeping you waiting. The position is that we are looking at the BBC in relationship to the charter renewal. We have done one report, there were a number of areas where we were not able to do justice in the first report and one of those was the World Service of the BBC. We have with us, for which many thanks, your review, *Public Diplomacy*. If I could just ask some general questions, you say that this was an independent review. It was staffed by the Foreign Office, as I understand it and read it, it came from a public spending talk between the Foreign Secretary and the Chief Secretary and you, as we know, are a Labour peer close to the Government: how independent is this review?

Lord Carter of Coles: I have done a number of reviews, as you perhaps know. It is very independent, within the confines of trying to produce something which will work, so that is the caveat I would give. I could produce a review which was very fundamental and basic, but was not very helpful; this is meant to be helpful to the administration, if you like, in a non-political sense. I think it is independent and I hope it is taken as such.

Q1676 Chairman: That will work in the context of the Foreign Office and how it can be organised from there.

Lord Carter of Coles: It is more managerial than that, I do not think there is any political dimension to this, it does not really read in that way.

Q1677 Chairman: Who chose the advisers? We are obviously fascinated with what you have to say about the FCO and the British Council, but that is not our area; the World Service

is a media organisation and I notice that the only media representative you had as an adviser was the Sports Editor of *The Guardian*. Without in any way decrying that – we are spending a lot of our time on sport at the moment – do you think you would not have benefited from a bit of media experience of the kind that, say, a foreign correspondent like Martin Bell could have provided?

Mr Lowe: It is always difficult putting together a team of advisers, and it is people's willingness to give their time that is often one of the things, so you might have had a wish list of who you would like to get. We looked around, sought advice and talked to various people; possibly, in retrospect, that may be right, but we did not get one.

Q1678 Chairman: You did not find that that was a defect.

Lord Carter of Coles: No, I have to say that we did not find that hampering at all. We consulted a wide range of people, we had some very good advice and we got good advice from people who were not actually serving as advisers to the committee. We were very well served by them in every respect.

Q1679 Chairman: The report itself is called *Public Diplomacy*, but as you say on page 25, as I read it, "Public diplomacy is arguably not the primary objective of the World Service ...". That is right, is it not, it is not the primary objective of the World Service, the job of the World Service is to report independently and objectively what is going on around the world, but not just that, to be seen to be doing that?

Lord Carter of Coles: That is absolutely right. It is the trust factor that makes it valuable in public diplomacy. When I was first asked to do this review I spent a lot of time looking back over the history of the BBC; one of the things that strikes you, if you look particularly at the Second World War and how these things were reviewed afterwards, was the fact that they reported with integrity in good times and bad, that they always reported the truth. For me that

was a fundamental guiding principle of that, that that had to be maintained, and from that comes the reputation of the BBC and then the reputation of Britain, based upon that reporting truth.

Q1680 Chairman: What concerns me is whether it is possible to have your concept of public diplomacy and independent reporting standing side by side. The Review Team recommends the definition of public diplomacy as “work aiming to inform and engage individuals and organisations overseas in order to improve understanding of and influence for the United Kingdom in a manner consistent with governmental medium and long term goals.” No media organisation I have ever worked for quite has that as a shield over the board table.

Lord Carter of Coles: To me this is probably the most interesting point in the whole review. On the one hand you have got public money, you have got £225 million of public money, and on the other hand you have the absolute necessity to preserve the independence of the BBC. How do you balance those two things? Government is accountable to Parliament, it has to come and explain how it has spent the money; to be able to say we will just give the money and there is no accountability is a difficult position, so it is trying to keep that balance, to keep the editorial independence and integrity of the thing but at the same time actually be accountable.

Q1681 Chairman: We all agree it is a difficult balance, but you do not feel that putting it under, for example, a Public Diplomacy Board or having a Public Diplomacy Board involved actually gives the appearance to the outside world that the World Service has ceased to become an entirely independent service?

