

BBC CHARTER REVIEW SEMINAR:
BBC TELEVISION
14TH OCTOBER 2004

Howard Davies: Welcome to the - is it the 4th or the 5th? – of our Panel seminars. I'm Howard Davies. I'm standing in for Terry Burns as Chair today because Terry is off selling a small piece of our national heritage, Abbey National, to the Spaniards this morning. So I shall be chairing the debate, although Tim Gardam is going to be the person from whom you will hear most. I need to do a few tedious housekeeping things first. The first point is really the most important. The BBC have provided cameras for this and this, footage from this goes onto the Charter Review website but we have discovered through bitter experience that mobiles and blackberries interfere with the BBC's somewhat primitive technology. So if you could switch those off, that would help, otherwise you will hear all sorts of nasty noises. Being in the DCMS building has certain drawbacks. You can't wander around it unless accompanied by a member of the DCMS staff. You may just about go to the loo without taking an official with you, and those are just on the other side of where we have coffee. So please keep your badges on and then you'll be okay. Now the role of the Panel, just to be clear for people who haven't been to these seminars before, we are feeding into the government's consideration of the Charter Review and leading up to the Green Paper, which we expect to be published next year, and the Panel is attempting in these seminars to clarify what the issues are in the key areas of public value, of funding, of governance, and today about television. And I ought to begin I think just by very quickly introducing the people we have with us. We have Steven Barnett from the University of Westminster, Paddy Barwise from LBS, Peter Bazalgette from Endemol. We have Maggie Brown of the Gruniad. We have David Liddiment, All 3 Media, Bill Robinson from PWC, Simon Shaps from Granada – and that's the sort of noise you will hear, someone's still got one on – Andrew Zein from Tiger Aspect Productions and Ed Richards from Ofcom will be joining us shortly, and we have Luke Crawley from BECTU as well. And from the BBC we have Jana Bennett on my right and Roly Keating on my left. And Tim Gardam is the other member of the Panel who is here who will be the facilitator today and my role is primarily to make sure that we keep to time and ensure a modicum of discipline. We have found that these seminars work pretty well in a reasonably free-form way but it's probably helpful if people on the Panel catch my eye when they want to come in. It's a good moment we think to look at television because we've had two interesting contributions to the debate recently – Part 2 of Ofcom's Public Service Broadcasting Review and Paddy Barwise's review of the BBC's new digital television services, which came out only this week. Now the way we hope to structure this morning, though we shan't be desperately upset if the structure doesn't work as rigidly as it has, but we want in the first session to look at the current provision of television services, so we would like to remain in the first hour or so in the present tense. We'll look at what the expectations are of BBC television and how well they are currently doing. And after coffee, we will look at the wider position of the BBC in the broadcasting world and particularly in the broadcasting world as we can anticipate it changing in the next few years. And at that session we will have Ed Richards to introduce. There will also be later on in the morning an opportunity to take questions from the audience and there are blank cards in your delegate packs for questions to the Panel. And, as questions occur to you, it's helpful if you can scribble them down and hand them into officials at the registration desk perhaps during the coffee break. We have ways of knowing when the questions have been written by BBC staff, so don't think of that. In the last session, we will take some of those questions and will focus on the BBC's role as producer, commissioner and broadcaster of television programmes and as an employer. And Andrew Zein of Pact will introduce that debate and Luke Crawley we expect will participate in that session as well. Then we'll have some questions from the floor at the end. We'll have some time for that. Now to open the first session then I'll hand over to the BBC. The audience research or the research done by the DCMS for the Charter Review included focus groups and questionnaires to get people to characterise their vision of the BBC and that was summarised in what sort of person they thought the BBC was. And that was a man in his fifties, suited, comfortably off, conventional, conservative and reserved, who appeared friendly but was powerful and sometimes domineering. Jana?

Jana Bennett: I thought you were going to say Alastair for a moment. Actually this is a significant week for me because in a day's time I joined the BBC 25 years ago and I remember having to go to the Langham, which is now of course a hotel, to learn T-line and to learn how to do shorthand as a journalist with the sort of twin set and pearls brigade. So there wasn't, there weren't domineering males in that period but I was probably promoted by one, Alastair Milne. But I think, you know, there was a privilege in terms of joining the BBC. I suppose my bit of it was the mission to explain but I think that driven by purposes is really, rather than regulation is ultimately what the public service broadcasting system in this country is marked by and I really appreciate looking at this in terms of its modern context and also as part of an open consultation process, and so thank you very much for the introduction and for the day. The BBC I hope is going to demonstrate it can be in listening mode as well as communicating some of what we think the broad purposes are as well as the broad challenges are for television. Our objective from the BBC's television portfolio point of view is also to meet the full range of the BBC's over-arching public purposes as set out in Building Public Value. That means supporting active informed citizenship through our journalism and documentary making, through enriching people's lives by surprising them, by entertaining them and making them laugh as well as offering opportunities to learn. Our ambition in fulfilling this objective is to offer a wide range of programmes and to aim for the highest standards of quality and to take risks with the newest creative ideas and talent as well as supporting established and known talent. Doing this, we are very much aided by having portfolio services through BBC1 and 2 and 3 and 4 but also CBeebies and CBBC as well as other media. We believe that we're building the right offer for the digital age and obviously are going to digest and reflect on Professor Barwise's report and review of our services because I think the message there is also to let these services evolve and grow, so it doesn't mean that they're rigidly nailed down at this stage but broadly we think the portfolio is the right offer. It's still early days for the new digital channels but we do believe that they are an important part of reflecting our purposes and delivering on them to different audiences. The CBeebies for example, being described by Paddy as a triumph and an exemplary PSB services for pre-school children, reflect some things about the portfolio as a whole – mixed genre, range, having educational values in many of the programmes, also embracing new ideas and new talent but also aiming for a service which doesn't discriminate between children, embraces them all. The other thing about all the services is the commitment to UK-produced PSB programmes and we think that finding the best way of helping the whole industry, and we'll come to ecology later in the day, that origination and the high levels of origination is also very important to public service broadcasting. That's true of other countries as well as our own. Finding a way of also growing the portfolio will be something we'll reflect on and I think you'll be stimulated further by Paddy's report but also finding ways of continuing to increase the net public value to the public and also widening the availability of PSB content as technology makes the distribution of content. That's a challenge for us but also an opportunity in terms of how do people get good programmes. Today's agenda is about the role of this whole portfolio and how that portfolio delivers across these purposes but BBC1 is obviously in the lead of the portfolio in terms of its reach and its mass appeal. It's been I think built in terms of range much further over the last few years in terms of having increased breadth and has the widest breadth and depth of any mainstream network and it's the home of anything from current affairs to national events. BBC2 compliments BBC1 and aims to lead the way in creating impact beyond the screen through programmes which are knowledge-building but also have high citizenship value, whether that's restoration or genealogy, something which can empower producer...viewers to take things further in terms of their own lives and act beyond the screen. But digital channels also widen the choice to viewers and act as also nursery slopes for new ideas and British talent. There have been also notable successes in terms of then embracing that talent on bigger platforms like BBC1 and 2 in terms of transferring programmes, be it National Trust or Little Britain, so that more audiences get the benefits of digital. On all the channels we've also embraced new technology through interactive television and want to build the audience's experience through things like the Proms or the Olympics, allowing people not only to experience them as television or music on radio but also as interactive content which can deepen the experience. So just to take one genre in terms of range, as I say that range marks public service broadcasting out as quite different from other broadcasting systems such as in the States where the range is very narrow, commercially successful but very narrow. Take the art strategy. By using a portfolio we can reach different audiences with different types of arts programmes and this has been a

work-in-progress I admit in that we have built up the arts over the last few years and no, that wasn't in response to the Charter. Actually there are some objectives, which people have carried in the television part of the BBC in terms of building up in the arts and there's been an active discussion of how to do that. But take BBC1 – we have created a flagship strand in Imagine, we have high profile landmarks like Leonardo but also public access through Rolf on Art and Paintathon, to widen the appeal of arts to the mainstream audience. In addition, we have BBC2's own type of landmark programmes and also we have recognised a gap which we wanted to cover, which is topical coverage of arts and art journalism and that's why we're launching The Culture Show, to give a weekly coverage of the arts in action. We're also in terms of landmarks bringing on new presenters and a new set of voices. Venice coming through has a real Italian Count I think making his debut on British television. The digital channels compliment BBC1 and 2. Just to take the arts – I'll finish this in a moment – but that covers live performance but also novel ideas like Flash Mob Opera and Paddington Station, which allowed mass participation in the area. It took the arts off the stage and into a real context and so there's room for more experimentation across all our portfolio of channels. But all of this has increased the reach of the arts. We've reached more different audience groups and not just a group who will appreciate arts highly but also other people who can be taken by surprise by different types of performance. I think for quality, BBC television has to attempt to be the broadcaster who sets the bar high. That's not to say that creative competition doesn't offer the right sort of challenge. In other words, other broadcasters should compete for quality and will compete on a quality sort of dimension. But I think we know the audience expects the BBC to push for quality and excellence and we have a responsibility to be in the lead. We won't always be in the lead. As I say that's not a bad thing for others to push as well. We don't claim to have a monopoly in innovation and risk taking but we must aspire to take those risks and to be ambitious on behalf of the audience in everything we do. There will be high risk failures; there will be less successful projects; there will be areas where programmes come through which haven't aimed high enough or where we haven't moved on from things which were great in their time but feel less original because they've been there too long and we have to sort of look at that continually in terms of renewing our schedules and killing off even some tried and tested things in order to make space for the novel and less well-tested. The BBC should also be open in ways which I think the Ofcom Report embraced to what the audience tells us and I think the public value framework may seem like policy jargon but actually is indeed trying to measure public value. Value is in the eyes of the beholder, not in the eyes just of the broadcaster or the regulator. But we are trying to attempt to find ways of reflecting on how value is both provided to audiences but also how they then reflect that back to us. I think this is a difficult area in terms of quality of metrics, and measuring impact beyond the screen, for example, isn't easy because how do we measure a big read and its impact off the screen compared to genealogy for example. They're both successful, very successful, but how do you compare the building of public value? We think that it's an effort worth making. We think it's very important to be able to reflect on programmes which are more than just programmes because that's part of public service broadcasting and its mission. But we are under no illusions that that's, that is a very important piece of work but is something which we think we should be measured by but those measures aren't already ready-made. Some questions for BBC Television: Should we move out of some territory? Yes, range is important but yes, we have to be brave about leaving some areas behind. There are tired formats. There are things which feel that they have been cloned even if we haven't done the cloning but does that mean we move out of those areas onto new territory? We need a balance, yes, of the familiar and the new but getting that balance right does mean taking more risks. Are we a ratings chasing BBC? I think we need to remain popular but that isn't necessarily through being populist. Share and reach are closely related but reach is ultimately the way of measuring whether we're reaching an audience with a universal, through universality of our services, and share doesn't quite capture that. So in the end we're also looking at a balance between reach probably being the predominant measure but share also reflecting on whether we are popular. Could we be more ambitious? Of course we can and should. We need to try to push creative boundaries and be at the forefront of UK public service television. We need to repay the licence fee investment through all audiences enjoying our output, being inspired by it and learning from it, so that we can provide to audiences the programmes that we make for them. And I think that the portfolio allows us to reach those different audiences in different ways and allows us to also be there for audiences who are half in digital and half out of digital. That's all I want to say for my opening remarks.

Howard Davies: Thank you, Jana. Tim, I think you wanted to try to focus down on a few questions that we think are important.

Tim Gardam: Well I think these seminars have worked best in the past up until now when we've actually moved the vocabulary out of the rather narrow terms of broadcasting to terms that viewers might use. And indeed the perceptions we've had from people beyond broadcasting have often been the ones that have woken us up most as a Panel. So where I'd like to start I think is in the terrain that you've just laid out where do you see in the present tense the BBC's greatest shortcomings? What is it you're not getting right?

Jana Bennett: I think the big challenge is to communicate both within the channels as narrowly defined to the pole production community, the creative community, what it means to say we're taking risks, what it means to say we want to be more ambitious. Those are important values but how they translate into terms of judgement of what should be commissioned is difficult because the trade-offs of something which collapses on air where nobody gets much public value because a programme doesn't work and, as anybody round the table who knows about commissioning will agree, those are hard judgements to make. You want to break new ground but not in a way which is a gesture which is empty or which is pleasing to the producer but the audience doesn't find it. So I think that is truly, that is about the balancing act. It's continually trying to bring new things on and to, but to meet audience expectations across I mean the mass medium that television is.

Tim Gardam: I think this issue of clarity of judgement is something, which we keep on coming back to in all these seminars. It's the balance between finding measures and finding a common frame of reference which may not be measurable. Why is it do you think that, despite the fact in the past few years the BBC has had in real terms increasing money to spend, that over two-thirds of the audience perceive its quality as being either the same or worse than it was?

Jana Bennett: I think the quality question is very interesting because I don't think it's clear exactly what's being said.

Tim Gardam: By whom? By the BBC or by the audience?

Jana Bennett: By the public, by the audience. I think that there are different contrasting views by the audience. They'll say that BBC1 is their favourite channel. Quality measures on different genres are actually rising in some areas. Approval levels are quite high. I think there is something going on with the perception of quality though which we have to understand and seek to understand. I think that the quality of television itself seems to be perceived to be in decline, so that...

Tim Gardam: Would you agree with that?

Jana Bennett: I think that quality has to be in the eye of the beholder, so we have to listen to what people are saying, but I don't, but I think it's a complex question and I don't jump to a conclusion that it's all bad either. I genuinely think it's about the whole experience of the media and how television feels to audiences and how then the BBC feels to them within that bigger universe.

Tim Gardam: But isn't the reason that the BBC in particular is between a rock and a hard place on this one is because the BBC because of the licence fee has a commitment to universality with the result that on the one hand the BBC is saying we must get rid of any derivative programmes, all our programmes must be exceptional, standards of quality have to be perceived in different terms than ever before. On the other hand, you have the need for universal provision to justify the licence fee and yet, as the original DCMS document said, it is the nature of digital that the market will provide things, some things more than it has in the past. It may provide fewer things in other areas than it has in the past and therefore the BBC in trying to maintain its universality is trying to stretch itself, which is going in the opposite direction to defining quality in those areas where the market may not provide and therefore

where it should concentrate. And this balance between concentration and stretch is where you find it so difficult to reconcile things.

JB: I think the question of sort of mixture of mass and populist... you know popular and specialist, which is really what you're talking about, isn't really about, isn't a quality question necessarily. I think all broadcasters have to aim for quality whether they're commercial or non-commercial but I think, because quality is in the eye of the consumer or the viewer, the quality of the experience does matter to them as individuals and therefore it's important that the mass nature of BBC1 for example, where it can unite very big groups of people around big programmes – sport is a great example, the Olympics was a phenomenal example – those things are actually rising in terms of salience, in terms of power and the ability to draw people is still there.

Tim Gardam: I see that.

Jana Bennett: So that sort of function, that mass function of television – and it needs to be a quality experience – I think is about how people share and they have a similar view, a shared view, of what that programme was like or what that experience was like. I think that's very important and I don't see that fading away because I think individuals are looking for that kind of experience from television still. They're looking for the programmes you don't negotiate about, about sitting down with others, with your friends or your family. But I think because individuals like choice as well, that we have to be more responsive to the more particular needs of different audience groups, which is also what a...that's why almost every broadcaster in this country who could possibly have a portfolio would want one. I mean Channel 4 would like that. ITV is developing that. It's because there's a need to also be able to have more discreet experiences and that, but all those things are about quality in the end – the quality of the more particular experience and the mass experience.

Tim Gardam: I see that but, given that you say rightly that all broadcasters aspire to quality and given that the nature of the digital market will mean there will be a greater volume of stuff available, does it therefore follow that the nature of the quality to which the BBC aspires has to define itself by being added value to the quality the market provides, in other words, different?

Jana Bennett: I think that the programmes should be aspiring to be very good programmes or excellent programmes and that's not totally about them being something the market doesn't provide for example. It's not market failure as an argument. It's that it should have a hallmark of excellence about it. And I think audiences are very intelligent. They know when it's a good programme and know when there's a sort of a novel idea coming at them or that there's a unique way of participating because it's interactive or a uniquely customised experience because there's a red button.

Tim Gardam: Okay.

Jana Bennett: So I don't think that's about market failure or that kind of distinctiveness.

