

TUESDAY 22 NOVEMBER 2005

Present

Bonham-Carter of Yarnbury, B.
Fowler, L. (Chairman)
Howe of Idlicote, B.
Manchester, Bp.
Maxton, L.
Peston, L.

Memorandum submitted by Manchester City Council

Examination of Witnesses

Witnesses: **Ms Helen France**, Executive Director for Development and Partnerships, North West Development Agency; **Sir Howard Bernstein**, Chief Executive, Manchester City Council; and **Mr John Willis**, Chief Executive, Salford City Council, examined.

Q415 Chairman: Thank you very much for coming. I will not ask you to introduce yourselves because we know from previous meetings who you are. Let me just say this about the Committee: we have already made one substantial report on the future of the BBC, but we were conscious of the fact that there were a number of areas which we did not have time, given the time constraints that were placed upon us, to do justice to, so we are looking in detail at a number of other areas, one of which is of course, if I can put it this way, regional broadcasting or, to put it another way, how much broadcasting should take place outside London, and obviously Manchester is the crucial place to come to at this moment. We have heard a lot about the move to Manchester. Perhaps from your different points of view, from the North West Development Agency and from both Manchester and Salford City Councils, you could just begin by saying what you see as the advantages of this move and whether there are any disadvantages to it. Helen France, would you like to start?

Ms France: Yes, I am very happy to start with that. From our perspective, one of the reasons that we have been so heavily engaged with the BBC's proposed relocation is primarily due to the economic benefits of the move it will bring. We have already done a lot of work. As you know, our main remit is around providing the sustainable economic development of the region and we see the BBC move as being a significant catalyst to helping us to do that. We believe the move will generate significant economic, social and cultural advantages to the North West. We have commissioned, in conjunction with Manchester City Council, a piece of work about the economic impacts of the move. That has already shown us, at a very early stage the significant economic benefits that we can get. We can share that report with you so you can read the details rather than me going through all of the figures now. We also believe that it will enable us, as a region, to really develop a very strong cluster around media - new media and traditional television broadcasting. That the BBC's move will provide a real impetus for a substantial growth of the production facilities. This is very, very important for us and a key driver for the North West economy. In terms of the disadvantages, I think obviously it is very important for us that the scale of the BBC move is as currently projected. We think that if it is scaled down then it will not have the same catalytic benefit to the region. We also need to ensure that we have got a genuinely economic and viable set of proposals. Again, that is a potential disadvantage if we do not get that right. We can come on to that later, if that is helpful.

Q416 Chairman: Thank you. Sir Howard?

Sir Howard Bernstein: I think the starting point for us is what sort of city we want to create, particularly in the context of a new drive in national economic competitiveness. I think the vocabulary of all parties over the past few years has been the significance of city regions in trying to drive the national economic capacity of the UK. In that context, over the last few years what we have seen is a much greater focus particularly on places like Manchester in a

wider sense, not just the City of Manchester, in focusing around those key value-added economic sectors which are capable not only of achieving transformational change but also at the same time improving national competitiveness. That is borne out also by the view that while London is fundamentally important it cannot be the only engine of national economic achievement. Cultural and media-related industries have long been established as a key growth in Manchester City region. We already account for nine per cent of the UK's audiovisual workforce, the largest workforce outside London and the South East. We already have Granada ITV in place within the region, a very significant player responsible for generating something like 4,500 jobs. We have the partnerships in place within the region. Media Training North West has helped to drive talent and technological and cultural innovation. We have world-class universities to deliver the graduates who are going to be so important to be able to access what we all describe as higher value jobs. We also think Manchester is best placed to meet the clear objectives of the BBC about how it positions itself as an organisation over the next ten years.

Q417 Chairman: Have you any sort of estimate on the number - and it is envisaged that 1,000 BBC jobs might come - of other jobs that will be created?

Sir Howard Bernstein: The economic analysis which Helen referred to, which as we said we can present to you, shows something like 4,500 jobs being generated, both directly and indirectly, within the wider region as a result of the BBC relocation and clustering activity which we are determined to gather around it, and something like 20 per cent of that total will be captured immediately outside the city region. This underpins the wider benefit to be captured in the Northwest as a result of our strategy.

Q418 Chairman: Is there anything on that scale that has been done in Manchester in recent years?

