

TUESDAY 17 JANUARY 2006

Present

Bonham-Carter of Yarnbury, B
Fowler, L (Chairman)
Gibson of Market Rasen, B
Holme of Cheltenham, L
Howe of Idlicote, B
Kalms, L
Manchester, Bp of
Maxton, L
O'Neill of Bengarve, B
Peston, L

Memorandum submitted by the Football Association

Examination of Witnesses

Witnesses: **Mr Brian Barwick**, Chief Executive, and **Mr Simon Johnson**, Director of Corporate Affairs, Football Association, examined.

Q1811 Chairman: Welcome to you both. Thank you very much for coming. It seems to me, reading your biographies, that you have a combination of experiences because both of you come from the world of television. Mr Barwick, you were Controller of Sport for ITV for seven years and you also ran *Match of the Day* on the BBC for a long period before that.

Mr Barwick: I did indeed, yes.

Q1812 Chairman: Simon Johnson, you were ITV's programme commissioning and acquisitions business manager, very much including sport?

Mr Johnson: That is correct.

Q1813 Chairman: You therefore speak with authority. We are grateful for you very clear letter. I will not go through all the points that you include in that, but, just so that we can get

everything clear, you say that the FA Cup is one of your main commercial assets, to use your phrase, that it is now getting to an interesting stage. As a Midlands member, I am wearing the Tamworth Nuneaton and indeed Burton colours in a sense at the moment; we will see what happens. You set out very clearly the audience figures for the BBC when they are televising the FA Cup. How does that compare with Sky? What kind of audience figures do Sky have?

Mr Johnson: My Lord Chairman, we are at a slight disadvantage in that we have been unable to supply you with the viewing figures for BSkyB. They follow some time behind, and so the information we supplied to you was up-to-date information for the BBC.

Mr Barwick: I could give you a general comparison, which is probably in the region of 1:5.

Q1814 Chairman: So the BBC has five times more audience than Sky?

Mr Barwick: Yes, and that is approximate.

Q1815 Chairman: Do you take that sort of thing into account when you are thinking about your responsibilities to football generally?

Mr Barwick: Yes, I think so. I have to say that the last time the Football Association sold its rights, I was trying to buy them. The next time they sell them, I will be trying to sell them. It will be quite an interesting change of position. I think the Football Association has a responsibility to the game, which means that it should, as one of its core ambitions, try to maximise revenue, but equally try to make sure it encourages the wider participation of the game and also the ability for people to see the game. We have to balance that duality really.

Q1816 Chairman: Would it worry you that so comparatively few people watch BSkyB?

Mr Barwick: No, because I think broadcasting is a changing landscape. Some of the bigger and more important games on BSkyB now are watched by significant numbers. Earlier this season I might have been right to suggest to you that when Manchester United play Chelsea

on a Sunday afternoon in the Premier League, 3.6 million watch. These are becoming significant numbers.

Q1817 Chairman: Even so, they are a long way behind the BBC?

Mr Barwick: That is absolutely true.

Q1818 Chairman: Therefore, you are in a very good position, given your different jobs, for this next question. How much did the BBC pay to the FA for the rights?

Mr Johnson: I do not think we have put that information into the public domain. The deal was done a couple of years ago. I was checking that this morning. It is not in the public domain. Our present deal that I told you about in the letter is a four-year agreement between ourselves and jointly the BBC and B SkyB. There is a total figure for that. That is not a public figure. Also, we are not aware of how the division for payments is made between the BBC and Sky. If it would be helpful to you, I can give you an indication of the FA's overall income, but I think you are specifically trying to get the value of the television rights, which unfortunately, because this is a public session, I cannot help with any further.

Q1819 Chairman: As a matter of policy, you just do not get that information?

Mr Johnson: We have not in this current deal. Whether that remains a policy for the future is something we still need to resolve, but in this current deal, we have not publicised the amount of television revenues that we receive.

Q1820 Chairman: What is the total number of the FA?

Mr Johnson: The FA's income is made up of various sources. The largest section is television but there is also income that we receive from sponsorship, gate receipts and other grants. In our last published accounts, our total income was nearly £177 million from all the

sources of revenue that we have. That is distributed in ways that you may have an interest in later on.

Q1821 Chairman: The bulk of that comes from television rights?

Mr Johnson: It is the largest section of our revenue.

Q1822 Chairman: The other thing I would like to be clear about in your evidence is this. The clubs obviously benefit from this income, including the television rights. How does that work?

Mr Johnson: Would it be helpful if I just explained broadly what the FA does with its income? From that £177 million that we earn, we firstly deduct the cost of actually selling the rights, administering the contracts that we have. There is then a deduction made for the operating expenses of the Association; that is the operation at Soho Square and running the game and our various operations. There is then an element for the cost of specific programmes that we run. There will be some small-sided football programmes, for example, our medical work and our drug testing. Those are just some examples. The rest of that is then distributed by the Football Association pretty much on a 50-50 basis between what we call the national game – that is the amateur, grassroots game – and the professional game. When we say, as I think we did say in our letter, that the FA's revenues are used for the development of the game, that is absolutely true. Really the very largest part of our income is redistributed through the game and it is fairly equally split between entitlement for the clubs in the professional game and then also counties, grassroots football, the development of football at that level.

Mr Barwick: It is interesting to make the point that we are an association that reflects the interests of 37,000 clubs. That is the scale of the game: 400,000 players, 400,000 volunteers. Recent research suggests that up to 12 million people have been involved in football in some

way, shape or form this year. We do have a responsibility across the spectrum of the game. We take that very seriously.

Q1823 Chairman: When there is some talk, as by the European Commission, about Premier League being a football monopoly, that hardly seems to be the case on the basis of our evidence.

Mr Johnson: I am sure you will not want to talk about the European Commission.

Q1824 Chairman: We will.

Mr Barwick: I do not think we would ever agree that the Premier League is a monopoly. If you simply look at the amount of football that is played, the amount of football that is shown on television, you have: Premier League; Football League; within what we are able to sell, you have FA Cup matches and England internationals; we have our other competitions, the UEFA Cup and UEFA Champions League; and then you have the World Cups and European Championships. We have always argued that there is plenty of football around for the broadcasting market.

Mr Barwick: I became involved in television in 1979 and I have worked, as you have suggested, 25 years in television, including eight years as the Editor of *Match of the Day* and ultimately I was Head of Sport at the BBC before moving across to ITV as their Controller of Sport. The one thing that I saw in that 25 years was just the great range, depth and diversity of the amount of football that was available to be broadcast or available to be bought for broadcast. With the explosion of channels, there was enough football to handle that. That is the case today. There is a lot of product.

Q1825 Lord Peston: I was a bit puzzled by Mr Johnson's point about monopoly. You are aware of the competition legislation that pertains in this country. Monopoly in practice is

defined in hours, controlling about a quarter of the market. You are not for one moment suggesting that Premier League has a share as low as that, are you, of the saleable market? By any standards that I am asking you as an economist, Premier League is about the most powerful monopoly of any product I know in this country. I am rather surprised. As someone who used to kick a ball around on Hackney Marshes between two coats, I appreciate there is a hell of a lot of football played by a lot of us and we get told off by our mothers when we come home covered in pure mud. That is not what we are talking about today, much as one wants to see it fostered.

Mr Barwick: That is very critical to our aspirations.

Mr Johnson: To be fair, I think the European Commission's case was actually about the principle of collective selling, the decision taken by the clubs banding together to sell their rights, rather than whether they were a monopoly or not. I was not involved in the case. Obviously I am aware of the collective selling aspect of it. That was their main area of interest. We have a common interest in that because, of course, we have an element of collective selling of our rights. I did not mean to mislead on that. The Chairman had referred to the word "monopoly" and I think I made the link with the case.

Q1826 Lord Maxton: Can I get one or two things clear? You are the controlling body which lays down basically football in England – and Wales?

Mr Johnson: In England.

Q1827 Lord Maxton: Quite rightly, you have said that one of your aims is to ensure through broadcasting that that game is encouraged. You spend some of the income on the grassroots, I think 50 per cent of it, of the game, quite rightly. I think everybody would be delighted about that. The fact is that 73 per cent of the live football matches shown on television in this

country are not under your control. Do you have any say at all in the sale of Premier League rights?

Mr Johnson: We do not.

Q1828 Lord Maxton: None?

Mr Johnson: No, because that is a league that affiliates to the Football Association, so they have to be part of the rules of the game, the regulations of the game, but they are free to deal with their own commercial rights exactly as they choose. That is the same with the Football League, the Football Conference and any organisation. Because the Premier League is the biggest of the leagues, a successful league, they obviously deal with their rights in their own way. To a certain extent, I think the FA is proud of the development of the Premier League because the amount of income that it has generated for the game of football, the way that the league has become a league of such interest and such excitement, I think reflects well on English football. Clearly, there is an element of what the Premier League earns from the distribution of their income that is redistributed into good causes and, through the game, through the Football Foundation. That is something that we support, but we do not have a role; we cannot direct, nor would be choose to, how they would deal with rights.

Q1829 Lord Maxton: Take it that you give 50 per cent of your income after your costs, so to speak. In the Football League, the Premier League is not giving anything like 50 per cent for the grassroots of the game, is it?

Mr Johnson: No, they are not, but we do have different objectives.

Mr Barwick: We are a non-profit making organisation. It might be worth spending a minute or so on this. We are the governing body of the game in England. We are responsible for regulation, governance, promotion and administration of the game. In the context of this inquiry, we use the FA as a key asset to generate funds for distribution throughout the game.