Lord Carter of Coles: There is already a Public Diplomacy Strategy Board and that has worked for some time; I do not think there has been any negative effect in perception terms in the world because of that. No, I do not think that is the case.

Chairman: Thank you. Lady O'Neill.

Q1682 Baroness O'Neill of Bengarve: In many formulations you speak about Government medium and long term goals, and I think there was a time when a document on public diplomacy would have talked about the long term goals and interests of the United Kingdom, but not of the Government. I found this a curious transition between public diplomacy and then government policy in the medium and long term. Was that intentional? If so, what were the reasons behind it?

Lord Carter of Coles: I do not want to stray into a constitutional point, but the sense is that it is a question of accountability for the money for Ministers is the line I was going down, and therefore the accountability to Parliament is Government and that is the way the reporting line in simple terms for me goes. That is why I expressed it in that way.

Q1683 Baroness O'Neill of Bengarve: What I would have expected would be a statement of accountability for the long term interests, perception, influence of the United Kingdom rather than the long term perception and influence of the Government of the day in the United Kingdom. This seems to me actually quite constitutionally fundamental and fully compatible with serious lines of accountability. It is something that for me jars repeatedly in that.

Lord Carter of Coles: Possibly we would have a different view, but to my understanding the Government is accountable for the money. I am following the money argument more than anything else, the accountability for the £225 million, how does it go and if this money is properly spent or it has to go to the PAC to be explained or whatever. That is the line it will travel down, so in a sense the Government is accountable for those policies in the long term.

Q1684 Baroness O'Neill of Bengarve: That is a different accountability, that is accountability of the Government for what it does, whereas this appears to be, in public

diplomacy, being held accountable to the Government for pursuing its long term goals. The Government is the representative of the United Kingdom at a time, but not for all time, so this is a curious addition in my mind.

Lord Carter of Coles: Obviously, I take a slightly different view and think that that is the line of accountability. At any one moment in time we have a Government to be accountable and there is not anybody else. It is that accountability I was highlighting.

Q1685 Chairman: Are you saying the two mean the same, the Government and the United Kingdom in the way that you are looking at it?

Lord Carter of Coles: Yes, at that moment.

Chairman: Thank you. Lord King.

Q1686 Lord King of Bridgwater: Did you give any consideration that the Board should not be chaired by a minister?

Lord Carter of Coles: Yes. We discussed that at some length and why we came down on the balance for having a minister chairing it was again back to this question actually of accountability, that it was better to have somebody there who was in the driving seat and clearly accountable. It was something we discussed for a long time.

Q1687 Lord King of Bridgwater: You have the BBC World Service of course and you have the BBC with £3 billion worth of public money from the citizen. No minister ever runs the strategic board for the BBC.

Lord Carter of Coles: That is correct, but this is from separate funds, this is Foreign Office money which is actually given to the Foreign Office by the Treasury for the pursuit of the financing ---

Q1688 Lord King of Bridgwater: That is an embarrassment because the great strength of the BBC is it can claim that it is totally independent and it is objective. This is not party political, it is about the political government of the day and that is its great strength, and that is why it is widely admired around the world. It seems to me that we are actually reinforcing a suggestion that a minister should tighten up on what you state is really a managerial solution, tighten up on that and put a minister in charge. If the minister is responsible for the administration of the money ultimately, as you say accountable, then he who pays the piper is deemed to receive; if something goes wrong and if there are objections to the view the BBC has taken, very quickly it will be attributed to the fact that there is political intervention.

Lord Carter of Coles: I would hope that would not be the case, it is certainly not the intention.

Q1689 Lord King of Bridgwater: I am sure it is not the intention.

Lord Carter of Coles: It is something that I can see. I can see having a board which questions things, but I cannot actually see how it would intervene.

Chairman: I would like to bring Lord Armstrong in because we are slightly straying into his bailiwick at the moment.

