

WEDNESDAY 28 NOVEMBER 2007

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Present

Bonham-Carter of Yarnbury, B  
Eccles of Moulton, B  
Fowler, L  
Howe of Idlicote, B  
Inglewood, L  
McIntosh of Hudnall, B  
Maxton, L  
Manchester, Bp of  
Scott of Needham Market, B  
Thornton, B

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**Memorandum submitted by ITV plc**

**Examination of Witnesses**

Witnesses: **Mr Michael Grade, CBE**, Executive Chairman; **Mr John Cresswell**, Chief Operating Officer; and **Mr Michael Jerney**, Director of ITV Regions and Network News Operations, ITV plc, examined.

**Q991 Chairman:** Good morning. Michael Grade, welcome. Welcome to your colleagues. You know what we are doing. What we would like to do today is to concentrate rather on ownership, the effect that media ownership can have, but perhaps before we get on to that, can we ask some general questions about ITV and the news generally because what we are obviously concentrating on is the news, provision of news, whether that is in any way under threat in this country – we did not come back particularly optimistic after our trip to the United States – and whether there are similar forces at work here. Can I ask first, what priority do you place on having a good news service on ITV?

**Mr Grade:** The highest priority. It is one of the few milestone points in your schedule every day of every week of every month of every year. Having a quality, distinctive, impartial news service is one of the things that helps you to distinguish your network from other networks.

So it is a very high priority for us. It also gives your audience a clear signal that your network is relevant to their daily lives in a way that I think is crucial.

**Q992 Chairman:** You are required in any event by regulation to have a news service but what you are saying is, basically, even if there were not that regulation, you would want to provide it?

**Mr Grade:** I definitely would, yes.

**Q993 Chairman:** You contract with a news provider. It could be ITN but not necessarily ITN.

**Mr Grade:** Not necessarily, no.

**Q994 Chairman:** At one stage I think you went out to contract with other providers.

**Mr Grade:** I might ask John to answer that because I was not around at the time. John may well have been part of that.

**Mr Cresswell:** That is right, Chairman. The last time, before the current contract ran, ITV went out to tender for anyone who would be a qualified nominated news provider to provide the service, and ITN won that tender.

**Q995 Chairman:** I think we might come back to that point. ITV decide when the news is shown, at what point it is shown.

**Mr Grade:** Within certain parameters of definitions of peak time and so on under the terms of the licence with Ofcom.

**Q996 Chairman:** Then we come to the saga of News at Ten. It became News at Ten-thirty and now you are proposing that it should go back to News at Ten again.

**Mr Grade:** We are indeed, Chairman. We are going to go four nights a week at 10 o'clock on ITV. We will go head to head with BBC1 and the audience will make their choice.

**Q997 Chairman:** Why are you doing that? It seemed an eccentric move to actually move off 10 o'clock but, having moved off, it seems pretty eccentric to go back to it.

**Mr Grade:** It makes good business sense for us. We think if you are going to do news in the second half of peak time, you should do it at a time which is the most relevant – parliamentary votes at 10 o'clock, quite often important moments in the political life of the nation – and what is the point of running news half an hour, immediately after BBC1 has done a very extensive and highly professional and high-quality news provision at 10 o'clock? Who wants to switch to ITV to watch the news again? It just does not make any kind of sense to me. It does not make commercial sense.

**Q998 Chairman:** Do you feel that the BBC news is providing a gap for you there? Do you think it is not as good as it might be?

**Mr Grade:** I think the BBC news is excellent. The 10 o'clock news on the BBC is highly authoritative, very comprehensive, they have a pretty serious agenda and I think, from ITV's point of view, ITN, has always felt, without losing its seriousness of agenda, slightly more accessible. The tone is slightly more accessible, without losing seriousness and having what I might call a frivolous news agenda. The news agenda of News at Ten-thirty at the moment is a very serious and responsible one but our tone is slightly lighter and more accessible.

**Q999 Chairman:** So it is a different product?

**Mr Grade:** It is a different product, yes. ITN make their own news judgements on the day.

**Q1000 Chairman:** You do not feel that it reduces choice in any way, the fact that some of the public, having missed the 10 o'clock news, can actually check into the 10.30?

**Mr Grade:** There is no shortage of news supply today, with News 24 and Sky News. If people feel they have missed the news at 10 and it gets to 10.30 and they have missed ITV's news and the BBC's news, they can go to News 24. We have 80 per cent of the country now with digital multi-channel homes. They can access the excellent Sky News and BBC News 24. There is also the wireless, Chairman, and the Web.

**Q1001 Chairman:** You said a very interesting thing about News at Ten. You said that it made commercial sense.

**Mr Grade:** Yes.

**Q1002 Chairman:** We were in the United States and we were told basically that the news programmes were not as popular as they once were, and the idea of actually putting the news programmes into the really peak time viewing was regarded as completely unacceptable by any of the channels. You say in the United Kingdom that is different?

**Mr Grade:** It is different. The market is very different in the UK. To start with, there are four networks in America, all commercial, all capable of being of equal size, and it is a much, much more competitive situation. We are head to head with the BBC but not for revenue, and I think UK audiences have a different view of news and feel very loyal to and engaged with the major news bulletins in ways that they do not in America.

**Q1003 Chairman:** Did you talk about the change with advertisers?

**Mr Grade:** No.

**Q1004 Chairman:** You just made the decision?

**Mr Grade:** Yes. Obviously, the move of the news is part. You do not just move one block of the schedule. This is part of an overhaul of the whole of the ITV1 schedule for 2008 which we have not yet revealed for commercially competitive reasons but when people see the

schedule, they will see how it fits into a much more streamlined and more competitive schedule. The fact is that some genius with a PowerPoint presentation convinced everybody in ITV some years ago that they could make more money moving the news out of peak time, and the question nobody asked was “What are we going to put in its place?” When you start moving the news, it is five nights a week, 50 weeks a year – excluding Christmas and New Year – so you have to find 250 pieces of television for prime time to replace it. I think they had two pieces at the time they did it that would get them from the watershed at 9 o’clock to 10.30. That left 248 a year to find. It was an absolutely crass piece of commercial thinking but some genius with a PowerPoint presentation convinced the powers that be and nobody asked the obvious question. What we are able to do commercially now by moving the news back to 10 o’clock is offer our viewers much greater relevance on the channel, providing them with a brilliant new service from ITN at 10 o’clock, which is when they want to watch the news. It enables us to free up resources to invest in British production, British drama, at 9 o’clock midweek, which we have not been able to do. It makes a lot of commercial sense.

**Q1005 Lord Maxton:** I remember having these discussions with the “idiots”, as you call them, who took this decision in the past...

**Mr Grade:** I would not want to cast any aspersions on any individuals but I have yet to meet the person who did the PowerPoint presentation.

**Q1006 Lord Maxton:** ...when I was on the Select Committee in the other place, and the argument always was that your drama so often before you moved it started at 9 o’clock, went till 10 o’clock, and then had to re-start at 10.30. That was the argument that was put to us.

**Mr Grade:** I think it was movies, Lord Maxton.

**Q1007 Lord Maxton:** Yes, but you now do some drama that runs from 9 – not a lot but some.

**Mr Grade:** Very, very few in the year. They are very successful when they go but there are very few of them. It was the movie argument. You are starting a James Bond film at 9 o'clock, stopping at 10 o'clock to go to the news and coming back with our hero dangling.

**Q1008 Lord Maxton:** Do you now dismiss that argument? That is really the point.

**Mr Grade:** We do not run any movies in prime time – very rarely. The whole audience taste has changed. They can get a plentiful supply of movies on the digital channels. They want original, high production, high-value, UK content at 9 o'clock, which is not the movies.

**Q1009 Baroness Bonham-Carter of Yarnbury:** I was actually going to ask exactly what the Lord Chairman asked you, having also been in America. I was interested in your answer. You said that in America they were all commercial channels.

**Mr Grade:** Four of them of equal size.

**Q1010 Baroness Bonham-Carter of Yarnbury:** Are you saying that, without the BBC, there would not be the same pressure on you to have news in prime time and that you, like the American channels, would be affected by scheduling?

**Mr Grade:** If the BBC were a competitor for revenue, advertising revenue, of a similar size to ITV, that would change the commercial landscape quite dramatically and we would begin to be much closer to the American model. That would put undue pressure on us and then we would have to start looking at how much we spent on news, where it went, all those questions would be an issue but, fortunately, we are in the happy position, from the consumer's point of view, that that is not the case.

**Q1011 Baroness McIntosh of Hudnall:** Mr Grade, I take your point about the way that you want to reorganise the schedules being an important factor in determining your decision to go back to 10 o'clock but I was quite intrigued by what you said earlier, when you said – and I think I quote reasonably accurately – “Who wants to watch the 10 o'clock news on BBC and then watch it again at 1030 on ITV?” What that made me wonder was who you think the audience for your news programmes is. One might infer from what you said that there is a group of people who watch the news, and they are just a group of people who watch the news, whereas conventionally, I suppose, we have been led to believe that the news programme is watched by people who migrate from whatever happened before it and therefore there would not be that kind of overlap. What did you mean by that observation?

**Mr Grade:** The audience for the news is everybody who is available to view, who is interested, who is awake and anxious to know what is going on in the world, in the UK, *et cetera*. We regard the audience for the news as everybody who is available to view at that time. On a big news night people will gravitate to the first available big news that is on their set on one of the big channels at the earliest opportunity on a story that is unfolding, which happens more and more often these days. They will go to BBC1 at 10 o'clock. They are unlikely, because of their hunger for information about the story that is unfolding, to come to us at 10.30 to see the same story all over again. So it is much better to come back to 10 o'clock.