We organise senior men's, youth and women's national competitions and a number of representative England teams at all ages and for all abilities. We have 16 teams. Everybody talks about England but there are 16 teams that leave our door. Our main commercial assets are, of course, the FA Challenge Cup and the England Men's Senior Team. We are able to generate income from the rights to those events. We are a non-profit organisation and so broadcasting sponsorship primarily has the right to exploit those assets and that is the way we generate revenue to develop the game at all levels and improve standards. We are a different organisation with different aspirations dealing with the same handbook.

Mr Johnson: Chairman, I am aware that you took evidence from Richard Scudamore of the Premier League and I know you pressed him on what their objectives were. I wondered if this would be helpful to the committee. When we put our rights out to tender a couple of years ago, we published to those bidding broadly what our objectives were at that time, which are broadly similar to what they are now. With your permission, might I read those to the Committee? It might be helpful to this element of your discussion.

Q1830 Chairman: How long are they?

Mr Johnson: There are six of them. The first is to maximise revenues for the benefit of the game as a whole. Number two is to increase active participation in all forms and at all levels. Number three is to extend the appeal and influence of English football to both the domestic and a global audience. Number four is to raise the level of exposure of the FA's events. Number five is to reinforce the values of the FA's brands – the word they used at the time. Number six is to provide support and exposure for our commercial partners. I know you pressed Mr Scudamore, quite rightly. I thought it would be helpful to know broadly what our objectives were.

Q1831 Lord Maxton: Would it be better if, in fact, more of the money of that 73 per cent of the total income – or is it 73 per cent from broadcasting goes to Premier League – was going down to the grassroots of the game and therefore maybe it would be better on the BBC?

Mr Johnson: We can speak to this Committee about the FA and the way we spend our money.

Q1832 Chairman: I think you have enough issues with the question.

Mr Barwick: We like to think we have to deal today with the FA's situation.

Q1833 Lord Peston: Your aims obviously, as someone who is keen on football, are tremendously sympathetic to me but you kept using the words "English football". It is very rare that in the team I support there is an English player on the field. If you look at the Premier League, with an average of 30 men in a squad, 20 to 10, there are only 600 people, and at a rough guess half of those are English, maybe fewer. I try to count them up when I am looking at the Sunday results. It is that order of magnitude. Is there not a serious question for you as the governing body anxious to promote English football that you do not seem to have any way, as it were, to encourage the use of English players?

Mr Barwick: I think it is an interesting point. Let me answer it in two or three ways. Firstly, I am intensely proud of the Premier League as a competition. I was the Editor of *Match of the Day* on the very first Saturday it started. It was an exciting competition on that day and remains an exciting competition. One of the reasons it is an exciting competition is because of the quality of the players that the product has brought to the game. I do to know which team you follow. If you tell me, I will tell you your best player. Two of the things that follow are, I think: one, we have an English national team which is possibly as strong as any in my lifetime, and I think that is because they are playing with good players all the time; and, beyond that, there is an academy system now behind the game which is trying to bring in the

next generation. Of course, as the Football Association, we have to be concerned with the next generation that is coming through, of course we do, and we are. It is an interesting point.

Q1834 Lord Maxton: One week's salary for some of the players playing in your team would meet the expenditure of a top level amateur team for a whole season. Amateur teams would roll over to get £100,000 on an annual basis. That is the sort of money that is going to foreign footballers. Would it not be better spent in the game?

Mr Barwick: I think Mr Johnson will deal with that one!

Mr Johnson: I wonder whether we are slightly straying away from the BBC when we talk about players' salaries.

Chairman: If we are not careful, we will get on to the future of the English football manager any moment. Let us move on to Lady Bonham-Carter.

Q1835 Baroness Bonham-Carter of Yarnbury: Curiously, in your letter you talked about the CCPR Voluntary Code and said that this guarantees that at least 5 per cent – only 5 per cent – of all TV revenue is reinvested in the sport.

Mr Johnson: I put that in just to help the Committee. That is a voluntary code that members of the CCPR sign up to. Of course, ours is entirely different; considerably more than 50 per cent of our revenue is distributed. When the members of the code first signed up to that a number of years ago, I think all the members of the CCPR at that time agreed that whatever they do, they will always make sure that 5 per cent of their income will be used in that way.

Q1836 Baroness Bonham-Carter of Yarnbury: This is the broadcasting income?

Mr Johnson: Yes.

Q1837 Baroness Bonham-Carter of Yarnbury: What happens to the broadcasting income that is not reinvested in the sport?

Mr Johnson: It is up to the sport to deal with that.

Q1838 Baroness Bonham-Carter of Yarnbury: In your case?

Mr Johnson: In our case, as I explained earlier, from our income we take out the costs of servicing the income, the costs of running the organisation, and then we distribute it throughout the game. The largest part of what we generate is reinvested back into the game of football.

Q1839 Baroness Bonham-Carter of Yarnbury: Do you believe that it is important, indeed necessary, for the BBC to retain its position as the dominant broadcaster of the FA CUP?

Mr Barwick: It is interesting that the BBC's re-involvement in the FA Cup has coincided with the elevation of the competition again. The FA Cup has had to fight for its place in the modern football calendar. There are some really seriously strong football products, if you can use that word, out there now, and the FA Cup has been a wonderful competition. It is recognised throughout the world as the finest domestic cup competition in football, but it has had to punch its way. One of the ways it has punched its way I think is to have a relationship with the BBC, and indeed in our current programme arrangement with Sky where they have given the competition a real boost, both in match coverage but also in promotion around the matches. The very fact that the BBC has a number of television channels, a number of radio channels and a sophisticated website operation means that when they tend to get behind something – *Strictly Come Dancing* – you know it is on the BBC. I sense that this has happened with the FA Cup. I have to say that the FA Cup has rewarded both broadcasters richly with some remarkable games, even in the last three weeks.

Q1840 Baroness Gibson of Market Rasen: How many games are there in the FA Cup on average?

Mr Barwick: On any FA Cup weekend from the third round to the sixth round or in those rounds there are four matches, three on the BBC and one on Sky, and then in the replays they have one each.

Q1841 Lord Holme of Cheltenham: Could you help me understand the sponsorship aspect of your income? Out of the £177 million, you have already said that the largest proportion is from television rights. Roughly, what is the figure for sponsorship income?

Mr Johnson: Again, I do not think that is public either. We have tended to just report it grouped together. To explain how that comes about, we currently have five partners, five sponsors, of the Football Association, each with the right to have branding representation around the FA Cup and the England team, and then we have specific responsibility for particular areas of the game. For example, Nationwide have an involvement with England teams right the way through the level; Carlsberg have a role with our other trophies, such as the FA Trophy and the FA Vase. So we have had what we call in our building a pillar arrangement where each sponsor is able to take a part and associate themselves with a part of our activities. That obviously knits quite neatly together with the television exposure. Quite clearly, sponsors will want to know what sort of exposure on television they are going to get before they enter into a negotiation with us. The two are tied together.

Q1842 Lord Holme of Cheltenham: Would those pillars or packages that you sell to a sponsor for the whole season cross over both BBC and Sky television exposure or would they all be BBC or all Sky?

Mr Johnson: We do not sell the broadcast sponsorship element of it. The BBC, of course, cannot have sponsorship. The ability to have Sky, or if it were ITV, and to have a little commercial going into the break is not something that we can sell.

Q1843 Lord Holme of Cheltenham: I am not talking about commercials and breaks but the visibility on screen of “Carlsberg” or whatever it is.

Mr Barwick: Visibility on screens comes in several ways. For example, in the interviews after the games you will often see a backdrop which is commercially driven.

Q1844 Chairman: The point is this. The company takes that ability into account, that it is going to be shown on the BBC, just as it is going to be shown on ITV and Sky?

Mr Johnson: Yes.

Q1845 Lord Holme of Cheltenham: To pursue the point, although of course the BBC is not selling sponsorship, you are selling sponsorship?

Mr Johnson: I think we are selling exposure. You can then have a perimeter board around the game.

Q1846 Lord Holme of Cheltenham: You are selling exposure and Carlsberg or the insurance company or the bank, whoever it is, has the comfort of knowing that for that money they will be seen not just by the fans at the ground but by people sitting at home watching it on television?

Mr Johnson: That is correct.

Q1847 Lord Holme of Cheltenham: If I could come back to the question which is preoccupying me, it is this. We have already identified that there is perhaps a proportion of 5:1 of viewers at home watching BBC as opposed to Sky, and, even with the qualification Mr Barwick made, it might be 3:1. There are a lot more BBC viewers and therefore, from the sponsor’s point of view, that is more attractive because their brand name will have greater exposure if it is a larger audience for the BBC. What I am trying to work out is this. In designing these pillars or packages, do you deliberately – there is nothing wrong with this but

I want to understand it – put together a mixture of the less widespread exposure of Sky with the greater exposure of the BBC?

Mr Johnson: It is possibly not as stark as that. What I explained to you about the pillars is what we have had for the last few years. What we have announced as what we will do going forward is to have a particular partner who will be able directly to associate themselves with the FA Cup, and a particular partner that will be able to associate themselves with the England Senior Men's Team, as well as other involvement with other parts of our product. When we are out in the market talking to potential sponsors, we are explaining to them what they will get at the ground, what they will get around the events, and what they can expect to get in terms of exposure. There is not a direct correlation between the price that we get and where we are a broadcast.

Mr Barwick: I can add that there are other ways of commercial people exploiting their association with us. It can be a photograph of the player on a pack of biscuits or whatever, on any commercial goods, or indeed the use of players at events that commercial companies wish to use. There is a number of ways that a commercial company can have an association with us. One of the ways, obviously, is by exposure through our television rights.

Q1848 Lord Holme of Cheltenham: It would be fair to say that that is the primary thing because the primary thing is: how many people at home am I going to get for this sponsorship?