TG: I think the BBC works right because I think the BBC; we can listen to some other people before we come to the second BBC representative. One final point, going to the BBC3 issue, which I don't think we want to dominate today...

Jana Bennett: Which issue?

Tim Gardam: The issue of whether BBC3 is a valid BBC channel or not. It seems to me there's a problem here, which is that the BBC strives after universality because everyone pays a licence fee. The BBC therefore defines a particular channel primarily in demographic terms and not in content terms. But by defining a channel in demographic terms you're essentially taking a market perspective on a channel because that's what markets do. They look for the demographic, they look for their market and then they fulfil it. And so a problem for BBC3 is in seeking to be universal you've got to define the channel in terms which are not public service terms.

Jana Bennett: BBC3 isn't about, isn't itself trying to be universal. Yes, it's true. And I think there are two facets to the description of BBC3. One is that we want to provide a full public service channel for young adults. The other is though, and these are very strong descriptions of the channel as well and as acknowledged in Professor Barwise's review, is that it also is about new talent, bringing on fresh creative ideas and experimenting. And given that it's a kind of a BBC's alternative experimental channel, that there's a big creative dividend which is about the BBC not doing what it already does well but doing, thinking different and giving...

Tim Gardam: What it already does well or what the market already does?

Jana Bennett: No, what it already does well, which is very, many more broadly based programmes, on the whole a bit for older audiences, you know a kind of heartland audience saying let's invent new types of programmes. And by asking producers to think younger, it actually has got us out of, got us into new territory, new ways of thinking. It's actually a way of thinking differently and that's actually why the comedy works so well, that it's about bringing on new talent and new creativity. And actually these programmes aren't exclusive... inclusive. They are inclusive. They are letting anybody watch them. So although, yes we started out with a young adult target, they don't by any means, it doesn't drive other people away and nor is that seen as, it's not seen as a successful measure of the channel that it drives people away. Quite the opposite. So there is a debate to be had about how inclusive a channel it should be but we're not measuring success in commercial terms ultimately.

Tim Gardam: Okay. Let's widen this out. Can I go to Paddy Barwise first and not talking about your report but widening out from there. This issue of how you reach a clarity of judgement. It does back to the issue of the public value test I suppose. How precise a measure, how useful a measure do you think that can be? You've talked a lot in your report about net public value. Is it a general currency whereby we can define the BBC's role in future?

Prof. Paddy Barwise: Well I think it's a concept. It's not something you can sort of measure in an accounting sense but it's a more abstract concept of saying when we're looking at alternative policies, the way we should judge those policies is by how we expect, you know, the result will be in terms of the public and that's very broadly defined. It also means you can't sort of boil it down to a single measure. The reason I emphasise that is that a lot of the debate about public service broadcasting, particularly a lot of the criticisms of the BBC, come from people who are applying fairly sort of market fundamentalist thinking which regards it as self-evident that if we can marketise more of broadcasting, by definition this will be better for the public. Now in my view we have not just speculation but abundant evidence that that's not the case. So I personally don't, you know, accept the suggestion that because of digital the BBC should only provide programmes which the market doesn't provide and my reasons for that statement are not just to do with the sort of fluffy citizenship-type arguments. You know as a consumerist and consumer researcher I think we have evidence that the value for money of a mixed economy, which includes a strong, well managed BBC funded by universal licence fee, the pure value for money is better than if we had a system in which the market provided all the programmes which the market can, the BBC was kept completely off those genres and you have something like the situation in the US where public service broadcasting is almost irrelevant to everything. It's only providing what the market won't. Now what underlies all that is this concept of net public value because once you do allow the BBC to operate across the whole waterfront, in other words some of the more commercial genres and also some of the more pure public service genres, inevitably there will be some crowding out of the market because the level of viewing for the commercial broadcasters is somewhat reduced, and if you're saying what's the overall effect for the public, then you have to allow for that. And certainly my view is that, if you do allow for that, you still end up saying the public is better off with a very big, strong BBC. It has to be very well run and it does have to think very clearly.

Tim Gardam: I'm trying to get that clarity straight.

Prof. Paddy Barwise: Yes.

Tim Gardam: First of all I'll turn if I can to Ed Richards here, who has just arrived. It was Ofcom's, the Public Service Television Review has tried to give precision to that framework in which the BBC exists. Looking at where the BBC is now, not looking forward into the future, is it your view, is it from the Review that the BBC essentially has changed its behaviour as the market has changed? In other words, the trend in overall British television means that the BBC has mimicked the change in the market and changed what it does or is it that the points of differentiation between the BBC and the rest of the market have become more acute?

Ed Richards: I wouldn't say I think that has wholly happened. I think there is a risk that that happens and I think...

Tim Gardam: The mimicking happens?

Ed Richards: Well I mean part of I think the important debate here is where you position the centre of gravity for broadcasting as a whole across the entire system and the BBC is a very, very important weight in that system. It is a part determinant of where that centre of gravity lies but it isn't the exclusive determinant and therefore inevitably the BBC, as with everybody else, will be subject to where that centre of gravity lies at any one point in time. And one of the important things therefore is not to see the BBC alone. We've got to think of the BBC in relation to its unique status, its unique position, its unique privileges but it also needs to be seen in the context of the broader system. If the broader system is inexorably going in one direction, it seems to me highly likely that the BBC will inevitably be subject to those pressures and society then has to make a judgement about whether it is content with that broad direction. But it's inevitable if you have a creative organisation responding to a creative market-place or playing a role in that creative market-place that it will be influenced by the direction of travel in that market-place and you can see that in a number of areas. It's important to note that sometimes that will be for the good. Sport is a very obvious example of that, where I think the BBC's coverage has improved, and that I would put down principally to the improvements driven by pure consumer delivery and improvement in the market originally by Sky. So it's a very complex web and I think part of the judgement that we're trying to make through the work we've been doing and through the work that will carry on as part of the Charter Review is where we want that overall centre of gravity to be, how we want the balancing sets of forces to exist. So we can't just see the BBC alone in that context.

Tim Gardam: Does that mean that the BBC's position and the principles that should govern the BBC will always be relative to where the market is going or will there be some in principle principles which should define what the BBC is doing regardless of where the market is going?

Ed Richards: Well I think there are important purposes. I think the danger of where we've come from historically and the weakness that we find ourselves in today, I don't mean the BBC, the weakness we find ourselves in in terms of the policy debate, is that for such a long period we were content to satisfy ourselves with the idea that public service broadcasting was what the BBC did or what Channel 4, and I think that gives you an underlying weakness because it doesn't give you that anchor in relation to what you really, what are those core principles, those core purposes. And you need to have that anchor and I think one of the most important things of this 2-year period is to try and identify some sort of consensus around that anchor. We've tried to do that with our purposes, which the BBC has followed up with its own document but if you start with those core purposes and then have a concept or an idea of what the relative roles are in relation to those purposes of different organisations with the BBC clearly at the top of that hierarchy, you can then begin to get a strong sense of how strongly and how completely you want the BBC in particular to adhere to those purposes. And as I think people will be aware, you know one of the interesting debates that has spun off from our original document was a discussion around whether the BBC should always and at all times and with every programme adhere to those public purposes or seek to meet those public purposes. And that's an interesting debate which some might argue is a little bit theological but actually it's about how closely to those anchors, how close to that anchor does the BBC need to stick in all times and all parts of its service.

Tim Gardam: So Bill Robinson, do you think it's possible to fix coordinates against which if you like the BBC had not measured can be plotted so that there is a clarity and consistency in how the BBC television programmes are pursuing its objectives and fulfilling them?

Bill Robinson: With great difficulty I think. I think what's changed in the market and what has changed as it were our approach to public service broadcasting is obviously the huge increase in choice. And one of the original arguments for having the BBC and one of the strong arguments why the BBC should also show as it were American imports and feature films and so forth was that choice was so limited. And now that if you like the market through the various channels will supply all those sorts of programming, it raises very, very pointedly the question of whether the BBC should show any of that stuff at all. So, but then you have the counter-argument, which is what Paddy was just saying, that if you don't let it as it were play in the popular market, you drive it into a ghetto where it becomes irrelevant and no one watches it. It's just a little box. And public service broadcasting then almost becomes by definition programmes that no one wants to watch. And the whole point I think of successful public service broadcasting is that you get people to watch, I mean a very important point, programmes that somehow do raise the game. I wanted to make a point which is not particularly about programming but about as it were the BBC and public purposes in response to one of your questions to Jana, why has quality declined even though they've got plenty of money? And the answer of course is that they have been spending quite a lot of that money on if you like pursuing the digital revolution. So I mean a lot of money has been spent on digital terrestrial transmission for example. And this does seem to be a very good example of a public purpose in broadcasting which has actually not got much to do with programme content but you know we should never forget that it was the BBC that led colour and it has been the BBC I think that has done a huge amount to promote the use of the Internet and has promoted digital terrestrial and is part of the, I would say at the forefront of the digital revolution. But that has all cost money and in some sense it has perhaps resulted in some decline in programme, at least as perceived by the audience, who as we know is king. But I think to try to answer your very difficult question - how do we judge whether the BBC is doing a good job? - it's going, but I mean there are some metrics I mean like you can measure output of things like documentaries and news which are I think a tiny bit threatened species, not totally, I think there's a perfectly good market in news but on the whole the market in drama seems to produce more variety, choice, quality, etc. than the market in news, so it is a bit about genre but I guess it also at the end of the day has to be this very kind of quality subjective thing is is the BBC producing the occasional remarkable programme on which more was spent than any commercial organisation would ever have spent and we will sit back and say "Gosh, that was fantastic" and it's got to do that a time or two.

Tim Gardam: Let me pull this together and then move to people round the table who are competitors of the BBC because Ed Richards has made this key point about the BBC having to be seen in the wider context of the digital market. There is this issue of where the centre of gravity in the overall television's public purposes reside. Simon Shaps, from ITV's point of view, is your greatest concern what the BBC does or what you would like to do but in the current broadcasting environment are unable to do?

Simon Shaps: Okay. I think there's kind of two or three points in answer to that question, Tim. I think the basic principle has to be that within British television we need a mixed bag of producers and broadcasters, that the ecology of British television benefits ultimately from a strong, well-resourced, powerful, confident BBC and that the competition that arises out of a strong, powerful, well-resourced BBC is actually good for the ecology of British television as a whole. I think then there's a kind of trap, which the kind of, if you like the kind of logic of certain types of argument lead you towards, which is the BBC by dint of its particular and unique funding oughtn't to do certain things that the market provides. It's a very, very easy argument to make in the abstract and I think in many ways an almost impossible argument to make in practise. And I'll tell you why I think it's a really difficult argument to make in practise, I think if you're in the BBC to be endlessly tortured by the successes of other broadcasters, to in a sense be a victim of the excellence of others and to say because the market is providing high quality drama, high quality documentary, ergo the BBC ought to step out of that market or only be in that market if it can guarantee it can super-exceed what the market provides, is in the end a logical absurdity. And therefore I think what we're into and where I think ITV

broadly is into is a sort of evolution of the BBC in the way that the BBC is currently suggesting in a number of different ways, a de-emphasis on “copy-cat programming” and de-emphasis on things which are deemed to be derivative, perhaps a de-emphasis on kind of very high value acquisition when the market can provide and acquisition and in that process I think the market will end up balancing itself. And therefore I think our position, my position is that the key objective is the maintenance of a strong BBC and a BBC where the management isn't endlessly tortured by a set of criteria which in the end are easy to deposit logically but in practise are almost unachievable, partly for reasons of definition. I'd just make one other kind of small point, Tim, which I think relates to this, which is none of that I think means that the BBC on the other hand absolves itself from a challenge that it indeed has set itself in Building Public Value, which is to redefine forms of measurement. In other words, the quid pro quo of the first part of that argument is the BBC's own publicly avowed commitment to establish new forms of measurement, a framework for measuring the performance of the BBC which is in their Building Public Value document, which I think we support because I think in the end unless we can, and these are kind of illustrative measures, these aren't necessarily what the BBC will ultimately commit to I guess, but unless the language and the discussion about forms of measurement and assessment in a hard qualitative way and quantitative way can be made and can be made to stick and can be public and can be internal to the BBC as well as external to the market, then in the end a lot of the argument is going to be perfectly reasonable but broadly rhetorical rather than evidence-based. And therefore I think, as I said, the balancing action from the BBC which we would support would be a greater emphasis on more publicly available forms of measurement and self-measurement...

Tim Gardam: But don't those measures have to be in the context of the market as a whole? They can't just be generous to the BBC?

Simon Shaps: It's almost inconceivable that they wouldn't be in the context of the market as a whole since the measures are going to be either relative in terms of volume to what the market is actually doing or relative to other kinds of programming. Viewers, consumers in the end implicitly imply a degree of market analysis and market testing because those measures, whether they're peer review, audience size, weekly reach, other than levels of investment which I think is an important measure, are by definition meant to be market measures. Incidentally, just one point which I think we also just want to get out since I'm not sure we're going to move round rather than come back endlessly to people, I think is an interesting point about Bill's point about whether there is a displacement element in the BBC's funding which is consistent with the perceived quality argument. I think – unless I'm wrong and Jana and Roly would argue this I'm sure – it's actually, if you look at BBC1, BBC1 has had significant additional investment over the last 2-3 years. I don't think, and it's an easy argument to make, that there's a kind of exact equivalence between a supposed diversion of funding to other types of activity – principally digital 3 and 4 – and a perceived quality argument. I think, if there is a perceived decline in quality and it's a big 'if' because I'm not absolutely sure about the measurements of that, then there isn't a simple equation between that and spend. Certainly I would guess – and Jana would know this – probably spend per hour on BBC1 as well as BBC2 is probably quite resilient and if not increased over the last 2-3 years.

Tim Gardam: Let me turn to David Liddiment. David, you've been critical of the BBC in terms of essentially arguing it has been meat to the market as the market has developed. As you listen to this discussion, do you think that the solution is for the BBC's mission to be always calibrated against what the rest of the market is doing or do you think that also has inherent dangers because it's not allowing the BBC to define what it's doing in its own terms and principle?

David Liddiment: I think what we've experienced in the last 5, 6, 7 years is we've seen the BBC adjusting to the inevitability of operating in a true market and I would argue they over-reacted about 4 or 5 years ago and are now correcting a course of action which I think has been broadly welcomed. My, I actually take Ed's point that we're in a difficult situation but a good situation in that we have to find a way of anchoring this idea of public service because we just kind of knew what it was because it was a pretty straightforward duopoly for so many years. We now need to pin it down. The danger with pinning it down is that you end up, particularly for the BBC, creating such a complex set of frameworks and a complex language

to describe this unique institution that you start to inhibit the very creativity that you want it to be its hallmark. In fact, you know, what we have to look to the BBC to be is to be the creative leader of our industry because, because of the uniqueness of their scale and funding. If the BBC can't take risk, no one else can, I mean it's harder for commercial organisations to take the level of risks that the BBC can take and that requires the BBC to be very on the front foot and very articulate in understanding what it is. You know, we've got to try and nail this within this period of review otherwise we will be back to the knee-jerk of, you know, a rock and a hard place. If we don't get the ratings, we get bollocked. When we get the ratings, we get bollocked for being too popular; you know which really doesn't get us very far in broadcasting.

Tim Gardam: But isn't there a point that's been picked up both by Simon and by Jana actually which is the increased problem of the BBC having to set in its own language the bar higher and higher? So you get Mark Thompson talking about there's no room for copycat programmes. There's no room for ordinary programmes. All programmes have to be exceptional. I mean it reminds me a bit of the Health Minister of this government who said all hospitals must be above average. And the, I mean I wonder, but when you look back to the BBC of the mid-1970s, you know the BBC now has nothing like Dallas or Dynasty, it's got a far lower level of repeats actually and yet there is still this perception that the BBC somehow isn't as good as it was. It seems to me it's very difficult for the BBC to find a language of aspiration, which can actually connect with what it can deliver in a world where the consent to the audience gets tougher and tougher.

David Liddiment: This is the danger of this period of review, that the BBC boxes itself into a corner, that actually instead of just the opposite of what is intended, I mean if you think back to I think 4 years ago, we now know that the Director General and the Director of Television of the BBC seriously recommended to the governors that Panorama be moved to BBC2. Four years later, the Director General of the BBC, then the Director of Television at the BBC, is telling us no more copycat programming. You know there's a whole different kind of agenda that's all driven by the review period we're in and the politics of the current situation and that is not a healthy situation to be in because the BBC has to be more than a set of obligations and that means it has to put primarily beyond its obligation to provide impartial information. It's primarily a creative organisation providing creative services to the public.