**Q1012 Baroness Eccles of Moulton:** This is really the same question from a slightly different angle. If you are going to switch on at 10 o'clock because you want to watch the news, why would you want to choose a news programme that was interrupted by commercials rather than a news programme that was going to run straight through if you thought that the quality of the two programmes was about the same?

**Mr Grade:** The answer to that is we will find out. I think news is slightly different to sporting events, when we are head to head with the BBC on major sporting events like the World Cup final or the rarer and rarer occasions today. Undoubtedly, the BBC has the advantage because their coverage is uninterrupted by commercials but, if our news product is good enough and compelling enough and authoritative enough, I think viewers, consumers, are very sophisticated. They understand and sometimes welcome that chance to sit back for a minute and relax and watch the commercials. I do not think it is a problem. It should not be a problem.

**Q1013 Chairman:** How many viewers do you think you lost by moving from 10 o'clock to 10.30?

**Mr Grade:** It is impossible to say, Chairman. Undoubtedly, whatever the case was for moving from 10 o'clock to 10.30, it did not stack up. If we had had the programmes to fill in behind, maybe it would have worked but we did not, and we have struggled at 10 o'clock ever since it was done. It has cost us money and it has cost us ratings. Whether it is possible to quantify it or not I do not know because at the time the move was made BBC News was at 9 o'clock and it was not until ITV switched that the BBC moved theirs to 10 o'clock so it is hard to pull any data together, but the commercial judgement is that undoubtedly it was an expensive failure for ITV.

**Q1014 Chairman:** Mr Cresswell, do you have any views on that?

**Mr Cresswell:** I think one of the issues that we have found is on probably Mondays, Wednesdays and Thursdays we have been running 90-minute dramas and we are probably the only mature broadcaster in the world that funds drama at 90 minutes. Everyone else runs at an hour. It is an unnatural length for viewers. It is an unnatural length actually to be able to sell those programmes to other broadcasters. As Michael said, in terms of changing our

schedule for next year, returning more to one-hour drama series means there are more natural junctions at 10 o'clock and therefore you are inviting the viewer to make more of a schedule choice at 10 o'clock, therefore moving our news to give them that schedule choice at 10 o'clock we think is beneficial. In the general context – because you obviously have been talking to networks in the States – news on its own does not pay for itself but, as Michael said, the relevance and what we call the “halo effect” it brings to the channel about being a serious, mainstream provider of entertainment, current affairs and relevant news is very important to us and news on ITV1 tends to provide a very ABC1 audience for us as well, viewers who are increasingly harder to attract, with more demands upon their time. As Michael said, we do believe that the changes we are making are commercially beneficial to ITV given that we are in a very different and competitive world now.

**Q1015 Chairman:** It is a very odd way of using “commercially beneficial” if you are actually making a loss on it.

**Mr Cresswell:** I would say we are probably making more of a loss at 10.30 than we would be 10 o'clock.

**Q1016 Chairman:** No-one has any idea what the audience figures were before and what the audience figures are afterwards?

**Mr Grade:** Chairman, if I may say, I am sure we could pull the numbers together for you and provide them for the Committee but they are rather meaningless because of the impact of digital multi-channels; the take-up of digital multi-channel homes has accelerated to such an extent that, whatever the numbers were frozen in time at that moment are irrelevant because the whole landscape of how people consume television and from what source, digital or analogue, has changed.

**Chairman:** Can we go on to regional news.

**Q1017 Bishop of Manchester:** Let us explore your proposed reduction in 2009 of ITV regional news services from 17 to nine. To put alongside that, if I may quote from your speech at the Guardian Media Summit, you said “I am committed to regional news remaining at the heart of ITV1’s schedule. It is part of what distinguishes ITV, and it is valued by our audiences.” Am I right in thinking that regional news provision is one of the public service requirements that you have to fulfil in return for access to the spectrum? Do you agree that the reduction of ITV news services from 17 to nine to save money is not actually quite consonant with your claims, not least in that speech, that ITV’s regional news coverage is a kind of jewel in the crown?

**Mr Grade:** I have to reconcile a number of competing dynamics here: the interests of my shareholders, the interests of the audience and the sense of what traditionally ITV has meant to its audiences. ITV was started with a brilliant piece of public policy-making as a federal, regional system of 16 companies in those days, designed to complement... They were given a monopoly of a very scarce resource, spectrum, in return for taking on all kinds of loss-leading, public service obligations but the regional thing was designed to compete with the BBC, which was a national broadcaster; pretty well everything came from London in 1955: “Alexander Palace”, as I remember the announcers used to say. That has changed. That spectrum is no longer a scarce resource. The digital revolution means that spectrum is virtually worthless. Competition has expanded. ITV lost its monopoly in the beginning of the Nineties when Channel 4 was required to sell its own airtime. We are in a fiercely competitive environment. We are losing audience share because of the fragmentation and that old settlement is no longer economically viable. That said, I have been working with my colleagues here to come up with a plan, because we do believe that there is value for ITV audiences in the provision of regional news. There is an important democratic duty on us, I think, to provide a regional news alternative to the BBC and not to leave the BBC with a

monopoly of regional news supply but we have to do it in a way that we can justify to our shareholders. The old map, which is an analogue map based on the original ITV transmitter configuration, is just not viable. What I wanted to do was to come up with a model, embracing technology, which is about portability of newsgathering now, which has changed out of all recognition. We have come up with a model that will save us £35 to £40 million a year, will mean we are still investing £65 million a year in regional news at a time when our revenues are threatened, our share of audiences falling, but we have come up with a model that we think will make the best use of what resources we are able to put in. I do not think the viewers will notice much, if any, difference because the newsgathering on the ground is what counts. The fact that we do not have a building in this town or that town is neither here nor there.

**Q1018 Bishop of Manchester:** Can I just take you up on that very point? I am a regional bishop and we go further north than Manchester. ITV Border is one of the highest-rated regional news programmes and, as you know, covering Cumbria, south-west Scotland, Scottish borders and the Isle of Man. My understanding is that you plan to shut down Border and amalgamate it with Tyne Tees.

*Mr Grade:* Correct.

**Q1019 Bishop of Manchester:** And that local news coverage will be reduced from 30 minutes to a 10-minute slot over the whole region. You may want to come back and correct me on that if I have got that wrong but, in general terms, this kind of policy will surely have an impact on local newsrooms and their ability to quickly and accurately cover stories of national importance that take place in areas where ITV will no longer have journalists, particularly journalists who are rooted in the local area and have that local cultural understanding.

**Mr Grade:** Factually, you are correct. Where I part company with your analysis is that what the viewers will see is a regional news programme. It may well be coming from the Tyne Tees area but the fact that we have plentiful journalistic resources on the ground throughout the region will mean that the news programme that they see, with that dedicated 10-minute odd, but the whole bulletin will not ignore the border region. It will be done on news values on the night. The programme will be created based on news value. So you are not going from 30 minutes to 10 minutes; you are guaranteed absolutely 10 minutes covering your border region but the rest of the programme is not going to exclude border, depending on news values.

**Q1020 Bishop of Manchester:** But the chances are that, in a 10-minute slot, there will be a discrimination against the more sparsely populated rural areas.

**Mr Grade:** No more and no less than today on the basis of news values. Programmes are put together on the basis of the news judgements made on the day on the stories available. Perhaps I can ask Michael just to describe in a little bit more detail the resources that we will have on the ground.

**Mr Jerney:** I think there is some misunderstanding about what is happening in Border and Tyne Tees and perhaps a picture has been painted by some people as though we are abandoning Border and everything is coming from Gateshead and it is really a Tyne Tees takeover and a Tyne Tees service. That is not what we are doing. We are creating a new service that will cover the whole of the Tyne Tees and Border region together which, combined, will still be one of the two smallest regions in England. The average audience for *Look Around*, which is a very good programme and, as you correctly state, gets a high share but in absolute numbers the average audience is around 60,000 people compared with many hundreds of thousands, say, for the service in Granada. The Border region has traditionally been super-served. What we are going to ensure in the new service is that each of the services

around England and Wales are more equal; that population size, with a clear nod to geography as well, is rather more even. Within the existing Border region you will have a good number of journalists and camera crews based in Carlisle, and we will probably put some further news-gathering in some parts of the region where people are not currently permanently based. That footage and that news coverage will go into the whole programme. Then, in addition to that, there would be a zone, which I think is more likely to be an average of 12 minutes than 10 a night, within the half-hour programme, that is purely about the current Border region, about Cumbria, about the Scottish Borders. So I think if you are a viewer watching in Kelso or Carlisle, you will get a rich diet of news of the day of your particular part of the region and also features and news coverage about the wider region that will also have relevance. What we are essentially doing is creating more services with a similar critical mass to the service in Granada, which within the last year has won the national BAFTA for best news coverage.

**Q1021 Lord Inglewood:** I declare an interest as an English listener and viewer of Border. If I were a Scottish listener or viewer, I am not sure, in the current world, I would not think it was rather more appropriate to have Scotland as the core of my local regional news and not England.

**Mr Grade:** We are in discussion with our colleagues, who are independent of us, at the Scottish Media Group, who run the centre of Scotland licence, as to how we can ensure that there is a minimum of confusion between Border coverage of the border region and Scottish coverage of the border region. It is somewhat problematic because of the configuration of the transmitters but we are doing our best, with very great co-operation from SMG, and we are co-operating with them to see if we can alleviate the problem.

