

HOUSE OF LORDS
MINUTES OF EVIDENCE
TAKEN BEFORE
THE SELECT COMMITTEE ON BBC CHARTER REVIEW

BBC CHARTER REVIEW

TUESDAY 15 MARCH 2005

MR MICHAEL GRADE, MR MARK THOMPSON, MR RICHARD TAIT,
MS CAROLINE THOMSON and MR NICHOLAS KROLL

Evidence heard in Public

Questions 1 - 89

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Present

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

Witnesses: **Mr Michael Grade**, Chairman of the BBC; **Mr Mark Thompson**, Director General of the BBC; **Mr Richard Tait**, Governor of the BBC; **Ms Caroline Thomson**, BBC Director of Policy and Legal; and **Mr Nicholas Kroll**, BBC Director of Governance Unit, examined.

Q1 Chairman: Welcome, first of all. Thank you very much for coming at really quite short notice. You know we have been set up as a Select Committee of the House of Lords to consider the review of the BBC Charter and obviously, in particular, the Government's Green Paper. Time is not on our side. We cannot know what the outcome of the election will be or what impact, if any, it will have but we are planning on having our report ready by the end of October, so it does not leave us very much time; there is a sunset clause on our examination, an agreed one. Having said that, we intend to make this a thorough examination and we will be interviewing a whole range of witnesses with different views. This afternoon perhaps I could warn you that there may be votes. If so, we will adjourn for ten minutes. I should also tell you that there will be a recording taken of the evidence. I gather it is being broadcast on the Parliament channel as well, and a transcript will be prepared, which obviously you can

see. We have all read the BBC's document "Building Public Value" but before we go to questions, Mr Michael Grade, I wonder if you might like to first of all introduce your colleagues and then briefly give us your general reaction to the green Paper.

Mr Michael Grade: Thank you very much, Chairman. I will just introduce Richard Tait, governor, former editor of ITN; Mark Thompson, recently appointed Director General, within the last year; Caroline Thomson, whose present title is Director Policy and Legal; Nicholas Kroll, who joined us most recently and works exclusively for the governors and is the first Director of the Governance Unit, which services governors. If I could just open by saying, Chairman, that with the exception of the section of the Green Paper on governance, which is obviously the crucial section of the Green Paper, the governors as a group, as a board, have not had a chance to debate the other bits of the Green paper. I will endeavour obviously to give you as best informed a response to any questions on the Green Paper with the exception of the governance section, which the governors have endorsed. Everything else is part of ongoing debate inside the BBC. I will obviously give you as firm an opinion as I can, but I cannot bind the governors and we may have the opportunity, I understand, to come back here in due course, so I will be able to give you a definitive view. Overall, so far as the Green Paper is concerned, some parts of it are green and some parts of it are less green. We are much encouraged on behalf of the licence fee payers that the Government appears ready to commit to a ten-year Charter, and that they endorse the licence fee as the means of funding the BBC for the next 10 years, albeit with a review, a forward-looking review, at some point around digital switch-over. That really goes to some of the fundamental issues, and it is good to have them as settled as is possible at this stage, given that there is an election coming and everything else. On the governance issue, we think the Secretary of State's proposals are workable. They are not the route we would have chosen, but we understand how they have got to that point. Having arrived at the BBC under a year ago with a keen personal sense that

the governance of the BBC was in dire need of modernising, I looked at it every which way, looked at the sort of principles that would have to lie behind any solution, and there were essentially five principles that shone out really which would be the test against any new model for governance. Independence, clearly, is number one, and really in equal measure, ability of the governance structure to be effective stewards of the public's money, the need to be directly and visibly accountable to the licence fee payers, clarity of roles within the BBC between the executive and the governors, or whatever they are going to be called, and workability – having worked both in the public and private sectors in various guises, that is very important. There are lots of people with theories on how the BBC should be run, quite often from people who have never actually run anything. It needs to be workable and practical and allow the executive to do their job, albeit within a framework that leaves it absolutely clear where responsibility lies. Against those principles, we developed what we called the Building Public Value model, which is part two of the Building Public Value model. The Government's response was, quite properly, within the Charter review framework, a big public debate, informed by many experts, and very, very good minds – Terry Burns and his panel and so on – informing the debate, and I think the Government's conclusion is really that our model goes so far but not far enough. It is not future-proof. It is much more of a behavioural response rather than a structural response, and might be deemed to be too reliant on the present personnel rather than the structural, constitution-embedded system. They have listened to the debate and come up with a model which I believe broadly meets those five principles, so it is very difficult for us to argue against it. I think we can make it work. On those three issues, the ten-year Charter, the licence fee and the governance model, which appear to be decisions of this Government, we are very supportive.

Q2 Chairman: You would prefer the board of governors to continue?