Sir Howard Bernstein: Yes, thankfully. The wider Manchester City region is synonymous with achievement over the last five years, whereas 20 years ago it was associated with under-achievement. The regeneration of the city centre has levered in something like £4 billion of public and private investment and something like 45,000 jobs have been created within the city region over the last five years. And, indeed, we have set ourselves the target over the next ten years to significantly increase our GVA (gross value added) and the BBC relocation itself will account for something like ten per cent of that growth target over the next ten years.

Q419 Chairman: But media is a crucial element of this?

Sir Howard Bernstein: Media is one of the six or seven high-value sectors which differentiate, in our view, the Manchester City region not only from other city regions in the country but also other competitors throughout Continental Europe.

Q420 Chairman: You have persuaded *The Guardian* to move back?

Sir Howard Bernstein: We are talking to them.

Q421 Chairman: Right. Salford, John Willis?

Mr Willis: Chairman, I would just like to add my comments to Howard's. My emphasis and Howard's and Helen's is very much around transformational change here. We talk a lot about transformational change but this is one of those real opportunities in Greater Manchester. We have already seen a huge transformation in Manchester in the city centre, as Howard talked about, and this is an opportunity to further develop that transformation. It is also a transformational opportunity for the BBC and also for broadcasting in general. We have got a chance here to future-proof broadcasting in this country and maintain its status on a world stage. There is, as we all know, huge competition. Dubai and Seoul have got their media cities and I think we have got to be thinking at that level, and this presents that sort of

opportunity. We are hoping between us as a partnership to be able to provide the BBC and the broadcasting world in general with that opportunity. We have now to be thinking about the next 10, 20 or 30 years and future-proofing is one of the key features.

Q422 Chairman: And Manchester and Salford are working hand-in-hand?

Mr Willis: We work together on so many issues. To be honest, very few people know where the exact boundary is between Manchester and Salford.

Q423 Chairman: We had it pointed out to us this morning so we know one bit of it.

Mr Willis: We are working together on housing regeneration along the River Irwell and the two cities coincide at the heart of the conurbation. We want what is best for Greater Manchester and for the North West and we will work to achieve that.

Sir Howard Bernstein: It is not just Manchester and Salford. One of the clearly defined factors which effectuate this city region and others is the extent to which there are shared objectives around economic performance and social inclusion county-wide and how subregional structures integrate in the active pursuit of those shared objectives. That is something which we have worked very, very hard on over many years to get right.

Q424 Chairman: As I understand what the BBC are saying, it is not just the North West; in a sense it is a hub which will take in Leeds, Newcastle, and places like that.

Sir Howard Bernstein: Yes.

Ms France: Can I respond to that, Chairman. As an RDA we are working very closely with the other two northern RDAs, particularly on the back of the Northern Way activity. There has been a small number of transformational activities that have been identified as really making a huge impact, outside of the geography of any of the individual regions, and the BBC move is one of those. We are working particularly closely with other RDAs and their partners

to ensure that any benefits we get from this relocation spin out to hubs elsewhere such as Newcastle. The BBC has been very helpful and constructive in helping us do that.

Q425 Chairman: They support that in the North East.

Ms France: Totally. It has been seen very much as a key priority of the Northern Way and the coming together of the three regions.

Q426 Bishop of Manchester: I am of course a symbol of unity because as Bishop of Manchester I live in Salford! You talked certainly in the Manchester evidence - but I am sure that Salford is in on this as well - about the kind of specific proposals that need to be made with the BBC about the move up here to Manchester or to Salford. I wonder if you could just expand a bit now on in a sense what is on the table from your point of view in order to be able to make the local partnership with the BBC work?

Sir Howard Bernstein: When colleagues from the BBC started to engage with us some 12 months ago was a shared understanding at the outset was that we ought not just to be talking about a relocation of the BBC's operations to this part of the world. What we were all very clear about, having regard to the clear and defined BBC values, which were communicated in the recommendations about how you drive creative industries, how you support competition with the independents and how you secure greater public access, was that what we needed to do was to create something, as John has described, as being very, very special. So the concept of the Media Enterprise Zone emerged jointly in discussion with the BBC which would have a number of very discrete components: obviously purpose-built offices to enable the administrative and supporting infrastructure to be accommodated; but also the concept of shared technical facilities, involving the BBC and other broadcasters and users which would give the opportunity for sharing overheads; creating a platform to develop content and a whole range of different programmes; developing the opportunity to involve independent