Tim Gardam: Let me turn to Maggie Brown next to you because Maggie, you're the nearest I suppose there is to a sort of Vatican Correspondent for the BBC. But if you.....

Maggie Brown: I thought I was here because I was a woman.

Tim Gardam: We've got one of them. The points I was going to ask you is this, if you look beyond the politics of the BBC which you have observed every twist and turn of over the past 10 years, do you think the BBC's conception of its output has changed fundamentally say between John Birt, Greg Dyke, Mark Thompson or does, do you see an inconsistency in what they thought they were offering in terms of the programmes which are being made or has it been more the BBC's actual articulation of its position that has varied?

Maggie Brown: Oh gosh, I don't know. I think that basically what you always keep having are these campaigns for the licence fee and therefore at various points or almost continually the BBC seems to be under review, and you also of course get different Director Generals coming in who have different agendas. I think actually the BBC has a quite, a very strong sense of really in its guts what it has to do and what its programming is expected to do but I think all the time it is very much or has been placed in this terrible market-place of continually being driven by what the ratings are, what the overnights are. And so I really welcome at this point in time, and it should have been done a long time ago and I've been arguing for this for some time, that there needs to be an amplification of the reach argument and the impact argument. Can I share one thing with you? I mean there's no point having a journalist here if you aren't a journalist. One of the good things about me is that I'm not just the Vatican Correspondent at the BBC. I do get out and about and I look at other industries. Now last week I was in the boardroom of National Magazines. Now they are investing £26 million in a new weekly celebrity magazine but one of the things in it are weekly television listings. Now knowing I was coming here, knowing they had spent 18 months really researching the

market-place, women under 50, what they wanted in their listings, I was surprised. All they had were the 5 main television channels and I said "Well, you know, we're all in multi-channel homes now. Why are you doing this?" And they said "Oh," – and these are commercial people, they're not bothered about whether the BBC's Charter is renewed or not – they said that this is what people said to them. They took the 5 big channels as a very different proposition to everything else. And in that I would say that BBC1 and BBC2 matter the most of all. And that is why I think it is correct that the current management of the BBC, no matter if they've had some Pauline conversions on the way, have actually decided that yes, children stays on BBC1 and BBC2 and that it's a showcase for all of these very wide and interesting genre that the BBC rightly in its submission today has said that it does. I'd like to add, can I add one more thing at this point in time? I don't think anybody in this room or on this Panel would go to the barricades over BBC3 and probably not BBC4 either but there are quite a lot of people who probably would go, would certainly say, I mean they're not going to march on Broadcasting House in defence of, you know, the old Radio 4 type lobby, but a lot of people – and Paddy's report has picked this up very well – that CBeebies and CBBC are a success. They're a success with the audience and they're a success in all sorts of other reasons, including on advertising, parental confidence, British content, a safe haven, blah, blah, blah. I think myself when the government gave the BBC free licences to the over-75s, £400 million a year, it really missed a very big trick. I don't mind demographics being pursued but I think the BBC's pursuit of 16 to 34s is crazy and it should stop and it should stop as soon as possible. But I think the money that they're spending on BBC3 should go towards a service, a proper service, a public service broadcasting service for pensioners, and I think that they could tap in there to huge numbers of people who need palatable, easy to understand advice. I'm thinking of a sort of Watchdog for the over-60s, Crime Watch for the over-60s, You and Yours on Radio 4. That's where the BBC ought to be focusing, on not just narrow commercial demographics. It should be looking at the population as a whole and saying how can we with these huge resources serve the people out there?

Tim Gardam: I want to come back to the issue actually of money versus purposes when we come onto the second part of the discussion but I see Steve Barnett has arrived and I'd like to pick up the point which I was raising just now, Steve. You've been pretty consistently a supporter of the BBC through all the twists and turns of Director Generals. You've seen them come and go, counted them in, counted them out. Is your support because you believe the BBC has been consistent in its offer or do you believe it's because in the end its role is fundamentally separate from the rest of broadcasting?

Professor Steven Barnett: I think the answer is the latter. My apologies for being late by the way. I was trying to resolve a family crisis. I think it's the latter. My support has been consistent and there's no question that if you go back over the last 30 years and you read the various sort of smoke signals coming out of Broadcasting House, it's a bit like dealing with the Kremlin sometimes. You have to sort of read the runes and we'd had talk about Himalayan heights and things like that and there was extending choice and it goes up and down. There are times when the BBC feels it's become too populist and it will become more serious. There are times when it's become more, too serious, it's worried about ratings and it needs to become more populist. The point is that through all those ups and downs and the twists and the turns there is a fundamental public purpose defined by the institution that I think defines the output. And it doesn't matter whether the output is soap operas, factual programming, comedy, one-off drama, whatever. It is something that is substantially different from the commercial sector. And I don't mean different because it's something that the commercial sector doesn't do. It comes from a different set of, a different set of professional values, a different set of purposes. What defines the institution is not we need to generate as much advertising revenue as possible. Now I know that there are times and there have been studies done, sort of anthropological type studies which sit in on the way in which programmes are discussed and sometimes they are very commercially driven decisions, particularly I think recently the Controllers tend to be sort of driven perhaps too much by thinking about ratings but actually ultimately people who have come from the commercial sector of the BBC will tell you, and vice versa, will tell you that the institution is different and I think that means that the output is different. There are times when it's not as different as it should be and the BBC will often acknowledge that and there are programmes we can all pluck out of the air and say "That really should not have been a BBC programme." Yes, it makes mistakes but you can't

condemn the institution nor public funding simply because there are times when it may become too commercial.

Tim Gardam: But the pressure points that we've been identifying today I think is slightly different to that. It's that with the growth of the market with digital, the BBC faces an increasing tension between its need for proving its universality and its need to enhance its differentiation.

Prof. Steven Barnett: Yes.

Tim Gardam: And that it's a tension between stretch and sort of consolidation of quality. And there are no clear coordinates at the moment, and this is what this review is reaching towards, which can help define that balance without boxing the BBC in with a whole lot of sort of boxed in measures.

Prof. Steven Barnett: You're absolutely right. It's not a new tension. It's a more acute tension. It's a tension that's been there for, well since the beginning of ITV almost, well certainly for the last 20 years or so and certainly since the beginning of satellite television. It's become more acute because there are more commercial operators who have more to lose commercially by some of the BBC's operations. And I think the children's channels are a perfect illustration of how, with the political will and the BBC having the institutional will, it simply has to say sometimes to commercial operators "Sorry Disney, sorry Nickelodeon, I know you don't like it. Yes, we may be treading on your commercial toes but this is a public service and this is why it's a public service." And if the government has to lay down perhaps slightly stricter coordinates as you put it for the delivery of some of those channels, then may be that's the price to pay for a little bit less flexibility but what we mustn't do is take that flexibility away completely.

Tim Gardam: I'm going to come to Peter Bazalgette and then to Roly Keating to pull together the BBC, see his response to what everyone said but first I'm going to jump in and ask Andrew Zein a question, not in relationship to your role at PACT actually but it seems to me the weakness of this Panel is we have not really addressed the power of satellite television in all this and you at Tiger make a lot of programmes for Sky 1.

Andrew Zein: Yes.

Tim Gardam: You also make lots of programmes for the BBC. Do you see a fracture between the set of criteria, which you bring to pitching to Sky 1 and the set of criteria, the programming that you pitch to the BBC or is there in all honesty a level of overlap between them?

Andrew Zein: Well I think the way we operate, and actually most producers operate, is it comes out of the passions of the producers where they feel there are opportunities, channels, controllers, commissioning editors for whom they want to work. I think the Sky, BBC or the main 5 versus the digital is partly a generational thing where there's different opportunities to speak to different audiences. So when we're going in to talk to Sky, it's people who, it's producers who have ideas that they feel fit that channel, that perhaps reflect interests of the producers that are more akin to a Sky audience.

Tim Gardam: You said hit younger audiences?

Andrew Zein: Yes. Yes.

Tim Gardam: So was this a problem that, something I think we need to tease out, that increasingly defining the BBC's exceptionalism tends to be seen in terms of, you know, old-fashioned and serious versus young and flashy, and that is probably a, you know a fracture that the BBC mustn't let happen. But what you're saying is that's automatically the way you think when you go to talk either to the BBC or Sky?

Andrew Zein : No, it's not. I think it's the type of programme and the content. Sky wants a particular thing, the BBC wants a particular thing. So whether it's new comedy, if there's a new comedy idea comes out, naturally people will sort of look towards the BBC, whether that be BBC2 or BBC3. But if it's a programme about, I don't know, American culture, you'll probably slightly be tailing that, thinking that's more naturally a Sky thing. There isn't a specific, because I think there's too much of a generalisation about a younger audience to say they're all going to gravitate to Sky for certain things but there's certain types of programming that they'd expect to see on BBC3 at high end, whether that be entertainment, comedy and suchlike, or BBC2 or BBC1.

Tim Gardam: Thanks. Well let me now go to Peter. Peter, as a big producer of unashamedly popular programming that wants to make a big mark when it comes out, how do you differentiate the offer that you make to the BBC and the offer that you make to other broadcasters? Is there something fundamentally different in your approach to, or your conception of what it is appropriate for the BBC to take or the most likely they will take as opposed to what somebody else will take?

Peter Bazalgette: Well I think there are two answers to that. The first answer is no in that the BBC should be making, as part of its output, broadly popular programmes in genres like entertainment that aspire to a very big audience, compete head-to-head with channels like Channel 4 and ITV and satisfy large numbers of people in the genres. Answer two is yes because on the whole the BBC's ambition should be a bit higher because it has public money which is exacted via a compulsory tax and one of the ways of its ambitions being higher is for programmes to have more take out, if I can use that expression. And therefore you would try, we try and we work with BBC commissioners to try to make sure even those popular shows have got more in them you can take away than you would necessarily find not as a rule of thumb but sometimes let's say, necessarily find on other popular channels. I must say that I'm quite encouraged that there seems to be a sort of consensus forming round this table this morning that the BBC shouldn't be marginalised, that it should be going for broad audiences. All too often this debate really falls into what I think of British television as a sort of organised hypocrisy and debate on public service broadcasting is often telling other people what they ought to watch. And too much of the debate is dictated by people who don't like television or don't watch television. They're usually middle-aged men. Thank goodness this table is not dominated by middle-aged men. Obviously that's very good.

Unidentified male panellist: Some of us are approaching middle age.

Peter Bazalgette: Sorry. Paddy says he's under 20 but we'll make our own....but what encourages me is that despite the dominance of that particular strange breed in society around this table, there seems to be this consensus developing. You know all too often you hear the BBC talked about as though it's really either a sort of offshoot of the Department of Education or sort of improving enema. And it's, it's you know absolutely about big audiences and it's about entertainment. I think the dangers right now, Tim, and as I say I am encouraged by the way people are talking round this table, but the dangers are that it is made to narrow its output. Paddy was quite right to attack the market failure argument. The danger, Maggie, is not that it doesn't serve older audiences. It serves them very well. They don't need more programmes on how to buy false teeth or find Stannah chairlifts. Actually the danger is it's not talking to the next generation. And very often if it puts on a programmes that are risky and appealing to the next generation, it's attacked for it.

Maggie Brown: So who are the next generation?

Peter Balzalgette: I'm talking for instance, I have just....you don't know what I'm talking about?

Maggie Brown: No. Who are the next generation?

Peter Balzalgette: The next generation? I'm talking about people in their teens and in their twenties, okay. Now I've just.... Since you challenged me on it, I've just surveyed my own, this is an unreliable straw poll of two...

Maggie Brown: That's your household?

Peter Bazalgette: But I've just actually analysed my own teenagers' viewing habits and they spent 87% of their time watching non-terrestrial television and they never ever watch BBC1 or ITV. This was in the week I surveyed their viewing. Now the BBC has got to speak to them as well and it's actually that generation the BBC is in danger of not speaking to and every time people give it such narrow purposes and narrow its output, that danger gets worse.

Tim Gardam: It's certainly true isn't it that there's a, in a discussion the sort of BBC4, BBC2 argument can get approbation, the BBC1, BBC3 areas are where the so-called controversy lies. But how far do you think it makes sense for the BBC to define its mission in such demographic terms? I go back to my BBC3 point. At the moment the BBC says we make this for an audience as opposed to we're making this because it's good. It is actually essentially mimicking the market.

Peter Bazalgette: Well the BBC needs to satisfy large numbers of people some of the time and small numbers of people some of the time and it needs to take an overall picture of whether it satisfies them. Now do their commissioners sometimes talk about, too narrowly about niche programming? Actually to be fair I don't think they do. The biggest danger from our constant contact with BBC commissioners of programmes, the biggest danger of the BBC is that they've become risk averse. They're frightened. They're frightened because they're all trying to behave while all this process goes on and they can get their Charter Review back. It's understandable but it's regrettable and the BBC does need to take risks. It needs to outrage people. I personally, I don't know whether Pope Town was a bloody awful programme or not but I suspect there was more at work there than there should have been. It worried me that that was not put out.

Tim Gardam: Would Your Pig have been on the BBC?

Peter Bazalgette: It should be because it was a piece of public service broadcasting, Tim.

Tim Gardam: It was circumstance I suppose.

Peter Bazalgette: Exactly. Most people don't know what you're talking about. I think we'll leave it that way actually.

Tim Gardam: Peter Bazalgette, this is for the benefit of people watching on the web, has been responsible for the activities of a pig on the Channel 5 programme called The Farm.

Jana Bennett: It was highly educational.

Howard Davies: We need to wind up. Shall we give the BBC a little response and then we will stop because we're already slightly over.

Tim Gardam: Roly, you've been extremely patient.

Roly Keating: No, well I'll try and be brief too. I mean like Peter, I have to say I mean you never know as a BBC person coming to one of these what the tenor of the conversation is going to be. It's been an incredibly thoughtful, not entirely consensual but you do feel all the contributions have been circling around a mature set of ideas now, which I don't think was the case a year ago in this debate and that gives us a lot of feedback to go forward. I want to I think try and talk around the key question that Tim has come back to I think again and again. You've been teasing away at this idea of tension, of the BBC being between a rock and a hard place. And Steve said it's always been there and you're saying actually it's more acute now than ever. And of course those contradictions are there. I've worked at the BBC for 20 years. You live them every day and you can't ignore them. You can't completely dissolve them either and yet day by day and hour by hour we sort of do and that's probably what contributes to the excitement of BBC television at its best. Where I think we've got to is the point of challenge that David raised where he said the BBC has to be more than a set of obligations. I think that's an absolutely valuable thing that you said and I think that is right. I

think the work that Ofcom's been trying to do, the work that we've been trying to do is go back to the ill-defined consensus that still does exist about what the BBC is for and try and be more precise about articulating it, find ways to measure it but above all keep the vision alive, not as you say create a set of measures which end up inhibiting creativity. And I think Peter's absolutely right. I mean I've just taken over at BBC2, which is a strong, healthy channel, but if I had one criticism, you ask what have we, you know how would we criticise ourselves, the one thing I am not seeing are those spikes of outrageous surprise and creativity and danger and difference that for me as a viewer of BBC2 I do expect it to deliver from time to time. I think there is a danger that we flatten ourselves out if we don't maintain the culture. So let me come to the tension that you've raised and just float some thoughts. We'll talk probably in the next session about public value. Paddy talked a lot about net public value. Clearly public value is generated right across the industry, certainly the whole range of PSB. To greater and lesser degrees it's probably, it's created to a degree in the digital market-place, but I think in this new language of public value the BBC should remain as a centre of excellence, a unique centre of excellence for the creation of public value in broadcasting. This is really Steve's point. It has a special ethos that I certainly feel when you come to work there when we try to commission things, when Peter talks about that extra layer that you can bring in, that that's really worth doing. And it's your phrase about the BBC being the creative leader of the industry, I think that's trying to capture the same idea. I think Mark Thompson has begun to feel his way towards a common sense articulation of that in terms of programme strategy and we're not there yet and it is certainly not about the BBC retreating suddenly and absolutely from certain kinds of genres and only doing others. But what it probably is....let me just finish this thought, Tim...it probably is about talking to the audience probably more maturely than any of us have been able to do before about what their real profound expectations of the BBC are. They expect us to be a very broad-based broadcaster, a popular broadcaster but I think they also expect us to have very particular reputations in I don't news and current affairs, your area, certain kinds of innovative comedy as you say Andrew, you've got that there, certain kinds of big popular event television, Restoration or Who Do You Think You Are, This Week, which have clear value beyond the screen, the highest end of drama, knowledge-building programmes. There is an implicit hierarchy that doesn't suddenly stop dead somewhere. In other words people expect us to be, to have a full range of schedules and we, one reason why we shouldn't suddenly ditch our commitment to all sorts of other kinds of television is not just that sense of there being a broad, lively frame of broadcasting to put those programmes into but it's also the most popular end of television can also be very often where the real innovations come into the body politic of PSB. Ed used the phrase about the complex, it's not about the BBC as a fortress, it's about the complex of where there are interactions with a fast-moving market-place and you feel it when you talk to producers. They get inspired by something they've seen on a commercial channel or a digital channel and they say "Well actually if you combined that format with some of the areas of interest the BBC has, you get something different that wouldn't have happened without the BBC and wouldn't have happened without the market." And that's where something very, that's where we get excited again. So there we are. Thank you.