Mr Michael Grade: I think it is very difficult to say, because we are in the process of implementing a radical programme of reform, which separates the governors from management. The accusations that the governors of the BBC have historically been champions of management rather than champions of the BBC, and have been only able to make their judgments and pronouncements on the basis of evidence supplied by management, are very hard to refute. You can see the problems this has caused in terms of the response from the private sector on a number of occasions where the BBC has launched new services with scant regard to their impact on the private sector, so that the DCMS has had to be called in to police a row later, but the boat has sailed; the service has been launched. The governors should really be in a position to be doing that work, consulting with the private sector, measuring the impact on the private sector against the public value created by the potential new service, and then coming to a view, which is where the public value test comes in, the first time that the governors would use a very objective measure to explain how they had reached a decision, which I think would have gone a long way, but I understand that our model really was not structural; it was much more behavioural, and that is probably not acceptable.

Q3 Chairman: You also go along with the idea of having an executive board with non-executives on. So you have a trust, and then you have an executive board with non-executives. I have personally not come across an executive board with non-executives on it.

Mr Michael Grade: I think the way it is delineated, where the respective roles of the two different boards are delineated and described in the Green Paper, makes it very clear that the executive board is very much an operational day-to-day implementation board. The responsibility for the public's money and the sovereignty of the BBC is vested in the trust, so everybody is very clear – the public, parliament – where the buck stops. It does not stop with the executive board; it does stop with the trustees. So I think there is real clarity. I also think

that the executive themselves will benefit from having critical friends involved as they develop proposals which will ultimately have to come to the trust. I think they will benefit from that. I think it is workable.

Q4 Chairman: Just so I can understand how things work at present, if I can take the case which was mentioned – I noticed reading the House of Commons Hansard last week it was mentioned by almost every speaker, and that obviously was the case of Brendan Fearon, the man who was paid £4,500, the serial burglar. How far up the chain would a decision like that be taken to pay money?

Mr Michael Grade: I think this is a question for the Director General, who is the editor in chief, and to whom the governors would delegate editorial decisions of that kind.

Mr Thompson: One important distinction to make is between decisions taken before a programme was transmitted, and then a set of judgments made after a programme was transmitted about whether it was right to make the programme in the way. One long-running and important distinction the BBC has made over many years, with only very occasional and, frankly, unfortunate exceptions is that it is for the management of the BBC to use their best efforts to make the right decisions up to the transmission of a programme.

Q5 Chairman: When you say management, do you actually mean the individual programme producers?

Mr Thompson: I will come on, if I may, in detail to what happens within the management, but the entire management system up to and including myself, as editor-in-chief, to make decisions prior to, up to and including the transmission of programmes, so that the board of governors and in the future perhaps the BBC trust, can then review all of these decisions not having been a direct party to them. If you become part of the decision-making process, it is then impossible to step back and say, “Was this the right decision to make?” The case of

Brendan Fearon is a perfectly good example, and of course, there are examples every day, of the kind of decision-making which takes place within the BBC management. In this case – and this is a complicated case, because we have yet actually to have a programme on which to make a judgment about whether it should be transmitted or not, so there are other decisions still to make in this case – the question of whether or not it was appropriate in this case to pay a sum of money to this man was taken in consultation with one of my colleagues, who is called the controller of editorial policy, who is the guardian of the BBC's producer guidelines and who can offer impartial advice from within this management system to individual programme makers and commissioners about whether or not, given the balance of argument about the various public benefits and disbenefits involved, it makes sense to take this action. Subsequently, when this programme is ready for transmission, the decision about whether to transmit it will be made within the management of the BBC. I sometimes personally will get involved in important and contentious programmes in watching programmes or listening to them before transmission to judge whether they are appropriate or not. Sometimes I will decide not to, not least so I too can then afterwards reflect on whether or not the right decisions have been taken. Once I become part of the decision-making process, then I too am unable to review it impartially afterwards.

Q6 Chairman: But the £4,500 has been paid?

Mr Thompson: That is a decision that was taken.

Q7 Chairman: It was taken not just at producer level, but it was taken on advice?

Mr Thompson: On advice, in the light of the BBC's producer guidelines, and trying to weigh up the various arguments involved in this particular instance. The decision about whether or not to pay this man the money, a decision which, as you say, has been taken, is another

decision where the board of governors may in due course wish to consider that and decide whether or not the BBC, the BBC management, have been right or not in doing so.

Q8 Chairman: The decision on whether to show the programme would be taken by yourself?

Mr Thompson: Yes, or I will delegate that to the Director of Television or some other executive, but I will certainly be responsible for that decision.

Q9 Chairman: Then, if there were a complaint on that, the complaint would go to the governors?

Mr Thompson: We have a complaints system. We have recently clarified and, I hope, improved our complaints system. There is an initial route for people to complain directly to a programme or to a service of the BBC but if the complainant is not satisfied with the BBC's response in that first instance, they can then complain to the complaints committee of the board of governors to have the complaint considered there.

Mr Michael Grade: I should add, Chairman, if I may, that the governors are not entirely detached from this process. There is a regular reporting procedure through the monthly meeting of the governors where the Director General will report on these matters to the board of governors and obviously, when an issue like this arises, the Director General and the Chairman would have a preliminary conversation about it to see if there is any reason for the governors to get involved at an early stage.