producers and, more specifically, the opportunity to innovate, which all of us accept is going to be a fundamental part of the growth of the media industry in the future. Another component of the Media Enterprise Zone would be flexible space which would provide a whole range of business support services including incubation, which is so important to small to medium-sized businesses who are wishing to develop and flourish in that sector. It would include a research centre which would provide the opportunity to make critical connections between technology and innovation and involve some of our world-class universities in this part of the world. Critically there are public access arrangements. The BBC have made it very, very clear that as part of their overall move to develop a comprehensive plan they wanted to examine different ways of engaging communities in programme content development. Our own strategies around community engagement and the whole question of the diversity of communities in this part of the world give us real opportunities to look at public access in a very sophisticated way. It would also allow us to do something which is very dear to all of our hearts in the public sector, which is to involve the cultural and media sector in the way in which we provide education in this country. That is something where at different stages of young people's development, there is the opportunity to excite and help innovate and promote a interest in media. All of these different components represent what we would describe as the Media Enterprise Zone and represent the justification for different levels of public funding support being provided.

Q427 Bishop of Manchester: Those are the ideas; what are you as councils proposing to put into those ideas in practical cash terms?

Sir Howard Bernstein: There is a general envelope of public funding which between us we identified as of the order of £50 million. As a council we are putting a significant contribution into that. The sorts of things that we would be looking at are support in the acquisition of land; funding support in helping to create the facilities; funding support to

enable us to create the pathways in terms of skills development, people development and the making of connections with our wider public services such as education; but fundamentally to create the spatial focus around where the Media Enterprise Zone should go, and how we underpin skills and other types of development.

Q428 Bishop of Manchester: Does John agree with that?

Mr Willis: We operate on a very similar philosophy here. Everything that Howard has explained is something that is common right across the board in what we are trying to achieve here. I would just add that one of the important aspects concerns our universities. We have got between Manchester and Salford the largest campus in Europe and there is a huge talent there, and too many of our graduates leave the region. One of the benefits to us is the retention of high-calibre people who can lead and create and who can in turn help create jobs and wealth for the area.

Q429 Lord Maxton: Could I just ask about that because obviously the economic impact will be much wider than just Manchester and Salford, although that is where you are involved. Are there discussions with other local authorities not just in the Lancashire area but also right through the whole North West because it will impact presumably in terms of the people living there, smaller companies working in other local authority areas? Having seen what they have done in Ireland in terms of offering location facilities for companies to come and film outside broadcasts, and so on, you are having discussions presumably?

Ms France: Can I take up Lord Maxton's point. You are right, there are issues that go much wider than Manchester and Salford and there will be impacts as a result of this move that do go much broader and much wider than the supply issues, such as how we link into the supply chain and how we link into the higher education and further education facilities, and they will go wider than Manchester and Salford. For example, the University of Salford specialises

particularly in media-related activities. We are already starting to have discussions with them about how we can utilise their facilities and how they can ensure that they are positioned to be able to provide the high-quality graduates that will be required for this. It is probably fair to say that our discussions with partners outside Manchester and Salford are at very early stages because we have been looking at the generic impact that can be of benefit as a result of the move and we have also been looking at very specific, site-related issues. We are now at the stage of going much broader into the Northern Way partners, as I have already mentioned, and also wider partners across the North West. We are very mindful of the need to do it and we have started to do it. We have still got some progress to make on that, but it is definitely a priority for us to do that.

Q430 Baroness Howe of Idlicote: One of the NWDA requirements was the presence of thriving clusters of businesses with networks to support them. You have gone a little way along there but are you really convinced that the North West really has got developed clusters already which would effectively support the BBC move to Manchester? Are you pretty certain that it is there already, although you can obviously build on it?

Ms France: As part of our regional economic strategy we have identified a range of clusters that will help us to generate this transformational change for the North West. It includes the creative industries and we are prioritising that within our new regional economic strategy and specifically referring to the role of the BBC in terms of that clustering of creative and cultural activity. I agree with you that it does go broader than that and the supply chain and education does go much broader than the direct creative industries. There are links into the legal services and financial services and other clusters that we are developing. We are confident that we have sufficient economic activity in the region to be able to support it as it stands now. We are also very mindful of the fact that we want to ensure that we are positioned properly for the transformational activity that will result from this. So we are working very

hard with existing clusters to strengthen and develop them and also looking at what other work is needed on the back of it.