**Q1022 Baroness Scott of Needham Market:** What I really want to ask you is whether you think there is a future for regional news. I live in the Anglia region, which over the years has

become larger and larger. I remember my father getting enraged, living in Suffolk and watching stories about Milton Keynes. I am sure he had nothing against Milton Keynes but he did not see it as relevant. So the danger actually is that the stories become so much less locally relevant that people simply stop watching them, and they either watch the national news or they read a local newspaper. From that perspective, are you not really just driving further down the road where you cannot provide it any more?

**Mr Grade:** I think you are right. I think your forecast as to the point at which people become disenchanted with the regional news provision, for the reasons you have very accurately described, is some way off. I think it is inevitable. What we are working on, which I think will cut through that problem for all time, is a broadband delivery of ITV local, which we have now, through our website, ITV.com, rolled out which is very locale-specific targeted, using our newsrooms, using ITN, using our regional newsrooms and so on to provide information, entertainment and news that is very specifically targeted, not quite to postcode but almost, and that great sense of dissatisfaction that people have always felt, which is a relic of the transmitters... If you look at London as a region, the people of Croydon have very little in common with the people of Watford but they are served by this same programme. I do not know how many miles it is from Croydon to Watford but it is entirely unsatisfactory. Ipswich and Norwich, Peterborough and Cambridge. This has been a perennial problem. It is going to be solved over time by broadband delivery of very specific local news and information, which I think will be an exciting commercial proposition – that is why I am excited about it being sustainable – for local advertisers, right down to the local hairdresser or whatever. It is quite an exciting proposition and I think that will solve the problem.

**Q1023 Baroness Bonham-Carter of Yarnbury:** Your predecessor, Mr Grade, wanted to own at ITN outright. Do you share those aspirations and, if so, what advantage would it bring you?

*Mr Grade:* I do not have a view, to be honest. The business works very well. The shareholding works extremely well. We are content with the value we get as a customer of ITN. We are happy with the position as it is. If other shareholders wanted to sell, we would look at it but I see no reason. It does not affect our relationship with ITN. It is not an issue for us.

**Q1024 Baroness Bonham-Carter of Yarnbury:** The Chairman asked you this right at the beginning, I think, but to what extent do you, as ITV, seek to affect the news output?

*Mr Grade:* We are responsible for the compliance of ITN as the broadcaster so we take an interest to the extent that, if we have tremendous confidence in the editorial responsibility and skills of the editor of ITN, Dave Mannion, and his people, but he is under no illusions that he has to refer up to us if he is in any doubt or if he is about to take some kind of editorial risk – a legal risk or whatever – with the story. He refers up to us on the issue of compliance. Otherwise, we have regular meetings with ITN to review their performance, how we think the programme is going, but on a day-to-day news basis we delegate entirely to the very talented team of editorial experts of ITN.

**Q1025 Baroness Bonham-Carter of Yarnbury:** So you would never say “We think that this story is one that should be either leading the news or in the news”?

*Mr Grade:* I think the commissioning editor at the network centre, Mark Sharman, who is in charge of news and sport, might well, on a very big news day, an important, difficult, Newsday, have a conversation with the editor and say “What are you doing with this story?” and have a general conversation but there would be no instruction.

**Q1026 Baroness McIntosh of Hudnall:** I just wanted to go back to something that the Chairman raised earlier on briefly, which is about the going out to tender in respect of

national news in 2001. You went out to tender. I know this was before your day, Mr Grade, so I will address this question to your colleague. You went out to tender and there was a significant shift in the way that ITN subsequently presented the news to you because there was an under-bid from Sky – and that is my reading of it – which resulted in the price going down quite significantly. This time you have a contract, I understand, which is due to come to an end next year, 2008, which has been extended – that is how it appears – until 2012 without going out to tender again. Can you just explain that decision not to go to tender in relation to the previous experience?

**Mr Cresswell:** By all means. I was not actually in post in 2001. I was doing something slightly different within the organisation, so I was not aware of the actual negotiations that went on at this time. I think the simple thing this time around was that we had a very good relationship with ITN, we are very pleased with the quality of their news service and we had this discussion with them about upgrading their technology around the regions. In ITV we have invested circa £50 million over the last few years since the merger, upgrading and digitising all the newsrooms, and we wanted a conversation with ITN about how they could get those efficiencies and upgrade their technology. In order to do that, we needed to extend the term of the contract to make the investment work, so it was a fairly rational discussion with them and we are very happy with the quality of the news service. Are there further efficiencies they can get? Yes, they can get them with investment but we need to fund that investment and, in order to make it pay we would need to extend the contract. So it was, as I say, a very rational, commercial negotiation for us to get the high quality news service at an ongoing price and then to be able to upgrade the technology to move them forward into the 21st century.

**Q1027 Lord Maxton:** I assumed 2012 is a short-term contract basically because the whole world changes when everybody is digital, and everybody will have availability of 24-hour

news services in particular, which you no longer have. Were you involved in the decision not to have a 24-hour news service any longer?

*Mr Grade:* No, I was not, Chairman.

**Q1028 Lord Maxton:** Are you likely to restore it?

*Mr Grade:* No. I cannot see a business case in a crowded market for us taking a risk and taking money out of the network programme budget, the ITV network programme budget, on a highly speculative venture which has failed once to provide yet another 24-hour news channel.

**Q1029 Lord Maxton:** That slightly defeats the argument you were putting on the move back to 10 o'clock, where you said "breaking story", "ongoing story". To be honest, once you have 24-hour news services, why would you wait till 10 o'clock to get the latest news on it?

*Mr Grade:* If the story is big enough, we will just roll ITN through the day, through the night.

**Q1030 Lord Maxton:** That would have to be a very big story, the death of Princess Diana or something, has it not? It is not going to be the ongoing saga, as at the moment, about expenses and things.

*Mr Cresswell:* As a free-to-air broadcaster, funded by advertising, the costs of a news channel are substantially about carriage. That would today mean free-view carriage. The cost of a stream is £8, £9, £10 million per year plus carriage on Sky. So the economics of funding that by advertising just did not work. I think in the future however, with broadband, there is an opportunity. If you go onto ITV.com it already has an ITN site with ITV news where you can catch up on the bulletins with a refresh during the day.

*Mr Grade:* With stream pictures.

*Mr Cresswell:* With stream pictures. We were too early before in terms of what we are trying to do in terms of the economics, particularly with the advertising downturn, but I think technology in the future will enable us to give a very high-quality broadband service.

**Q1031 Chairman:** Thank you very much. Can I just go back to one question Lady Bonham-Carter asked you about editorial influence? If there was a story which reflected not particularly well on ITV itself being run by ITN, would you wish to intervene in that?

*Mr Grade:* I think we have had plenty of examples this year, Chairman, of getting a good kicking from our own news organisation, which is quite right.

**Q1032 Chairman:** You do not think you got any preferential treatment?

*Mr Grade:* It did not feel like it on the day, I can assure you, Chairman, which is exactly how it should be.

**Q1033 Lord Inglewood:** In the event of some iconoclastic new owner, perhaps less steeped in and committed to the United Kingdom's public service traditions, acquired ITV, do you think it would be possible for them to completely degrade and change the news agenda that Channel 3 sent out, or do you think there are probably sufficient regulatory safeguards that, to really do anything dramatically and dumbing down would be impossible?

*Mr Grade:* First of all, there are statutes in place and there is a whole set of rules and regulations covering this area. Should some less scrupulous owner of ITV decide that they wish to turn the news to their own commercial advantage or whatever, they would first have to find some decent journalists who were prepared to do that. That would be the first thing. Let us assume they could, then they would run foul immediately of the regulatory and statutory rules, and I think they would have the devil's own job to do it. First of all, the journalists themselves would blow the whistle, so it could not be done clandestinely.

**Q1034 Chairman:** In short, you are saying you do not believe it is a real possibility?

*Mr Grade:* I genuinely do not, no.

**Q1035 Baroness Howe of Idlicote:** Sticking to the same business of shareholding and its influence, it was interesting that, when talking about Sky's purchase of a stake in ITV, the comment was made very much that a new owner could make a difference to the news output and yet you went on to argue that in this case the amount, which was, I think, 17.9 per cent, was not even remotely a full enough share. I think it would be interesting to know what percentage you think would be sufficiently worrying.

*Mr Grade:* I think the evidence that you may be referring to, through the Chair, was Ofcom's asking the Competition Commission to consider whether Sky's shareholding was prejudicial to the supply of news. I am not using the exact, correct terminology. The Competition Commission's finding, with which we concur wholeheartedly, that Sky's shareholdings in ITV may throw up other problems but the issue in relation to news was not an issue, and the Competition Commission agreed with us that they did not think it was an issue in respect of news. The shareholding was not an issue in respect of news.

**Q1036 Baroness Howe of Idlicote:** This is because of your arguing the impartiality and other requirements.

*Mr Grade:* Yes.

**Q1037 Baroness Howe of Idlicote:** So you are really saying that, say, 100 per cent ownership would not be worrying to you?

*Mr Grade:* Oh, that would be worrying in respect of news, yes. I would rather not get into hypotheticals, if I may. At 17.9 per cent, it is clear that Sky has no influence operationally on ITV. An issue of where we get our news from and what is in our news bulletins and how we

manage the editorial decisions of the news is not a matter for the shareholders of ITV. It is a matter for the executive and, *in extremis*, a matter for the full board. It is not a matter for the shareholders and would never come to shareholders so it was not an issue. Obviously, if they owned a controlling interest, which they are not allowed to do by statute, they would make their own decisions about how they wanted to manage the news at that point but, since they cannot own a controlling interest in a terrestrial PSB, it is not an issue for us.