Mr Barwick: Historically, it has been.

Q1849 Lord Holme of Cheltenham: Although there are refinements to that, that is the primary thing?

Mr Barwick: Yes.

Q1850 Lord Holme of Cheltenham: I am still puzzled. It means, therefore, that any pound paid by the BBC is geared up, from your point of view, in sponsorship income because by definition the BBC audience is bigger? At the top line, when you look at your income for the exploitation of broadcast rights, you may well be getting, as it were, a premium from Sky, but, when it comes to the sponsorship component of your income, if I am right, it is highly related to the audience delivered, which must automatically make to a potential sponsor the BBC more attractive and therefore your sponsorship income, whatever your broadcast income, must be weighted towards the BBC audiences, which are larger. Is that right or not?

Mr Barwick: It would be easier to say “free to air. It happens to be the BBC at the moment; it is free to air. The rest of what you surmise is pretty correct.

Q1851 Lord Maxton: You do not have total control of sponsorship. Each individual club presumably has its own jerseys, for instance?

Mr Barwick: Exactly, and we have just our piece of the action.

Q1852 Lord Peston: We have talked a bit about competition already, so we do not need to go over that ground again. You mentioned, I think, Mr Johnson, the European Commission. Presumably you have seen the evidence they gave. They have invented this peculiar thing of the six packages, as I understand it, and you cannot buy more than five. One immediate question is: do you see that as somehow at least an improvement of some sort? Let us start with that?

Mr Johnson: If I was at ITV, I would have a comment to make on whether it is an improvement from their perspective.

Q1853 Chairman: What would that be? I get the impression that that would not be an improvement.

Mr Johnson: On the question of whether that way of packaging the rights is helpful for the sports market – remember we are looking at this as sellers – what we were pleased about with the European Commission was that they supported the principle of collective selling. I think we always felt, and we supported the Premier League very strongly in this, that the European Commission was wrong to argue that the principle of collective selling was a breach of competition. I think we are glad that that is their outcome. The specific outcome they seem to have come up with in relation to the Premier League I think is specific to the Premier League and their circumstances as to how they sell their rights, to whom and how they package it. From our perspective, we are right now evaluating how we might put our rights out on to the market. We do not need to go out to the market for another year or so. Our rights have another two and a bit years still to run and so we are evaluating what we ought to do. Obviously it is of interest to us that that is the way that the Premier League might be selling its rights, but we also take a look at how UEFA are selling their rights to the Champions League and how other sports deal with their own rights. We consider how best we think that we should get value for ourselves, generate competition and help to meet the objectives that I read out a few moments ago. We are interested to see how the Premier League rights might go and whether what we have done has the impact of creating more buyers in the market than might have been the case last time they went out.

Mr Barwick: The interesting thing from my perspective is that we are selling our rights after the Premier League sold their rights. We will have the benefit of knowing how they spend their money.

Q1854 Chairman: On this business of having three on BBC and one on Sky, to some extent you have already done what the Premier League are being pressed for?

Mr Barwick: That happens to be the configuration of the current deal. As a broadcaster, I have worked for the FA Cup on other occasions when the deal has not been struck that way.

In fact, I worked at one period of time in ITV where the split was different and what you would call the main glamour game in the FA Cup went to Sky as the first choice. I was working in ITV then, so we used to get the second choice. I always remember when the cup draw was made, a fantastic game would come out of the hat and everyone would think “great”, and I would remind them that was on Sky and we had to wait for the next one. There is a reconfiguration in this current deal whereby the BBC has what would be, before a ball is kicked, potentially the best game.

Q1855 Lord Peston: You are clearly right on collective selling because what is being sold is the competition and, even if you take a great club like Manchester United, if they have not got the competition to play in, gradually no-one would want to watch them. The important point I suppose for us is that you are the governing body of the game. Did the European Commission consult you at all in all of this or, if not, did you tell them?

Mr Johnson: We have dealt directly with the European Commission in a number of areas. They are doing an investigation on mobile rights and internet rights. We have directly responded to that. I have to say that since I have been at the Football Association, this past calendar year, we did not directly respond to a request from the European Commission. As I said earlier, we did co-operate with the Premier League when we were asked to because the attack was on the basis of collective selling and about the way that rights are sold into the market. Certainly, while I have been at the Football Association, I am not aware that we have been directly asked to contribute to the European Commission.

Q1856 Lord Peston: This is a hypothetical question, so I will give you a chance not to answer it. If you did feel, in due course, that what was actually happening, because you are the governing body, was not in the interests of the whole game, would you feel able to say in public, “We are not happy with what is going on”?

Mr Johnson: I am fairly certain, and thank goodness it is a hypothetical question, that if the European Commission had decided that the whole principle of collective selling was anti-competitive and therefore illegal, we would not just have publicly come out and said that but we would have made formal representations to the European Commission about that. I think that was an issue wider than maybe the Premier League.

Q1857 Chairman: What do you think they may have come out and said?

Mr Johnson: I think that every time the European Commission has examined the way that rights are sold, whether that is the UEFA Champions League case, the Bundesliga case which they examined, and the Premier League, they have started off by attacking the principle of collective selling. In fact, our competition authorities, if you remember, at the Restrictive Trade Practices Court examined this question at the end of the Nineties. Everybody has examined collective selling from a competition perspective, and no competition authority has concluded that it is anti-competitive. We would endorse that; we always have done.

Mr Barwick: Returning again to my previous life, I always believed collective selling was the only way you could actually broadcast the right: you need a beginning, a middle and an end of an event.

Q1858 Chairman: Going back to your previous life, if you were still in charge of BBC sports, would you be bidding for one in six of the Premiership games?

Mr Barwick: I am not where I used to be and I will watch with interest when the person who currently is does, or does not.

Chairman: That is a very frank answer.

Q1859 Baroness Howe of Idlicote: Listening again to the six aims that you have, I wondered whether the BBC does provide a sufficiently high profile for, say, women's and

youth football and to support their development, given the real element of public service broadcasting in what they do.

Mr Barwick: I think I can be positive in the answer to that. Euro 2005, which was the first time the Women's European Championships had been held in this country, was a massively successful event at all levels; firstly. On the level of playing, it was a great event and because it happened outside the regular season, it had a terrific profile. We managed, through really hard work at the FA, to get a lot of people to go and see it. It was great because there were mums and dads and boys and girls. There was a really good feeling at the games. We had an England team that did extremely well because for us it is the fastest growing element of our sport; in fact, women's football is the fastest growing women's sport in the country. The BBC covered every England game live and the final. They did highlights every night during the competition. In fact, on a Saturday evening when England played I think Sweden, there were 3.5 million people watching BBC2 at 8 o'clock in the evening, which is probably close to what the Lottery has on the other side. They worked very hard at supporting the event and we thanked them for that. They also carried the Women's Cup Final. This is moving in the right direction.

Q1860 Baroness Howe of Idlicote: Do you think they did better, say, than Sky on the promotion of women and youth?

Mr Barwick: On the promotion of women's football, I think one of the things that is critical to it is accessibility to the largest audience. This is where the BBC will score for us in this particular area because 3.5 million people, as I say, watched the women's international. That is a fantastic number.

Q1861 Baroness Howe of Idlicote: Do you have specific arrangements with the BBC where you agree that they will aim specifically to promote football and encourage grassroots participation?

Mr Barwick: I think whenever you are involved in negotiations, as I must have been involved in dozens of negotiations from the other side of the table, what a rights seller must do is maximise the opportunity. Sometimes that is beyond revenue; it is about how you want your product best distributed, best portrayed, best promoted. Certainly, when we go out in 2007 to re-sell the package in the market, the FA properties, one of the things we will want is an acknowledgement that the FA has a broad spectrum of football played in many ways and we will want it supported properly.

Q1862 Bishop of Manchester: Could I ask another question in the grassroots area in the sense that the sports department of the BBC is coming to what some might term to be the grassroots, other than the headquarters, in Manchester? Do you have a view in the Football Association about that or is it really a matter of little importance to you where the BBC sports department is based?

Mr Barwick: I have no view personally. I am from the north of England and I moved down to London to work for the BBC. It would have saved me a train fare or two, I suppose, if it had been in Manchester in the first place! I have no view, other than that I am interested to see how it will work on a day-by-day basis. They are four or five years away from this. They have to work the practicalities through. I see no reason why it should not move.

Q1863 Baroness Gibson of Market Rasen: As you know, we have been taking evidence and one of the things that has been quite interesting is the views on a BBC sports channel. What are your views? Do you feel that the BBC at the moment can really give you the coverage you require and need and would you be better with a BBC sports channel?

Mr Barwick: I will allow myself a personal comment here. I have always thought that if any free to air broadcaster has the facility and ability to put a sports channel on the air, it probably is the BBC. I do not mean a premium sports channel. I think it has two genuine assets: one is its range and depth and the divergence of its portfolio. The year I left the BBC, it had 56 sports; I defy anybody to name 56 sports, but we had them. I moved to ITV and in a week we had three sports. That was the difference. In ITV the criterion was commercial return with good product in a mixed schedule. With the BBC, their responsibility I think is basically to play across the whole field. That means that they do have lot of product. Secondly, I think they probably have the best sports archive in the world. I cannot possibly tell the BBC how to run their business. I did not do it when I was at the BBC.

Q1864 Chairman: Did you ever put this up when you were there?

Mr Barwick: It was always discussed. Some of it was pre multi channel. It has never got there. It seems to be an idea they did not want to pursue yet. It is an interesting point for me as to who could possibly achieve that. Just on the amount of material they have, it must be them.

Chairman: Thank you for that bit of your memoir. That is great.