Chairman: I will ask my colleagues to come in, but from the outside, it does sound quite an elaborate process when perhaps, certainly judging from the comments of the Minister downwards, it is not regarded as one of the greatest decisions the BBC has taken. One wonders whether there is not a quicker way of punching in without going through this kind of elaborate process when some would argue that the case is wrong.

Q10 Lord Armstrong of Iminster: Would Mr Thompson or the management ever consult the governors or you as Chairman of the governors before the transmission of a programme?

Mr Thompson: If I may perhaps respond initially, I think that what we might well wish to do, or indeed the governors might well wish to satisfy themselves that, as it were, due process was being applied. For example, in another recent incident, which was the decision to transmit the programme “Gerry Springer the Musical”, there was communication between the Chairman, Michael, and myself, the Chairman wishing to be satisfied that we were, as it were, going through due process in terms of considering the BBC’s guidelines and seeking legal advice and so forth, and I was able to satisfy them that that was taking place. I think that the issue of seeking advice as in “Do you think this is a good decision or not?” runs precisely the risk that I mentioned earlier, that having given that advice, you are then in a situation where the governors are being party to a decision which they have to adjudicate about subsequently. This is not new. This is a principle the BBC has adopted since well before the Second World War. The system which the BBC has operated, in my view successfully, for many decades is that management consider these matters carefully in advance as management, and then are held to account by the governors for their actions thereafter. One little addendum, if I may, which is one of the advantages of the Government’s proposed system of governance and the inclusion of non-executive directors on the executive board is that this means that executives, myself and my fellow executives, will have recourse to colleagues, other directors, who potentially will bring experience and wisdom to the table, who can be, without any conflict of interest, critical friends, supporters and advisers to the management, but who will not in so doing be contaminated such that they cannot subsequently adjudicate on whether management have decided the right thing or not. So the Government’s proposal obviates one of the main criticisms currently made of the governors, which is that they are at once at least in danger of

being supporters and advisers to the management and also judges of what the management has done.

Q11 Lord Armstrong of Iminster: I understand the principle. I just wonder whether practice always coincides with the principle.

Mr Thompson: In my, it must be said, rather brief experience as Director General, it does.

Mr Michael Grade: May I just add to that? The producer guidelines which are at the heart of the particular issue that you have raised, Chairman, are guidelines which are ultimately the responsibilities of the governors, and these are agreed and drawn up and approved ultimately by the governors, so obviously process is a key part. Where a judgment call is required, as it was in the Fearon case that you were describing, there is a judgment involved, obviously, the Director General and I have had a conversation about due process, which is the first issue, whether it has gone through the processes, and the second issue is whether the judgment was right. We will not know whether the judgment call was right or not until we are able to judge the public interest in the programme, and the Director General will make that decision, and we will be free and clear then to make a judgment ourselves as to whether his judgment was right or wrong.

Q12 Lord Maxton: I wonder if I could just switch towards what would be a very important issue in the coming 15 months – and there may be a General Election some time in that period – towards the whole question of impartiality and balance. I think it will be something which the BBC will be very closely examined on, particularly by the political parties. What research do you initiate to make sure that your programming, particularly your news coverage, is balanced and impartial, not just in the broadest sense? Do you do any research?

Mr Michael Grade: Recently we asked Lord Wilson to put a group of people together – this was at the governors' request – to look at our coverage of European issues, and a very good

piece of work emerged which was quite critical of the BBC's coverage of European issues. That is presently with the management for a response. I think the governors will be taking management's response shortly, and the governors will decide whether the response is adequate and meets the criticisms of the independent panel. That is the beginning of a process now where we will be quite proactive in looking at some of these issues.

Q13 Lord Maxton: It does seem to me that is a very limited field of research. It seems to me that you ought to be commissioning, or rather maybe having someone else commission so that it is blind research, that where the person doing the research does not know who is actually paying for it, so that that research itself can be impartial, so that we do have a very good idea of exactly what the BBC are doing in this field, and we know whether people outside the BBC actually think they are impartial or not.

Mr Thompson: In addition to this programme, which is not going to be restricted to Europe, the Middle East and religious subjects were covered recently by the governors, so the governors have a roving programme of looking at different areas where the BBC may be judged to be partial or impartial. BBC management commissions continuous rolling surveys of public views about impartiality, both in terms of party political impartiality and broader measures of fair-mindedness in our coverage, and we also will respond, and do respond regularly, to either specific evidence from surveys or a pattern of complaints about a particular area, to look closely within our editorial community, our journalistic community, at whether or not there are lessons to learn about ways we can improve impartiality. I am very much of the view that impartiality is not a state of grace which you just occupy; it is something you have to strive towards in quite a difficult environment.

Q14 Lord Maxton: Can I just ask whether you are covered by the Freedom of Information Act as a publicly funded body and therefore anybody can request any of your research papers and find out exactly what the answer is?