**Q1038 Chairman:** You do not mind having a 17.9 per cent shareholder on your board – or perhaps not on your board – a 17.9 per cent shareholding of a competitor actually on ITV?

**Mr Grade:** We are on the record with our evidence to the Competition Commission, whose recommendation is imminent. We have argued, I think successfully, that at 17.9 per cent, Sky's shareholding would give them a blocking stake on special resolutions that require 75 per cent of the votes cast, *et cetera*, and that would give them a material influence over future strategic direction and that their interests would not necessarily, as a trade competitor, be aligned with the overwhelming majority of our retail and institutional shareholders. That argument I think has been accepted by the Competition Commission. The issue now is to what extent Sky will be required to sell down and what the manner of that sell-down will be. We have taken the purist and intellectually pure argument, saying it should be zero; we feel it should be zero but, so long as the Competition Commission's recommendation, assuming the Secretary of State accepts it... so long as they no longer have a blocking stake, obviously, that would be a very good result for us.

**Q1039 Chairman:** I would interpret that as meaning that, if they had a 5 per cent stake or a 10 per cent stake, you would find that acceptable.

**Mr Grade:** I would be nervous about a 10 per cent stake because at that point there is the issue of what is known colloquially in the City as the "squeeze-out". Somebody might be

deterred from delivering an acceptable bid, a bid that was acceptable to our shareholders for ITV, contingent upon them getting to the squeeze-out, which they need 90 per cent of the votes to enable to enforce the sale of the final 10 per cent and that could be problematic. That would leave Sky at 10 per cent with a residual material influence over the outcome, so we would like to see it well below 10 per cent.

**Q1040 Chairman:** Five per cent would be acceptable?

*Mr Grade:* That is a matter for the Competition Commission, Chairman. I am happy to negotiate with you later.

**Q1041 Baroness Eccles of Moulton:** Mr Grade, could we talk a bit about impartiality because it has been Ofcom's view that maybe the impartiality rules outside the PSB requirement are perhaps a bit too tight and are beginning to affect diversity of news. What would your view be?

*Mr Grade:* I would welcome it. I would welcome more editorial freedom for people to use the plentiful airwaves these days in the same way that newspapers use their newspapers to take an editorial line. I do not have a problem, provided always that there is a plurality of provision of impartial, high-quality news, in plurality, and that is to say at least two major providers – better three, but two is okay. I can understand why the rules of impartiality were introduced early on because of the power of the medium and the shortage of the medium and the information gate-keeping role that the BBC, later ITV, carried. That seems to me perfectly proper and that is a good tradition, and I think it serves the democratic process in the UK extremely well. We must preserve that. If somebody wants to run a right wing, left wing, pro this, anti that, news on a digital channel, good luck. If they think they can make it pay, why not? It is a free market.

**Q1042 Baroness Eccles of Moulton:** Could you see a situation where, if the rules were relaxed and there were a predominance of partial views being expressed out there across the spectrum, there would be a sense that the big channels that were responsible for impartiality might have to tilt what they were doing in order to counteract the overall impression that was being given universally?

**Mr Grade:** I think we have to resist that and I think that is where statute and regulation comes in. I think there is a wider public interest in the continued provision of high-quality news, impartial news, across a number of broadcasters. I think that is easily covered. If there is commercial pressure, let us say, National Front News – I am just trying to characterise, fairly extreme – was suddenly attracting huge advertising and huge support and was getting – very unlikely – millions and millions of viewers, that would be a commercial concern but there are other responses one can make. You would move your news, you would do different things but to lose the principle of plurality of supply of impartial news I think would be a retrograde step.

**Q1043 Baroness Thornton:** Could we just return to something that you and your colleagues have referred to already, Mr Grade, which is about the digital switch-over. What we would like to explore is how news provision might fare after the digital switch-over and whether the current quotas are applicable, enforceable, desirable for news provision after the digital switch-over. What is your take on that?

**Mr Grade:** We are at 80 per cent digital now; there is only 20 per cent to go. What remains to be done is the switch-off of the analogue signal. A lot of the implications of that are on second sets and third sets and so on. Regulation is important but regulation in the end in a free market and in a very competitive market of broadcasting, as it is becoming, becomes powerless in the face of the lack of viability. That is something that I do not think we are going to have to face for many, many years to come but it is a possibility in the far distant

future and policy makers will have to decide what to do about it at the time. Do I foresee that happening in the aftermath of switch-off? Absolutely not, no. There will be very little change. We are fighting to create a model of regional news provision which will see us through to digital switch-over and beyond. We are trying to think far ahead. I would not be pessimistic. If you want to work in a 20-year time frame, we might have another conversation but I think it is dangerous to think too far ahead, given where the market is today.

**Q1044 Lord Maxton:** You expressed a concern about plurality to the Competition Commission of control of media enterprises in this country, and the Competition Commission basically said there is no clear definition of what “plurality” means. In fact, at the moment – I emphasise at the moment – there are three media enterprises that control 90 per cent of the UK’s news output. That is, BBC, ITN and BSkyB. Is that sufficient plurality?

**Mr Grade:** There is no barrier to entry, as there was in the days of spectrum scarcity. There is nothing to stop Associated Newspapers or *New York Times* or anybody entering the market. The *Financial Times* could enter the market. There is no barrier to entry. If you can find the backers, if you have a business plan and you think you can make it work, there is nothing to stop you. In the old days you could not get in. Now there is no barrier to entry at all.

**Q1045 Lord Maxton:** Do you agree with me that the next barrier which will go down is the link between the internet and your television? I was offered through an e-mail recently from I cannot remember which software company it was to pay £250 and get 9,000 channels for the rest of my life, which I could then beam wirelessly from my computer on to my television set.

**Mr Grade:** It may well be.

**Q1046 Lord Maxton:** That will not be a 20-year time frame.

**Mr Grade:** I gave up a long time ago trying to predict how consumers are going to adopt exciting new technologies that come through. Nobody predicted SMS. It was a function that was put into mobile phones and it was more expensive to take it out than it was to leave it in. Nobody thought it had any value. It is now a global phenomenon. Trying to predict how consumers are going to behave – the only thing I would say about the way consumers are dealing with technology is that they deal with technology... they change their habits much more slowly than the technology develops. Much, much more slowly.

**Q1047 Lord Maxton:** Not all of us.

**Mr Grade:** I think the evidence is that most do, and they will follow the content. They will certainly want the content on whatever device, whenever and wherever they wish to consume it, rather than at the mercy of the scheduler. That they are demanding, but they will follow the content. That is how the consumer will behave, in my view.

**Q1048 Baroness Scott of Needham Market:** I wanted to explore the relationship between regulation through the Competition Commission and regulation through Ofcom to the extent whether you think it is appropriate that the Competition Commission appear to be saying that plurality is almost better dealt with under the Ofcom regime than it is under its own. I wonder if you want to comment on that. Certainly, Ed Richards from Ofcom, when he gave evidence, expressed some surprise that the Competition Commission did not find that the BSkyB stake was a plurality issue.

**Mr Grade:** I do not have a view, honestly. I am trying to manage the alphabet soup of regulators that I have to deal with across the piece, which I do happily and with a good heart. If there are turf wars between regulators, I am happy to watch that from the touchline, to be honest. I do not see any glaring flaw presently. A lot of this is new legislation that is untested

and we have to see how it pans out but at the moment my only complaint is that everything seems to take so long.

**Q1049 Chairman:** Including the present case.

*Mr Grade:* We have a review of the CRR mechanism, which is the merger remedy over advertising sales, which we are delighted that the OFT is now going to review. It has taken them a year to decide that they are going to review it and they are now telling us it might take up to 18 months to complete the review. There is nothing about I can do about it other than go with it.

**Q1050 Baroness Scott of Needham Market:** From your point of view, if you think, as I assume you do, that safeguarding plurality is important, would there not be dangers in what you call the turf war with one or the other side gaining the upper hand?

*Mr Grade:* These are matters of public policy that are best debated by Parliament and decided as matters of public policy. The regime that we are under presently is the result of many hours of debate in both Houses and that is where we are. If there is a need for a change, I am sure the case will be made and parliamentary time found to correct any problems. I have to say, sitting here, I do not have any evidence on which to make a case for a change.

**Q1051 Chairman:** The need for change, delay, you have just made the point, your major complaint.

*Mr Grade:* Yes, it just takes for ever. I understand that regulators have limited resources; of course I understand that but when you are in a business that is moving as fast and as dynamically as the media sector is, it is agony waiting, going through these processes over this length of time. I feel sorry for the regulators because they have a huge workload and they just do not have the resources that commerce needs for them to get to quicker decisions.

**Q1052 Chairman:** I suppose on ownership changes the final decision rests with the secretary of state.

**Mr Grade:** As I understand it, the Competition Commission, having consulted widely and had a very thorough process, will make its final recommendation on the remedy to the secretary of state, then a statutory clock starts to tick and the secretary of state will decide whether or not to accept the Competition Commission's decision.

**Q1053 Chairman:** Does that worry you in any way, that a politician is being brought in to the final stage?

**Mr Grade:** Whether I worry about it or not, I cannot do anything about it.

**Q1054 Chairman:** If you were asked your own personal view with all your experience behind you, would you wish to change that?

**Mr Grade:** I am not quite sure I fully understand why it is necessary for the government of the day to be involved in signing off the decision of an independent body like the Competition Commission. There may well be good reason; I am not sure I am fully conversant enough to make a judgment, but it seems to me the onus is on the government of the day to make the case as to why it needs to have that power. I am not quite sure, I did not follow the debate at the time.