Q1690 Lord Armstrong of Ilminster: It is really following on the point that Lord King was making. Having this board, chaired by a minister, and having the BBC World Service sitting on the board with full membership – is there not a great danger of that prejudicing the independence of the World Service? They will be sitting there on the board, chaired by a minister, much less able to assert and maintain its independence and its freedom from pressure from the Government than it is under the present arrangements. Why do we not have an arrangement whereby the minister is accountable to Parliament for the amount of money it grants to the BBC World Service but the BBC World Service is then accountable as an

independent body for the way it spends that money, whether it is to the National Audit Office or whether it is direct to the minister. This seems to be a strange extra wheel on the coach. It is not clear to me how the concept of the board fits in with the concept of independence of the World Service if you have the FCO as chairman of the board and the BBC World Service sitting as a member of the board, not summoned to talk to it or to observe or anything, but actually as a member.

Lord Carter of Coles: Actually, if I may, the proposal is that they are observers. We discussed this with the BBC and the BBC made that point and we accepted it totally, that they should be observers in fact and enjoy that status so they could be there to share and discuss the strategy but they were not actually in any way bound by the board.

Q1691 Lord Armstrong of Ilminster: They are not bound by the board?

Lord Carter of Coles: No, absolutely not, that is why they are there as observers, to deal with that point.

Q1692 Chairman: What does an observer mean? If I turn up as an observer to a board, what do I do? I do not talk unless I am spoken to or what?

Lord Carter of Coles: It depends how the chairman wants to run it, My Lord Chairman. The whole purpose of the board and really my main thrust of the report is that there should be more joining up strategically, there should be some better alignment of priorities; I think, frankly, everybody agreed with that. That is something which came from the World Service and this is a further step in that. The way I see this happening is that the BBC would come to the board, they would make a point, somebody would discuss whether or not to increase resources going into the Arab World, into Iraq or somewhere like that, and if the British Council was going to be doing more, the World Service would discuss whether it would be and the FCO would be talking about it, how do we actually gather together our resources, and

so we have the benefit of leveraging them collectively as opposed to doing it separately. That is the purpose.

Q1693 Lord Peston: Just a little clarification because I really was surprised by your answer to Lady O'Neill in particular, but also to Lord King. In the sentence we have got before us, where you refer to "in order to improve understanding of and influence for the United Kingdom ..." it seems to me that there can be no argument about that as an objective, but you add on "in a manner consistent with ..." If you were to ask some of us we would say the BBC using public money to improve understanding and influence of the United Kingdom is precisely through its independence. The moment you add "in a manner consistent with ..." you are actually contradicting yourself, and that is what you did not seem to me to deal with when you were answering Lady O'Neill and, for that matter, Lord King. It would seem to me again on the board that the one thing the Government should say to itself is we had better not chair that board, rather the other way round. Can you clarify that?

Lord Carter of Coles: The issues really for me I suppose were where, how, what? The what, the BBC says, is guaranteed absolutely editorial independence, nobody has ever questioned that. The question of where, in other words which countries they put their resources into is something which is a bona fide reason for discussion with the FCO and the prioritisation which has to be done in that way. The question also of how, to whom if you like – in other words are we going to deal with this through radio or through television, are we going to do it through the internet or other electronic media – that is a discussion which it is quite proper that the FCO should hold with the BBC or, in similar terms, with the British Council. There is an important difference between the absolute freedom of the BBC to say what it wishes to say, but the point about the rest of it is to have a discussion about those other two points.

Q1694 Baroness Howe of Idlicote: Returning, if I may, to the definition of diplomacy that you gave, and obviously explaining it all to be within the editorial situation, when you were actually looking at this situation were you in any way concerned that the FCO had either too much or too little influence in the role they play?

Lord Carter of Coles: Yes to both, and I will explain why. In terms of strategic influence, first of all, probably too little in the sense of discussing with its partners where the resources should be deployed; in terms of anything to do with content, none at all. I could not find anywhere that the FCO had actually tried with the BBC to influence content at all, so there was none there but too little in terms of actually giving a clear and strategic role to which countries and particularly which media were important.