Mr Thompson: We are.

Mr Michael Grade: Could I just add, Chairman, that there is a monthly rolling survey of impartiality which is pulled together and reported, and the findings of that tracking study of impartiality on all matters come to the governors every quarter so that we can see where the pinch points are and where we might have a problem.

Q15 Baroness Howe of Idlicote: Just going back to the two cases that were brought up, it reminds me, of course, that in the new regime of Ofcom, of light-touch regulation, a lot of responsibility is on the BBC itself to self-regulate. I would be intrigued to know whether you think that was sufficient to fill a gap which was previously filled by something like the Broadcasting Standards Commission, because under those circumstances we produced guidelines; one of them certainly was on the payment of fees to those who had committed offences and so on. So under those circumstances, you would then have had our guidelines and indeed our judgments, which you would have had to take into account in proceeding. In the light of that, I would be interested to hear your views on it, but looking to the new BBC trust, how is that trust going to show itself both independent and accountable to the licence fee payers? It is they who will be making these sorts of complaints and will want to be certain you are independent.

Mr Michael Grade: The straightforward answer to that important question is that the responsibility of the old Broadcasting Standards Council has been subsumed by Ofcom and ultimately, on issues of taste and decency, the BBC is accountable to Ofcom on that issue, not the governors. We can take complaints ourselves but, in the end, you can complain to Ofcom and us, so you have two routes, but ultimately Ofcom is responsible for all those matters that

used to be the responsibility of the Broadcasting Standards Council and that was as a result of the recent Communications Act.

Q16 Baroness Howe of Idlicote: Could you answer the second part of my question, which was how you see the actual trust being demonstrably accountable to those fee payers; not to Ofcom but to them.

Mr Michael Grade: In many ways. The first way is to be seen to have complaints procedures which are an awful lot more objective than they have been in the past, in the sense that, as the governors or the trustees are seen to separate, both structurally and behaviourally from management, so I hope people will begin to have more faith – licence fee payers, anyone who complains to the BBC – that the dice are not loaded or perceived to be loaded in favour of the management in the course of a complaint. I passionately believe that you can judge any organisation, commercial or public, on the basis of how it treats complaints, and the proper, fair, decent, transparent way that you deal promptly with these complaints. I think that the new governance arrangements will help people to understand that there is an objectivity in the complaints procedures. That is just one way in which we are going to be much more accountable to the public. The Government's decision to have a twin board structure unquestionably frees up the governors and lays a duty on them to be much more outward-facing and to be the champions of the licence fee payers rather than the BBC. Exactly how we achieve that – there are lots of ideas in the works, including massive surveys, regular rolling surveys; the nations' and regions' broadcasting councils have a big role to play in informing and keeping the trust well informed in a devolved UK of how our services are being received and how we are meeting the objectives that have been set. Service licences, which we are going to introduce, will be subject to public consultation before they are put, but they will be the mechanism by which people will be able to judge. All those things are part of the accountability, which is a pretty radical departure from where we have been.

Q17 Lord Peston: If I may introduce a slightly discordant note, I am rather appalled by the weight you give to the complainants. After my 18 years in the House of Lords, I am perfectly well aware of how well organised the complaining business is nowadays. Surely it is a mistake to confuse the licence payers with the complainants. In many areas – we do not need to go into which ones at this moment – there are well organised complaining groups. I will not utter the sort of words I have replied to them, but the notion that you would respond to them sympathetically disturbs me.

Mr Michael Grade: I have a lot of sympathy for those comments. I think the best protection against the kind of submissiveness that you have described is not to weigh the seriousness of complaints on a numerical basis. You may get one complaint from one licence fee payer, and they may well be right. Just because there are thousands of letters does not mean that that single complainant can necessarily be dismissed. It is a very serious error to go down a complaints route on the basis of weighing the complaints rather than weighing the merit of the complaint. A single complainant can be right, but perhaps I could ask Richard Tait, who has the poison chalice of chairing the governors' complaints committee, to add something.

Mr Tait: Even a serial complainant may be right on occasion. One of the difficulties sometimes with serial complainants is that they have worn out the batteries of the complaint. You have to have a system that treats each complaint on its merits, and the approach that we have is to deal with the complaint rather than the complainant and to be conscious of the fact that, whereas in a more distant system, in a more separate system, at the end of the day the only thing a body adjudicating these things might be able to say is “We thought that was wrong,” the governors have to go further and say, “Is there a systemic reason for it? Are there lessons that can be learnt? Are there things management have to do to try and ensure that these things do not happen again?” We do recognise people's right to complain. We also recognise that there are some people who seem to have more time to complain than others,

but we have to treat the complaint on its merits, and they are a very useful form of feedback. I would rather take a serial complainant too seriously than miss a complaint where there was a germ of something from which the BBC could learn.

Q18 Lord Holme of Cheltenham: I have two questions, my Lord Chairman. The first one is structure and then one on function. The question on structure is this: whether it is the BBC model or the Government model, in both of them the chairman would seem to play quite a pivotal role. I wonder how you see the role of chairman in each of these respective models and if you could tell us which one you prefer.