Howard Davies: I'm going to wind it up now on grounds on time but also I think we are moving to the point where it does make sense to look forward and to say how far does what we've said in the first session remain valid or how is it likely to remain valid in the new world and I'll ask Ed to kick off at that. Just two or three very quick points from me. One, I was struggling to understand what my role was. I now understand from Peter that I am a very middle-class male who doesn't watch TV. That's my competitive advantage in this discussion. One mildly serious point, Peter. You have to watch out, when there's a single equality Act saying things like old people are interested in how to buy false teeth and chair lifts, will I hope become an offence because I really don't think that that is a good way of characterising what our growing elderly population is actually interested in. Lastly, there seems to be one dispute which we didn't resolve as to whether the BBC is best likened to the Vatican or to the Kremlin. I personally think this is offensive both to the Catholic Church and to the Russian Communist Party, both of whom managed to achieve regime change with a lot less anguish and blood than is typically the case of (INAUDABLE)

We're going to stop now for coffee and I'd like to get you back as soon after a quarter to as you can really but let's say realistically ten to. Thank you.

COFFEE BREAK

Howard Davies: I have to begin again with an appeal about mobiles and blackberries. If we could and I'm afraid I have to begin again with an appeal about mobiles and blackberries. The BBC are saying that it is interfering with the sound technology and I would hate it if anybody was frogmarched from the premises by the DCMS cultural police. So if you could have another look and check that you are switched off, thank you. We are moving now into the future. We were quite disciplined before the break and we did focus largely on the scene as it is and we are pleased to have Ed Richards, who is seen as the prime author I guess of the Ofcom, the latest Ofcom Paper, its second volume on the future for public service broadcasting, which recommended in particular a public service publisher in the future to, if you like, fill in the gaps in public service broadcasting which he perceived would be left as the ability for the other terrestrial broadcasting to fund public sector broadcasting diminished in the digital era. This has attracted a lot of attention and some of it favourable but the Guardian said that what Ofcom would achieve if it persuaded the government to adopt its recommendations is a marvellous new job creation scheme for Ofcom, which would allow it into the new world of broadcasting which otherwise it will be excluded. And Ed will treat that shameful suggestion with the contempt it deserves in his introduction.

Ed Richards: I certainly will, Howard. Thank you very much. I want to make three points in my introduction really. The first is about how the historic ecology is changing. The second is about the, because we are focused on the BBC today, about the relationship between privileges and obligations or responsibilities. And the third is how those two things need to make us think about what kind of PSB system or ecology, as the title of the session suggests, we want in the future. On the first of those, I think what we've done in our first two reports is set out how we think there is an inexorable change going on to the historic PSB ecology that we all grew up with. Just to recap that very, very briefly, essentially the historic system in commercial PSB at least operated on the basis of the scarcity value of the analogue spectrum. That has been declining for some time. It is declining very sharply now and it will decline close to zero, literally to zero as you reach digital switchover but, even if you didn't have digital switchover, it would decline close to zero because we expect 80, 85, 90% of people to go digital in any case. So that is a very, very important contextual issue for how we need to see the BBC's role because it tells you about or it describes a story on which the commercial public service broadcasting element of our overall system is facing inexorable pressure and will indeed, in our view, effectively collapse over the next 5-10 years. The second point I want to make is about the relationship between privileges and responsibilities because I think that is an underpinning factor for how we see, how we might think about a future system. This is a very simple point really. I think the Communications Act made a sensible proposal, which was essentially that we had a hierarchy of public service broadcasters and that privileges or the degree of privilege was matched by some motion of responsibility or obligation. And clearly the BBC has the greatest set of privileges. It's in the unique position of receiving direct public funding from a compulsory licence fee and that means that it is important to recognise that in the context of a hierarchy of public service broadcasting the BBC has the greatest privileges but also therefore has the greatest responsibilities and we were beginning to talk about some of these earlier. What does that mean for me? Well just a few highlights. I think it does mean being very clear that the focus needs to be on core public purposes. I think it means things like making sure that there is a responsible and fair approach taken to the independent sector. I think it means that in the areas where the costs associated with public service broadcasting are greatest, for example in regional provision and local provision, that the BBC is stepping up to the mark in those areas, and it also means acting extremely responsibly in relation to commercial activities – not something we're coveting today but I think an important point to make. But the main part of what I want to talk about is to think about that, that set of privileges and responsibilities in the context of a future system of public service broadcasting, the ecology if you like. Our starting point, as set out in our recent report, is very much that the BBC should be the corner stone of any future effective system. I think our view is very much that if you have a marginalised BBC, if you try and drive the BBC into the Himalayan heights or the ghetto, whichever version you want of it, then you can frankly forget a strong public service broadcasting system. You need a corner stone. You need an organisation focused on those core public purposes, making a substantial contribution across a range of areas, free to take risks and free to

exercise that kind of creative leadership that David and others were describing. Now there's been a lot of discussion about precisely what the coordinates of that might be and I don't want to repeat those. What I really want to do is talk about how that must be seen in the context of the rest of the market, which we touched upon earlier. The really point that I want to emphasise here is that I believe that talking about the system and the ecology as a whole is not just talking about other institutions, other roles of other organisations. It's actually about ensuring that the BBC can be at its best too. I think if the BBC ends up being isolated I think we won't ever get the best out of the BBC either. So what's happening in the rest of the market? Well essential on our analysis, as a result of the decline of the historic analogue model, something like £400 million of implicit subsidy will leak out of the system. Substantially more than that in my view has already gone. I think this is a pressure that's been exerted over some time but from now until switchover something like £400 million of implicit spend will leak out of the system. What does that mean once we get to switchover? Well I think it means that inevitably what you are able to expect in a public service broadcasting sense from the current contributors other than the BBC is going to be different. We expect ITV to switchover primarily, if not overwhelmingly, from a PSB perspective to be focused on high levels of origination and news and possibly regional news. 5 will be overwhelmingly market-led at that point and Channel 4 importantly will continue between now and switchover to face inexorable commercial pressure, such that its ability to cross-subsidise one part of the schedule with another, so in other words to do a high, very risky, perhaps lower rating but more innovative, greater points of difference in the schedule, will be more difficult than it has ever been. It is more difficult today, as I think anyone who has worked in Channel 4 would testify, than it was 5 or 10 years ago. So that inexorable commercial pressure will play out over the next few years and that describes that, that describes in a sense how the system will change. If we don't do anything in that environment, there is a serious risk that the BBC will end up relatively isolated from a PSB perspective. Does that matter? That's a really important question. In our view it does matter. Why might it not matter? Well one reason it might not matter is because clearly, as Bill has said, there is a vast increase in the range of choice. The market is providing far more and that we accept absolutely. That's absolutely right and there will be very substantial competition from the market. There will be all sorts of different perspectives provided. And that in many, many ways will be extremely valuable. ITV in particular for example will continue to provide real competition, an alternative for popular drama, soaps and many other genres. But we believe that for a strong BBC and for a strong system of public service broadcasting you also need competition for quality. You need alternative perspectives in the heartland of public service broadcasting as well as in the general provision by the market. And this is in a sense all about the centre of gravity that I was trying to describe earlier. Where does the centre of gravity of our system lie? There's a serious risk if we don't have that competition for quality, that plurality within public service broadcasting as well as in the market in general, that the centre of gravity drifts to a direction that is neither good for the system as a whole or indeed for the BBC. So what do we propose as a possibility for the future? Well I think you begin with the BBC as the corner stone in the way that I've described. We would absolutely still expect a significant contribution from Channel 4 while it retains its not-for-profit public status. It's certainly still able and will still be able to make a significant contribution and there may, we may need to consider further measures to buttress that contribution. But we also, as Howard mentioned, suggested that there is scope for a new PSP, a public service publisher, which we very much see as a new source of innovation and plurality and competition for quality to the BBC, to Channel 4 within the system roundabout switchover and not necessarily conceived of as only a traditional linear channel but focused on the range of opportunities that would be available in the digital age, so those 3 organisations, alongside a continued but a different kind of contribution to the overall system from ITV, 5 and indeed other providers in the market. The reason I wanted to lay it out in that sense is because one of the I think incorrect interpretations of the way the system works at the moment is to say well if you've got the BBC and Channel 4 in the future, that will be okay. I think our analysis is that the more plurality you can build into the public service broadcasting group if you like, that core, the better, not to an infinite number obviously but when we looked at this we felt, as you analyse the evolution of that, of the different contributors today, that there would be a very strong case for a new source of innovation, a new source of plurality to provide both competition for quality and complementarity, an alternative prospectus.

Howard Davies: Thank you. Can I just ask about the, before I hand back to Tim, one idea that was floated earlier, which was the notion that this addition biodiversity of public sector broadcasting should be provided through a top slice of the licence fee has disappeared from your latest proposals. Why?

Ed Richards: We draw a distinction between top slicing and what we call an enhanced licence fee and it is not a semantic point. Well it is semantic but not just a semantic point. It has a substantive...

Unidentified male audience member: It depends what you mean by semantic.

Ed Richards: I think I was just reminding myself that Jacque (INAUDABLE) has just died and getting myself tied up in semiotics. For us a top slice of the licence fee indicates what's the BBC's funding? Let's take some of that away and enable the BBC to do less and to do less well and to deliver its remit less effectively and give it to somebody else. Now that clearly is an option and that's why we put it out for public debate in our first phase document. But the more we thought about this and the more we thought about, you know, an effective future system, the more we concluded that the right logic was to start by saying what do you want the BBC to do? What's the remit for the BBC? And once you've established that as the corner stone of your PSB system then fund it properly. Now if in addition to that you want to fund something like the PSP, one model for doing that amongst the 3 that we set out would be an increment to the licence fee in addition to what is necessary for the BBC to properly deliver its remit. So it's the distinction between just taking away from the BBC and giving to someone else and in a sense implying that the idea there would be to sort of weaken or undermine the BBC. I'm starting from the position of saying 'no'. We want a strong, independent, effective BBC, properly funded in line with its remit and then we might also want something else to add plurality and complementarity.

Howard Davies: But couldn't one part of the BBC's remit be to promote diversity of public service broadcasting and then you would bring your PSP effectively into the BBC as one of its objectives?

Ed Richards: Within the BBC's ambit?

Howard Davies: If that were a part of the BBC's remit.

Ed Richards: I would make two observations about that. The first is that I think it's important to remember that diversity comes from different sources and one of those is for example the range of producers that are used. That is an initial source and it's slightly dangerous to think of the BBC just as a sort of monolithic organisation. So long as it's got a diverse supply you'd expect it to be producing a diverse range of outputs itself. But I think the bigger point is could you put that within the BBC's remit? Well as currently constituted, I think all you would do is you'd recreate a culture and approach of the BBC and I think one of the advantages of putting it outside, for precisely the same reason that Channel 4 made such an impact when it arrived and continues to do so, is that different organisations, different institutions, bring different perspectives. They tend to be able to address audiences in a different way. They tend to be able to offer a different kind of take on the world. There's dozens of examples of this - Channel 4 news compared to the BBC news. Channel 4 current affairs is another good example. ITV current affairs is also a good example. And it's not only a different perspective in terms of the production, it actually tends to reach different audiences as well.

Howard Davies: I understand that but what we were told in an earlier seminar with feeling was that things were changing at the BBC and that in future the governors would be imposing a public value test and people like Jana and Roly would need to as it were bid for their future licence to run television or indeed BBC2 and of course that assumes that it's possible that they might fail, otherwise the test would be meaningless. And therefore surely in that framework the governors could in fact the PSPs because that's the relationship that they're now seeking to redefine for themselves with the rest of the organisation. So Roly could fail in his bid for the next 5 years for BBC2 but that could be handed to someone else. So it's quite a different model being proposed than the one that is operated now.

Ed Richards: That is clearly technically possible. Another version of it might be to say to Roly, you know, "Your bid as..." - don't think about this, it's too terrible to imagine, "your bid as BBC2 Controller and the current team, you know, isn't strong enough. We don't think it will deliver sufficient public value so we want, you know, a new BBC2 created on a Greenfield site to start again and address a new audience." Interestingly enough, many, many years ago when I was at the BBC, we seriously thought about doing that with new media. A serious idea was to take a chunk of money and completely drop it somewhere completely different and say we want you to do something totally new with a different culture, a different perspective on a greenfield site, not entwined within the organisation. Now clearly you have to be careful about that sort of thing because you then risk losing some of the economic benefits of a fully or a more integrated organisation but technically in policy terms that's clearly....

Howard Davies: But the fact that you haven't proposed it means that essentially you don't believe in this new model? You don't believe that there will be this distance between the governors and the producers in the BBC? Ofcom doesn't believe that?

Ed Richards: No, no. We haven't expressed a view on that.

Howard Davies: Well implicitly you have because you've rejected that model on the grounds, as you advanced, that it would still be within the same eco-system of the BBC and there wouldn't be this challenge and novelty, etc. So you're saying that the future is going to be like the past?

Ed Richards: Well I certainly wouldn't say we're saying the future is going to be like the past but with the BBC what we're implicitly saying there at the moment is that that licence fee funded system for the BBC activities holds. But just so we're very, very clear, I mean one of the other things we say is that we think that this review and the government's final conclusion needs to clarify the different roles of governance and regulation of the BBC and we haven't offered an opinion on what the final outcome of that should be but it is clearly conceivable that one outcome could be a situation in which the governors more fully separated could see themselves as the public interest shareholder with a certain amount of, with the licence fee funding at their disposal and could take the kind of decisions that you're suggesting.

Howard Davies: So that option is still on the table in your mind?

Ed Richards: That is an area that we haven't, clearly in policy terms that's a conceivable option, yes. We haven't done an analysis or assessment of that.

Howard Davies: Thanks

Tim Gardam: I'm keen to hear what the BBC's view is on the points Ed set out. Jana, you heard Ed say the dangers of an isolated BBC. Does the BBC believe that there needs to be a further spur to public service competition if you looked at the point of digital switchover?

Jana Bennett: I think what Ed and the Ofcom too have been grappling with is a real problem in that you know they're analysing effectively the commercial underpinnings of diversity of public service supply and really identifying some real challenges. Some of them are possibly longer term challenges rather than medium term ones in my view in that there is a quite a lot of money still knocking around the public service broadcasters but...

Tim Gardam: Well we're talking here (INAUDABLE) at the moment.

Jana Bennett: But yes, I mean actually submit possibly a bit further out than tomorrow. But having said that, I think they're trying to look at how plurality can be supported. I agree with because I think, as I said in the first session, competitive creativity is a great advantage for viewers and this isn't all amongst the PSBs. It also is, you know, if MTV find the Osbournes, that changes the rest of television. It comes from another country. It's purely commercial, etc. because everybody, because they did something different. So there is...

Tim Gardam: But on that basis there's an extra £400 million of money in the system.

Jana Bennett: So the question of plurality is how much, it's a very big sum being identified when you look at the investment in the BBC's digital channels, which are obviously being scrutinised. What do you need to do to create enough plurality and competitive creativity? But I think it is a genuine problem to identify and say how do we do it? Do you do it by bolstering Channel 4 in some way? And that is possibly a more efficient way of doing it rather than create another type of infrastructure, another type of competition moving away from, moving away but also giving up a bit on what Channel 4 is doing now seems to me, I mean I wouldn't do that too quickly at all and I'm not saying you exactly say but there's an implication there that their role really will change even more and I wonder about that. But effectively saying more money needs to be found for the system to have plurality I think is the right conclusion. How you find that money, obviously we have a great interest in too because in the end the reason when top slicing doesn't make sense to the BBC, apart from it being, you know, a kind of negative impact on the BBC, is that all it does is redistribute some content ultimately. Some budgets go over here and leave over there. The net benefit to the public is there's no extra benefit. It's just the same amount of programming. What we want is more programming of a serious nature for the audience. So looking at it financially is, you know, is really, really important.