Q1695 Baroness Howe of Idlicote: You would not have regarded that as too much interference?

Lord Carter of Coles: No. Inevitably, the BBC is a strong organisation after all and it is strong enough to engage in a debate with the FCO. It has done so continuously, has held its corner and has done extremely well, and I think the way it is set up is designed to do that. It works very well in that sense.

Q1696 Chairman: You have said we should gather together our resources and look at a particular area. That does seem to indicate that you regard the World Service as one part of the resource that the Government can put in a particular area.

Lord Carter of Coles: It is interesting, but I am not sure the BBC's interests and the Government's are dissimilar. If we look at the move by the BBC into Arab television, it would seem that the interests of the BBC and the interests of the Government are synonymous and so they have acted together in that sense. The money does come from the Treasury to the FCO with the intent of improving the image of Britain in various places, and it is important to

understand whether the money is being spent to deliver what we are setting out to deliver, which is a positive perception of this country. If you are looking, for example, at a country like Pakistan, I think it is important to understand which things are working well from the £600 million we spend on public diplomacy. It may well be, for instance, that the BBC spend is particularly effective and more resources should be given to the BBC for that particular country. That is the sort of direction in which I was trying to take this, so it is about resources backing up things that work.

Q1697 Chairman: It also has something to do with reputation, does it not, as well? The World Service has a reputation – you mentioned at one stage at page 28, the Voice of America. I would have thought there is a big contrast, frankly, between the BBC World Service and the Voice of America in as much as the BBC speaks with authority. It is really the ability to cover news objectively from which Britain, I suppose, might get some advantage.

Lord Carter of Coles: That is absolutely right. If you just look at the trust ratings between Voice of America and the BBC it is absolutely clear the great benefit we have got. I think the only country I could see where the trust ratings were similar was Indonesia, and all foreign broadcasters into Russia where the trust ratings were the same.

Q1698 Bishop of Manchester: Just exploring a little bit further and looking at the issue of China, the fact is as we know that China constantly jams any broadcasts which come from this country, and we have no idea when that may alter if it ever will alter. Were you satisfied though that the BBC has got the kind of preparedness in terms of back-up technologically and financially to be able to get fast into that market if the situation arose that such broadcasting was available, or would there be a bit of a vacuum which might enable other broadcasters to get in?

Lord Carter of Coles: It is interesting in China. There has been a proliferation of satellites going in where people are picking up the BBC, though it is probably not recognised by the authorities, and I think there are 2000 TV stations in China which may provide some way to do this. The example of Iraq is a very good one for the BBC, who actually did manage to get into Iraq very, very quickly and to actually be a very positive force in that country. They can respond but I think China, with 2000 TV stations, would be a very big and difficult market and the jamming is set to continue, both in terms of TV and of course on the internet. They do seem to have the most efficient firewalls in the world.

Q1699 Bishop of Manchester: Given the influence of China in that whole area, to be able to get in there one day would presumably be a very good example of the BBC and the United Kingdom Government working together.

Lord Carter of Coles: Absolutely, that is very important, but it is also interesting that the BBC on the other hand has not discontinued its Japanese service some years ago. It is this point of continual reprioritisation.

Q1700 Chairman: It also matters does it not that if the Foreign Office was to say our priority was to get better relations with China – which it might well say – would it then be legitimate for the Foreign Office to say to the BBC World Service we are having a bit of trouble with your reports out there, would you mind modifying them? Would that be legitimate or not?

Lord Carter of Coles: I should think there would be a constitutional crisis.

Chairman: I am glad you replied in that way. Let us go to Lord Maxton.

Q1701 Lord Maxton: I would like to switch a little bit to the governance of the World Service within the BBC itself where there is of course the Governors' World Service and

Global News Consultative Group. You are not quite critical of it in the review, but you believe it is (a) too small, do you, and (b) that it does not seem to have any input really into decision-making, it is an advisory body. Would you like to see it beefed up?

Lord Carter of Coles: Yes, I think so. It meets twice a year as I understand it ---

Q1702 Lord Maxton: It is entirely made up of governors, is it?