Q1865 Lord Kalms: Our job is to look at the role of the BBC rather than inside out. What we are trying to get are perceptions of the BBC. You are a very interesting man, having been on both sides of the fence. What we are trying to understand is the process and the thinking process of the BBC when it has to go out and bid for whatever product they want at any one time, bearing in mind that they have a limited budget, or not so much that but the other side have an unlimited budget, so you are not on a level playing field. What we are trying to understand is the process of the BBC when it wants a premium product, how it will play out its bid and the considerations it makes, bearing in mind that it knows that it may well be out-

bid. Arising from that question, we are wondering about the role of Ofcom. Ofcom does regulate, to some degree, the other bids. It does not have any influence over the way you bid. Do you have any thoughts about this? The third question which these two questions lead to is this. Do you see any case for an independent review of the way the BBC bids for sports rights? That question has been raised quite a lot. Should the whole thing be exposed as a particular exercise for others to see how transparent the whole process is on both sides?

Mr Barwick: Why does the BBC buy sport? That would be the first question you asked, broadly speaking. I think it does that because it is a licence-funded organisation which has a responsibility to provide a mix of programming that reflects the mix of interests in the country. I think also it recognises that sport is exciting television; it is dramatic and variable in its life and it is guaranteed to have a different ending every time. That is what sports television gives you. By its nature, it can be the glue between the bricks in the nation. If you, as we hope, this summer, see England doing well in the World Cup, then millions upon millions of people will watch it. When the games are on the BBC, they will watch it on the BBC. It embodies a diverging television industry. Sport has almost a unique capacity to draw a collective audience together in remarkable numbers. I cannot think of anything else that achieves that. It can also attract a unit of demographics to a channel which makes it appeal. Certainly when I was at ITV, one of the issues we looked at when we were buying sport was the demographic appeal of those who watch it. Undoubtedly, that was the same for the BBC, albeit in a non-commercial way. It is also part of the rich heritage of the BBC; certainly it was before I arrived at the BBC, while I was at the BBC, and subsequent to me leaving the BBC, although it had to learn to live in a modern television economy where it cannot have everything, cannot afford everything, and probably has not the room to fit everything in. The sports rights market has changed; it has exploded. I think I have answered your first point.

Q1866 Lord Kalms: I made the slight mistake in asking you to speak as if you were still a member of the BBC. Once you are a member of the BBC, you can never stop thinking BBC. Let us reverse the position and look at it from the outside looking in. We want to know what happens when the BBC goes into the process of bidding, knowing that it reports to the market.

Mr Barwick: I think it has to reflect the market. It certainly has to reflect whether there is going to be competition for the rights. If you are asking me the question “how do they come to the position where it is a specific rights game?” I think they have to go through the same process of value to the licence payer as ITV does, which is the value of return on investment through commercials.

Mr Johnson: I think they do. Our experience when we were competing with the BBC and now when we are preparing to go out in the market and negotiate with them is that they do look at it as a two-stage process. I think they work out the genuine cost to the BBC according to their own economic model, which I think is something called “cost per viewer hour”. I think they then also try to work out what this is worth to other broadcasters. I am interested in what you said, Lord Kalms, because you said that others have unlimited budgets. I do not think that is the case. I think everybody has a finite amount of money. The decision the broadcasters have to make is how they choose to allocate their resources.

Q1867 Lord Kalms: I should have said “larger budgets”.

Mr Johnson: The BBC would make choices, just as all broadcasters would. The first question they would ask is how much they wish to win these particular rights if somebody else is after them. From our perspective as a seller, what we are entitled to ask of the BBC, and the same I suppose with ITV and Sky, is that people would come and make offers for our rights that reflect the value of those rights to them in the marketplace. I have to say that all my experience of seeing the BBC bidding for the FA’s rights and then for the one or two

events when ITV and BBC bid together, they do bid in an open market. They do not try to rely on regulation. They do not keep one eye on listed events and say, “Do you know what, we have to have that anyway, and so we will put in a low bid and require the Government or the regulator to help us”. I think they do value their rights.

Mr Barwick: One other important point to make is that there is a misconception that the BBC spends less money on sport. In all my time both at the BBC and at ITV, certainly when Sky came on board, only Sky spent more money on sport in the United Kingdom than the BBC.

Q1868 Lord Kalms: That is what we are talking about.

Mr Barwick: It would be fair to assume that perhaps ITV spend the same amount on sport; they do not.

Q1869 Baroness O'Neill of Bargarve: I want to ask you a little bit more about the listing system. You wrote to us that as long as the free to air broadcasters continue to offer a fair market price reflecting the value of those events to those broadcasters, there is no reason why the listed events regime should distort the market. If I may say so, that is rather standing on both sides of the fence, which is generally reputed to be an uncomfortable position. I wonder whether you are really with the free market or for the listed events system, or you are with the listed events system providing it turns out to be entirely compatible with the free market?

Mr Johnson: If I could answer that, maybe I was trying to sit on both sides of the fence. The listed events regime in the UK is a fact of life. We have had it since 1956. In fact, the broadcast market has matured around it, funnily enough. What is interesting is that if you look at other countries where they have not had a listed events system and then have introduced one, it has had a number of effects. Firstly, it has distorted the market; secondly, it has created legal problems; thirdly it has created huge political controversy. It has had a really distorting impact, whereas here in the UK it has been rather more genteel and gradual.

There has been a listed regime. I think the FA Cup Final has been on the list rights from the beginning. The broadcasting market has grown up around it. The broadcasters are used to operating within it. The BBC, ITV, Channel 4 and Channel 5 are used to the protection that it gives them. Sky is used to competing, if they choose, on those particular events and people are comfortable with that. Therefore, I think that it would distort the market to remove the list now and just to make it a complete free-for-all because the market has become accustomed to it. You can argue around the edges: is it right that these particular events are listed? A matter for debate has surrounded the World Cup. I think we are the only country that lists all 64 matches in the World Cup. This summer Mexico versus Angola is worthy of protection in the United Kingdom. It will not be anywhere else in the world, probably not in Mexico or Angola. You can have those sorts of debates. I remember that the House of Commons got themselves very worked up in 1997 when England had to play a qualifying match against Italy and they needed to get a particular result to qualify for World Cup '98, that match was on Sky. That was the nature of the deal at that time between the FA and the broadcasters. A lot of politicians got quite heated about this. There was an argument that key England qualifying games should be listed. I think even then at ITV I felt, and I still feel this now, that if you start listing particular events to suit the market at that particular time, you are creating a distortion that is unnecessary. As I say, I believe this is a mature market that can deal with the fact that a number of events are listed.

Q1870 Baroness O'Neill of Bargarve: So the listing is just seen as part of the framework for the market at this stage?

Mr Johnson: I believe so.

Q1871 Baroness O'Neill of Bargarve: It is accepted that changing it would have costs?

Mr Johnson: If you were to remove it, it would distort the market.

Chairman: You have been extremely patient. Thank you very much for coming and giving us very clear evidence. Thank you for your clear paper. Perhaps if we have any other points we can come back to you. For this afternoon, thank you very much for coming.

Witness: **James Purnell**, a Member of the House of Commons, Parliamentary Under-Secretary of State for Media and Tourism, Department for Culture, Media and Sport, examined.

Q1872 Chairman: Thank you very much for coming. As you know, we are extending our investigations into other parts of the BBC. Can I ask you first: when do you expect the White Paper to be published?

James Purnell: Shortly.

Q1873 Chairman: You have no other guidance than that?

James Purnell: No. Obviously I am delighted to be here. We value this inquiry. It has been extremely helpful for us in developing the White Paper. We had hoped to finish it before Christmas. My short experience in government is that White Papers and Green Papers often take slightly longer than anticipated. This is a very complex set of issues and I am sure you want us to get it right rather than rushing it out. It is due shortly. Having passed on that piece of experience, I am not going to start getting myself hooked on any other date.

Q1874 Chairman: When we were set up, we were asked to get our report ready by the end of October, which is some months away now. What are the issues that are holding you up?

James Purnell: People should not read any conspiracy theory or anything significance into that. It is purely the issue of the complexity of the matter and desire to get it right. When people see the White Paper, they will see there was no underlying reason why we delayed it, other than just the desire to get it right.

Q1875 Chairman: When you come to the White Paper, will you be announcing the licence fee increase at the same time?

James Purnell: No. We are intending to do that later on. We are currently engaged in a process where we have received the BBC's opening bid, I think you call it. That bid has been submitted to review by consultants, PKF, and we and the Treasury will jointly look at that evidence and make our decision some time after the White Paper. That will also be based on a further round of industry consultation on the model of having these industry seminars along the lines of the Burns' seminars. It was very helpful for the Green Paper and we intend to do that for the licence fee session as well.

Q1876 Chairman: You used a very interesting phrase "opening bid" by which I imagine you mean that you do not regard what has been put in front of you at the moment as being the final word on the subject?

James Purnell: You have been in this situation more than me. You will know very well that all organisations will expect the Government to scrutinise their proposals extremely carefully and we would not be being thorough with the use of public money if we did not do that. That is exactly why the process with those consultants has been set up. We will be scrutinising all of their financial proposals extremely carefully.

Q1877 Chairman: You say that the process is between you and the Treasury?

James Purnell: Yes, we have a joint committee with the Treasury to do that.

Q1878 Chairman: Both sets of ministers will go through it?

James Purnell: Yes. We have collective responsibility to the Government in the end but the issue of the licence fee clearly touches on public spending and there is a direct role for the Treasury being involved in that process.

Q1879 Chairman: Would you be disappointed if you were not able to reduce some of the figures which have been quoted from the BBC?

James Purnell: I am not getting into a running commentary on what the level of licence fee will be. We will make those decisions based on a very robust analysis.