Tim Gardam: What I suggest we do, I think there are two big issues here which we ought to separate. One is the question that that has raised of, if we look forward 5 years plus to after digital switchover, is there a fundamental shift beyond just evolutionary change to the nature of what British television will provide? And then the second issue is, in the light of that, what should the nature of public service competition be? So if we just take the first analysis of a lot of people have said today "Well it's been like this for 20 years, this balancing act. There's nothing new." The question I'd like to pin us down on is at switchover has something fundamentally different happened which changes the nature of the way television is watched and the way television will therefore be funded? And let me go first...Maggie, can I talk to you about this? You've watched television over many years.

Maggie Brown: Yes.

Tim Gardam: Do you think, looking forward, that essentially the sorts of things that are going to be provided to viewers, which viewers will pay for in a different way, will be broadly recognisable or not after switchover?

Maggie Brown: Well I think there's a lot of rubbish spoken about switchover because I've already switched over. I switched over. I had one of the first digital receivers in 1998 and I also had one of the first Sky dishes in 1989 – February 4th before it actually went on air – and so I'm completely switched over. I've got every form of PVRs, you name it, and so have my children and we're a totally digital household, digital radios coming out of our ears, and you know we still watch television and we still watch, I'm afraid to say, linear television. And I'm afraid to say that, although yes, my children watch lots of things that I wish they didn't watch, they still also –and I have teenagers like Peter –they still actually do watch mainstream television. So I don't think when digital switchover happens, despite all the rubbish that's been spoken, we're all going to turn into different people. And you will note, I was just reading Sky's Annual Report last night, I mean they still are only saying that they expect a quarter of their homes to have PVRs, personal video recorders, roundabout 2010, which is when you'll begin to see a large amount of switchover. So no, I think that what's actually happened in this country is that we've become very – how can I put it? – enthralled in policy terms by people who make money out of consultancy and all the rest of it and have been basically rather made to feel spooked about the future when what's actually happened to British television is at the moment as far as I can see, if this particular debate is resolved successfully, we've got a lot of what you might say the very best of all worlds. We have a strong BBC. We have a strong subscription service through BSkyB doing, as Ed has acknowledged, very good sports coverage and other things. We also have still a very robust advertising-funded sector able to spring surprises on us when we least expect them. So I'm not one of those people who thinks we all change our colours and we become different people when we go digital. I accept what for example David Curry, the Chairman of Ofcom, said this week that he thinks a lot of us are,

you know, one mile away from St Helens and when it blows we're all going to go up in the mayhem. I actually accept that broadband is coming as well and I also accept that we may well decide to download programmes in different ways. But I go back to the point actually I was making first of all. I really do think that for people the programmes that matter most from the BBC terms are BBC1, BBC2, the big well-funded public service value-added programmes. Last night The British Isles, A Natural History is a very good example of that. Only the BBC would do those kind of programmes with the last 10 minutes going around every region in the country, looking for specific features of the countryside that are unique to your area. So no, I don't think we will change on 2010 and 2012.

Tim Gardam: Let me ask Bill. Do you agree with that?

Bill Robinson: Well no. I mean I think the, in a way I think I'm one of these middle-aged men that doesn't watch television but I do understand money. I mean that's why I'm on this Panel. The issue is put exactly correctly by Ed Richards that, well I'm old enough to remember when Roy Thompson won the first licence. He described it as a licence to print money. You know analogue spectrum meant that if you got hold of that channel distribution, you had a huge surplus - we economists call it 'rent' - and so the authorities were able to do a deal. They'd say "Okay you can have that channel but we will expropriate a quantity of that rent and make you spend it on good programmes just like the BBC." And, as Ed rightly says, that deal is decreasingly on offer because the spectrum, the value of the spectrum has gone. I mean look at the ITV figures. Look at these numbers that were circulated. You know ITV more than anyone else has been, has seen its audiences decimated by satellite and other digital channels, and we've, you know we know the problems. There have had to be mergers of the big companies, etc. So I mean the idea that there is a big element of as it were sort of free money in there, in the spectrum, that can be used for public purposes is now gone, going. I should say it's going and by switchover it will be gone. So it is quite a slow process but it's clearly underway. So this poses I think quite an interesting economic question because you can say one of two things. You can say, as the first session said, in some sense we need PSB a bit less than we did before because in the old days you had to sort of ensure diversity by regulation because there was only one channel or two, and that's gone so you might say actually there is a, I think there's still a strong argument for PSB but smaller than it was so you might actually say therefore we have a smaller PSB pot. We might just let the BBC do it and that will be that. But Ofcom say "No, actually we think competition is very important" and indeed competition in provision of PSB is important because if, it's very embarrassing for the BBC to be told you know one day that actually they, they haven't done the job terribly well because these ITV companies have actually produced some better PSB than they did. And if that discipline goes I, you know I think I sort of share the view that there might be a tendency that this balance the BBC has always had to strike between as it were ratings and PSB will be less well struck without that counter-balance. And so this, but this comes at a price and I think we have to recognise there is a price because actually what Ofcom is proposing is keep funding the BBC and we have a separate for if you like private sector PSB and it's got to come from somewhere and it could be tax, it could be on the licence fee, it could be a turnover tax on television companies but that money has to come from somewhere. And that is quite a bit proposition to put because I mean in a sense the money is there. You might say that one of the reasons with the digital switch-off of course is that we are going to free up some radio spectrum which can be sold we are told at a much greater value to the telecoms companies, who have you know good uses for it. So you know in essence I think there is, this spectrum scarcity hasn't disappeared. It's just been put to a different use and you could tap into that money and the government could say "Fine. We want to maintain the same size of PSB commitment. Here's the BBC's money. Here's another pot. We'll just extract it from telecoms companies and then we can start the debate, to which I can't contribute because I'm just a middle-aged person who doesn't watch television, as to whether that would be better done by Channel 4 or by the PSP idea."

Tim Gardam: Well before we go on to that debate, I'd like to go to Paddy Barwise. Paddy, you have often talked about the fundamental different nature of how audiences behave in television and then in the radio market for instance, where you have many more, you have had many more networks and therefore arguably television is moving that way. Going back to

this key point about is this evolutionary change or will there be a fundamental shift in behaviour, what's your analysis?

Prof. Paddy Barwise: First of all I have to apologise. I have to go and teach in 5 minutes. Okay? Get back to the day job. Well, Bill is right and Maggie is right. Bill is right about the economics. Maggie is right about viewing behaviour. Bill says he doesn't watch television, he watches his money. I wish I could watch his money but I watch my money, I watch TV but I also watch the audience and have been doing so for over 25 years and the evidence is still sort of unambiguous that increasing the number of TV channels does not lead to strongly segmented audiences. If anything, I have been surprised at the extent that as you get more and more channels, especially if they're sort of multi-genre, the loyalty to those channels is even lower than we would have predicted 20 years ago. So in the case of BBC3 and 4, which obviously I have been looking at, it isn't only that, the viewing of those channels is by a small number of people, it's also that those people who watch them within a week watch them for only an average of 50 minutes in the week. So even for those people, they're rather small blips on the radar screen. If you ask the question about going digital, then going digital is mostly to do with more channels. It is also to do with technologies like personal video recorders. Personal video recorders do lead to some changes in viewing behaviour but those changes in viewing behaviour are far less radical than the digerati have always predicted, which is that you know it's going to become like getting books and all this sort of stuff. So on demand television in my view the evidence is pretty strong. It's going to be, in terms of viewing hours, a sort of relatively small top-up to the main thing and in terms of your question will more channels lead to television becoming more like radio, the answer to that is no, if anything the opposite. We have strong evidence on this and Americans have been trying, for advertising reasons, have been trying for at least 25 years to do niche channels. If you could deliver the Financial Times' readership through a TV channel, you would be able to sell advertising at a massive premium over ITV. Okay. An FT reader is worth between 6 and 8 readers of the Sun per column centimetre in the advertising market because print is a highly segmented medium. The magazine market is even more so. Radio is more segmented than television but if you look at sort of the hard market facts of what advertisers are prepared to pay, then the so-called niche channels in television in the US, in the UK, around the world per viewer, advertisers pay significantly less per viewer than they pay on the mass market channels.

Tim Gardam: But if that's the case, if what you are saying even at the moment when there is no analogue television, if viewing behaviour does not change that significantly, do you think there is any need for any further public intervention to maintain the range of programming that public service television currently provides?

Prof. Paddy Barwise: Absolutely because the, because, as I think we talked about in the earlier session, a mixed ecology, which includes a very strong BBC – and I agree with Ofcom that we also need competition, I think I might put more emphasis on Channel 4 than my reading of what Ofcom's just published than they have but I also agree with Ofcom that you need to go beyond the BBC plus Channel 4 and look at ways of having further competition through some mechanism. The reason for that is the combination of citizenship with, you know, the importance of having several sources of balanced news competing against each other in some genres but also on pure value for money and digital does not change that at all. Viewers aren't interested in the technology that brings them programmes. Viewers are interested in how many good programmes there are and, you know, how many opportunities to see them and digital is primarily about that. The thing which has driven digital take-up is not interactivity. It's more good television is what's been driving it and then there are some interactive features. I have a PVR. I'm a great fan. I think PVRs may actually take off slightly faster than Sky is projecting but that's not the kind of revolutionary change in viewing behaviour, which some people have been projecting.

Tim Gardam: Thank you. I think let's just now move then to what is the nature of the public service competition that is desirable and bring you back all the time to the focus to our discussion to the BBC. Before we go to some of the BBC's providers and competitors, I'd just like to ask one question to Ed. Ed, some people have said that if you look at Radio 4, Radio 4 is an example of a BBC service, which has absolutely no competition but provides the

definitive criteria for excellence of a kind in a particular medium. Why then does television, BBC television, need to be so kept honest by competition when some of the key BBC radio services have got no direct competition?

Ed Richards: That's a very good question. I think you could answer that in two ways. I mean the first way is to say that it is not beyond the realms of possibility that Radio 4 could be even better if it did have some competition and personally I would be inclined to think about that very carefully. I don't think, I think Radio 4 is an exceptional radio station but it is absolutely not unproven that it couldn't be better and so that's the first observation. And the second observation is that, even if that were not to be the case, sometimes exceptions prove rules and the rules that I see around me in every sphere of life, whether they be commercial markets or anything else, what I observe is that where you have a bit of diversity, a bit of competition, a bit of scope for innovation and not a monopoly provider you will get a better outcome for the consumer and in this case for the citizen. And I think that is a good rule of thumb. Now Radio 4 may be an unusual exception but, as I say, I would actually challenge the presumption that it is necessarily an unusual exception.

Howard Davies: So why is there only one Ofcom? You don't need to answer that.

Ed Richards: We have a monopoly in regulation.

Tim Gardam: Peter Bazalgette. Peter, you've just stood down as having been a non-executive director of the other state-owned channel, Channel 4. What's your view on the need for redefining the funding of public service competition after switchover?

Peter Bazalgette: I think the first thing I'd say is that, you know, for the organisations like the BBC and Channel 4 going into post-digital switch-off is the glass half-full or half-empty for them? I think it's half-full. I think however much their share declines; they actually have the most valuable, best-known brands in television and can always gather viewers around that brand. And whether they end up as scheduled channels or sources like video entertainment libraries, sources of programming, that's why they have an important role. And so in the digital environment it's not that they're smaller than they were before but they're the biggest beast in that jungle and that makes them very important. I think it's, you were questioning Ed then about a competition. I think if we're going to go in the direction of – and I'll come to your specific funding point Tim – but I think if we're going to go in the direction of not wanting to ask people providing a public service to do too much box ticking, not to be too prescriptive, not, as you were saying earlier Roly, to narrow, restrict creativity, the best way to get a result is to have competitions prior PSB. If you don't have competition, you need very rigorous box ticking, very specific remits and that's an important distinction to make. But your question I think was specifically about funding and it seems to me that it's still perfectly legitimate to have, if there is a consensus amongst the public they are willing to pay the licence fee, it's entirely legitimate to have public money going into programming post digital switch-off. I think that depends less on economic theory and more on whether the public wishes it. And if they wish it, it will happen as a democratic result. Channel 4 and Ed's idea of a third public service channel funded, a possible idea from Ed of course, yes, a possible idea...

Ed Richards: Publisher rather than channels.

Peter Balzalgette: Well publisher and digital publisher, I take your point. I found that, it's an interesting idea but I do wonder at that stage how much competition you need in the supply of PSB and do you need to reinvent the wheel when you already have Channel 4? Can you not help Channel 4, in the various ways it may need to be helped, continue to play a very large role in PSB? It seemed to me there was some implication in what you wrote, you and your colleagues wrote in your second report Ed that Channel 4 might have to go much more commercial in the direction of ITV and I don't buy that. And if that's the wrong implication then fine, correct it, but I certainly don't buy that.

Ed Richards: I would like to respond to this Channel 4 point because I think it's very, very important. Firstly, we don't think that. We think that Channel 4 should maintain a significant contribution to public service broadcasting but one has to understand the pressures that are

on it and the pressures indeed that have been on it for many years. So we don't think the game's up for Channel 4. On the contrary, we think and anticipate that it would offer a substantial contribution. Now what a number of people have said to me since we published our report is yes, right analysis, surely the answer is just to give the money to Channel 4, okay? Buttress Channel 4. Now let me just explain why I think we need to be very, very cautious about that kind of measure. Firstly, as I think Jana said, it is an unproven case at the moment, the extent to which Channel 4's commercial PSB model is absolutely broken. We think there is a substantial degree of self-help that can be done between now and the next few years and we think all that needs to take place before the begging bowl is produced. So that's the first point. We need to ease into that and monitor this issue of how much the contribution is, while being clear that we want that contribution to be significant. The second point is that one of Channel 4's characteristics, valuable characteristics, is that it has a culture of commercial self-reliance. It blends public service broadcasting remit with a culture of commercial self-reliance. We throw that away; we should throw that away with great, great caution. Thirdly, if you look at mixed funding public service broadcasters around the world, where a channel is expected to raise combined advertising with direct funding, they work very, very poorly indeed. They have mixed incentives; they get confused and they're not quite sure what they want to do. That is what you would be creating if you, you know, delivered 100 or 200 million to Channel 4 tomorrow. Fourthly, it seems to us that what one of the important observations from the many decades of broadcasting in this country is that when a system really lifts itself, it's those points of significant entry and innovation, when someone brings a fresh perspective, and indeed that was precisely what happened when Channel 4 itself was created. And the idea therefore that the right answer is just to give the money just like that to an existing institution, an existing broadcaster in Channel 4's case, rather than say look, you know, the public view is that we should sustain a plurality of public service broadcasting, that we should fund it to this level, and so right, who's got the best set of ideas for how you can deliver public service broadcasting afresh in the digital age using the new distribution mechanisms, reinventing the kind of genres that one might employ to meet those public purposes and have a competition for ideas about how you can deliver the best value for the money, the greatest reach and impact in that context rather than just give the money to an existing broadcaster seems to me the wrong way to approach it. So for all those reasons we felt that on balance a public service publisher idea was a stronger proposition than just providing direct sport to Channel 4.

Tim Gardam: Thank you. But Roly, coming back to the BBC, isn't Ed's analysis quite an indictment of the BBC and goes at odds with what the BBC claims it has a unique ability to do? That if there is a £400 million deficit emerging in a certain type of broadcasting, isn't it then within the BBC's powers to substantially correct that if it is prepared to shift its budgeting towards the sort of programming and maybe away from the sort of programmes it was doing in the past to offer that or, as Ed says, it is in the nature of the BBC institutionally that it will not be able to have that creative drive that a new entrance to the market will bring?