Mr Michael Grade: I think it is important from the licence fee payer's point of view, from parliament's point of view, that there is ultimately a single figure, a single individual, who is the chairman of the BBC, where the buck does finally stop and everybody knows where it stops. Most organisations have a titular leader. The check and balance on the chairman of the BBC, either the chairman of the governors or under the new trust, is that the chairman's power comes solely from his or her ability to persuade his or her fellow trustees that the course of action being proposed is the right one. But in the end, I think the public does need to know where the buck stops and who is leading the organisation and responsible ultimately, albeit with the board, of course.

Q19 Lord Holme of Cheltenham: If we take the analogy of the Guardian Media Group, there is a Scott Trust, which has a chairman, and there is the operational Guardian, which has a very effective chief executive.

Mr Michael Grade: The trading company, yes, of the Scott Trust.

Q20 Lord Holme of Cheltenham: Do you see in the Government's model the sort of role that used to be played by the chairman of the BBC being played by the chairman of the trust?

Mr Michael Grade: The Scott Trust model is a very effective model. The purpose of the Scott Trust is to protect the independence of the Guardian and so on. The big difference with the BBC, of course, is there is no public money involved. There is nobody who has to be responsible for public money. Inside the BBC, where somebody has to be seen to be quite clearly responsible for £2.8 billion of the public's money, you cannot afford to have the confusion: this chairman is sort of responsible for the money Monday to Friday but Saturday and Sunday it is somebody else. You cannot have a muddle. You cannot have two people in a sense speaking for the BBC. You have to have a single chairman. It has to be very clear who is looking after the money. The executive board as proposed in the Green Paper I think will work well, because the intention is that the chief executive, the Director General, will chair that board, helped by three non-executives, or with the help of the quality of the decisions they are making on a day-to-day basis, but I think there is clarity in the Government's model in that nobody is in any doubt about where the buck finally stops.

Q21 Lord Holme of Cheltenham: Just following Lord Maxton on impartiality and accuracy, you will be aware that in the Communications Act there is a new responsibility laid in respect of current affairs on the BBC, which is that of not merely promoting debate, which was obviously good box office, and which the BBC, like other broadcasters, does very well, but of promoting civic understanding. What measures do you see being put in place in terms of governance to ensure that in news and current affairs you are promoting civic understanding?

Mr Michael Grade: In many ways I think this will become much clearer when we get to the new world of service licences, which is a contract really between the trust and the executive, who are required to implement it. Within those services licences will be embedded the core purposes of the BBC, right across all the services. In the Building Public Value document we are very clear that the BBC believes one of its core purposes is to deliver greater

understanding of what it means to be a citizen, to be a voter and so on, and that will be reflected. It is for the management to decide what form the programmes take, but we would expect to see adequate provision and resources behind that core purpose of the BBC.

Mr Thompson: If I can just add, we would accept this has been and will be going forward a very, very important mission for the BBC across a broad spectrum of outlook. I think it is quite important to say I think current affairs – and we have recently announced a significant increase in money and air time for peak time current affairs on BBC 1, but I would argue that from Comic Relief last Friday through to, for example, discussions and phone-ins on BBC local radio through to some of the work we are trying to do in and around the digital curriculum and classrooms, we would regard the mission of trying to raise both knowledge and interest in the broadest sense communities and civic values as being a very important mission. Indeed, I would say we face some very big challenges coming forward, of which helping to inform the public about the issues which may be around a potential future referendum on the European constitution is a rather interesting and striking example, recognising as we do that many electors will be starting from a fairly low base of knowledge potentially when we consider those issues. The BBC essentially has a very important public role to play in trying to engage the public with those issues impartially.

Mr Tait: Following the Electoral Commission's most recent report on political engagement, we are all very conscious of the importance of the BBC as a trusted source of information about politics and about the wider world. One of the issues that, as Mark says, came very interestingly out of the European research which the governors commissioned was not that the BBC's coverage was partial. It was not that it was on one side or the other of the argument, but that it left the audience still confused and not sufficiently well informed about some of the issues. One of the main purposes of the sorts of detailed research that we are doing is to look at areas where the audience is simply baffled, or does not feel they have been given the

background or the context to make informed judgments, not on one side or the other but just the basic knowledge that they need. I think that is a very good example of how the governors and the management are actually working in a very constructive way.

Mr Michael Grade: May I just add a quick coda? The BBC is committed to a policy which we have labelled Out of London. The way the market is developing in broadcasting in the UK is very national-centric, very London-centric, and the BBC is absolutely committed to a mission to move the debate.

Q22 Chairman: If I could interrupt, we will come on to that.

Mr Michael Grade: I think it is a very important part of what Lord Holme was saying.

Chairman: That is understood.