Sir Howard Bernstein: Just to add to that, if I may. I think it is all about the development of critical mass and what we are already seeing within the North of England regional economy is very, very clear development in the creative industries, lots of activity which is increasing all the time. What this will enable us to do is make that step change and by synergising activities in the way I described earlier and by creating critical mass with the necessary public funding support and the pathways which are described, you get the critical point which then starts to drive change in a much wider way. The parallel I would draw is Manchester Airport. Manchester Airport, which was a major city asset 20 years ago, has now reached the threshold of international significance and it is now driving transformational change throughout the North of England.

Mr Willis: The building blocks are already there. There are something like 63,000 people already employed in creative industries in Manchester so that is a substantial base from which to start. Something like 11 per cent of all new network programmes come out of the North West. That is growing at a rate of about four per cent a year. There is real impetus already there and, this is, as Howard says, about step change.

Q431 Baroness Howe of Idlicote: I worked here in the mid-1970s and I have seen huge changes and all of that would illustrate it, but looking to the BBC itself, what measures can they take to ensure that the existing businesses do have every opportunity to compete for support services contracts? Is there anything that you feel particularly the BBC itself needs to do?

Mr Willis: I think it is really important that the BBC links in with the local authorities and links in with Manchester Enterprises and our economic drivers to ensure that those connections are made. Part of the bargain has to be that the BBC can source material -

competitive, imaginative, creative material - and will look to this area as being part of their home.

Sir Howard Bernstein: Can I just add one point to that. I think it is very, very important again (and I think it is foreshadowed in the papers which the BBC have produced) that in order to be able to secure the level of competition which is important and to be able to support the growth and development of the independent sector, we need a dynamic and healthy BBC being relocated to Manchester. I think that is a fundamental part of the total process.

Q432 Baroness Howe of Idlicote: Do you feel the will is there on the part of the BBC?

Sir Howard Bernstein: I think the values which have been communicated in all the documents and in all the conversations we have had have been very, very strong and very, very exciting.

Q433 Lord Maxton: What would be the impact if it did not come?

Sir Howard Bernstein: It would be, in my view, a major lost opportunity not just in the context of national competitiveness strategies and Government targets around PSA2, the narrowing of regional economic differences between London and the rest of the country. There would be a huge question mark over the achievement of those strategies. I also think it would be a major lost opportunity in terms of how we can collectively shape the future of broadcasting and media-related activity in this country over the next ten years.

Q434 Lord Maxton: You have talked about the creative side and quite rightly so. I represented the City of Glasgow which also, in a sense, has regenerated itself through the creative arts, but in broadcasting media we now talk increasingly about convergence and that includes the development of broadband and whether we have the computer skills both in terms of the hardware and software, that will be required as part of the support structure?

What are you doing to both roll out more broadband and also connect it to remoter areas and also in terms of developing the computer skills that will be required?

Ms France: I accept totally the importance of broadband. If we are really going to have a sustainable economy in the North West we need broadband. The North West Development Agency has really focused on this and we have ensured that broadband access is available in even the most remote places. 98 per cent of Cumbria can now access high-quality broadband activity, which we firmly believe will enable strong business growth and entrepreneurial activity and drive businesses in areas which previously were unsustainable because they had no access to make the inward investment and export activity. We have already started to make that move and get that transition to make sure we are a fully functioning region that can take exactly the opportunities you have mentioned in terms of moving to convergence and exploiting the innovative activity that will hopefully arise as a result of the BBC move.

Q435 Lord Maxton: You have not tried to attract Microsoft into the area?

Ms France: We are.

Sir Howard Bernstein: We are talking to them.

Chairman: You are doing a lot of talking, are you not? Hopefully it will deliver one day.

Q436 Lord Maxton: On that point, do you think the BBC proposal to come here is more likely to attract companies like Microsoft?

Sir Howard Bernstein: Undoubtedly.

Mr Willis: Absolutely.

Q437 Lord Maxton: Absolutely?

Ms France: Yes.

Q438 Chairman: To turn to another aspect, do I detect a certain uncertainty or at least not total certainty that the BBC are actually going to come to Manchester?

Ms France: We are working on the assumption that they are coming to Manchester. That is the premise on which we are working and that is what we are here to deliver.