The Committee suspended from 4.33 pm to 4.43 pm for a division in the House.

Q1880 Chairman: Let's then go back to where we were and what you referred to as the BBC's "opening bid". The history over the last 20 years has been quite interesting because the licence fee was first linked to RPI in 1988 and until 1998 it went on matched to RPI and below. Since 1998 the licence fee has been more than RPI in each year and we are now coming to the situation where if the BBC's proposal were to be accepted it would be RPI + 2.3 per cent and that does not take account of the costs of switchover so it could be in fact with the elderly and disabled something like 2.8 per cent. Do you think that this size of increase is sustainable year after year after year?

James Purnell: As I was saying before we broke, I am not going to give a running commentary on what we expect the level of the licence fee to be however I think we can set out some clear principles. We will look at the services proposed by the BBC, we will take an overall policy decision on what the BBC should be doing for the next Charter review period, and we will want to make sure that the BBC is adequately funded. We will look at their financial proposals and we will scrutinise them in an extremely robust way and we will also want any decision we arrive at to be bounded by the public acceptability of the licence fee. So those are the principles within which we will make that decision, but I cannot at this stage give you an indication of where that will end up.

Q1881 Chairman: Just taking those principles, what you said about public acceptability seems to me very important. Are you not concerned that if it goes on like this year after year after year the public acceptability of the licence fee is going to reduce if not disappear?

James Purnell: I think public acceptability is a very important point. The next Charter review period presumably in ten years' time will be happening in an all-digital environment (assuming the Government's policies are successful) and to achieve Charter renewal at that time the BBC will have to have a significant level of consensus for the continuance of its role in a digital world, and acceptability of the way that it is funded will be an important part of that.

Q1882 Chairman: So I think we can take it from what you are saying, leaving aside what the figures are, that you are seeking to work to oversee this bid and if possible to bring it down?

James Purnell: Yes, we want a strong and independent BBC. We will look at what services will be necessary to deliver that. We will be robust in the way that they propose to finance those services and we take the acceptability of the licence fee into account in making those decisions.

Q1883 Lord Holme of Cheltenham: I understand that you do not want to negotiate publicly with the BBC at a delicate moment, and that is quite understood, but since one of your principles is public acceptability, would it not be fair to say that the reaction to the BBC's opening bid was surprise and I would even say shock at the quantum that they seem to envisage as being necessary to discharge their responsibilities?

James Purnell: I do not want to start sounding too much like a broken record but there are pitfalls on both sides here. If the BBC were not adequately funded to deliver services which would enable it to retain audience reach in particular, having services which people are using pretty much every week and which they value and see as an important part of British culture, if they were not doing that, there would be a problem with acceptability. On the other hand, if they also thought that they were not getting good value for money from the licence fee then

that would also be a problem, so acceptability and the value for money of the BBC's services will be a key part of how we decide to level the budget.

Q1884 Lord Holme of Cheltenham: And you could not imagine any situation where they would get more than what they have asked for?

James Purnell: I think that is unlikely.

Q1885 Lord Maxton: I argued at the last review for RPI plus on the basis that one of the things that has to be done is the digitalisation of the whole archive of the BBC however the only way really that the public can have access to it is through the Internet through the BBC's website, and that is great, that is fine, and I fully support that. The problem is that that archive is not just available to the licence fee payer in this country; it is available to every person on the Internet in the whole world, and that means the licence fee payer is basically subsidising the broadcasting of material for other people elsewhere, is he not? I believe it is right but I think there is an argument there that people will increasingly make.

James Purnell: Yes, at the margins I think that is true. It would be interesting to think through whether that is a good thing or bad thing overall for Britain, in the same way people using the World Service is a good thing for Britain in a general sense for people understanding us and our point of view. Whether the cost of preventing access to those programmes (and I do not know if it would be possible) would be justified, given the marginal benefit of other people around the world seeing it I do not know. Obviously the BBC does exploit its programmes in other markets and should continue to be able to do so.

Q1886 Lord Maxton: In my view, by the time of switchover in 2012, and I will come to digital switchover, most broadcasting will be done by broadband in this country and elsewhere so, given that, why has the Government set its face, as it already has, against the

proposal in our first report that the taxpayer should pay for the digital switchover rather than the BBC, which is only one of the broadcasters of course which will benefit?

James Purnell: We will be commenting formally on the recommendations in your previous report ---

Q1887 Lord Maxton: In a Parliamentary Question on 19 December the Secretary of State made it clear ---

James Purnell: We will be reporting back to you on your recommendations, again very shortly before the White Paper is published and we will give full responses to all of the points that you made. As you say, the Secretary of State answered a question on that and indeed I gave evidence to the Culture, Media and Sport Select Committee on this issue last week. The reasons are that we believe that supporting and spreading Digital Britain is an important part of the BBC's role. It has always been part of the BBC's role to support new technology and to provide content for new technology, for radio when it was created, television, the Internet and now digital TV. Therefore we think there is a general public benefit in the licence fee being used for that. We also think there are important BBC-specific reasons. First of all at the moment the BBC is funding a number of services that people can only access with digital television and we think that is right. It is right for the BBC to be able to pioneer technologies that are not yet universally available but I think there comes a point at which you do have to seek to make universally available the BBC-funded services. This approach will mean that everybody will have the opportunity to have digital television and be able to access BBC Three and Four and other services on digital. Also there is a benefit for the BBC - and I think the BBC said this in their last session to you - which is they share an interest in there being universal access to public service television. They also share a financial return because they will not have to broadcast in analogue and digital. I think for all of those reasons it is quite

appropriate to use the licence fee to support switchover costs and also the package for the vulnerable that we have identified.

Q1888 Lord Maxton: Let's leave the package for the vulnerable to one side. The actual switchover cost will be of benefit to a small percentage by 2012 who are not already paying for digital. A large percentage of us are already paying. It is not rich and poor, by the way. If you go to any council house area in Glasgow and see the number of Sky dishes and so on there, you will know it is not a poverty thing, it is an area thing and a variety of other reasons. So why should those who have already got digital be paying for the rest of the population to get it?

James Purnell: Your first point is quite well made which is the difference in proportion of people who have digital TV between the top half of the income scale and the lower half is pretty minimal, but we think this is an important use for public money from the licence fee for exactly the reasons I have just laid out, which is that we think people should have access to services they are paying for. They are paying for BBC services through the licence fee and therefore they should have access to them. Also in general if we did not have a policy of switchover, in effect, people would be wasting a public resource. The spectrum is a very important public resource and it is important ---

Q1889 Lord Maxton: No-one is arguing with the importance of switchover. What we are arguing about is whether it should be the BBC who pays for it rather than coming out of general taxation when, after all, it is the government and the taxpayer that is going to benefit from the sale of the analogue spectrum, not the BBC, unless you do intend giving all the money from the analogue switchover to the BBC and reducing the licence fee.

James Purnell: I would question your premise that it is the government and the taxpayer who are going to benefit from switchover. I think it is right for the country and I think it is right

for British television. British TV, arguably, has been the best in the world because we have been at the forefront of technology and I think we need to maintain that. If we did not and if we started to go to a world where we were falling behind compared to other countries then I think in ten or 20 years' time people would criticise us for not having taken the right decision. I think the BBC is the right way.

Q1890 Chairman: We are slightly at cross-purposes. The point being made is who actually bears the cost? Is it the licence fee payer or is it the taxpayer? This Committee supports the licence fee but we do understand that it is a regressive form of taxation, there is no question about that. Would it not be fairer and more sensible for the switchover costs to be borne by the general taxpayer?

James Purnell: No, I do not agree with that. I do not want to repeat myself but we think there are BBC-specific reasons for why the licence fee is the appropriate way to do this. We think it helps make sure that the BBC's digital services are universally available. We think that it is a progressive use of the licence fee because it will be benefitting in particular people who are vulnerable - people over 75 and people who are disabled. I think that helps to answer the point about regressivity. As the BBC themselves said, they share an interest in there being universal access to digital television and they will also share an interest in their not having to broadcast both in analogue and digital. We think that using the licence fee (which is paid by virtually everybody in the same way that taxation) is the appropriate way of funding it.

Q1891 Chairman: Okay, we will go on to the value of the spectrum and Lord Holme but just to pick up the point on the response from the Secretary of State to our first report, you said shortly; in fact, you mean on this occasion very shortly because I think it has to be by the end of this month?

James Purnell: That is right.

Chairman: Just so we are planning on the same basis. Lord Holme?

Q1892 Lord Holme of Cheltenham: I would really like to pursue the point we have been talking about because presumably you would concede that if the BBC are to bear the cost as the Government proposes then whatever the increase in the licence fee would have been it will be higher because of that?

James Purnell: Because of the cost of the spectrum?

Q1893 Lord Holme of Cheltenham: No, the switchover. Whatever the increase in the licence fee would have been it will be higher if the BBC is bearing the cost?

James Purnell: Of switchover, yes.

Q1894 Lord Holme of Cheltenham: This brings us to the question of spectrum because the analogue spectrum that is left after this switchover of course is of value and it is of value two ways. We have the Government's own estimate that it is worth between £1.1 and £2.2 billion to the economy but there is also the issue which we explored with Ofcom, whom I gather will be charged with selling it, of the potential sales value of the spectrum. So the Government and the Treasury, and I do not know whether it is an uncovenanted bonus, but they certainly have a bonus accruing both to the economy and specifically in terms of revenue coming. I think that this really makes the previous questioning by Lord Maxton and the Chairman even more relevant because what does the Government propose to spend that money on? Why would it not most appropriately be spent on paying for the digital switchover which is highly relatable?