Q23 Lord King of Bridgwater: Dealing with this issue about complaints, the worst shock that came to me out of Hutton and Butler was the blizzard of complaints that came in absolutely continuously over the Today programme. I am interested to know at what stage or how you handle the problem. The producer may say, "It's them again," and he tries to deal with it as best he can. At what stage are the governors involved? Were the governors approached individually or directly on these occasions, particularly the regional governor, when the story is particularly applicable to a particular region? Do your proposals really protect you enough from the fact that you are all appointed by the Government in the end, indirectly, who may be making continuous representations to you about your work?

Mr Michael Grade: I personally have never been approached, but I have only been in the job just under a year, and there is potentially an election coming fairly soon – who knows? If I or any of my colleagues on the board of governors received a complaint directly from any vested interest, whether political or commercial or otherwise, we would advise them immediately to take it to the management, to the Director General, or we would pass it straight on to the

Director General and hope that it would be resolved at that level. If it does not get resolved, it would come to the governors ultimately and we would have to make a decision about it, but I do not know that there have been in recent times any direct attempts by any senior or junior political people to try and leverage some kind of sympathetic response from the governors that are ultimately appointed by the Government. I think that would be very unwise. I think everybody would understand that would become public in two minutes and might rebound.

Q24 Lord King of Bridgwater: Do you think your proposals are going to improve the situation over the present unsatisfactory position?

Mr Michael Grade: I think that, if we can build confidence in our complaints procedures, which do need rebuilding, I have to say, I think that will go some way to easing matters, yes.

Q25 Baroness O'Neill of Bengarve: A complaints procedure is rather good at getting at a deficiency that supposedly has vexed or harmed an individual or identifiable organisation. How is a complaints procedure useful for more general quality issues, or is it not?

Mr Michael Grade: It is very hard to answer you without a specific case. If somebody felt that a particular programme was below the BBC's normal quality...

Q26 Baroness O'Neill of Bengarve: Suppose somebody said the journalism of attachment has no part in BBC broadcasting, and you have had at least two notable foreign correspondents who have publicly said that they are advocates of the journalism of attachment.

Mr Michael Grade: The BBC has a primary duty to be impartial.

Lord Peston: Before you answer, can we be told what the journalism of attachment is, please?

Q27 Baroness O'Neill of Bengarve: It is a Martin Bell phrase, when he started taking sides in Bosnia, followed up by Rageh Omah in Baghdad.

Mr Thompson: Perhaps I should address this. Firstly, there are many ways. We should be careful about the use of the word “complaint”. We have been using the word “complaint” up until now to mean one or more specific complainants with a very particular – it might well be an issue which raises much wider questions but a particular issue about a particular programme. In addition to that, both management but also governors of the BBC would wish to track other concerns which are raised about BBC output. For example, in last year’s annual report, the governors noted from the broad tracking surveys a perception that the quality of programming on some of the television channels, or more broadly, the quality of BBC programming might be in decline, and initiated research, and indeed, asked the management to respond with research on the broader issue of standards of quality. In the example of what place, if any, does emotion have in journalism, that is a very good topic for exploration, both by the governors and also by senior editors. There are many, many ways. At any one time in the BBC there are probably half a dozen such broader concerns being debated internally, and in many cases separately considered by the governors.

Mr Tait: I think the answer to the question what the purpose is of the investigation of a complaint is that a complaint is a drilling down through various layers to try and see what has happened, and by doing that, in a sense, it gives the governors complaints committee the opportunity to exercise an editorial oversight which they would not have if they were operating on a more superficial level. You are right; there may be a complaint which has no significance beyond the fact that the BBC employs human beings that sometimes make mistakes, or there may be a complaint which has wider implications, which suggests there is something wrong with the systems or something wrong with the training, or something that needs addressing by the management.

Q28 Baroness O'Neill of Bengarve: That is not the question I am trying to raise. It is the question that complaints procedures are good for looking at defects in private goods, consumer goods. They are generally not of such use where the deficiency is in a public good. That is the problem. What when there is no complaint? There need be no complaint about the particular problem I raise, and a complaints procedure might not be the appropriate way to deal with it. I think you have answered it.

Mr Tait: No. In my experience – very limited so far; I've only been in this job for a few months – quite a lot of complainants are not really complaining about a specific incident; they are complaining about a perception of overall bias, a perception of an overall mindset which they do not like, and therefore the only way you can test that is by looking at examples.

Mr Thompson: There was one particular complaint made by a significant number of people about an incident where one of our correspondents on the programme “From our own Correspondent” said that she had found herself weeping when the dying Yasser Arafat was leaving Ramallah on his way, eventually, to death in Paris. What is interesting about this is firstly, BBC senior editorial management very quickly said we thought that this particular correspondent had been wrong to say what she said, but more broadly inside the BBC, this opened the very debate you are talking about, about whether or not and to what extent were there limits with which journalists could express emotion and question-mark attachment within their broadcasting. The conclusion in this case, in a sense, is that there are situations of extreme human suffering where it may well be highly appropriate to reflect that in tone of voice and emotion, but in this case the correspondent had stepped over the acceptable boundary.