Q439 Chairman: That is what you are expecting to happen?

Ms France: Yes.

Q440 Chairman: If anything got in the way of that would it be the cost of the move which you think would be the most important? Let me put it another way; at the moment the BBC is predicting, although this may change, its relocation to Manchester will cost about £50 million a year and there will not be any savings to be found until after 25 years. That from my business experience sounds a remarkably long period for such an investment. Comments?

Sir Howard Bernstein: If I can go first. Very clearly we have not been made privy to all of those numbers. We are broadly familiar with the headlines but all the assumptions which underpin those calculations are clearly not known to us. A whole range of different inputs would be required in order to come to a conclusion about property requirements in London as well as outside of London - the cost of those, the people costs, the capital employed on studios - and how all of that relates, in any event, to the very clear drive announced by the BBC to compete more and secure greater competition between in-house and external production units. We would expect at some point, and I do not know what the precise timeline would be, that this would become a self-financing exercise, and whilst it would be wrong for people like me as a simple bureaucrat to actually contribute to a debate which is clearly going on currently within government, I think the point we would make is that when the BBC comes it needs to be a dynamic, healthy organisation, able to achieve all the

outcomes which it has declared for itself and which we believe are broadly shared by Government.

Q441 Chairman: 25 years is a long time.

Sir Howard Bernstein: It is a long time.

Q442 Chairman: Is it because housing, transport and business costs are more expensive here?

Mr Willis: There is already evidence of businesses, even public sector businesses, relocating to the North West because of the efficiencies that can be made. A number of London authorities are now moving their services and having them delivered in the North West because of the efficiencies they get up here. I would expect that to be replicated with the BBC move.

Q443 Chairman: By efficiencies do you mean costs?

Mr Willis: Yes.

Q444 Chairman: What about wages, what is the differential?

Sir Howard Bernstein: Lower.

Q445 Chairman: Lower?

Sir Howard Bernstein: 20 per cent or thereabouts.

Mr Willis: and significantly reduced housing costs.

Q446 Chairman: Because the development agency, correct me if I am wrong, is expecting to invest, is it not, in this project?

Ms France: The development agency is expecting to invest in the move and is intending to invest in it as part of the package that Howard has already mentioned in terms of the £50 million investment. That includes resources from the North West Development Agency.

Q447 Chairman: You therefore must have done some investigation into the costs of the whole project?

Ms France: As I mentioned earlier, we are looking at the economic impact of the move and that will be the basis of our investment. Obviously we need to provide a strong case to the Treasury to justify putting public money into the scheme and you would expect us to do that in a credible way. We need to have proper evidence to back the justification for that investment and it will be on the back of the impact that the move has to the economy and also to the supply chain and issues that we have mentioned earlier on.

Q448 Chairman: Would it be fair to say that the jury is still out on the costs of this project?

Ms France: I think NWDA and the BBC are continually reviewing the process. We have got a strong process of evaluation in train to enable us to look at the costs of the move both from the Northwest and the impact at in London.

Q449 Bishop of Manchester: Would you agree that from the point of view of the licence fee payer that on the face of it this seems hugely expensive and therefore possibly not value for money? Are you at your end aware of that problem and trying to work out a way of overcoming at least the psychological issue?

Sir Howard Bernstein: At the present time, as I understand it, the BBC's proposals certainly as far as the licence fee settlement is concerned are currently being scrutinised within the Department of Culture, Media and Sport and inevitably they will then be scrutinised by the Treasury, and whatever those numbers are that will be an outcome of those exercises. I think

there is a cost and a benefit equation that needs to be managed. Based around the information we have at the moment, I think it would be inappropriate for us to comment any further without seeing the detailed build-up of all the numbers. Just as an example to demonstrate how organisations differ, Manchester has been fortunate enough to secure the Bank of New York relocation out of London and other places and they got a pay-back period in five years. That was based on their own particular configuration of costs and functions and all the rest of it. It would therefore be highly appropriate and you need to look at it in the context of the BBC in light of their circumstances.

Chairman: Could I bring in Lord Peston.