Lord Carter of Coles: No, it is not, it is actually made up of outsiders. They commission work and then review it at the second meeting, so it is infrequent and it did not seem to me to be one thing or the other in governance terms. The sense, I hope, from the report is that we would like to see that strengthened to offer more input.

Q1703 Lord Maxton: How would you like to see it evolve? What should happen?

Lord Carter of Coles: First of all I am not sure how transparent it is and with the coming of FOI these things are going to be accessible to people anyway and the questions it asks should be a matter of public record and available, and the whole discussion going on within the World Service about what its priorities should be. I see this body as quite important to that.

Lord Maxton: That almost leads you into the next group which is about where the World Service goes next, but that is for someone else.

Q1704 Baroness Gibson of Market Rasen: I notice in your report that you state that the Review Team questioned whether a radio service in 43 languages was still relevant. What was your personal view about this in relation to the existing services and how has the BBC World Service responded to your proposals that there should be a continuous review on a country by country basis to make the case for funding for each service, which seems to put a much bigger onus on the BBC than previously?

Lord Carter of Coles: Starting with the fact that resources are finite, I would come from the position of how would you prioritise this. We were obviously working on the review and talking to the BBC before their announcement in October of the reduction in the number of stations. My own sense was that the money could be better deployed elsewhere; I did not have a specific view about which services should or should not be continued, I think that is for the BBC to discuss with the FCO, but I suppose you could argue that post the Cold War the shortwave service in Czech probably was not the best way to spend the money and we should spend that somewhere else. That is the constant thing for me, it is the continual reprioritisation because if we look back 20 years the BBC was broadcasting on shortwave into Eastern Europe with a very specific aim, 10 years ago we were actually in a sense in a transition with the accession countries of Eastern Europe, it was a different message, and going forward from there who knows, 10 years on. The case for broadcasting in the sense of the recipient countries has changed and, secondly, the technology has changed and we have the question of whether we put more into TV or in fact into electronic media, so we have such a dynamic situation, that is why I was making a recommendation that this thing should be continually under review by the BBC, and it is for them to do this.

Q1705 Baroness Gibson of Market Rasen: Can I ask you a little bit more then about the actual continuous review. Are you thinking of every year or every five years?

Lord Carter of Coles: Probably every two years, but looking at it I think the wave of information leads us to the question of how do you rate success of the BBC? Is it by audience numbers, is it by the segments of the people you are trying to reach, the target audience, or what? That needs to be clear and then in the case, for instance, of services to Thailand, it was clear that the service was declining rapidly, people were not listening to it, so it seemed to self-present if you wanted to reprioritise. I think the BBC will just continuously look at it in some way. It is not a matter of every week, but presumably every year as they come through

their budgetary cycle they look at it and say is that a good place to spend money this year? If for three years you get declining audience numbers and it is not explicable or reversible, then probably it would lead to a question whether that should continue.

The Committee suspended from 17.06 pm to 17.16 pm for a division in the House

Q1706 Baroness Howe of Idlicote: I wanted to follow up with a question on the decision that the BBC ultimately makes about exiting from 43 countries. I just wondered to what extent in the representations the Government must be making they dwell a little on their own inclusiveness programme because of course there are people who would be listening to the BBC in areas like Thailand, for example, only able to understand it in their own language, who would be disadvantaged. Therefore, how much weight really would be given to that?

Lord Carter of Coles: It is very difficult to get that balance, and if you are trying to get an objective measurement of that it really comes to the point – as in the case of Thailand where it was declining so steadily – where you say if that trend is going to continue and we cannot reverse it, we should stop. It is very interesting to look at the Voice of America who actually made the same reprioritisation three years before. I do not know whether it was less consultative, but it was certainly quicker.

Q1707 Baroness Howe of Idlicote: Obviously, the lack of being able to access “independent” news or information would perhaps have greater priority for somewhere like China because there are other reasons, but nevertheless that particular aspect must have some weight, though not a huge amount.