James Purnell: I think we are a long way from being in a position of deciding how to spend any of that money. If I can just lay out the process by which this happens. The decisions about how to allocate spectrum in particular and whether to charge for it are for Ofcom. That

decision was taken by the House of Commons and the House of Lords in the Communications Act and we charged Ofcom with that responsibility. Ofcom will now carry out what they call their digital dividend review in which they will look at the uses to which the spectrum will be put and the most effective way of allocating it. The general approach of Ofcom and the Government is we believe that the market mechanism is the right way of ensuring efficient allocation of spectrum, but we will make those decisions taking into account the interests and the views of other stakeholders including the public service broadcasters. So we have not completed consultation, we do not know what the spectrum will be used for, and we have not got anywhere near allocating it, so decisions about what to do with any money which was raised by this would be made by future Ministers.

Q1895 Lord Holme of Cheltenham: You do not even have any estimates of what the likely revenue or possible revenue might be or a min and max range of revenues?

James Purnell: No, we do not and we have answered Parliamentary Questions on that. It is important to realise that the policy is generally not led by a desire to raise revenue; it is led by the importance of allocating the spectrum efficiently. I am sure that you would all accept and support the importance of spectrum allocation. If we do not use it properly we are preventing people from launching new services, we are damaging consumer interests, we are potentially raising prices, we are undermining the competitiveness of British industry, and therefore spectrum allocation is an important issue that needs to be led not by any revenue raising goals but by the issue itself, how you promote efficient spectrum allocation.

Q1896 Lord Holme of Cheltenham: It is very difficult to argue with that but I think the thing that is exercising this Committee is there is direct cause and effect here. As a result of switchover revenues will accrue, so if you look at the whole project, Project Switchover let's call it, it seems difficult to understand why at least a possibility would not be to defray or

meet the cost of switchover from these uncovenanted revenues that accrue as a result of this switchover. I think that is the part people find very puzzling.

James Purnell: We are firm in our belief that we think the licence fee is the right way of funding the switchover. As I say, we think there are general public reasons but also BBC-specific reasons why the licence fee is the right way of doing it. One of the BBC's specific purposes is to build Digital Britain. It is in keeping with their tradition of supporting the spread of radio, television, the Internet and digital TV. As I have just explained, that revenue if it does materialise is dependent on a whole range of decisions which have not been taken yet and so therefore we think that is the right way of approaching that policy.

Q1897 Lord Peston: I am very lost by all this. I used to be a Reader in Public Finance in the University of London when I taught the subject and anything that was right for the country I then went on to say therefore that is what you use taxation for. I am totally at a loss as to what has happened to economics since I gave up the subject, and everything you are saying is denying that proposition. I simply do not understand the BBC-specific thing that you mentioned. That means the BBC will get gains that no other broadcaster will get; is that what you are saying?

James Purnell: Yes.

Q1898 Lord Peston: Could you give us some examples?

James Purnell: I thought I just had. They will not have to broadcast both in analogue and in digital. They are providing services at the moment to homes which have got digital and once we have analogue switchover every home that has a digital TV will be able to receive that and that is a specific gain for them, that they will be funding services which everybody can receive. At the moment we get quite a lot of criticism saying, "My licence pays for BBC

Three and BBC Four, I cannot receive it, that is not acceptable.” The BBC’s specific gain would be by having universal access everybody will be able to receive those services.

Q1899 Lord Peston: I thought what you meant by BBC-specific - and obviously I do not fully understand this - specific to the BBC and not to any other broadcasters.

James Purnell: Both of those are BBC-specific.

Q1900 Lord Peston: I would have thought that digital will benefit ITV, Channel 4 and everybody else. There is nothing BBC-specific about it at all.

James Purnell: There are general public policy gains and there are also BBC-specific gains. As I say, the BBC has always played a key role in supporting the spread of broadcasting and communications culture and that is completely in keeping with its traditions. Not having to transmit in analogue will be a saving for them and the fact their services will be universally available will be a bonus for them as well.

Q1901 Lord Peston: Obviously I do not understand so I will look at the transcript and try and follow the argument you are putting forward. I cannot see anything BBC-specific in digital switchover at all. It may be just a use of words rather than anything else.

James Purnell: I am really not attempting to obfuscate the matter. I think this is exactly the same argument that the BBC made when they came to you.

Lord Peston: Maybe they did; it does not mean they are right.

Q1902 Baroness Bonham-Carter of Yarnbury: There is one thing I want to clear up that others might have understood but I am not absolutely clear about. When you and indeed the Secretary of State talked about special help being supplied by the Government to those who need it, will that come out of Government funds or is that another thing that you expect the BBC to fund?

James Purnell: That will come out of the licence fee.

Q1903 Baroness Bonham-Carter of Yarnbury: That will also come out of the licence fee?

James Purnell: That is the package for the vulnerable so there is the switchover cost and then there is the package for the disabled and those over 75.

Q1904 Baroness Bonham-Carter of Yarnbury: So that is also licence fee funded. You have said you do not know what is going to happen to the spectrum that is released. At the moment there is no charge for analogue spectrum. Is the Government considering allocating free digital spectrum to PBS channels like Channel 4 and the BBC or do you support the decision by Ofcom that everyone should pay for digital spectrum?

James Purnell: I do not think that is the decision that Ofcom have taken. Lord Curry said in terms that a decision had not been taken and the process is for them to look at the digital dividend consultation process that I refer to. The advantage of having regulators is that they can weigh different objectives against each other, for example, both the importance of public service television and the importance of allocating spectrum efficiently. We will look at their recommendations. We also have backstop powers so if we disagree with the decision they have taken we can intervene, but we are a long way from taking decisions on that.

Q1905 Baroness Bonham-Carter of Yarnbury: I understood him to be saying he very much felt it should be a market for digital spectrum in order that the broadcasters were efficient about the use of it.

James Purnell: I think that general approach is right. We are just not applying it to broadcasters; we are applying it to emergency services and we are applying it to the whole range of public sector uses of spectrum. This is not something specific for broadcasters but, as I say, the Digital Dividend Consultation Group will look specifically at that issue. The

general approach is that market mechanisms have been the best way of allocating spectrum. We do not always take those decisions. For example, in radio licensing we have continued to make decisions where different considerations have applied but we will take those decisions in due course based on the consultation which Ofcom is carrying out.

Q1906 Baroness Bonham-Carter of Yarnbury: Because it would seem to me that in the instance of public service broadcasting, money would be better spent in pursuing those programmes rather than paying for spectrum which will be an additional cost.

James Purnell: Sure, there are two issues there and one of the issues is programme making resources and whether the BBC and indeed Channel 4 and other broadcasters are properly resourced to achieve their public service goal. There is also the issue of efficient allocation of spectrum and it is important for all users of spectrum to have the right incentives to do that. One of the ways of doing that is through auctions. There are other ways of doing it and people can also take decisions not to allocate spectrum on that basis. We are not ruling anything in or out. We are just saying that we will look at the consultation which Ofcom will do and we will take decisions from there.

Q1907 Baroness Bonham-Carter of Yarnbury: In this particular case of the BBC it could be seen as a spectrum tax on the licence fee payer.

James Purnell: As I say, we have not made any decisions on that and we will look at their proposals as part of the licence fee and we will take decisions based on what Ofcom says in their consultation. I think there is a legitimate point about weighing those two objectives against each other. There are plenty of people who complain to us about spectrum hoarding by various organisations. That is not a cost-free option. If spectrum is not properly allocated people who want to offer services like extra community radio stations, extra local radio stations, new TV services, new mobile phone services, new data services, all of those services

would be prevented and the consumer would suffer. What we need to weigh up is the various policy objectives here, and the right way to do that is through proper consultation.

Q1908 Chairman: Where you have made a decision that it is not from Ofcom (and it does not appear from what you are saying to be from consultation either) is that the special help as far as people with special needs is concerned is a cost that is going to be borne by the licence fee payer.

James Purnell: Yes.

Q1909 Chairman: What is the difference between that and currently what we do as far as licence fees for the over-75s are concerned? Surely the cost of that is not picked up by the licence fee payer, it is picked up by social services funding?

James Purnell: That is essentially social policy whereas the other is essentially broadcasting policy. As I said, we believe there are BBC-specific reasons why switchover will be of benefit to them, why up to five million homes who currently do not have access having access to digital television will be of benefit to the BBC. It will mean that people can access BBC services. I think most people would think in the long term it is not sustainable for the licence fee to be funding services which licence fee payers were not able to access. That is why we say there are BBC-specific reasons for doing that.

Q1910 Chairman: I do not see the sharp difference that you are trying to make between the two. One is social policy you are saying and one is strictly broadcasting policy?

James Purnell: One way of looking at it is that the social policy about help for the over 75s will continue and is not bound by any one project. The whole point of the switchover policy is to achieve switchover and once that is achieved that particular package will not continue. The difference is this is about achieving a broadcasting policy objective which is digital

switchover. It has benefits for the whole of the industry but it also has benefits for the BBC, in exactly the same way for example as the BBC gets involved in the use of the licence fee for training which is not just for the BBC. The whole thrust of the Green Paper was to say that we believe that the BBC underpinned the whole of the broadcasting ecology and we believe that that is an appropriate use of the licence fee for exactly that reason.

Q1911 Baroness O'Neill of Bengarve: Just a supplementary on that. I think we can all see why the BBC should lead on the task of digital switchover, that is not the problem, but the question might be formulated why is it not a win/win situation for the Government and for the BBC to distinguish those costs which legitimately fall on the licence fee payer from those costs which more appropriately fall on the taxpayer? Although nearly all taxpayers live in households that pay a licence it is not the case that the class of taxpayers and the class of licence fee payers is one and the same because any household with more than one person in employment earning income has multi taxpayers but a single licence. The question we are raising is distinctly a question about the appropriateness of loading the charge on the licence fee payer. It is not a question of the appropriateness of the BBC leading on the institutional and technical and cultural task.