**Q1055 Chairman:** It would be perfectly possible for the Competition Commission simply to make the decision at the end of the day as an independent body.

**Mr Grade:** Yes.

**Q1056 Chairman:** The danger, it might be said, is that if you bring a government minister into it then politics can get involved – any government.

**Mr Grade:** It is possible, My Lord Chairman.

**Q1057 Chairman:** You have seen it?

*Mr Grade:* No.

**Q1058 Baroness Bonham-Carter of Yarnbury:** Just going back to the challenges you face post the final digital switchover, what is your attitude to the suggestion that Ofcom are likely to charge PSB channels for spectrum?

*Mr Grade:* As I understand it the big issue presently on the table is the provision of high definition spectrum for the Freeview platform, which is a very important platform because it provides real competition for Sky as a digital gateway into people's homes. It has been decided that the analogue spectrum freed up by the digital switchover should be auctioned for the benefit of the nation, which seems to me perfectly sensible.

**Q1059 Baroness Bonham-Carter of Yarnbury:** Including the PSB channels.

*Mr Grade:* The difficulty for us is that if we were required to bid for HD spectrum we have no ability, unlike telephony operators and so on, to pass the costs of that on to the customers because we are free to air and we cannot pass it on to the advertisers, so it is very difficult for us, but we think there is a solution. Ofcom has been working hard with us and it looks for the first time as if there is a real possibility that four streams for HD can be created out of nothing, out of a reconfiguration of the present arrangements so that BBC, ITV, 4 and Five will have access to an HD stream on Freeview, which is very, very important from the public's point of view. They are buying HD-enabled sets and they will expect to see Coronation Street in HD if they have bought an HD set, and it is wrong that Sky should end up, through the economics of the auction, with a monopoly of HD provision; that cannot be right.

**Q1060 Chairman:** I am afraid we are going to have to bring it to an end. It has been a very fascinating session; thank you, Mr Grade, thank you to your colleagues as well and perhaps if you have any other issues we might write to you.

**Mr Grade:** Indeed. Thank you, My Lord Chairman.

## Memorandum submitted by Virgin Media

### Examination of Witnesses

Witnesses: **Mr Malcolm Wall**, CEO of Content, **Mr Paul Richmond**, Director of Corporate Affairs & Media, **Mr Jon James**, Director of Group Strategy and **Mr Scott Dresser**, Assistant General Counsel, Virgin Media, examined.

**Q1061 Chairman:** Welcome, thank you very much indeed for coming. Mr Wall, we will perhaps address our questions to you and if you wish to bring your colleagues in, please do so. I should mention incidentally that rather than going through the declarations of interest, we have got a list of declarations of interest which are on the side over there. Just tell us a little about cable, because of course you do not yourselves produce the news itself.

**Mr Wall:** No. Thank you, My Lord Chairman, we welcome this inquiry and this opportunity to address you. Virgin Media was formed out of the merger of NTL and Telewest in March 2006; later in that year we acquired Virgin Mobile and with it the naming rights, and we relaunched ourselves at the beginning of 2007 as Virgin Media, offering pay television, broadband, fixed line telephony and mobile telephony; we are the only quad player in the UK. We have about 4.8 million subscribers across those services and, to address your particular point, we are more of an aggregator of content than an owner; however, we do own some channels, we own a bouquet of channels that are probably not known to many of you given their particular targeting of Living TV, Bravo, Trouble and Challenge. They are wholly owned channels and we own some retail channels, some television shopping channels, and we are a joint venture partner with the BBC on a range of UKTV channels – UKTV Gold, Style and others. In provision of news we are a carrier of other news services through a set of commercial arrangements.

**Q1062 Chairman:** You have about 3.3 million television customers, do you?

*Mr Wall:* Indeed.

**Q1063 Chairman:** We were in the United States and cable is very popular there. I am not saying 3.3 million is not a big number, it obviously is a big number, but it does not seem to be as popular in this country as it is in the United States; why is that?

*Mr Wall:* It is certainly not as popular and we are very much the number two in the pay television market behind Sky. I will give you a personal opinion rather than a Virgin Media opinion; I think it is a function largely of the way cable was set up in this country, which was on a regional franchise basis with over 50 companies. Franchises were applied for and awarded – Greenwich Cable, that sort of size of domain – and the vision for cable at that time was very much a community focus. Since those days there has been a series of consolidation and with that consolidation a series of financial restructures which have put cable in a very much secondary position in terms of being able to offer a nationwide offering, in contrast to Sky who adopted different technology and were able to move very quickly because they were a single service to the whole of the country whereas we were very much a fragmented service across the urban population where the cable economics are such that you can really only get a return on the cable investment, the laying down of the cable, in urban areas or concentration of population.

**Q1064 Chairman:** Have you conducted research into the importance that customers give to news channels in your television packages?

*Mr Wall:* We monitor both how they behave – that is to say their viewing – and what proportion of total viewing is taken up by the news channels. We also regularly do some conjoined analysis to have a look at our customers' attitudes towards the individual channels and in fact the value they place on those channels – I do not mean an economic value but I mean in terms of how they feel towards those channels compared to other channels. News is

relatively limited as a proportion of total viewing. We offer the following news channels on our television platform – BBC News 24, BBC Parliament, CNN International, Bloomberg, CNBC and EuroNews. Up until February of this year we also offered Sky News, but in a well-documented and very public spat with Sky we failed to reach commercial terms with Sky across a number of their basic channels. We do not offer any payment to any news channel and we were not offering payment to Sky News as a service; we were however offering or giving payment to the other parts of their basic service. They have withdrawn Sky News as part of that dispute, despite the fact that we obviously were not changing our terms with regard to Sky News.

**Q1065 Chairman:** Do you think that that dispute is connected with the other dispute concerning the shareholding in ITV?

**Mr Wall:** Only Sky can answer that. We have been competing vigorously with Sky across all fronts.

**Q1066 Chairman:** That sounds pretty vigorous competition to me.

**Mr Wall:** It is vigorous competition. We believe, and have made this case in a number of fora, that they have a market dominant position that they wish to protect and they have gone out of their way to act against us in a manner that we regard as unlawful.

**Q1067 Chairman:** Whether it is unlawful or not certainly you would regard it as unfair.

**Mr Wall:** Certainly.

**Q1068 Chairman:** The non-access to Sky News, is that something which your customers have suffered from and have actually changed their habits as a result of?

**Mr Wall:** Prior to the Sky News service being withdrawn from our platform, Sky News was the second most popular news channel; in fact, if you put Sky News and BBC News 24

together, they accounted for some 90 per cent of the total news channel viewing on our platform.

**Q1069 Chairman:** But number one was?

**Mr Wall:** Was BBC News 24, secondly was Sky News and thereafter CNN, BBC Parliament and so on with relatively minor viewing. We can provide all this data in more detail if you would so wish. Subsequently what has happened is that since the loss of Sky News we have seen a big swing over to BBC News 24; it would be fair to say almost all of the viewing that has been lost from Sky News has transferred over to BBC News 24. We regret this because in my mind that means we are not able to offer our customers the choice we were beforehand.

**Q1070 Chairman:** So you do not think any switch has taken place simply because of the news, the lack of Sky News, but has any switch taken place at all, have you lost customers because of not actually producing the Sky package?

**Mr Wall:** There is little evidence to support the suggestion that we have lost customers because of the loss of Sky News. Our quarter two results demonstrated that we lost customers and, without a doubt, the loss of Sky One, the entertainment channel, played a significant part in that. What we have done is done everything we can to extend to our customers a new range of entertainment services, we have particular developed a video on demand offering to try and compensate for that, but some of the programmes that Sky One has have a certain level of loyalty. We had a loss and subsequently on quarter three I am pleased to say that we have gained new customers.

**Q1071 Chairman:** Presumably Sky would say that they have increased the price but that is what happens.

**Mr Wall:** Indeed, that is what Sky have said, that they place a certain commercial value on their channels; we have placed a commercial value on their channels and we have failed to agree.

**Q1072 Chairman:** You do not see any prospect of actually agreement taking place.

**Mr Wall:** We have maintained dialogue, thankfully not in the public eye, since the initial dispute and we continue to look at every which way of getting the Sky channels back on our platform within reasonable commercial parameters and on a fair and non-discriminatory basis.

**Q1073 Lord Maxton:** Yes, you have lost customers – I am a customer and I make that clear. I however threatened to go to Sky and was offered a better package at a lower price; is that what you did?

**Mr Wall:** Indeed, and the cost to Virgin Media of the loss of the Sky basic channels has been interpreted by external analysts as the number of customers we lost in quarter two, but as you illustrate the cost has been greater to us because we did everything we could to retain customers, both by investing in our video on demand and in enriching our overall television offering, but in some cases making counter offers in terms of the value of the package we offer you.

**Q1074 Lord Maxton:** You lost four Sky channels but there are other channels which Sky provide which you do not, and I will give you two: BBC Wales and S4C. You may wonder what on earth I want to watch either BBC Wales or S4C for, but if you happen to follow Scottish rugby it is actually the only way you can watch Scottish rugby, it is on either BBC Wales or S4C. Why do you not provide those?

**Mr Wall:** First of all as a rugby man I full understand your desire to watch rugby. We have band width constraints and we are running about 150 channels. Sky do not have those band

width constraints. We have to make choices regarding which channels we offer and they are very often difficult choices.

**Q1075 Baroness Howe of Idlicote:** I just wanted to follow up the point you made about in some cases offering different or additional pluses to remain. Could you just expand a bit on that, to whom are you making these?