Q450 Lord Peston: I am probably going to ask a very unfair question because, as you rightly said, you are not privy to all the financial detail. Wearing my economics hat, the numbers do not make any sense to me at all. £50 million over 25 years is more than £1 billion in simple terms, if you ignore the discounted cash flow for the moment. As I understand it, *a priori* the BBC is creating 1,000 jobs for themselves for that £1 billion which means each job is costing £1 million. That is almost unbelievable. I do not know what your experience is of regional policy but as somebody who is in favour of regional policy if I was told that every new job was going to cost an initial £1 million, I would say, “Then I am afraid we are going to be have more congestion in the South East.” Do the figures make sense to you?

Mr Willis: Certainly we are not privy to the detail.

Q451 Lord Peston: Exactly, that is why it is an unfair question.

Mr Willis: For instance, we do not know what has or has not been taken into account in the BBC’s calculations. Does it make assumptions that they will retain the existing assets they have got down in London or not? What would be the impact of the disposal of assets on that

figure? Again, we are not privy to that. To come back to an earlier point, I would make the point that I do not think the status quo is really sustainable. I do not think it is equitable that the licence fee payers' money should be spent wholly in London. I think there is a very strong argument for spreading licence fee money around the country and I would hope the Treasury would consider that in their detailed analysis.

Q452 Lord Peston: I might as well ask my other couple of questions on jobs. To make sure I understand what you are saying on jobs - and again I find it easier with round numbers - the BBC is saying it will create 1,000 original jobs. I am not very clear about your multiplier. At one point it looked as if you were talking about 2,500 more and then you said something like 4,500.

Sir Howard Bernstein: The total jobs output as a result of this project is about 4,400 jobs gross impact.

Q453 Chairman: That includes the 1,000?

Sir Howard Bernstein: That includes the 1,000.

Q454 Lord Peston: So the multiplier is three point something?

Mr Willis: That includes jobs created in the construction industry, jobs created in supply industries, jobs created within the independent sector, et cetera, et cetera. That is a total gross impact which also includes impact outside the Greater Manchester area which is around 20 per cent, from memory.

Q455 Lord Peston: Could you also then clarify that for me because somewhere in your evidence you talk about people resident outside Manchester. It says in the evidence of Manchester City Council that something like over 60 per cent of jobs in the city are taken by people resident outside Manchester. So I can get a perspective, if I worked here I would be

resident outside Manchester because if I was at the University I would find some posh bit of the countryside and live there, but I would still think I was part of Manchester.

Sir Howard Bernstein: One of the facts of life in places like Manchester certainly over the last 20 years has been that whilst we have created wealth and jobs, many of the people who have accessed those jobs unfortunately are not in high enough numbers from within the administrative boundaries of the city. Therefore one of our key drivers, along with Salford and the North West Development Agency, is to ensure that a greater proportion of people who live within our areas have the opportunity to access the jobs that are being created. That is fundamentally about how we create neighbourhoods where people choose to live rather than where they have to live. It is also about the skills and education and the relevance and effectiveness of public service generally. Certainly in the context of this particular project all of us have the same shared ambition - that here is a real, real opportunity to support that objective.

Q456 Lord Peston: Just to put it crudely, would I be right in saying from your policy point of view that you would expect to have Manchester, or more generally North West people, dominating this job creation and therefore insofar as they appeared on radio and television I would hear a lot more Lancashire accents, for example? If you were running policy is that what you would expect to happen?

Mr Willis: That would be a very pleasant experience.

Lord Peston: That is what I mean. I was trying to think of the last time I heard a Lancashire accent on television. Even Alex Ferguson talks with a Scottish accent.

Q457 Lord Maxton: I should hope so, he is Scottish.

Sir Howard Bernstein: Of the 1,200 to 1,500 jobs which the BBC are looking to move up here, I think they have identified something like 600 as being one of their objectives in

relation to relocating people out of London and the South East, which is very important because you need that backbone in order to make the whole project work effectively.

Q458 Baroness Bonham-Carter of Yarnbury: Picking up on that last point, one of the things that will accompany this is an increased number of independent production companies. How concerned are you that they will be the big independent companies setting up offshoot offices here and not really generating employment for this area?