Q29 Chairman: Speaking from experience, if you happen to be reporting a conflict and you are reporting from one side, you may bend over backwards to be fair, but actually you are always going to have a slight sympathy with where you are.

Mr Thompson: In which case, you would hope that the totality of the coverage, with correspondents in different situations – one correspondent on one side, one on the other, another following events in London – that you will achieve a balance across the whole thing. The point I am trying to make is sometimes a specific complaint can lead to the very broader debate, if you like, the public good debate we were talking about.

Mr Michael Grade: Impartiality: if the BBC is not impartial, if the BBC's news and current affairs cannot be regarded as impartial, we might as well all pack up and go home, frankly. Anybody who works for the BBC on a regular basis as a journalist must not do anything which calls into question their impartiality. There is room elsewhere in the schedule – on radio, on television, online – for personal opinion, for opinionated views of the world, which add to people's understanding, but centrally the core is nobody who works for the BBC in a journalistic capacity must allow their impartiality to be questioned.

Q30 Lord Maxton: There is a rule you laid down very strictly following the Andrew Gilligan affair that none of your journalists should write pieces outside of the BBC. That is what destroys the impartiality of your journalists, if you can then read an article in the Daily Mail, as you could with Andrew Gilligan, and read a different point of view. Does that same rule cover your regional broadcasting as well, where certainly in Scotland you employ one journalist, Ian McWhirter as your major presenter of political programmes in Scotland, and yet at the same time he writes up to five political articles a week in newspapers in Scotland. How do you explain that?

Mr Thompson: I will, in the light of your question, look at the case you mention and I would be very happy to write to you about that case. Broadly, what happened after Hutton was not a total prohibition but fairly strict controls on the way in which journalists should be allowed to write articles outside their work for the BBC, absolutely with the intention of not blurring these lines, because understandably, the public, although we might argue punctiliously there

is a difference between what a given journalist writes in a newspaper and what they broadcast on a BBC television or radio channel, nonetheless the public could be forgiven for blurring the two. There are controls and referrals, and frequently the answer to journalists about whether they should write or not is “No, you shouldn’t,” but there are not absolute prohibitions. I will look at the particular case of Ian McWhirter.

Q31 Lord Peston: I am a little worried about the concept of impartiality. I assume impartiality does not mean that you cannot tell the truth. Quite the contrary; it means that you tell what you see. So if you look, and on the one hand you see a government that locks people up, and then you see the opposition being locked up, if one of your journalists were to make clear who were the good guys and who are the bad guys, that does not mean that they are biased; it means they are telling the truth as they see it. That must cover an enormous amount of broadcasting. I take it your view is not that a journalist should be stopped from saying, “For those of you who don’t quite know in this case who are the good guys and who are the bad guys, those are one lot and that’s the other lot.” It would be horrifying if somehow they were stopped from doing that.

Mr Thompson: I am with you one hundred per cent when you talk about reporting the facts. When you start saying our journalists should be assigning and telling the public who are the good buys and who are the bad guys, I think the point is...

Q32 Lord Peston: I am sorry to interrupt, but in my case I need that because I am so ignorant. I do not know who is killing who.

Mr Thompson: My picture of BBC journalism would rather be this, that we would try with our journalists and with our entire news gathering operation to reveal what is going on in the world so that the viewer, the public, has the knowledge and the equipment to make up their mind about what is going on, and who is praiseworthy and who is blameworthy. I do not

think it is for us to lead them, nor should we need to. If our reporting is good and factual, the public will be able to decide for themselves.

Q33 Chairman: Trying to summarise in a few words, in terms of the structure that is being proposed by the Government in the Green Paper, you appear to be broadly content with that. As far as the complaints procedure, the way that complaints will be dealt with, you are also reasonably content with that and, as I understand, I do not think the specific question has been put. You are not in favour of having a sort of independent outside body, however defined, looking at complaints from the BBC.

Mr Michael Grade: I think that is a fair summary, if I could just add a tiny bit of gloss to that. There are about 50 areas where Ofcom has the responsibility for hearing complaints or compliance or regulatory issues. The Government's structure does not impinge, where the trustees are called in to make a judgment, on their ability to effect structural change inside the BBC and to say to the Director General "These procedures must be changed. There is a serious question mark about this person or that person. Your structure is wrong." We can require changes, and that is the importance of the trust having the influence inside the organisation, which Ofcom cannot do because they are just sitting in judgment on individual cases. They cannot then come back and say, "The Director General has got this wrong. He ought to be fired" or whatever.

Q34 Baroness Howe of Idlicote: On the future for the licence fee, it has been suggested for some time by other organisations in relation to the Green Paper that maybe in ten years' time another way of funding the BBC might be envisaged. The proposal there is that somewhere between now and the end of the ten-year period there will be a discussion and a review of the different methods. There are really two aspects of this. Is that a sufficient way to deal with this whole issue, and on the different models that might be looked at by you, which of them, if

any, but if you had to, would you prefer? Could you do a little review of how you see the pluses and minuses?