**Mr Wall:** What we have done during the course of this year is evolve our television offering. As your colleague pointed out, we offer less channels but what we can do with our technology is offer our customers access to a large library of programmes in which they go in through the user interface and select programmes to watch rather than selecting channels to watch. As of today we have got 3700 hours as a library – I do not like to use the word, it sounds rather dry – a library of programming, which is a mixture of catch-up television, television you could have watched in the last week, films which you pay for and then a large library of television and indeed lifestyle programming, we are putting some education on there as well but we are increasingly looking at travel videos and a much richer offering than normal.

**Q1076 Baroness Howe of Idlicote:** I was not after that, which seems perfectly logical, I was picking up a hint that you might be offering exceptional packages, perhaps to people who complained.

**Mr Wall:** We offered exceptional packages to people who complained and that was more to do with the cost of the package rather than a very different type of product offering.

**Chairman:** We will move off that and we will also move off Scottish rugby, just for the moment if we may. Lord Inglewood.

**Q1077 Lord Inglewood:** Mr Wall, in the written submission you gave to the Committee you described a number of ways in which you feel that owners can either directly or indirectly

exercise influence over the form of news and then you go on to quote a couple of instances, one that I call the Borneo example and another one relating to the stories carried about Mr Murdoch and the prime minister on 19 July this year. Nevertheless, you say it is clear that in general media owners have influenced editorial priorities, fairness and accuracy and so on, and you have given us two instances. Do you have a great dossier of substantive evidence to back up that proposition, or is it based on a much more nebulous analysis of the way the world works?

**Mr Wall:** If I may I would challenge the word nebulous. There is a strong set of anecdotal evidence and it is very hard to go much beyond that to provide any empirical evidence by the very nature of the argument, but I think there is considerable anecdotal evidence and, furthermore, Rupert Murdoch has admitted the role of the traditional proprietor publicly.

**Q1078 Chairman:** To this Committee.

**Mr Wall:** Indeed. Over and above that though we believe there is a natural element of what I would almost call negative control, that is to say you have to be a strong-minded employee to fly in the face of the publicly-stated owner's views and we believe there is considerable anecdotal evidence to support the fact that the News Corp or the Murdoch view is followed by the editors of the newspapers that he owns.

**Q1079 Lord Inglewood:** Are you saying then that it is impossible for what you might describe as fair and impartial and accurate news to emerge from that stable?

**Mr Wall:** We are saying that we believe that ownership is tantamount to control.

**Q1080 Lord Inglewood:** Ownership is therefore the crucial component in determining the tone and general ambience of the news that is provided by that particular outfit.

*Mr Wall:* Absolutely, and plurality of ownership is the best guarantee of plurality of voice, and that as a concept is generally, we believe, the view of competition authorities who are normally reluctant to impose behavioural remedies and therefore seek out structural remedies for these very reasons, whether it be in this market or others.

**Q1081 Baroness McIntosh of Hudnall:** I just wanted to ask, arising from the last bit of the discussion, do you think that anybody looking at what Virgin Media offers to its customers would be able to discern any as it were editorial influence at work there?

*Mr Wall:* No, but there is a distinction there. We are an aggregator; we are an ownership of a service.

**Q1082 Baroness McIntosh of Hudnall:** Forgive my interrupting, but you have some choice about what you choose to carry, do you not?

*Mr Wall:* We do.

**Q1083 Baroness McIntosh of Hudnall:** In what way is that influenced by anybody or anything?

*Mr Wall:* It is influenced by a need to keep the two crucial stakeholders happy, that is to say our consumers, our end users, and our shareholders. What we try to do is provide content that is the most popular mix of content – it is mixed, it is not all about providing the most viewed material, it is about providing a range of material on a commercial basis and on which we can make a return.

**Q1084 Baroness McIntosh of Hudnall:** Can you tell us briefly – or perhaps you could write to us about this – how you find out what it is that your viewers want to view?

*Mr Wall:* Briefly we look at the historical evidence and indeed the channels that are not much viewed get dropped.

**Q1085 Baroness McIntosh of Hudnall:** Do you talk to them? Do you talk to your customers?

*Mr Wall:* We do indeed talk to our customers, we conduct quite a lot of research in terms of finding that out and also we have an open dialogue with the channel providers if they are not performing. They know the possible consequences, and indeed most of our channels have two forms of funding, they have funding in which we would pay them to sit on our service but a good deal of them also receive advertising funding, and if they are not engaging the viewer they do not have value as an advertising medium, so there are some commercial imperatives for them to have to be successful and to engage the viewers.

**Q1086 Chairman:** When it comes to a channel like Al Jazeera you do not in fact carry that, do you? On what grounds is that, because there is not enough interest in it?

*Mr Wall:* In our view at this stage there is not enough demand for Al Jazeera. We will continue to watch that, it is on other platforms. We look at Sky's viewing a great deal because they are able to carry more channels; those channels we are not carrying that they are carrying we monitor very closely to see what the viewer response is, and there is a commercial imperative if there is a high demand for a channel like Al Jazeera or indeed an entertainment channel for us to include it in the package.

**Q1087 Chairman:** So it is not a political decision.

*Mr Wall:* There are no political decisions taken regarding channel carriage.

**Q1088 Chairman:** What about Sir Richard Branson?

*Mr Wall:* Richard Branson's organisation is a 10.5 per cent shareholder in Virgin Media but Richard does not sit on the board.

**Q1089 Chairman:** So the name is given to Virgin Media, he does not sit on the board and he is only an 11 per cent shareholder.

**Mr Wall:** He is the biggest single shareholder. We also have a commercial relationship with him where we pay a royalty to use the Virgin name which we believe as a brand enhances our consumer proposition.

**Q1090 Baroness McIntosh of Hudnall:** This arises directly out of what we have just been discussing, which is given that you clearly have quite a strong agenda, shall we say, about the question of editorial influence, what safeguards do you think should be in place to try and protect news programming against that kind of influence? Is it available already and under-used in your view, or is it deficient?

**Mr Wall:** We believe that the structure of both the law and the regulatory authorities is appropriate for control of this area. We do, however, have some concerns about the interpretation of the Competition Commission regarding the public interest test, which I will ask my colleague to expand on. Our general belief is, as I stated before, this is an area of such importance – that is to say plurality and impartiality – that it can only really be enforced or controlled through structural remedies and we believe that behavioural remedies such as not allowing certain people to sit on boards are not strong enough in this area when there are other ways to influence the way people behave. Perhaps I could ask my colleague to expand.

**Mr Dresser:** Just adding to what Malcolm said, we do feel that the existing regime is adequate at this point. Plurality rules in particular are very important, working in a complementary way with the impartiality rules in the broadcasting code. That is of course being tested right now by the Competition Commission. We very much agree with the findings of the Competition Commission with respect to substantial lessening of competition and we did take issue in a follow up submission with them on their findings on plurality, primarily around a matter of law. There is a provision in our view which requires, once there

is a merger, for there to be deemed a reduction in plurality and in our view that should have shaped their decision on plurality and we have followed up with them on that. In summary, we think the existing regime is adequate and we did take issue with the Competition Commission on that plurality point.

**Q1091 Chairman:** Should we explain, Mr Dresser, that you are the Assistant General Counsel of Virgin Media.

*Mr Dresser:* Yes.

**Q1092 Chairman:** What does that mean?

*Mr Dresser:* It means I work very closely with senior management.

**Q1093 Chairman:** No, I meant in terms of qualification; you are a lawyer I assume.

*Mr Dresser:* Yes, correct.

*Mr Wall:* I would have thought it was obvious by the nature of his answers.

**Q1094 Baroness Thornton:** I want to ask some further questions about plurality but can I first of all say I congratulate you on your library. I was in shock not being able to get *Star Trek* and *Bones* but I am now recovering from that as a result of your efforts. In your evidence to us you have said that diversity and plurality of opinion can only be safeguarded through diversity of ownership, and we have already discussed some of that, but I would like to ask you do you see a role for regulation, such as Ofcom's Broadcasting Code, to protect news organisations from undue influence by their owners? Also, could you comment on the hint that Ofcom has given us that requirements for impartiality on some non-mainstream channels might be relaxed to facilitate the range and diversity of opinions available for broadcast; what are your views on that?

**Mr Wall:** If we deal with the first question, we have been consistent both in terms of our submission to the Competition Commission, to this Committee and indeed my answers today in that we believe there is a role for behavioural disciplines but it is in itself not a great enough safeguard and therefore in this very important area we have to have structural regulation to ensure that plurality is protected.

**Mr Richmond:** That is right, and we do not see how a behavioural remedy can actually ensure the future plurality of news. On the issue about the Broadcasting Code, we see the Broadcasting Code and the plurality regime as complementary but actually fundamentally different. One, I think, is seeking to maintain a certain quality of output whereas the other is concerned with the diversity of views, and if you actually look at Ofcom's words themselves, it makes it very clear that the code is not designed to remove the ability of broadcasters to set the agenda of their news, so we see the focus of those as subtly but importantly different.

**Q1095 Lord Maxton:** Sky bought their share in ITV because you wanted – I am not sure whether it was to merge with ITV or to purchase ITV. That would have reduced the plurality, would it not, because you would have become a 40 per cent owner, if you merged with ITV, of ITN, which is one of the major news providers. I am not quite sure what you were proposing in terms of your merger with ITV.