Roly Keating: No, I don't see it as an indictment and actually I think Ofcom's suggestion of an institutional solution to this I think is one we should all consider very, very seriously. And the institutional character of the BBC is interesting. I mean Paddy's not here now but I mean to some extent some of what's been happening with the digital strategy has been testing the limits of how you can actually grow different cultures for the new age within the body politic of the BBC. But in a sense I think what's fascinating about the combination of phase 1 and phase 2 of the Ofcom review is that it is beginning to build up a set of first principles about PSB that I think the BBC and Ofcom can probably agree on. And I would say that were the scenario laid out, I mean it is, I am very reassured to hear Ed's sort of optimism about Channel 4 because there's some sort of slightly apocalyptic language about the delicate of will not survive, things will effectively collapse there. But were that to come about I think we absolutely fear the sort of loneliness of the long distance public service broadcaster as it were. That's not a comfortable place to be because I just know as a channel Controller the quality of ideas that come to the BBC will go down in those circumstances. I do agree with that. I think the principle; one of the achievements of our industry has been to establish a principle of competition for quality in public service broadcasting while separating sources of funding. And I think one of the tests in a sense of the idea you're coming up is is it genuinely going to have and be perceived to be a separate source of funding and that's where, you

know, enhanced licence fee is a debate. So I think we, I think that's right. I think the PSB is clearly a fresh and innovative and forward-looking suggestion. I think the multi-media focus of it feels right, although Peter slipped into the language of channels and of course that is the way it will be, may be perceived. We on your proposal are not eligible to pitch for it anyway, so I mean I think to some extent I'd be interested to hear from people who might be, their view of it. I mean I think coming to the debate fairly fresh, I would say clearly though were it to come about the outcome would be utterly different if it were taken up by an established broadcaster, especially Channel 4, than if it were a genuinely fresh entrant and you have in fact left the door open for Channel 4 to bid for it. You could well end up with exactly that situation you've just described about mixed funding, half advertising, half public money there, therefore we need to be, you know, one needs to be clear that we wanted to will that into existence going down that route.

Tim Gardam: It's interesting. Broadening out the core issue that we're looking at here, which is the role of the BBC and in the overall public service broadcasting ecology after digital switchover, it seems to me that we're coming to quite a sort of comfortable, conservative consensus here that it's all manageable, it will all be all right. David, what's your view?

David Liddiment: Well I don't think that's a certainty and you know I think we have to get back to why we would as a society set aside £2½ billion a year to fund an organisation to provide something for us when there is a multiplicity of offerings provided by the market-place. And it seems to me we do so in cultural terms and we do so in the hope that it will trigger and invest and spark – and I'll sound a bit pretentious here – art. I mean if the BBC is for anything it is for the development of creativity for the development of art, for nurturing and finding writers and sustaining and holding true to them, finding comedians and comedy writers and staying true to them in a way that the market will struggle with. And those writers, those artists, those comedians, those entertainers will reach a point where they become a market property and the commercial networks will bid and compete for them at that point. But what, it seems to me the BBC, in future this role of the BBC as a catalyst for creativity in this country and the kind of, and the public value that comes from that, you know, should be more emphasised. And I am a little bit concerned that this morning we are kind of sort of talking ourselves into a point where everything is sort of going to be all right. It isn't. Channel 4 is a shadow of its former self; ITV is a shadow of its former self in pure public service terms. Let's not pretend that everything's kind of okay and I think, you know, Ed, Channel 4's character was born out of protection. It wasn't born out of the commercial market-place. It didn't have to compete for advertising. It had ITV there as a safety valve and it was a very clever device and ITV's, Channel 4's character started to change once they were not protected and had to compete for the revenue. And we can argue, you know, that people will take different views about whether that's a good thing or a bad thing and good things came out of it certainly but no one could disagree that the character of the channel has changed. The pressures on that channel to act and behave as a pure commercial organisation are considerable and it is, you know talking to some of the commissioners and some of the people at that channel about their needs, it is absolutely no different than talking to people at ITV or Channel 5. So let's not pretend that the core spirit of Channel 4 is as alive and well as I think you perhaps hope it is because in actual practical terms it isn't. And I do think there are issues in terms of the PSB review relating to Channel 4 that in a sense – and I understand why you've done that – you've kind of shelved in a sort of wait and see way but I see that, you know, looming before us to be honest with you.

Tim Gardam: I must go to Simon Shaps. Simon, do you agree with David's analysis, essentially that ITV is a shadow of its former self now in public service terms? After digital switchover it will be even more of a different beast with a result that if there isn't further intervention in the public service competition market, the BBC will be left completely on its own?

Simon Shaps: I think, Tim, the thing that I'm struck by is how inappropriate your phrase was about a conservative consensus and what I am struck by is how quickly this debate is moving. And I think, you know, if you look back on the history of regulation, programme policy over the last 10-20 years, there's probably more change implicit in what people have been saying in the last year than we've seen for a very long time. Let me just come to....

Tim Gardam: But the point is....

Simon Shaps: Let me just come to your question.

Tim Gardam: The point I was making was this, that actually the consensus round this table is in the end this change was manageable and the same level of provision of programming would be sustainable. That's the point I'd like you to address.

Simon Shaps: Well I think what's happening is, you know, the universe; the television universe is fundamentally changing by these criteria. Curiously, about the same number of people as ever watched television on a week to week basis are watching television still, notwithstanding all the competition from other sources of entertainment. That viewing audience is fractured inevitably among more channels than it has been historically and as a result of that there are clearly significant changes to what each individual broadcaster offers in that new environment, whether their commercially funded public service broadcasters, pure public service broadcasters or pay TV operators. The issue here is about the ecology of British broadcasting in this context and the ecology of British broadcasting as I hear it being articulated, representing a balance between pay, advertiser-funded and publicly-funded broadcasters is probably, if it is a balance in equilibrium, a relatively healthy equilibrium. I think what's happening in this debate is some changes actually to all of those institutions within that broad context, which hopefully offers some stability. The BBC is fundamentally rethinking what its offer is as a public service broadcaster. Ofcom I think has helpfully articulated a set of quite clear criteria for public service broadcasting and their purposes which are actually rather different from what David, the era that David is referring to, which is an era governed by a set of hours and a form of box ticking, where a programme that actually he commissioned like *Second Coming*, which was probably one of the most thought-provoking pieces of television dealing with religion and religiosity, you know it doesn't count but you know morning worship on a Sunday morning theoretically does. Now, if that is the way in which the debate is going, then frankly I think we all have to say "Well actually that's not a conservative consensus, that's actually quite a radical set of ideas and that's broadly speaking healthy for a creative economy. Add to that one other dimension, which is in recognition however that there are significant changes, maybe there needs to be a new institutional framework for public service broadcasting, hence the PSB, seems to me to be a pretty healthy additional debate. I do share one question about that which is, of the 50 questions about that, which is you know the cultural; you know the institutional context for that is going to be critical. I think a number of people have said that. Peter and Douglas have made that point. There is no doubt at all that institutions and their ability to cultivate creativity is fundamental and the question is will the PSB notion as a publisher, not as a channel provider, have sufficient resource culturally to offer distinctiveness within the market-place is clearly one of the key questions. But it's only been out there for 2 or 3 weeks and it will be staggering if we had a complete set of answers to that.

Tim Gardam: I'm going to turn finally because I think we're out of time to Steve. Steve Barnett, pull together the two strands we've been talking about in this second session, the first strand being that are audiences going to change the nature of viewing, going to fundamentally change, which leaves the second strand, does there need to be a further public service intervention in terms of money to maintain television, the quality of television as we've known it?

Prof. Steven Barnett: Tim, you've read my mind. I've got written down here PSB competition and audience behaviour and I think they actually come together very easily because there is no question in my mind that what Maggie and Paddy were saying about audience behaviour is absolutely right. And I spent 5 years at the beginning of the 90s at the Henley Centre for Forecasting, swimming against the tide and predicting half the growth that everybody else did. And I went back and I read some of that stuff last night because I've just moved house and there's boxes full of crap that I wrote then, and all my forecasts were about double the actual currencies of kind of multi-channel homes and, well nobody thought about digital then but it was all about multi-channel homes, because everybody is bowled over by the enormous revolution that's going to take place in audience behaviour. The fact is, if you look at the way audiences behave, there is going to be no revolution after digital switchover. And what people

turn to is the strong invested programmes, those programmes or channels which have high investment in them. And I think what we're going to see is actually the radio audience pattern moving towards television rather than the other way round. So if we start from the basis that actually mixed genre programming as Paddy has said, and he's spent 25 years researching this, is actually still going to be the future and we may watch it sort of 3 days in arrears or whatever through TVO, through Home Choice, etc. That's still going to be the pattern. We come back to the idea of how do we ensure that we're not just market-driven and what are the areas in which we want to produce this public value? And I was really intrigued by what David was saying, the sort of catch-all phrase of art, which he defines as very broadly a catalyst of creativity, which I think is absolutely right but it misses one crucial dimension which is democracy because PSB is not just about art, it's also about democracy. I don't just mean News At Ten o'clock and Panorama and Tonight with Trevor MacDonald. I mean opportunities for discussion, for conveying information, for participation, for enlightenment, for re-invigorating our political culture, and that is what broadcasting has done in the past and it can still do. And I don't just mean broadcasting; I mean communications in the wider sense. But in order to keep that going, in order to maintain that sort of function in the communications sector, it seems to me axiomatic that we need as much investment and competition as possible. And I am absolutely delighted, having been accused for years of having my head in the sand and being an old Reithian, that I can sit here and say yes, of course competition is a good thing, competition within public service, and let's have more funds made available because we are talking about cultural, social, democratic and creative value for the whole population which the market, the market model cannot deliver.

Howard Davies: Thank you. I think that's been a very useful debate. We've clarified hopefully some of the Ofcom proposals and what they mean. Roly Keating for the BBC said he was reassured, which is clearly very worrying. Looking forward, I think there were some different views about how the market would develop and how the public sector broadcasting world would develop. I found it most useful to think about audiences, and I think both Steven Barnett and Paddy Barwise reminded us that we need to think about how people actually behaved at the moment. And also Paddy reminded us of the need to think about the behaviour of different audiences and the different attractiveness of different types of audience to commercial broadcasters, saying people would pay more to get at FT readers a lot more than they would Sun readers, which did leave me with one thought that in the light of that it's quite a stunning achievement on the part of the FT to manage to lose money running that paper, but that's perhaps not something that should detain us here. So let's stop now and then after the short break we'll come back to looking at the BBC's relationship with other producers. There are a number of questions that have been put in about that which I'll refer to at the beginning of the next session. We'll break for just 10 minutes and then at the next session I will give a flavour of what's come from the floor and then Andrew Zein will kick us off at 5 past.

REFRESHMENT BREAK

Howard Davies: Thank you. Let's restart. Well the questions have been coming in of quite a range from complaints about too much jazzy background music, which we haven't had today but one I sympathise with I have to say but there we are, then also a couple which do focus on the questions we are about to deal with. The BBC says there are several powerful reasons for keeping production in-house, among them securing quality, greater efficiency, greater ease of developing cross-media services, but can the BBC sustain this argument? The BBC is committed to establishing a fully level playing field between in-house and independent programme makers in all programme areas yet contradicts itself by also saying that Indies should be fairly treated across the qualifying programme areas. As Jana knows, the qualifying programme does not include all programme areas. How can she answer this contradiction? And also how can you justify spending £60 million on acquiring US film bundles, which is perhaps a slightly separate point? However, we'll come onto some of those in the discussion but I'm going to hand over first to Andrew Zein to introduce the debate from the PACT perspective.

Andrew Zein: Thank you. I'm slightly (INAUDABLE) to introduce this from the UK production sector perspective. I think this is worth saying that we're terribly lucky in the UK the fact we

can even have this debate about public service programming and how it works for broadcasters because of the funding in the system, in that our ecology is rich in both the editorial sense and also the financial sense in that there is enough money in the system to fully fund these programmes, which marks us out from the majority of the rest of the world. The fact that broadcasters can have the funding to commission programmes without taking on board editorial compromises that would be brought about if they needed to co-produce with other countries and I think that's an important thing. I think there's also a lot of consensus about the role of originated programming. The public welcomes it. It seems to sort of tick boxes, or tick the easy box of PSB, and I think from a producer's perspective avoiding box ticking has to be the aim of this Charter Review process. The moment you start straitjacketing producers or broadcasters into what they're seeking it will all begin falling apart because the richness of public service programming comes from the fact that genres aren't defined, the fact that ideas do cross over from one area to another and the moment you start to limit a broadcaster about the sort of programming it's seeking and the messages it sends out to producers is the moment that knowledge and skill set and ambition starts to evaporate. The independent sector has a sort of love/hate relationship with the BBC. It's tough love I think would be the mantra that we all recognise the fundamental role it does play in being the touch-stone of PSB programming, creative aspirations, training and the development of talent. I think where the conflict comes is where the BBC sees itself as being the font of all knowledge in these areas or the sole purveyor of services. There has been insensitivity sometimes in the way that the BBC treats external suppliers, whether it's independent producers, magazine publishers, third parties with whom it has channel relationships but certainly what's always been clear from the BBC it does take on the characteristics of its leadership and its management. And no matter how much debate that takes place here and the framework that's set, I think that across the broadcasting landscape in the UK there is a welcoming of Mark and Michael's approach to the BBC's role in the broadcasting ecology. I think if one started with a blank piece of paper, it is pretty unlikely that you would set up your key publicly funded broadcaster that had public service aims with such a dominant and demanding production capability. Having actually read the Charter, it's pretty clear what the British Broadcasting Corporation's job is. It is to provide and not produce, not that it's not to produce but producing is not mentioned in there. It is the provision of content and schedules and I think that's where the other area of consensus around everybody in this room comes in, which is creative competition, which can take place at all sorts of levels. We've heard in the first two sessions about creative competition between broadcasters, which is in essence creative competition and the commissioning messages that they send out but there's also a huge role to be played in creative competition between what is essentially producers who are Research and Development teams, whether they're individuals or companies and creative competition between them to fulfil the needs of channels and their schedules. I think it's at the heart of possibly solving some of the Ofcom issues as well when they talk about the pressure that's going to come going forward. I also think there's an interesting debate we should look at about where public service broadcasting and obligations, creative competition, raising the standards with the broadcasters first and foremost. I think Channel 4's done a lot of that in religion. But that said, you probably wouldn't start with a blank piece of paper and have such a significant in-house production capability but I think we all recognise that we live in a world where the BBC does have, is in the form that it is today and I think the purpose of the debate is probably best-served by trying to interrogate the BBC's feeling that having a 70% in-house production capability helps it deliver the best programmes, helps it deliver the best schedules, because having so many percent in-house supply certainly does not deliver creative competition. Within the public value document it gives scant regard to going into detail about the points that Howard quoted about the BBC's justification for why in-house provision might make sense. Security of supply, I think we should talk about that – critical mass, training, the development of a long-term creative tradition, greater efficiency, greater ease of developing flexible cross-media product and services – I think all of these things are areas where markets are certain, the independent market – and by that I do include the Granada's, the Scottish media groups, overseas broadcasters, because I think it would be wrong to try and even sort of hint that innovation was limited to independent producers. Innovation comes out of people who have, who live or die by the success of their ideas. I think it's worth exploring why the BBC feels those points are so valid because, as the BBC says, the question of the BBC's depth must also be driven only by the interests to the licence payer and I think anything that stifles or inhibits a meritocracy of commissioning, the best

programmes being commissioned from the best talent for the right reasons, goes against the interests of the licence fee payer. So the other part as well as the, examining the BBC's production capabilities and the size of the structure it has to support and commission from, is looking at the commissioning process and this is obviously something the BBC is looking at itself. It's incredibly difficult I think to come up with a true meritocratic commissioning structure when you have in-house production capabilities. That's not, and I don't think, certainly PACT doesn't advocate well that's an argument for getting rid of all in-house production capabilities. It just means you need to be more robust in how you set up the system by which controllers select the programmes that are commissioned for their channels. I think it is the obvious things. It's the clearly defined channel remits. It's clearly defined commissioning structures separate from the mothership of production that is something that we should explore today and it is something that the BBC is exploring. I think what is clear is that public service events, those key moments, the things that Bill was so keen that we could turn and go that's a fantastic offering delivered by the BBC that only the BBC could offer, come equally from the independent sector or from in-house, whether it be the Big Read and Great Britons, which are produced in-house, up against Restoration or Who Do You Think You Are. None of those have, are more public service than another because of their source. It's because of the passion and the work with the channel to deliver a programme that delivered the channel's aims.

Howard Davies: Thanks. We'll hear from the great mothership herself in a moment.

Tim Gardam: Just to be clear. Are you saying that vertical integration in the BBC in any form contributes to its excellence? Will it matter if the BBC had no production?

Andrew Zein: Yes, I think it would. To go from its current form to no production, it would be a weak organisation.