Sir Howard Bernstein: I think part of the rationale for this project has to be serious engagement with the independent sector. You do not secure the levels of benefits which all of us are looking to capture if that does not happen. That does not necessarily mean that all independent companies need to be actually co-located within the Media Enterprise Zone and what we have got to do is create - and this is one of the purposes of the Media Enterprise Zone - the opportunity for new emerging businesses to come, flourish, incubate and then move on. One of the key requirements of the Media Enterprise Zone would be not only in terms of how you secure regulatory and, custodial rights in the way that the Media Enterprise Zone is operated to regulate the use of the facilities, but also working with the sort of policies the RDA has been pursuing for some considerable time and attract funding with business support for independent companies in order to bring businesses in to come and flourish to provide an example the wider area.

Q459 Baroness Bonham-Carter of Yarnbury: I noticed in the North West Vision paper that we had that just recently four London companies have opened northern branch offices. Are you concerned about brass-plating going on?

Ms France: Obviously we would be concerned if brass-plating were to happen but we are confident that the work we are doing with North West Vision - and I know you have received evidence from them - is around developing local companies and skills. We are working at the

regional level to ensure that our production companies that are already here can face the challenge of the requirements of the BBC.

Mr Willis: I think that is an important point that we are not starting from scratch. There is a really solid base here. We have got the largest independent studios outside London already here so there is a critical mass already developed. We have got quite a strong base. Do not think we are starting from zero by any means.

Q460 Baroness Bonham-Carter of Yarnbury: Just one final question for Sir Howard. You explained very eloquently what the Media Enterprise Zone would provide for the BBC. In our last report we recommended that the BBC should develop shared centres of regional opportunity. Have you got evidence that the BBC is willing to allow local companies to share its resources?

Sir Howard Bernstein: Yes, the whole concept of the Media Enterprise Zone is founded on those shared values and at all stages of this process the BBC have been open and highly co-operative in driving that ethos forward.

Q461 Baroness Bonham-Carter of Yarnbury: Do you see the BBC and Granada, for instance, sharing?

Sir Howard Bernstein: I think from our side there is that presumption - although the precise form we need to work through – and it seems inconceivable to me that you can have a Media Enterprise Zone here in the Northwest that excludes Granada.

Q462 Baroness Bonham-Carter of Yarnbury: And the BBC seem happy about that?

Sir Howard Bernstein: In principle, yes.

Q463 Lord Maxton: Does it include community involvement?

Sir Howard Bernstein: Absolutely, the whole point about the concept is public access and the public ethos.

Q464 Chairman: And is the BBC likely to gain from the Media Enterprise Zone? I can see other people will gain from it. Is the BBC going to gain? How is the BBC going to benefit?

Sir Howard Bernstein: Efficiencies and the ability to engage and drive the creative agenda which it sets itself, the agenda for public access and community engagement; the way in which its programme content is more accurately reflective of the North of England. All of those are very, very clear outcomes.

Mr Willis: I would add to that flexibility and future-proofing, to give the BBC that future-proofing that it really needs.

Q465 Chairman: You see the future as far as Manchester is concerned, as far as the North is concerned very much in terms of partnership, at least production partnership between the BBC and ITV Granada?

Sir Howard Bernstein: They would be at one. If you asked the BBC, they would attach, rightly so in my view, as much importance to partnership with technological providers having regard to the future dynamics of industry.

Q466 Chairman: The situation is now that since the Communications Act that ITV could be bought by a foreign company. That would be a disaster, would it not, if that foreign company decided that the best way of delivering its production was to deliver (as Walt Disney delivers) its own production and not bother very much about local production?

Sir Howard Bernstein: Yes inevitably, but again creating that diverse competitive bloc supports our own objectives as well as others.

Q467 Lord Maxton: Just on that point I raised when you were saying you were talking to Microsoft, because this is always one of problems with this; would that be a new investment for Microsoft or would it be a relocation from somewhere else?

Sir Howard Bernstein: We are not that far into the detail. We are meeting them on Friday.

Q468 Lord Maxton: Presumably, if it is new investment in an area and if the BBC did not come here, they would not come here but they would not necessarily be locating somewhere else in the United Kingdom, they might very well be locating anywhere around the world?

Sir Howard Bernstein: Exactly.

Q469 Lord Peston: Can I go back to one other aspect of this which is sport. As I originally understood what was supposed to happen with relocation, sport was to be part of it?

Sir Howard Bernstein: Yes.

Q470 Lord Peston: We are talking now about the organisation of the broadcasting of sport, we are not going to insist that everything is played here.

Sir Howard Bernstein: Pity!