**Mr Wall:** I will respond to that if I might and I will return to the impartiality if I could. We were preparing a bid for ITV but had not made a formal offer when Sky bought a 17.9 per cent stake in ITV. They have stated their reasons for doing so in so much as they regarded it “as a good investment”. It is not for me to establish whether there was any other reason for them to do so. If we had gone on to bid for and had successfully acquired ITV there is a distinct difference between that consolidation and the ownership that Sky has of 17.9 per cent of ITV and in our minds the material influence they have over ITV through that 17.9 per cent. We are a platform, an aggregator, we own a number of entertainment channels; we do not

own a news service, so the consolidation of Virgin Media and ITV, if it had ever happened, did not affect the plurality issue one iota. We believed, as we have explained, that there could have been some sense at the right price in bringing those two businesses together, but we are essentially an access business providing pay television, largely other people's channels – broadband access and telephony, whereas ITV are a content business. There is therefore that very distinct difference, whereas Sky is both an access provider, providing pay television to the UK and more latterly broadband, but they own a number of channels and, furthermore, Sky's largest shareholder and controlling shareholder is News Corp which owns 34 per cent of all newspapers by circulation in this country, so we believe there is a quantum difference between the consolidation or potential consolidation of Virgin Media and ITV, a marriage of access and content with no plurality impact, and the 17.9 per cent acquisition by Sky of ITV.

**Q1096 Chairman:** To be blunt you regarded it as a blocking measure.

*Mr Wall:* We did say that at the time.

**Q1097 Chairman:** Can you remind us what price was paid for the shares?

*Mr Wall:* Sky paid 135p.

**Q1098 Chairman:** What is the price today?

*Mr Wall:* I believe it is 86p.

**Q1099 Chairman:** As an investment it does not sound to me on the face of it to be one of the greatest.

*Mr Wall:* Maybe not over the time period that we are reviewing.

**Lord Maxton:** I want to move marginally, although I think it is linked, to the fact that you are a quadruple provider ---

**Chairman:** Could we just leave that and go back to impartiality.

**Q1100 Baroness Thornton:** What are your views on the hints they have given that they might wish to dilute the impartiality?

**Mr Wall:** We do not see how relaxing impartiality rules will provide any benefits. Already there is a concentration of views and we should not rely solely on the public service broadcasters for impartial coverage, because the suggestion as I understand it was we have got a public service broadcasting requirement on news for the BBC, ITV, Channel 4 and Five and therefore if that impartiality is preserved we can allow other news providers not to be governed in the same manner. Those public service broadcasters, their viewing is declining and we believe that in practice if you allow the impartiality regulations to go by the by we will see them decline, because their overall viewing is declining, and we will see a very major change in terms of the type of news that is being introduced. I know that Rupert Murdoch recently admitted that he would like to take Sky News, which today has a good reputation and is impartial as we see it, to be more like Fox News in the US which has a very different reputation. We therefore do not welcome the suggestion made by Ofcom.

**Q1101 Lord Inglewood:** Earlier in your remarks in response to my questions you explained how you felt that ownership could affect the way news was presented and you have contrasted this recently, very clearly, with the relationship that you have as a platform provider for news services, yet is not that distinction slightly over-simplifying it because the very nature of being the delivery mechanism for something means you have in fact in reality got a power of leverage, to some extent at least, over the people whose news you are going to deliver.

**Mr Wall:** We have a power in so much as if we did not carry any of the providers, yes. In extremis if we were to say we would only provide Al Jazeera and not provide the other services ---

**Q1102 Lord Inglewood:** The real world does not quite work as simply as that, does it, it is not so clear cut, but it is not a distinction that is perhaps as absolute as you suggest.

**Mr Wall:** Up until the dropping of Sky News we were providing the services that accounted for 90 per cent of total news channel viewing, and we were also then providing services for a number of other channels which were the most popular in our view or the most viewed of the minority news channels, but as I explained before we are not in a position, because we have band width constraints, to extend and offer band width and carriage to every single news provider.

**Q1103 Baroness Bonham-Carter of Yarnbury:** But you have decided not to provide Al Jazeera.

**Mr Wall:** At this stage.

**Q1104 Baroness Bonham-Carter of Yarnbury:** And that is purely about popularity.

**Mr Wall:** It is about popularity, it is about tenure – you know, as a service it is relatively new. We have had conversations and we will review the position going forward.

**Q1105 Bishop of Manchester:** Mr Wall, from what you have said this morning and from the written evidence we have received, the lack of clarity in the Communications Act about what is meant by sufficient plurality clearly remains a problem for you, but then in that written evidence I suggest that you have become over-optimistic in some of the solutions about that. May I quote, the evidence says “for a healthy news environment to exist, this plurality of ownership should be present in each news genre, news media and geographic area.” In this Committee we have heard evidence on several occasions about the financial pressures that, for example, local newspapers face and indeed the difficulties in local radio and television

coverage, so I am just wondering if you could help us because, on the face of it, what is being suggested there seems to lack a certain level of feasibility or practicality.

**Mr Wall:** Your comments are valid. There is maybe a triumph of idealism over commercial reality in that respect and, indeed, I totally agree with you that it is pretty hard today to sustain a truly regional plurality. However, that makes it even more important that we retain a national plurality and, secondly, in terms of the regionality there is a public service broadcasting obligation today on both the BBC and ITV to provide an element of plurality, but that is not across all media as you suggest. The challenges of local publishers are well documented.

**Q1106 Baroness Bonham-Carter of Yarnbury:** You have already answered the question I was going to come to about your attitude to BSkyB's position as the largest shareholder in ITV, but I will just ask one very specific. Is it your belief that ITV's news output might be influenced by this shareholding and, if so, in what way and are there not sufficient regulatory safeguards to stop this?

**Mr Wall:** There are two things. It is not necessarily whether they will be but whether they could be, and that is absolutely critical for us in terms of any plurality test and indeed in terms of the competition test, it is a threat. ITN is 40 per cent owned by ITV but they provide a distinct service to ITV and it is a service that is editorially managed within ITV. They also provide a service to Channel 4 and, as any viewer knows, they are very different and both, in their way, very good services. ITN's infrastructure is actually dependent upon the maintenance of both of those contracts – to lose either one of those contracts would cause some very real issues in terms of the economies of scale. Given that the editorial process and the final delivery and the tone of the news is controlled by ITV in an interface with ITN, anybody having material influence over ITV could materially influence the tone and the content of ITV's news, whoever the ultimate provider. That is the basis of our argument.

I have high regard for the team at ITN but in the end they are providing a service to the broadcaster.

**Q1107 Baroness Bonham-Carter of Yarnbury:** As you know, they would vigorously counter that suggestion, they say they are independent and they listen but they are not dictated to.

**Mr Wall:** In last year's change of management structures ITV made it very clear that in appointing Mark Sharman, who is Head of Sport and News, he had editorial control in terms of directing ITN to provide the type of service that ITV required.

**Q1108 Baroness Howe of Idlicote:** A considerable amount of what I was going to comment on and ask questions on has actually been covered and you have certainly made it very clear that you do think that Sky could have an undue influence as far as news is concerned, and you have explained it from your viewpoint as to why you hold that position, although as we have heard too there are differing views on this from different people involved. Looking ahead, do you think that ITN will remain as an independent provider of television news? That is my first question. Perhaps putting it in the broader context, do you think that BSkyB will be able, over these years, to use its position to influence the next ITV news contract in 2012, because what we have seen is clearly a change in the position over the years, every time ITV has gone out to contract for the next period and then did not go out to contract, and the value of the shares has gone down, as we have heard. So we are in a moving position the whole time and it would be interesting to have your answer to that.

**Mr Wall:** As of now, the provision of news of ITN and Channel 4 and the public service broadcast licensed channels is a matter for Ofcom who nominate the news providers concerned, so Ofcom have a responsibility and a role in this area in terms of who they nominate in 2012 or whenever is the next time the ITV contract comes up. There are two

other dynamics, one which is included in my answer to your colleague earlier, which is that it is not ITN in isolation that matters, it is the editorial dictate of the broadcaster as opposed to the news provider. The second area is the long term financial viability of ITN which I believe to be largely dependent upon both the Channel 4 and the ITV licence, so one of the issues in terms of maintaining plurality that we must be aware of is that if indeed ITN in any way became no longer a commercial operation, who would be the provider of these services? In the case of Channel Five, for example, they switched from ITN to a BSkyB supply. There are therefore a number of dynamics there, but the first one is that we must ensure that we have plurality at the broadcaster end as well as on the news provisioning.

**Q1109 Baroness Howe of Idlicote:** And in ten years time or in 2012.

*Mr Wall:* In the world of broadcasting I wish I could honestly say that our long range plans took us to 2012; with the emergence of social networks and everything else I sometimes feel like an alcoholic living day to day. By 2012 it is very hard to call. I do believe that more news provision is likely to take place on a broadband basis and what the BBC have done there has been a credit to them in terms of moving forward and providing a multi-platform news provision; ITN are following that route. For me the ideal circumstances would be that we had vibrant – that means at least two – news providers and we ensured that we had a level of independence in the broadcasters so that we did not see a consolidation of view and, therefore, the diminution of plurality.

**Q1110 Lord Maxton:** In a sense you are saying broadband, but the fact that you are a major provider of supposedly the highest level of broadband down high-speed cables as opposed to a copper wire, which is what BT do and Sky do – Sky is entirely dependent upon BT for even its television services. Do you therefore look at the future and say it is the broadband and possibly linking broadband internet services to the television service which is the future rather

than – you say you have a limited band width on your television services but you would be able to provide many more channels.