Tim Gardam: So the issue is...I'm trying to move the discussion away from a narrow industry discussion to, mindful of many people in this audience, to the public benefit of the viewer. In terms of viewer benefit, is it possible to reach a calibration of the relationship between what the BBC makes itself or what independents make?

Andrew Zein: I wouldn't be capable of it. I think the issue with vertical integration is that we need to understand the compromises that go, vertical integration, if you are having an organisation that does a range of things; inherently there are compromises there. So I think the debate should be about the compromises that take place because the BBC feels the need to have vertical integration and what those benefits are to the viewer.

Tim Gardam: So what you're saying that the key, you're agreeing with me that the key factors to take into account in working out how many programmes are made by independent producers, how many programmes are made by the BBC, has to be a benefit to the viewer?

Andrew Zein: I don't think working, after the event is a way of doing that. I think it's how programmes get to screen, how programmes are commissioned, the best ideas.

Tim Gardam: But who is this for? Is this for producer benefit or for consumer benefit?

Andrew Zein: For the consumer benefit I think.

Tim Gardam: So how does one judge the consumer benefit?

Andrew Zein: That would be the end result of the schedules and how they fit the brief that either was laid down by....

Tim Gardam: But how do you relate back the consumer benefit of the schedules to the provenance of the programming?

Andrew Zein: I would say by the performance of the schedules.

Tim Gardam: Right, so if the schedules perform better with a certain percentage of independent programming versus in-house programming than they do if you had a different percentage of breakdown that would be terms whereby PACT would be happy to decide what percentage of their programmes should be provided by the BBC?

Andrew Zein: I think we would like to see it not being about the terms of the percentages but being about the commissioning process and the transparency and the meritocracy of that. That said, across the broadcasting landscape, quotas are the things that have underpinned plurality since there was felt to be a need to make allowances to encourage regional production, to encourage ethnic diversity on screen, to encourage independent production.

Tim Gardam: So it would make a difference, when you said earlier that the good thing about the British system was there was a lot of money in the system however you didn't want public service broadcasting to be over-defined by quotas and by measures because that would cause problems to creativity, nevertheless you think there still do need to be measures and quotas carefully defining the relationship between the BBC's in-house and independent production?

Andrew Zein: In terms of quotas, I think broad quotas are a necessary and acceptable mechanism for dealing with a broadcasting system we have such a significant market intervention in the licence fee. What I'm absolutely against is the idea of quotas by genre, quotas by...well the micromanaging of the schedule, the limiting of the ability for a schedule to be ambitious and reflective of what...

Tim Gardam: And looking forward from where we are now to 5 or 7 years' time when switchover has taken place, do you see that market having fundamentally affected that calculation or not?

Andrew Zein: Well I share Maggie and Paddy's view about switchover per se not changing viewing habits, the historical inertia of an audience and what they come to and what they want to watch. Channel 5 demonstrates it. The problems BBC3 has throwing money at it. The problem Sky 1 has of garnering an audience shows that audiences move slowly and know what they like.

Tim Gardam: Well I ask those questions because I'm trying to pull together here the issue of viewer benefit from diversity. As Andrew said, diversity between and competition between public service broadcasters dominated our second session. We're now looking at the benefit to viewers through diversity of production and I'd like to turn to Luke Crawley, whose union represents many BBC, much BBC talent. Address this issue of critical mass first, this diversity of supply.

Luke Crawley: Thank you very much. Yes, well critical mass is obviously very important. From our point of view as a trade union we're naturally interested in our members being employed and we clearly think things which reduce the amount of employment for them is a bad thing but we also think there's some quite strong arguments to be made for why the BBC needs to retain some current percentages of in-house production, not least because the critical mass gives a large pool of talent which allows for creativity. The previous speaker talked about things crossing from genre to genre, which can certainly happen when you've got a large number of staff in-house but it also has a number of other benefits it seems to us. It seems that if you have in-house, a large in-house staff, it allows you to train them properly, to bring them on properly, to give them some idea of the kind of thing they're doing in a professional and structured way. I mean the BBC is famous for its training and I think it's one of the few things which all the paperwork we've been looking at for today, I don't think I've found any critical comments about the training but I mean clearly the BBC could provide training I suppose theoretically if it had no staff, although it would be rather a novel thing to do, but the fact is because it has a large in-house production base, it's about to continue to provide that training and I think that's very important. It's training for the industry and I imagine will continue to do so and that seems to me a benefit to the viewer because they then have people who are making the programmes who have been properly trained and understand about working in a particular area, about working in a particular genre, but as I said before the

critical mass can allow them to cross over. Again the notion it seems to me of being able to have different kinds of voices on the screen, the commissioning process was mentioned earlier. I think that's something that we've had some problems with commissioning, certainly from amongst our freelance members because we have a lot of freelance members who also work for the BBC, some on a very regular basis, sufficiently regular you might think they ought to be staff but nonetheless they are freelance. But they've said that they've found it difficult to get into commissioning, particularly small production companies from ethnic minorities. We approached the BBC and other broadcasters about it and staged an event called Move On Up, which was quite successful in trying to open up that commissioning process and I think I'd agree with Andrew that the commissioning process could benefit from being more open and more transparent and I think that that would be partly in allowing other people, independents as that may be, to make the programmes but also in producing a better range of programming. It's very important if you're trying to produce different kinds of programming and particularly if you're trying to catch the eye and the ear of different kinds of audiences. I think we'd also take a view about the quota, the 25% quota. I think from our point of view one of the issues that's under consideration is should the quota change? We would clearly say no. To arrive at the 25% quota after the legislation was passed at the beginning of the 90s was an extremely painful process in the BBC. Many thousands of people were made redundant. It was coupled with the idea of producer choice, which allowed BBC producers to choose where they could have their programmes made most cheaply, which also drove thousands of redundancies. And I think the position we're at now, we would argue that BBC programmes, their working practices, their staffing practices, are competitive with the industry, certainly competitive with independent producers but I think we'd argue that 25% has produced that variety of outside input. I think it's worth making the point that the original 25% quota talked about letting a thousand flowers bloom, which I think it did to begin with but I think it's commonplace that now many of those flowers have been consolidated or gobbled up into quite large companies, so large in fact they couldn't be defined as independents anymore without changing the definition and that's kind of, I wouldn't say that's kind of damaged it necessarily. In one sense it's an inevitable effect of what's happened in the 90s but it's no longer many, many small independent producers trying to make programmes. It's a smaller number of quite large programmes. So I think we would see that that idea of having a 25% quota is one that we should stick to because if we go above it, one of the arguments has been that there should be a further 25% or a percentage above 25% which should be bid for in some sense. Well I think that's just going to create uncertainty. Again, we're speaking here from the point of view of representing employees and it doesn't seem to us to be a benefit if the BBC on any year thinks oh well, there's another 10% here which might or might not come in-house so let's not bother employing people. Let's staff up on a per location basis. It produces uncertainty. It produces difficulties we know from our members who have faced fixed contract culture, that it actually takes you away from the creative side of making programmes because you're constantly thinking well, you know, where is my next contract coming from and is it going to follow on from this one?

Tim Gardam: But isn't it the point that if you look at the past, the BBC has fed in considerable measure the creative power of a growing and very successful independent production sector. If the BBC were to, as long as the BBC has the same money going into broadcasting and maintains a diversity of channels and has an appetite for original production, even if people within the BBC were to move into the market and set up successful businesses, you would still have the overall consumer and public benefit. It would just be they're making the programmes in a different relationship to the BBC and to other broadcasters....

Luke Crawley: Well that might be the case and it clearly in some circumstances...

Tim Gardam:in the past though hasn't it?

Luke Crawley: In some cases it has been, yes. I mean there are two issues there. The first I think I would suggest is that the independent sector by its very definition must be trying to achieve, as well as making the programmes which it must do, it's been commissioned to make the programmes, it also has to make a profit and so there's an amount of the money that's been spent on making the programming that is not going into the programme making.

It's going into the shareholders if you like, which is the structure of an independent company. And it seems to be when the BBC is doing that; any money that it has to make the programme goes into making the programme rather than into making a profit in addition. But the second point I'd make is...

Tim Gardam: But has that damaged public benefit? If you look at the experience of Channel 4's not-for-profit broadcaster, are you saying that their programmes, because independents take a profit they're therefore inferior to the programmes that the BBC make with their in-house production?

Luke Crawley: Well I was just going to come onto the employment aspect of things because it's very clear to us from what our members tell us that when they're employed either as freelancers or working for a small, some independent producers, the attitude to various aspects of their employment, not least their salaries and so forth, their reward, is not the same as the BBC and is much more – well how best to characterise it really without upsetting people really? They're worse paid; they've got worse terms and conditions; they've got less you know continuity of service; they don't know where their next contract is coming from and I don't believe that helps the creativity. I think it also, to come back to the BBC side of things; I think that because they're not necessarily looking for profit, they're better able to experiment. I mean people have talked about the freedom to fail and I think the BBC does have that, partly because of the way it's set up and because it doesn't have to make a profit on each and every programme.

Howard Davies: Andrew's been trying to...yes.

Andrew Zein: I think there's a lot of fair questions there. I think it's a slightly outdated view of the independent sector I think on the training issue since. But one of the things that helped carry the weight in the debate when the Green Paper for the Communications Act was first being done in 2001 was the independent sector's contribution to training from the original Putnam Committee. That was cited as a reason that the independent sector had shown willingness over time to invest. Again the ITC found it in their Programme Supply Review. Ofcom have commented on it before. There was a report, the Spectrum Strategy put out a report that the independent sector spent sort of 3½% of its gross turnover on training. So you also bring up the point about larger independents. We invest in our people because larger independents do because they know that this is a people business and there's an absolute shortage of talent. What it seems to me is that production talent wants to operate on as broad a landscape as possible so by giving talent the chance to work across a range of broadcasters if they're becoming more freelance or a different way of working within the BBC, I think it's important. I think the ability to migrate from producing one genre to another isn't the preserve of a large in-house production. I think a one-man band independent is as capable of speaking to two different commissioning editors as another.

Howard Davies: There's a question that's come in actually which is relevant to this which I might just put to Peter perhaps, which is has increased competition in broadcasting made independents more independent in ideas or content or more deferential to commissioners and therefore less independent?

Peter Bazalgette: The question of increased competition between whom? I'm not, I don't quite...

Howard Davies: Well more, I suppose what it means is the BBC's 25% commissioning outside I guess is the...so it's Sylvia Harvey who has put the question, yes.

Peter Bazalgette: Sorry has the introduction....sorry Howard, I didn't quite follow. Could you ask once more then and I think...

Howard Davies: Has increased competition in broadcasting made independents more independent in ideas or more deferential to commissioners and therefore less independent?

Peter Bazalgette: Yes. It doesn't matter I think whether you're making a programme in, a vertical integrated broadcaster or as an independent producer. You are selling your ideas to the people who are commissioning programmes who have the money to spend. So I would say broadly that's neutral. Could I just go on and make a couple of other observations? Look, there is a plain truth here that we ought to face, that is the BBC could function as a scheduler and a funder only. It could function that way. And we are told that it shouldn't and should have some in-house production for a number of arguments that have been put forward and we've seen them and we've heard them before. Some of them I think I buy, some I think I don't. I think there's an enormous amount of work to be done in the next 9 or 12 months for the BBC and others and its critics to tie down really quite carefully not just in terms of philosophy but in terms of demonstrable benefit which of those arguments hold water and we've got more work to do on this. You know you hear of security of supply, critical mass, excellence. I don't think I'd buy those necessarily but they could be demonstrated. I think I do buy training to a certain degree, although training could be paid for by the BBC, it doesn't have to take place in the BBC. I think I do buy getting a more diverse workforce. I think a large organisation can actually change the way that people who are entering the media industry and I do buy regional development. I think you need authority and size to do that, economic power. So there is a lot of work to be done there. I think we're getting too bogged down today possibly in, you know, should it be a 25% quota for independents, and by the way it's not 25% as we know it, it's rather less than that because of qualifying programmes but we're getting bogged down there. What's more important I think is probably if you buy those arguments that there should be an element of in-house production in the BBC, then you have to say right, how are you going to have a good transparent system of commissioning that it clearly meritocratic, that's trustworthy and that puts public money to the best ideas but leaves the bedrock if you like of in-house production? Now my suggestion there is that I think there will always be question marks about the way the BBC commissions and whether it does it meritocratically unless it's brought its unspoken in-house quota, which is approximately 73% at the moment, is made up-front. Now I would propose for the sake of argument if you had a BBC in-house quota – forget the other quotas for a moment – of say 50% because you believed there were a number of arguments that it's beneficial to have in-house production, so you'd say the BBC need not go below 50% provision of its own programmes from in-house and if it hits that, it can actually say "No, we're going to commission this programme from in-house because we're going below 50%." That would immediately take all the arguments about underhand practice and all the rest of it out of the argument and then going forward you would be able to have a much fairer system and the things that we know Mark Thompson and John Smith are really at are. Then the BBC has to be immensely more flexible, I'm afraid Luke, whether you like it or not, immensely more flexible like most other organisations are about supply, demand, more people working here, fewer people here, so that at any given time they may have 26,000 employees, they may have 24,000 employees. It may go up, it may go down. It will respond to the way the market's moving, to the way public taste is moving, to how competitive the independents are compared to the ideas from inside and so on. That's the sort of system we need but we've got a lot of work to do on it.

Tim Gardam: Jana?

Jana Bennett: I think the idea is absolutely right to date and I think, as Peter says, it's going to be the next 6–12 months that are going to be important because I think the question – and the BBC is asking these questions with great seriousness – and that's the starting point has to be how does the BBC organise itself to help get the greatest creativity onto screen, seeing itself as part of a very much wider creative community than just inside its own walls? And that's of course a historical journey that many public institutions have had to take, which is to say what do you need to own, you know, the idea of being vertically integrated across absolutely everything a few decades ago. You know we've obviously been able to sell things off. We've been able to change and adjust to all sorts of things and look at ourselves as a different type of more porous organisation in the future. And I mean porous in a creative sense of flux, inflexibility. So we are examining all those ideas of, you know, what are the real reasons to have in-house production? And also what are the real risks of dependencies if you don't have it, certain types of dependencies on certain types of supply? We're having to look into the future of what is going to happen to the PSB ecology, which is why, you know, the work of Ofcom's...the kind of projecting ourselves forward is very important here because,

you know, which things might happen to reduce the way, the purposes of independence as well because they have been, they're a product of the public service ecology just as everybody else from the commissioning side is or whatever, that if that changes radically that will also, we also need to think about what type of producers will be out there in the future. So I'll just make one other point though. So we are looking at the scale of creative competition we ought to have and playing with the different types of configurations there. My feeling is that we have to, we have to look hard at whether we have a capacity management problem in the BBC as opposed to a problem of delivering quotas. Really the question isn't about delivering against quotas. It's about the scale of our overall production and whether it's tended just to grow and then tended not to be flexible enough. And I think for me quotas don't drive the best decision making. They create just another, a ratchet up a certain type of behaviour. Yes, you get there but actually what we really want is creative competition in a space which allows for a meritocracy. Quotas themselves don't equal meritocracy either. They equal an industrial policy ultimately which you might need, indeed we probably have needed to get us to point A, but actually at a certain point, people talk about dropping quotas. I'm not sure they ever really mean it but it's reckoning, I actually think what we need is freedom of competition if you really believe in a meritocracy. But it's not unlimited freedom either. It's not blind competition. We have regional policy which is also setting out targets. We have a desire to meet certain targets in nations. We want to represent the diversity across the UK and we have Ofcom and the governors with quite strong obligations on the BBC, so we shouldn't kid ourselves that this has like abandoned all rules and quotas and targets. We have quite strong industrial policy underlying some of this too.

Tim Gardam: What's your view though of defining by measuring by volume or by spend? You have to measure by both in future don't you?

Jana Bennett: That's a move that Ofcom didn't decide to make. It's laid down as a possibility. They can do both. We measure both and actually the, the answer is quite similar on either front. I mean we make sure the value of commissioning is spread across genres which might be deemed, you know, bloody expensive genres and cheaper ones and the range across day parts as well, so that's August every year.

Tim Gardam: I just want to bring David Liddiment in here. You've heard a rounded answer, not representing necessarily going to lobby. Is there an issue here that in the first part of this discussion we have talked about essentially, after today's discussion we have talked about the necessary correctives that are needed in the system to stop the market driving out diversity? If we get to a stage where the market allows for independent producers to be proper business, to grow in scale, to be bought up by major global conglomerates so they become employees of, you know, global telephony firms like Mr Bazalgette's, an employee of Telefonica I believe.