Q471 Lord Peston: I cannot see any comparative advantage at all in sport being located in London for example. Are you assuming therefore that sport really will come here and will become, as it were, the centre starting with the BBC but then perhaps others as well?

Mr Willis: We stress that - and I think Helen said at the beginning - that our worst fear is that we get little bits. We need that massing and sport is an essential, key component then of that.

Q472 Lord Peston: From your side of how you do it, what is your contribution in facilitating that happening? I can see the desirability and I had assumed, to go back to my original economics question, there should be very considerable cost savings in having the

thing located up here rather than of all places London. What do you do to facilitate or condition the contribution that you can specifically make?

Mr Willis: That will be wrapped up in the package that the RDA and specific councils are putting together here.

Q473 Lord Peston: That will become more specific the closer we get to the thing?

Mr Willis: Yes.

Q474 Lord Peston: Are you optimistic about it happening?

Mr Willis: Yes. We are not sure the BBC is going to pay us to come up here but we are working on it.

Lord Peston: Thank you for that.

Chairman: Any other questions from anyone?

Q475 Baroness Howe of Idlicote: Can I ask one so that I am quite clear. The impression I got was that if the BBC do come here that that will reduce quite considerably the likelihood of ITV being a target for takeover that could not be resisted, as it were. Are you saying that?

Sir Howard Bernstein: No, I could not say that. What I was trying to say is that at the present time having regard to existing activities within this part of the world there is a presumption in favour of ITV's participation within the Media Enterprise Zone. None of us would say there is not likely to be the potential for very significant structural changes which ITV, or for that matter the industry itself, will go through over the next five to ten years. My point is that synergies created through the Media Enterprise Zone will deliver better competition, and being inter-dependent will allow for the impact of any hostile takeovers in the way that was put to me to be mitigated.

Q476 Baroness Howe of Idlicote: Is that the view of everyone?

Mr Willis: We all share the attitude that we all want to take advantage of the opportunity there is.

Q477 Chairman: And hope for the best?

Mr Willis: No, plan for the best.

Q478 Bishop of Manchester: When the move up here was mooted at the beginning, the BBC *Ariel* magazine found it necessary to invite someone from the BBC here to persuade people in the South that Manchester or Salford was not quite so bad as they might think. Have you any evidence in the negotiations that you have been having since those initial days that there is still among people in London a really quite serious desire not to come up North?

Ms France: I will start on that one. I think we were mindful of that response as well we have worked hard with the BBC provide information and understanding of the reality of the North West, not just Manchester. We have focused on education provision, housing provision, the ability of partners to get jobs, the quality of life, environmental issues and so on. We have had to counter that misconception and provide hard facts. That has been successful. We will continue to do that as we go through the process because it is about countering prejudice.

Mr Willis: We have to understand that change is never easy for people anyway and there will be a number of people who for valid personal reasons will find it difficult to relocate. I guess the BBC will have to accept that. But what we can put to bed is this fear or myth about the North and actually just talk about some of the fantastic achievements in Greater Manchester, the North West and what a great environment we have got up here. Some people might have personal reasons why a relocation is not appropriate; others will be more flexible.

Q479 Chairman: This is not just a media issue, you have this issue with anyone and any company that relocates here?

Mr Willis: Absolutely.

Sir Howard Bernstein: That is one of the big challenges we had to confront with the Bank of New York which relocated out of London, and the sort of processes which Helen has rightly described are ones we undertook ourselves and that has proved to be very, very successful. The Manager of the Bank of New York branch up here does not want to go back.

Chairman: I represented a Birmingham constituency for 27 years. Outside London we all have these problems, do we not? Newcastle, Leeds, everyone does, even Scotland has it.

Q480 Lord Maxton: Everyone wants to come to Scotland! Have you had conversations or talks with the trade unions representing those workers?

Sir Howard Bernstein: Yes.

Q481 Lord Maxton: As well as with the BBC?

Sir Howard Bernstein: Certainly our politicians have.

Q482 Lord Maxton: Your politicians?

Sir Howard Bernstein: Yes.

Chairman: Good, it is very clear your evidence and I think we have covered it very well indeed. Thank you very much for coming, thank you very much for your time, and perhaps if we have any other questions we could write to you collectively to ask for information. In the meantime you are about to give me the piece of information for which I am very grateful which is called *The Strategic Case: Making an Economic Impact for the BBC North West*. Thank you very much.