James Purnell: I am really starting to sound like a stuck record but the point is the BBC has always carried out policies which have helped the whole of the broadcasting environment. It has always used the licence fee to do that, from training, to R&D, and now digital switchover. It is completely in keeping with that tradition to use licence fee money for those projects because there will be general policy benefits but there will be also be specific benefits for the BBC. If we started to try and work out which ones of those were general benefits and which ones were BBC-specific benefits and split the funding of that appropriately, you would get into a very difficult policy decision issue.

Q1912 Baroness Howe of Idlicote: I want to be quite clear about this, following on Baroness O'Neill's point, that as a result of the second policy we have heard your views but as a result of that second policy if it comes into being, and if there is to be a charge, the settlement will have to take account of the extra costs of the BBC?

James Purnell: Yes, absolutely.

Q1913 Baroness Howe of Idlicote: So that would have to go up?

James Purnell: Yes, absolutely.

Q1914 Lord Maxton: You see all this is based upon technology as it is now and what it would appear you have decided will be the form of technology in 2012, six years from now when the switchover comes. If you look back six years and see the way technology has changed and now go forward six years, then what you are going to have in 2012 will be totally different from what it is today. In particular if you are talking about scarce spectrum why is the Government deciding to use that spectrum (because if it has got high-definition television included in it it will be using a lot of spectrum) instead of looking at other solutions which do not use spectrum, which are cable and telecommunications, which to me is the way to go to switchover? If you do that the argument the BBC pays for it becomes irrelevant because BT and the cable companies will be the major beneficiaries and may well wish to pay for it.

James Purnell: I can answer that because I spent an hour and a half answering exactly those questions in front of the CMS Select Committee last week. Briefly, we believe it is vital for people to continue to have access to television without having to pay a subscription and the only way of guaranteeing that is by having the option of digital terrestrial there. People may want to buy other options like cable and broadband and other technologies may come along but we believe that having that basic easy access to DDT was important and is the only way

of guaranteeing that we will be able to have subscription-free television otherwise we will be relying on commercial operators to be prepared to deliver, for example the Freesat from Sky offer, and we do not think that is the right approach. We also think it is important to have a choice of platforms and people should be able to choose between DDT, cable, satellite, broadband and the other options. The final point is if you are right and it does turn out that another technology is much more successful than DDT that underlines the case for switchover. It does not argue against it.

Lord Maxton: We are all in favour of switchover, it is how it is done.

Q1915 Chairman: Let's cut it off at this particular point. I would like to move on to the Bishop of Manchester but I think perhaps you have got the message from this Committee that we are unhappy with several aspects on the way that costs are being put on to the licence fee and to the licence fee payer when we believe that there are better ways and more just ways of that money being raised. You have got that message.

James Purnell: I can hear that in the Committee's voice.

Q1916 Bishop of Manchester: Can I look at another area of costs. This afternoon the BBC announced that it is focusing on two of the suggested sites for the move to Manchester and that suggests to me that the momentum is building up towards that move. I have to say that on this Committee we have looked a little askance at some of the financial figures that have been presented to us over this. At the very beginning we were being told the cost would be £600 million which spanning out was an equivalent of £50 million a year. Later we have been told it is down to £400 million, £25 million a year. These still seem to be very considerable sums and when I pressed the Director-General on his commitment to this move to Manchester he added that although he wanted it to happen it still depended on suitable

funding being agreed. So my first question to you is to ask your opinion about the costings as we know them for this move to Manchester?

James Purnell: We have, as I say, our consultants PKF who are looking at those costs in detail and they will be thoroughly scrutinising not just the costs of the move but also the savings that could be made because of the move. We will also be assessing it in terms not just of the purely financial aspects but also the benefits to the regions, the economic and cultural benefits which come from that and also generally the benefits to the licence fee, the acceptability of the licence fee and to the BBC. We think that having a BBC of which the whole country feels ownership will be an important part of building that consensus around the BBC and that will be an important consideration in the matter.

Q1917 Bishop of Manchester: Presumably some of the savings you are talking about will be from the vacated assets in London when they move?

James Purnell: Sure, one could imagine savings from vacated assets, one could imagine savings from the costs of employing people outside London rather than in London. I think also at the time we would want to move to a situation where there was a genuine critical mass of production outside of London and that will bring down the cost of that production. If you are in a situation where people are just being trained up and down from London to various parts of the country to make productions that may have a certain amount of benefit but may not be terribly cost-effective. If you develop a genuine production infrastructure in other parts of the country they can start to compete on costs. Bristol is a great example of that. The fact that natural history programmes have been in Bristol for a while now does mean that there is a network of independent companies round there which are also able to provide good programmes at competitive cost. We would hope that the out-of-London strategy would support development of that critical mass.

Q1918 Bishop of Manchester: You were explaining a moment ago the Government has got people looking carefully at these costings. Would you not think it is good idea for the National Audit Office to come in on this?

James Purnell: The National Audit Office has a role in terms of value-for-money studies with the BBC already and we will look at the recommendations which you made on that in a previous report and we will make a decision on that in the White Paper, but we felt the right way of scrutinising these proposals was by engaging PKF to do that work and we believe that they provided a very good service. It is not a question of whether there is a value-for-money audit, there is a value-for-money audit and there may be various roles for the NAO at various times. We will make a decision on that in the White Paper.

Q1919 Bishop of Manchester: Can we explore a bit further this concept of value. As you know, if there is something new happening then there is a public value test whether the BBC pursues but it is said in the move to Manchester it is not going to do that because the departments are not new in that sense. I think what is slightly disturbing about that is we heard from Pat Loughrey when he came to see us that the prime concern of the BBC over the move to Manchester was not in terms of public value, and I wonder what your view is on that because it seems to me that we are all concerned about protecting the licence fee payer and value for money being given to them.

James Purnell: The public value test is really designed for services and changes to services so we would not anticipate it being applied to, for example, property decisions or location decisions. We see those as management decisions for the BBC. You could imagine certain changes by the BBC that they might want to involve licence fee payers or other partners in discussing or having consultations but I do not think the mechanism of the public value test should be transferred over to management decisions of this kind. It is really about what

services the BBC should involve itself in. That is not to say there are not public value considerations in those decisions; it is just the public value test is designed for new services.

Q1920 Baroness Howe of Idlicote: I want to turn to local services. In fact we have heard some comments that the BBC is not a very good partner; it prefers to do things in its own way and on its own terms, but we have also of course heard if they do go local in this way it may well inhibit the development of competitive commercial services or indeed damage existing services. I just wondered what your view is about this because obviously this is an area where with the new technology and so on there are a lot of opportunities so what sort of role really should the BBC sensibly be playing?

James Purnell: Our view is that this is an area where the public value test is extremely important and we would expect the launch of any new tier of ultra local services to be subject to a public value test, whether it happens before or after the Charter is in operation. I think local TV does illustrate why the public value test is so important because there are lots of different considerations here. There are issues about the impact on local newspapers and local broadcasting services. There is also the issue of the licence fee payer and services they expect, the fact that the BBC already has an infrastructure providing this content which could be very efficiently used to support public benefit in terms of spreading that value around. One could imagine all sorts of services which local communities would benefit from having. Coverage of local authority decisions which are often underreported. Looking, in my region, at how cultural events are developing, for example, local Rugby League, we often feel that Rugby League is not focused on as much as football. There is a whole range of services where there might be a real public value and if the Government were trying to take those decisions or Ofcom were trying to take those decisions it might not be in the right position to weigh that public value against the market impact. That is why we said in the Green Paper we thought the ultimate decisions about the public value of those services and whether they outweighed

the market impact should be taken by the Trust. I think the point you make about partnerships is important and I think that would be a fair point to make about the BBC over a longer period. I have quite a lot of the BBC's partners now coming to me and saying they have really noticed a difference (not in everything) a real difference. Pact, for example, have been very appreciative of what has been developed on the WOK(?). The Film Council are working closely with the BBC to develop their film strategy. In Wales and Scotland there are again productive discussions around national language provision. So partnership is clearly a very, very important part of what the BBC does and we would encourage them to continue to improve their record.

Q1921 Baroness Howe of Idlicote: That is the other argument of course for having more local offices too for the BBC and a more local presence --- and I am thinking of a visit that we did to Bristol where we saw quite a lot of interaction between schools and the BBC and a lot of encouragement to use the creative side of the BBC for that.

James Purnell: There is clearly a real potential for public value there and we will need to set up a framework in which they can judge that properly against the market impact. There are also genuine considerations that I can see.

Q1922 Lord Kalms: Listening to the some of the advice we have had from different people who have contributed to our discussions, I think there is a slight problem regarding local broadcasting and local services. If the BBC are committed to 60 local stations and they are perhaps going to choose the footprint of the radio areas, which for a start may not mean entirely local, and then the concept is that they may impose what they call local so instead of creating local it might be imposed local. The point I want to make to you is what contra force is there going to be to make sure that there is not this concept of the BBC steamroller with 60 stations with one footprint which might not produce the local bottom-up concept that is more

desirable for our listeners and for our viewers? I am not sure that if the BBC is allowed to run untrammelled we will get the best product. Are you concerned about this potential danger that by going into local broadcasting we will not get the best outcome?