Jana Bennett: It's in a while.

Peter Bazalgette: For the moment.

Tim Gardam: But if you have big independents who have got venture capitalists behind them driving the bottom line, do you think there is a danger that a type of programming that is not going to maximise returns in secondary markets on the margin will begin to become less attractive to independent producers and therefore the supply of ideas about programming may diminish and hence we will have another aspect of the problem that we were discussing earlier in broadcasting terms?

David Liddiment: Yes, I think that is a danger. I mean I'm for meritocracy and I think everything has to flow from a meritocracy. I think, to set quotas on one side, they're a mechanism for something else. The real challenge is can the BBC and the governors or indeed if necessary Ofcom help devise a system which enables the BBC to commission on a transparent meritocratic basis? If we can achieve that then...and that's all about the best ideas. And the best idea is a judgement at any moment in time from a set of people but you have to separate out that judgement. You can't complicate, although it was in a sense a well-intentioned initiative after the divisiveness of producer choice to try and bring the BBC

together to find a commissioning system that was more unifying and acknowledged the scale of in-house production and in some sense it was laudable but it has created as many problems as it's solved and meritocracy has to be the answer. Now one caveat here, which I hope, will answer your question, I'm not sure the training argument and scale argument are really that relevant. I would focus – because I'm not against in-house production at the BBC – I would focus on institutional values. The BBC, if the BBC is to be successful in its creative leadership role then the BBC has values that are different from those that are if you like forged in the market-place. And therefore it does seem to me that if people choose, programme makers have a choice. They can work in the commercial sector, they can work for the BBC. Some people may prosper in that kind of creative institution in a way that they would not in a more commercial organisation. But I think that throws up a real challenge for the BBC about how it organises itself as a producer and I think in the last 10 years it has in some ways, it went through a process in the birth year where it tried to mimic the market and used market mechanisms, which in a sense you know were very counter-productive in terms of the BBC feeling like a creative space. So I think there are real challenges about how in-house production is organised in the future. I personally have no, we are where we are and we are at a point where the BBC make over 70% of their own programmes and I think to by edict change that would be unnecessarily disruptive at a very, at a time of great change but I do believe we have to reach this point of transparent meritocracy that's kind of provable to PACT however that can be achieved and provable by external regulation, I presume Ofcom, as well as the BBC governors.

Peter Bazalgette: Tim, can I just give you a very quick sentence on the question you asked about, you know, would a commercially-driven independent production sector provide fewer of what you might call minority interest programmes? The answer is the independent sector will produce programmes for which there is a market and if the broadcasters with the money ask for a certain sort of programming then independent producers will supply it as much as any in-house will. And indeed there's evidence of that in the market in that Bob Geldof's indie has really set its business plan on producing kind of those programmes. So I don't think it makes a difference. It's where the demand is.

Tim Gardam: Can I just come to Bill to make an economic perspective on this?

Bill Robinson: An economic perspective? This is a branch competition policy and it's, I think it's worth making two points. The first is the notion of the BBC as a publisher, and to set aside the publisher idea that we heard in the previous session is a very important thing to hold in your heads and it's, I think it's quite salutary to think that authors don't work for their publishers. They are commissioned by them. And so obviously television is very different from books and there are, you know, huge scale differences so one can see why the market went in the way that it did and we started, and in the days when all nationalised industries did everything, you know, but the BBC was producer and provider and not really a commissioner. So I think it's immensely helpful that we have moved in this direction for two reasons. One is that it does, I mean let's be brutal about this, if you are a very comfortable large organisation there are often inefficiencies and so I think to have the spur of competition from independent producers is, you know, clearly desirable. My instinct is that it could go further than 25%. How far it can go gets you up against the other barrier, the other sort of imperative, which I think, I mean I think both, in a sense I think I agree with David Liddiment and actually not on that with Peter, that I think there is a sort of critical mass argument that you won't have an institution which is big enough saying this is how public service broadcasting programmes are made and show it as it were by example and setting a sort of standard and then, but then to be saying of course, you know, independent producers could do this perfectly well and, you know, a sizeable chunk of our market is open for that. And you know I think the quota is very important and my instinct as a columnist is it should just be made to go up over time to be honest. But you shouldn't leave the BBC producing none of their own programmes. They should always produce a very substantial chunk.

Tim Gardam: Okay. We're nearly out of time so I'm going to ask the people who haven't spoken yet to draw this to a close. I'm going first to Simon Shaps to talk about from his perspective of a producer from ITV and where they see their role, then to Steve Barnett and then give the last word to Maggie Brown.

Simon Shaps: Okay, just three points Tim quickly. First, to go back to Bill's point. I agree and I think most people pretty well agree that there needs to be a transparent system for commissioning. If there is a transparent system for commissioning with an arms-length relationship between buyers and sellers, the logic is that obviates the need for a quota. And I personally believe the quota is a historic market intervention. The independent sector has about 50% of the total production market in the UK and providing – and it's a big proviso – there are sufficient safeguards in the commissioning process, the logic is that would obviate the need for a quota. Point number two, in-house production, there are many benefits of being “an in-house producer” but I think there are certain obligations and I think one obligation which goes to the heart of the sizing of BBC production is its particular skill at fulfilling the needs of the BBC. If the BBC in-house production, in the same way as ITV's in-house producer, is not very good at understanding the culture of the organisation and fulfilling the particular needs of the BBC as a broadcaster, then in a free market and a free market for ideas, then it will inevitably shrink. If it is particularly good at it then it will win those programmes by right. And I would suggest that's actually the key mechanism and actually the key management challenge for the culture of BBC production, which is does it understand the way in which the BBC is evolving as a PSB and is it particularly good relative to other producers at fulfilling that obligation? The third point, there's been relatively little mention, which is surprising, about the BBC's role in being a significant network producer outside London and I would argue that one of the issues about sizing BBC production, I think the BBC from what I can understand, the BBC is absolutely in this area, is to try and identify one of – and Peter said well there are some reasons for BBC production having an in-house production and others not – I would suggest that one of the critical tests is the BBC's ability to have sustainable scale production activity outside of London. And if the BBC is again particularly good at that relative to the independent sector, which actually has struggled for all sorts of understandable reasons in sustaining non-London production bases, then that seems to me a really important part of the public value argument that relates to what the BBC ought to do in terms of production because that's actually something which the BBC and to an extent ITV are particularly able to provide, which arguably under a free system of buying and selling may not be provided as easily.

Tim Gardam: Steve Barnett?

Prof. Steven Barnett: It seems to me that what we're struggling with is this whole question of institutional values, which David talked about and Simon talked about, fulfilling the cultural needs of the BBC and the extent to which that can be done inside or outside the institution. And what to me came out loudest from the Ofcom work was the belief in the nature of creating a strong, well resourced creative institution precisely because it can act as a sort of engine room for ideas and for creativity in a way that I think is more difficult frankly in the commercial sector, in the independent sector. And I take Peter's point that, you know, the independent sector will do what the market demands but I think what that does is to lose the sort of interaction that you get, the interactivity within the BBC across departments, between commissioners and producers, its iterative – I love that word – its iterative process, which I think you don't tend to get when you are commissioning from outside. Now I appreciate that what I'm saying is to some extent an act of faith and I'm going to put my academic hat on here and say that I do believe that it's researchable. I can think of at least two producers I know who have spent considerable time in the BBC. They went outside to the independent sector for several years and are now both back in the BBC, who will make excellent interview material from whom you could produce some very interesting conclusions about the nature of the creative process and where to go. And if there's anyone from DCMS or DTI here today who has some money available, I can recommend a very good university department that will be prepared to do some research on this and I am sure could turn it round within the next 6 months.

Tim Gardam: Well it's inevitable on any discussion on....

Prof. Steven Barnett: No, no, no, I'll not be a provider.

Tim Gardam: ...leads to a pitch. So we've had our pitch. Maggie, finally, can you put this in the context of the user's perspective at all usefully do you think?

Maggie Brown: Well I'm not sure users really mind where their programmes come from but I would just say three things. The idea that the quota should be lifted to 50% is nuts. I mean really the quota should be phased out and we don't know yet how the new terms of trade, which have been established by the government and Ofcom, are going to play out but I would have thought the way of the quota should be, it should be consigned to history. All we're hearing here really is the business lobby. It's not really anything to do with creativity. Secondly, can I just say this about, I actually get around a bit. I make it my duty to go to Sky, to look at people making things, blah, blah, blah. I think at the sharp end when it comes to making programmes or commissioning channels or whatever you do, scheduling, I don't think the BBC is over-staffed. I think the actual running of programmes looks to me pretty tight. Now I can't speak for all the other things that the BBC has to do but that is just my impression. I also think there are other halfway house ways of doing things. For example if you go to Sky, very interesting, they will be buying in say huge amounts of facilities to broadcast live matches, huge, huge amounts of things, outside broadcasts, but they tend to attach their own people, their own directors, their own producers, their own staff to actually get the right look. And I think that there are lots of half-way house type of solutions which we never hear discussed but in my opinion that might be something that, you know, would be useful for the BBC maybe to....and from a viewer's point of view I'm saying this because obviously Sky Sport has set the gold standard as far as we can, you know, at this moment experience. The third thing is I think that the BBC is really guilty of neglecting regional network production. I'm totally with Simon Shaps on this one. I think we get a poorer service on - I'm only really concerned as you probably realise BBC1, BBC2 and a few other things - we get a poorer service because we're not getting the whole rich diversity of British society reflected on our mainstream channels in prime time and I think it's terribly sad. And I fear that what's happening at the moment is that the BBC sees regional policy or moving to Manchester or into other parts of the country north of the M25 anyway as almost like a big property development rather than actually a programme and commissioning and creative solution that it's trying to arrive at. So I think it will take years and years and they'll get terribly bogged down in it and I think that's going to be a real problem for the viewer.

Howard Davies: Thank you very much. We have taken a number of the questions that were put in either explicitly or implicitly in the responses. One or two of the others I think fit better into other seminars. We are running up rather tight against time but if there are any points that people want to make which have really not been covered then speak now or hold your peace. Yes?

Stephen Garrett, Independent Producer: I'd like to go back to the way that Tim introduced this particular seminar when he talked about audiences because that's essentially what public benefit is all about. And I think, unless I'm missing something, there seems to be a disconnect between something that seems to have dominated the argument in the last hour, which is consensus rather than my surprise about preserving the existing quota or something close to it and establishing a true meritocracy. If you have a huge in-house production department, one currently geared to producing 70% of the BBC's programmes, there cannot be a meritocracy because there comes a point where you have to service that very large and very hungry mouth. And I think it's hard to establish what constitutes public value but if you look at bums on seats, critical praise, column inches in the newspapers, indie programmes demonstrably punch above their weight and I think you have to get to a point where, we would rather not have a quota but in a world that is palpably unmeritocratic what we need to establish is a point where in-house production is capped and capped at a much lower level than currently exists and then we will have something that approaches a system which guarantees, as much as it is possible to guarantee, public benefit.

Howard Davies: Yes. I'll pick up two or three points from the floor and then....

Paul Tribet, UK Film Council: My question particularly relates to film and trying to put it in a wider context. One of the recommendations of Ofcom is that feature film acquisition, particularly of American films, is something the BBC should look at in light of its production and acquisition policy and I just wanted to see what particularly the BBC panellist might do in light of attaching a public value test of what they currently are doing and what Ofcom clearly recommends is not the way forward.

Howard Davies: Thanks. And there's one other behind.

Unidentified male audience member: Can I just say, I don't think it's a question of capping BBC production. In my experience of working in production companies they either grow or they shrink. They don't stay the same. The internal culture of a production organisation, the creative culture – and that's why Maggie I think this is about creative culture – if BBC production as a creative organisation itself has no head room, if there's no space within which it can grow but can shrink, it's a poorer organisation for it. And where we appear to have got to is the BBC in-house production is banging its head on the bottom of the independent quota and you've got independent producers who could do more for the BBC and in some cases better for the BBC who are hitting the bottom of the independent floor, and actually what needs to be created I think is a zone of competition in between. So rather than capping BBC production, I would say pick a number, have an in-house...as David suggested, perhaps in-house production should not be allowed to fall below 50% once the arguments for it are clearly, as Steve Barnett proposes, established and evidenced, independent production cannot fall below 25% and that leaves you 25% to fight for, which would allow BBC production head room, which all creative organisations really need, and would facilitate the development of a greater independent contribution to the BBC. I think the problem of leaving it where it is or saying abolish the quota is that industrial imperatives generated by the BBC's financing and the fact that they've got all these people they're already paying for will ultimately have to drive the commissioning process if we are not to see some public finance disaster.

Howard Davies: Thanks. I'll take one more point.

John Irving, PACT: Just to run a little bit on Steve's point there. What he's describing is a system that Mark Thompson introduced before he went to Channel 4. It was meant to be contestable. It failed. What we need is further clarification. Bring competition on, that's what drives value for the licence fee payer, that's what brings the best programmes, but the thing is that all those systems so far have failed to deliver the range and quality of programming that we feel that this sector could supply.

Howard Davies: Thanks. Well we have a number of proposals there. The idea of a 50% for the BBC, 25% for independents and 25% contested. Can we just settle with that today?

Jana Bennett: I think it's been in Broadcast already. I think we have to look and model and be careful about this because we want to be able to look, as I say, organising ourselves in the best ways of being creative. When I say 'being', I mean the industry not just the BBC inside these four walls. So I think, as people have said here as well, that capacity is more the issue than quota management. Being able to have absolutely, some more freedom to commission creatively but understanding in the real world is not blind competition. It's about sifting. It's a bit of industrial policy obviously because when we're saying we want to build in the nations and the regions, you have, that's an act of will as well because to create sustainable production means you have to really mean it and you have to work hard with the independent sector and with the BBC to have people have faith that you will be out of London for example. So that isn't, you have to be active in that. It's not a passive commissioning exercise. But anyway, I think the serious thing is it's an important thing to get right and a lot of the ideas are part of the mix of ideas being discussed. The other thing I would just say though is that the commissioning systems come out of this a lot as being very important and that's part of the review as well. I mean it is technically but obviously not apparently separate from production. What's interesting and what I'm hearing from this is that it doesn't feel like that. Actually it doesn't even feel like that for in-house production either, that it doesn't feel meritocratic enough nor it's transparent enough or simple enough, so all those things we have to look at because it doesn't even feel that it's separate from production yet it is. And I can tell you that this system is completely separate. Look at the website. It shows it but obviously doesn't feel or appear to offer it that way. But we have to take that on board and quickly improve things and deliver what's requested of us in terms of meritocratic decision making, separation, transparency and diversity. May I just say that commissioning isn't a buyer/seller thing and the best programmes, and some of them were mentioned today, actually evolved during the commissioning process. They were not fully formed on a piece of paper and they changed, I can tell you how much they've changed and (INAUDABLE) quite a few things. Restoration

changed enormously from when it first came in through as an idea to the end on the screen and that was to do with the value which commissioning in a creative way. We need trust therefore the (INAUDABLE) must have trust in it for it to get the very best out of ideas, so there is a sort of dynamic relationship there. Yes, so I found this very valuable...

Howard Davies: You didn't pick up the foreign films point.

Jana Bennett: In the foreign films, yes, not a side issue but I think a very interesting one which we talked about in the break. I think we have to look at this from the point of view of value to the public. The Ofcom research did put foreign films, and not all ones with foreign languages and sub titles either but international film and acquisition were quite highly valued because the public understand public service broadcasting to be a full service, a full service proposition, which includes films that you like to see on high days and holidays, acquired interesting series that aren't being made here. They have a role. So we need to look at how much of a role we have through looking at supporting British film and I think we should support it more but how much more in terms of the substitution effect of not doing some other things which would also be valued and are provided by the market or in the market-place, yes, but actually are expected to be part of a full big service on BBC1 for example, sort of audience expectation and what they value.

Howard Davies: I think we're going to wind up at that point. Thank you very much for your contributions, particularly to the invited Panel at the top table as it were but also to the questions submitted and points raised from the floor. The Panel, that's Terry Burns' Panel, will be producing an interim report some time in November after the last, the first series of seminars and then there will be a second series a little bit later in the year and these discussions are enormously helpful to us in clarifying the key options in the Charter Review. So with that it only remains for me to say that the Department of Culture Media and Sandwiches invites you to partake.