**Mr Wall:** We do indeed. There are some general dynamics in the television industry and, first of all, viewers are doing what they did in the audio world, they are moving away from linear radio stations towards iPods, personalisation, having their own library material, and we are starting to see that emerge in the video world, and so the first thing we are trying to do is to provide that sort of functionality and form on our television platform through the library which got such a great testimonial over here. We will continue to develop that and what we want to do is not just develop that in terms of traditional television, but in terms of lifestyle, education and so on so that it has a greater role than just pure entertainment and information. In terms of our broadband provision, we are providing high speed broadband with the benefits of the fibre optic network, and that is an open platform so the viewer or the user of broadband, they choose whether Google is their home page, Virgin Media is their home page, BBC is their home page and what their favourites are and they access them accordingly. We provide a service, we are not able to have an editorial influence in the manner that we have been covering here this morning. In terms of crossover, not in the short term – our short term objectives are to improve our high-speed broadband access, improve our customer care, improve our television library, but we are doing some R&D work that could well see the light of day in the medium term where you will start to see broadband content delivered on the television and vice versa, and I think that is a true convergence and there is an inevitability of that happening.

**Q1111 Lord Maxton:** Is there not a danger that you are going to lose out because people are already into this and they are already providing – I do not know what sort of service because I have never really looked at it, but they are now increasingly providing that service.

**Mr Wall:** We are a commercial organisation that has a foot in both camps in as much as we are in broadband and we also have some broadband content as well as the other areas. We think there is a threat but we also think there is an opportunity by using our broadband pipe to provide more and more services, and we are better able to do so than those using a BT wholesale basis. The issue really is the economic model. Today, so much of the content on internet is free compared to the pay television area and it is that that we are exploring, and we are very often exploring it with the content owners.

**Q1112 Lord Maxton:** Just to get back to news, it opens up news services.

**Mr Wall:** It does open up news services. The early evidence suggests though that the trust placed upon television news is as high as ever and I am very wary about people saying plurality is preserved because broadband gives us a huge degree of suppliers. People still turn to their tried and trusted and they still turn to the tried and trusted brands on broadband, so BBC is a supplier. In many ways it is a mirror image in terms of trust and therefore must be a mirror image in terms of impartiality and structure, which brings us back to plurality of course.

**Q1113 Baroness Eccles of Moulton:** You have, Mr Wall, very clearly told us your views on the BSkyB involvement with ITV, ITN et cetera et cetera. What I wanted to ask you is at the moment the current legal framework is being tested and, during this, the fact is that the Competition Commission's provisional findings have shown a different interpretation of media public interest rules from that reached by Ofcom. Why do you think this has been the case?

**Mr Wall:** I am not qualified to comment on that but I have a lawyer with me who I will ask to do so.

**Mr Dresser:** As I said earlier we certainly agree with the Ofcom stance there and it is unclear as to why the Competition Commission interpreted the provision that I mentioned earlier, this deeming provision, which in our view very clearly states that once there is a merger situation there is deemed to be a reduction in plurality. They took a very different view and we have gone back to them on that. As for their rationale behind that, I cannot comment, it is hard for us to say.

**Q1114 Baroness Eccles of Moulton:** But the Ofcom interpretation you find more comprehensible.

**Mr Dresser:** Correct. In our view the relevant provision which is section 58A (iv) and (v) of the Enterprise Act is quite clear.

**Q1115 Baroness Eccles of Moulton:** Oh, good.

**Mr Wall:** I just want to apologise to the whole Committee because I did say that whatever we do this morning we must not make reference to 58A. I will be taking the necessary action.

**Q1116 Chairman:** On the other hand, 58A and all that and its inter-relationship with the Communications Act is actually really very integral to what we are looking at,

**Mr Wall:** Absolutely. It is often called the Puttnam clause because it was introduced at a later stage in the process and I find it hard to believe where it could be used, if not in this case.

**Q1117 Baroness Scott of Needham Market:** The question is for you and not your pathological lawyer. Ultimately the findings of the Competition Commission are going to be signed off by the secretary of state. How comfortable are you with that and, to be provocative, you made some quite strong assertions in your evidence to us about political influence being exerted by News Corp and Rupert Murdoch in particular. How confident are you about getting a politically independent judgment from the secretary of state?

**Mr Wall:** In the end we have to trust our elected leaders. The issue for me is not that there should be a structural change, that the competition authority should not be wedded to an elected government, but who is influencing the government, and I think that has rather come straight back to questions of plurality and media ownership and influence. We constantly have to address that subject and if any one party in any country controls such a large section of the media they can be in a position where they can influence the public and therefore, potentially, have a hold on elected leaders. We are not, in our submission, calling for an independent competition authority, indeed there is a real logic to competition authorities being linked to the DTI because indeed much of what happens there is about competition regulation and industrial structure, which is what we elect our leaders for.

**Q1118 Chairman:** You are happy, are you, therefore, that the final decision should be taken by a politician? I am not talking about any particular government but in any government it is the secretary of state under different names who finally takes the decision. We were hearing previously from Michael Grade – I think I do not misquote him – that in fact he did not quite understand why one needed a further stage after the Competition Commission.

**Mr Richmond:** Just on a point of clarity, it is our understanding that on the recommendation on competition there is actually no discretion, the discretion only applies to the finding on plurality.

**Q1119 Chairman:** By that you mean the remedy.

**Mr Richmond:** Yes, I beg your pardon, the remedy. We broadly feel comfortable that there is a degree of political jurisdiction over this. We were very encouraged in the case that is immediately before us that the secretary of state did actually make the original decision to refer to the Competition Commission where he also had some jurisdiction and could easily have exercised that. Longer term I would agree with Michael Grade's comments that it is

essentially a question for public policy, for Parliament, and we are happy that broadly the balance seems right.

**Q1120 Chairman:** You are becoming veterans of the competition legislation/regulation. Is there any way that you would like to see it improved, any suggestions or proposals?

**Mr Wall:** I would echo what Michael Grade said, that one area is speed. This is a very fast-moving business and there is a danger that we take a snapshot of the business that develops so quickly thereafter. We have got this also in terms of what Ofcom are doing. Largely we welcome the Ofcom process of a market investigation that is taking place that does not look at a particular case but steps back and has a look at the market overall, which we very much welcome, but again with the proviso that they are sufficiently resourced in order to move at speed and in order to make a judgment that actually has an impact rather than makes a ruling once the market has moved on.

**Q1121 Chairman:** Your counsel feels that legislation, both in the Enterprise Act and in the Communications Act, is clearly set out and everyone can understand exactly what is required?

**Mr Dresser:** It has certainly been tested now.

**Q1122 Chairman:** That was not quite my question.

**Mr Dresser:** We have taken issue with a number of provisions but it seems to be working and we will see how this plays out.

**Q1123 Chairman:** Are you still interested in taking over ITV?

**Mr Wall:** If I may I will jump that question. There is a time and a place, there is a 17.9 per cent blocking stake there so it is all somewhat academic.

**Q1124 Bishop of Manchester:** You will be aware that in *The Times* this morning there is an article in the wake of the departure of Virgin Media's head of strategy and some references to the role of Mr Birkett. Among the things that are commented on is, "The turbulent history of the pay television and broadband group ... the myriad troubles that the group has been facing ... Mr Birkett has conceded that the group's status with its listing and key investors in the United States but its operations in Britain was a bit odd." I wondered if you would like to comment on the article.

**Mr Wall:** I do not believe that particular article is necessarily influenced by the owner of the publication; however, part of that is factually correct even if the language is somewhat exaggerated. We have had turbulent times in cable. In response to one of the early questions about how cable was structured, what has happened to cable, why is cable not as great a competitor or is not in the same status as it is in the US is because the way it was structured has led to a number of financial restructurings: it has been turbulent. It has been hard to put the businesses together and subsequently we have had some management changes. It is not altogether unexpected; you bang two businesses together and you do have those. The shareholding structure is again down to history. As part of the restructuring back in 2005 the junk bond-holders or the debt-holders were converted to equity and they were largely US organisations which led to a Nasdaq quote.

**Q1125 Chairman:** Are you profitable now?

**Mr Wall:** We are profitable to the EBITDA line and we are there or thereabouts once you remove the capex and interest payments.

**Q1126 Baroness Eccles of Moulton:** Could I just ask a very quick one? This is just out of ignorance and it is just a material question. When you bought NTL:Telewest were the cables that they had installed entirely fibre optic?

*Mr Wall:* As of today we are largely fibre optic and, at this late stage, I can bring my right winger in. How much is analogue?

*Mr James:* A few hundred thousand homes.

*Mr Wall:* A few hundred thousand. We have a small leftover of analogue homes which have a lesser experience.

**Q1127 Baroness Eccles of Moulton:** Now you have introduced another factor which I am not going to pursue.

*Mr Wall:* If I may, we have a big fat pipe network but at the end of some parts of the network it is a slimmer pipe.

**Q1128 Baroness Eccles of Moulton:** Lord Maxton drew a distinction between poor old-fashioned BT with copper wire and you who were up to speed with a much wider spectrum, band width.

*Mr Wall:* We are, except for small leftover areas.

**Baroness Eccles of Moulton:** Which we will keep very quiet about.

**Chairman:** Thank you very much, Lady Eccles, for bringing these important issues in at this point, but we will actually draw it to an end if we might. Going back to Lord Inglewood's point, if you have got any more evidence, which I think at one point you did say in your evidence, we would be very grateful to receive that. If, on reflection, either looking at the minutes or reflecting on this meeting you have other things that you would like to put in front of us, we would be obviously very happy to receive them. In the meantime may I thank you and your colleagues very much indeed for the trouble you have taken and the very clear way you have given your evidence.