Lord Carter of Coles: That is where the internet becomes important because that is not country-specific. Although there is a language issue, at least actually you can get access to those services, and I suspect that is the way it might go.

Q1708 Lord Kalms: Lord Carter, it is not entirely within the remit of your committee but I wanted to raise the issue of Arabic language television because you have made several comments and it seems to me that there is a fair amount of ambivalence about your own comments – I think you were being tentative. We have had quite a lot of discussions around this table with others who were talking about setting up the service, and one of the conclusions was that it might be substantially under-funded and there were many doubts expressed about this whole venture, including who is going to fund it and the Government saying if they wanted the money they would find it from somewhere else. I thought you might just expand a little bit on this service. How do you judge this? This is potentially a very important enterprise by the World Service and/or dangerous.

Lord Carter of Coles: It is important and I agree it is dangerous because it is the first step into foreign language TV and therefore it is important to get it right. In terms of success, I think that actually delivering it on time to the budget they have got at the beginning is probably quite an important starting point, and the second point is to get the audiences that they are setting out to get. They have made statements about how many people they expect to see it – I cannot recollect what it is and on what basis – and they have made very clear indications that they are prepared to be measured against. The most important thing, probably, to get back to the original point, would be the integrity of how they are perceived in the Middle East. They would be the three measures but how those trust ratings come through in this difficult situation would be the most critical. On the funding point, when we looked at this of course comparative funding for other stations like Al-Jazeera, or CNN, or whatever, it means that they look better funded, but of course this is a marginal cost to the BBC, they already have news-gathering systems et cetera and those things can flow through into this which makes them well-placed to do it. My own sense is to monitor it very closely and see how it goes in the first period, and see then what sort of audiences they get and whether

consideration should be given to extending it to 24 hours; 12 hours is a very good place to start, the BBC feel it is adequately funded, and they are not going to come forward with an impoverished service they are going to come forward with something which is competitive and I think it stands a very good chance. But it is a crowded space and the dominance of Al-Jazeera is obviously well-established. It does not seem as if the American Alhurra has done particularly well, but that may be for content reasons and not for any other reasons or independence reasons.

Q1709 Bishop of Manchester: Are there any projections about potential audiences?

Lord Carter of Coles: Yes, I think there are. They did say what they are aiming for and perhaps I could come back to you on that. I think they are aiming for 30 million people a week within five years – it is quite ambitious.

Q1710 Chairman: You really think that the budget they have been given is an adequate budget?

Lord Carter of Coles: Their feeling is that they were prepared to start on that and felt they could actually meet the criteria and that audience, so on that basis, yes, given that it is marginal cost. If they were having to set up a whole news-gathering organisation ---

Q1711 Chairman: But you do have to translate everything, do you not? We have already had evidence which pointed out that the cost of this is not insubstantial.

Lord Carter of Coles: That is absolutely true, that is a cost, but I do not have any idea what that specifically would be.

Chairman: Thank you. Lady Bonham-Carter.

Q1712 Baroness Bonham-Carter of Yarnbury: Picking up on that, I am not sure quite how marginal it is. Television is very different from radio, much more expensive, and also this is

not just about using foreign correspondents who feed into the rest of the BBC because we are talking about providing Arabic speakers and so on, so I wonder how marginal the cost is. In your report you said that you thought the BBC World Service was very slow in moving resources out of Europe into key regions in the Middle East. How do you think that could be improved in the future – in part picking up on the Bishop of Manchester’s point about identifying China? You also talk about the need for the World Service to move from radio more into television – which I agree, having come back from Morocco and seen all the satellite dishes – and that does seem to me to imply the need for a lot more resource. Where is that going to come from?