James Purnell: I am concerned about putting in place a process or mechanism to ensure that management are not untrammelled in those decisions. Indeed, Tessa Jowell made an extremely important decision on BBC Three in rejecting the original application for that and I think the service which has emerged since is much more in line with the BBC's public service objective than it would have been. I think that experience ought to have taught us the Minister taking that decision is slightly uncomfortable (although she took what I thought was very much the right decision) and that is why creating the Trust with the right level of understanding of the BBC's objectives and the right incentives in terms of accountability to licence fee payers but also being trustees of the market impact and making sure that they do not have an unjustifiable market impact, is the right place to locate those decisions. Thus decisions about exactly how local it should be, should it cover Stalybridge and Hythe or Manchester or the North West will be, quite rightly, decisions taken by the management of the Trust working through the public value test mechanism.

Q1923 Lord Peston: I, at least, was very impressed with David Puttnam's evidence to us last week where he essentially told us that the BBC does not do partnership; it is either done their way or not at all. I could be wrong but he was our evidence, as it were, therefore it seemed to me to follow that it would be in the national interest if somehow one facilitated the growth of local service broadcasting in some other way, I thought your reference to local newspapers was a rather relevant one here because we do not subsidise local newspaper and they are successful a) because they are good and b) because they carry advertising. Would it be your view that if a local body wanted to get together (and again one accepts your view that if you want spectrum to be used efficiently you must price it in some way or other) that some

of this local broadcasting, whether it is radio or more importantly television, could be advertising financed even if it were run say by the local authority? Has that been at all a part of the Department's thinking?

James Purnell: A mixed ecology of local services is definitely a part of our thinking. There are already a dozen television stations around the country which are doing quite well and I think that is an area which is going to continue to grow, through the Internet, with people providing audio-visual services over the Internet, so there will be a commercial role in this. There will also be an important role for partnership. The provision of local content is obviously enhanced by working with local authorities and local groups. I think the danger of the BBC taking advertising ---

Q1924 Lord Peston: I do not mean the BBC; I mean the non BBC. If you and I decided we wanted to set up a local station, just us, the equivalent of a local newspaper, we would have to finance it in some way, *a fortiori* we would have to finance it if we had to pay for the spectrum, and the only way we could finance it would be by advertising. In other words, could one have the equivalent of a local newspaper in this area, is what I am asking you?

James Purnell: Of course, and the economic viability of those services is a really important question. We have commissioned research with Ofcom which will be published very shortly on whether there is an economically viable model and I think there is real potential there.

Q1925 Baroness O'Neill of Bengarve: We have spent a lot of the last month thinking about the sale of sports rights and sports broadcasting and the BBC's role in it. I wanted to ask you a little bit about the Premier League's agreement to market rights in six packages following a ruling by the European Commission. First, did the Government make any representations to the European Commission in the process leading up to that decision?

James Purnell: We always wanted the parties to come in an ideal world to an amicable arrangement and we always made it clear to all parties including the Commission two things really. One is we believe collective selling is important for football. That was the case for the previous review by the Commission and indeed for this one. Indeed, we also said that we thought that collective selling was particularly important because it could support redistribution within the game. That is most obviously the case with the Football Foundation which supports grassroots football but also with a range of other initiatives within football. We made our general policy stance clear. It is not our policy to intervene in competition cases. That is clearly a matter for the Commission and that would be exactly the same whether it was an Ofcom review, OFT or the Commission (as in this case) as competition regulator.

Q1926 Baroness O'Neill of Bengarve: Do you think six packages of which five may go to a single bidder represents a genuine protection of the public interest in free-to-air access to live Premier League football?

James Purnell: I think having a competition regulator which makes decisions independently of us is the right way to do it.

Q1927 Baroness O'Neill of Bengarve: You would merely say process okay; outcome let's see?

James Purnell: It would be odd in one sentence to say that we think competition commission decisions should be taken independently and then go round saying we think they should have done this or that.

Q1928 Baroness O'Neill of Bengarve: I take that point but you have no view whatsoever on whether anything can be foreseen about committing five of six packages of equal value to go

to a single bidder? If they did in fact go to a single bidder would you consider that showed it had been an inadequate decision?

James Purnell: I give you exactly the same answer I just gave you which is that competition decisions should be taken independently of government and if the competition commission, whichever one, the European or national one, started to think we are going to double-guess them once they taken those decisions that will inhibit their ability to take those decisions. I am interested in the benefit that collective selling can bring and in redistribution within football and if there is a benefit in terms of competition and therefore the TV consumer but also in terms of football and therefore the football fan and people who play football, then that would be a good policy outcome.

Q1929 Chairman: But you do not make any proposals and you did not actually put anything before the Commission leading them to the kind of position that you yourself would want?

James Purnell: No we have set out our policy stance and we encourage all partners to come to an amicable arrangement.

Q1930 Chairman: Nothing more specific than that.

James Purnell: No, as I say, our general view was these are public policy objectives. There was an important discussion both in the last deal and indeed in this one which was about whether the Commission was able to weigh those general public policy objectives against competition policy and we believed that they could and that is why we made those views clear.

Chairman: I am going to call on Baroness Gibson to talk about religious broadcasting in a moment but just to say this, I am very much aware that you need to be away by quarter to six and I am also aware of the fact that a Minister is at this moment summing up in the House of Lords so we may get interrupted by a division and if we do get interrupted by a division

(because past experience shows I cannot speak above the bell in this place) we will call it a day. Lady Gibson?

Q1931 Baroness Gibson of Market Rasen: It is the thorny question of religious broadcasting which does seem to elicit very strong responses in people. Obviously the whole question of religion is very important in world affairs at the moment. Do you think that the BBC should be given a specific public service duty to a) educate and b) inform the public about the role of the major religions?

James Purnell: Yes, we do. We believe they have that obligation effectively now. They have got a duty on education and they have got a duty on religion. If there are specific ways in which you think that should be financed we are able to look at that in the joint Charter and Agreement but we think broadly that that is the thrust of their duty in this area.

Q1932 Baroness Gibson of Market Rasen: And what about the position of the three minutes of religious broadcasting at the moment that occurs every morning? There has been quite a lot of discussion about whether or not this should be purely a religious spot or whether it should be opened to, shall we say, atheists who would be able to put some view forward.

James Purnell: It would be a dangerous setting of precedent for a government minister to get involved in telling the *Today* programme what to broadcast and so I am not going to breach that precedent. I saw the evidence which the BBC provided to you which was that this is an opportunity for religious thought to be discussed in the context of a set of programmes on the BBC where many other non-religious views get their opportunity to be aired elsewhere. That is one view. If the BBC decided they wanted to have secular views as part of the *Thought for the Day* again that would be an editorial decision for them and I think it is important that ministers do not get involved in telling the BBC what to broadcast.

Q1933 Bishop of Manchester: I am interested in what Mr Purnell said about that because as the Charter and Agreement is being put together the opportunity might arise for input on this issue. I am wondering what he particularly had in mind over that in terms of process?

James Purnell: In the Charter and Agreement?

Q1934 Bishop of Manchester: Yes.

James Purnell: We will publish the draft Charter and Agreement at the same time as the White Paper and we very much hope that there will be an opportunity for debate in both the House of Commons and the House of Lords. That will obviously be up to the House authorities, not us. The White Paper will be a statement of our policy on it. There will be opportunities then to look at the way that is reflected in the Charter and Agreement so there are opportunities to reflect the new recommendations that you make or indeed any points made in other debate by other voices.

Q1935 Bishop of Manchester: In light of the recent statement by the Chancellor of the Exchequer that we need to be more upfront about our Britishness, would you think it appropriate for the British Broadcasting Corporation to allow proper time for views and education on other faiths in this country, those who have no faith view, and also that there then should be an adequate and proper representation of the view of that particular faith which has been part of our culture for about 1,700 years and which in the national Census 72 per cent of the population in this country said that they supported? In other words, what I am trying to say is in this very complex area we do need to be fair and even-handed but the even-handedness must also reflect the very substantial place that Christianity has within this country?

James Purnell: Of course, and again those decisions are properly taken by the BBC in deciding exactly what programmes they make and how to reflect that. They also need to

consult people who are experts on this issue to make sure that those services are up-to-date. I do not think I dissent from the general thrust of what you say.

Q1936 Chairman: Okay, I am going to draw it to an end at this particular point. Allow me to say that when you mentioned that the White Paper would be presented and there would be debate in the House of Commons and debate in the House of Lords, that does beg quite a number of questions. For instance, there is nothing much the House of Commons or the House of Lords can do about it. As you well know from our first report, it is not an Act of Parliament and nothing that is going to be proposed is going to go through, in any meaningful way, either the House of Commons or the House of Lords.

James Purnell: There is a slight danger of the parliamentary equivalent of double jeopardy here but if I could just repeat what we said previously about it which is that we believe if you look at what licence fee payers said when they were consulted about this they did not want the new arrangements to bring the BBC closer to Parliament. They thought that would not be the appropriate thing. It is a delicate balance in preserving the BBC's independence. I believe we have a system that has worked well. The fact that they are not incorporated by statute but by Charter means that they do not have the day-to-day accountability to Parliament which could end up influencing their independence. I think that settlement has worked well and that is why we propose to maintain the current system. That was our proposal in the Green Paper and we will make our final decisions on that clear in the White Paper.

Q1937 Chairman: I think, if you do not mind me saying so, to rely upon the opinion polls that you have just quoted is a pretty slender fence when you look at the detail of that because they neither seem to trust Parliament nor the Government as far as that is concerned!

James Purnell: But the question is is there a problem, has this situation which has developed over many decades under many different governments managed to deliver a BBC which is

independent and trusted editorially around the world? And I think it has and that is why we would propose to maintain that.

Q1938 Chairman: That sounds to me as though we will not have to wait to see your response to the White Paper to get your final position.

James Purnell: We will make our final decisions clear in the White Paper.

Chairman: Okay you have been very patient. Thank you very much indeed for coming. Thank you very much indeed for your evidence, we are very grateful.