Lord Carter of Coles: That is always the question for TV. The reprioritisation, if you look at it, Voice of America was quicker; it made a policy decision that it would stop broadcasting in the native language to Eastern Europe and the BBC’s numbers are, with the sort of savings they have got out of that, around £30 million a year. Looking at it simplistically, had we stopped doing it three years ago we would have had £100 million to spend on something of greater significance, so I do think there is a need to be really quick off the mark in reprioritisation, it is a very dynamic thing and you need to keep looking at it. On the question of BBC World, the strength of the BBC brand is so powerful and with the reliance of the world if you like on TV an English language TV station is of great value. What it should be I do not think I have a clear view on, but clearly we need to be in that space. If you look at the sort of standing it is held in where it does go through, people rely on it, people do like it as a service. Whether it is good enough is a separate issue.

Q1713 Baroness Bonham-Carter of Yarnbury: When you talk about further foreign language television services, you are talking about using BBC World television.

Lord Carter of Coles: BBC World is just English and I think that will always remain English, that is the way it is organised within the BBC. For further foreign language TV stations there

are various options. The Americans have looked at Urdu and Persian, they have given some thought to that, and if the BBC saw that the Arab station worked very well they would have to give consideration to extending that, but I think one step at a time probably, you prove one point and then go on from there.

Q1714 Baroness Bonham-Carter of Yarnbury: Going back to the answer to the first question as to how to speed up the BBC World Service's decisions about moving its resources around, I was not absolutely clear as to who you thought should be doing that.

Lord Carter of Coles: It is the BBC that should be doing that, but they should be asked a question in terms of their accountability down the chain, what are your priorities? Are you making these decisions quickly enough? It is really just the accountability, I think they should make the decision and they should be pressed to do it speedily.

Q1715 Lord Maxton: You yourself mentioned the internet and broadband technologies and we have considered them as well, but to some extent do not the broadband and, probably more importantly mobile, wireless technology, to some extent make all of this, introducing television services, rather irrelevant? Certainly it is in China; you can put a firewall up against any form of landline but you cannot put a firewall up against wireless technology, so they should be into China and the Chinese should be able to get it. Is that not the future and is that not the way to go, and the BBC website is where we should be looking to see how we develop?

Lord Carter of Coles: The BBC has got this tri-media strategy which I think is right. If you look back over 20 years, the BBC has successfully migrated away from shortwave radio, but if you look at communication patterns, the growth of FM radio and drive time radio in the United States and drive time radio in developed countries, I do not think it is a market you cannot be in if you want to communicate and reach the population. That is the distinct

segment which I think will remain. TV is important, particularly in developing countries where you have got media fragmentation but the way in which television is watched still lends itself to investment in TV. As the thing develops and looking forward 20 years from now, significant resources will have to be going into the internet because with broadband growth and the growth of mobile phones, how people receive information, it is there. The BBC has done a very good job on that; if you go and talk to other governments about how they perceive us as a competitor in this area, people are quite envious about what the BBC has managed to do in electronic technology.

Q1716 Lord Maxton: The great beauty of the internet as opposed to television or radio is its ability to link, but it brings us back almost to the question where we started and the Government's ability to influence in a way the World Service, because if in fact the BBC website has a story and says you can link to 10 Downing Street and watch the Prime Minister talk about this, is that not maybe defeating the purpose of the World Service?

Lord Carter of Coles: It is up to them to decide that, they must make that decision. If they think that is good news reporting I presume they should be allowed to do that.

Q1717 Lord Maxton: I think that a great strength of the internet is this ability to link from one across to different things – it will give you more news, more ideas, more thoughts on different subjects, that sort of thing.

Lord Carter of Coles: The great strength of the BBC is content. What the internet is about is content and the BBC has got historically some of if not the greatest content in the world. That is what gives us this wonderful position and the coming of the internet actually gives us a real chance to leverage that.

Q1718 Chairman: That sounds like an extremely good point to actually bring this to an end unless any of my colleagues have further questions. Lord Carter, thank you very much for making the report available to us and thank you very much for the manner in which you answered our questions. Perhaps if we have any other points we could write to you.

Lord Carter of Coles: Of course. Thank you, My Lord Chairman.

Chairman: Thank you.