Mr Michael Grade: Taking the first question first, it is quite right that when digital switch-over is more or less achieved, it will be time to start looking at the future of the BBC at that point, about eight years into the next Charter, which I think is what the Government is proposing. That seems a sensible moment, and it is quite right at Charter review time – and not every three months or six months or every year – to review the whole future of the licence fee. Do we want the BBC? What is the BBC for? How should we fund it? That seems to me perfectly right. So far as the question of how you fund the BBC, you have to ask other questions first, because there is a direct correlation between the method of funding and the outcome at the end, and you have got to decide what kind of BBC you want. Once you have decided that, you can decide how to fund it. If you want the BBC to continue to provide what it presently provides – perhaps even do it better than it does presently – there is only one way to achieve that outcome, and that is to give it secure and adequate income that is exclusive. You cannot expect the outcomes that you presently get from the BBC once you put the BBC into competition for revenue, either through advertising or subscription. The only two possibilities are the licence fee or direct grant in aid. Direct grant in aid undermines the principle, I think, of the independence of the BBC. The licence fee is a much more efficient way of doing it. The licence fee in my view is the only way to ensure that you create the conditions in which the BBC can go on delivering what it delivers. If you want a different kind of BBC, you can fund it differently, but I just cannot believe – and I have never believed and never will believe – that you can fund the BBC in a competitive environment and still get the same outcome. It just does not work that way.

Q35 Baroness Howe of Idlicote: What about the increasing competitive environment of the other broadcasters and the fact that they are also saying they will not be able to fund a degree

of public service broadcasting? There is quite a strong feeling that top slicing perhaps of the whole amount that you are getting at the moment should be one of the ways. What is your view on that?

Mr Michael Grade: First of all, it is a matter for public policy where there should be some kind of public intervention to ensure plurality in public service broadcasting provision. It is quite clear that the market models now do not support what we would all understand as public service broadcasting provision. There will have to be a debate at some point. At the moment, there is plurality of public service broadcasting provision through Channel 4; to a lesser extent these days and historically on ITV but ITV is still a very important part of public service broadcasting provision in this country. It is a debate for the future. So far as the issue of contestable funding and top slicing, whatever various people call it, again that is part of that debate. If you start slicing up the licence fee, there goes accountability because the licence fee payer does not know where the money has gone and who is accountable for the money. “Who decided that out of my 120-odd quid 20 should go to the shareholders of ITV? That is not what I am paying for. I am paying for the BBC.” I hope Parliament will support what we are all trying to do which is to create a climate of much clearer and greater accountability; this is what the whole government debate is about. Once you have top slicing or the licence fee is suddenly going to different people or it is up for grabs for everybody, how can you hope to have accountability?

Q36 Baroness Bonham-Carter of Yarnbury: At the moment, all the surveys show that the licence fee is pretty popular but looking to the future it might become less so. Has the BBC thought pre-emptively of ways of tackling the regressive nature of the licence fee which may become a big argument in the future?

Mr Thompson: In the end, the question whether you can improve the fairness and social impact of the licence fee is a matter for Parliament and government. We signal in *Building*

Public Value we would be very happy to have conversations with all parties about what could be done to improve the fairness and mitigate whatever unfairness there is in the licence fee system. The DCMS consultation demonstrates that the support for the licence fee, which some years ago people were claiming by now would have collapsed, remains very high. When the public are asked to rank the licence fee against other funding models, they place the licence fee very high. Although it is a form of funding whose inelegance sometimes troubles some of one's economist friends, it is a form of funding which continues to have very widespread support.

Q37 Baroness Bonham-Carter of Yarnbury: I appreciate that. One of our MPs did a survey in his constituency and that was shown. I see it is a government issue but there might be something which the BBC could be thinking about in that, when there is a multiplicity of channels, it might become less popular.

Mr Michael Grade: That does sort of keep us awake at night when we are allowed a moment to think slightly longer term, but we have to believe that what we are providing the British public, and in the different distribution ways that we will be able to deliver the content, that we are going to maintain overwhelming majority public support for the licence fee. If we do not believe that, it could become a self-fulfilling prophecy. We have to believe that we are sufficiently different from what is being provided in the private sector that we will maintain public support. That is why all the staff at the BBC and all of us get up in the morning, to deliver that and maintain that support. In a sense, I do not think it is an issue of technology or competition; it is an issue that is very much in the hands of the creative producers, programme makers and content creators of the BBC. I do not think technology is going to devalue what we do. In fact, I think it is going to enhance it because the public and private sectors of broadcasting are getting further and further apart. The difference between them is beginning to become more and more apparent.

Q38 Chairman: If you are told not to chase ratings with game shows etc., if you are not chasing ratings to some extent you are going to become a minority programme, are you not?

Mr Michael Grade: It depends how you achieve the ratings. Some of us – not many – are old enough to remember *Morecambe and Wise* on Christmas night getting 25 million watching. Nobody said the BBC had gone down market and was chasing ratings. Those were ratings achieved from the highest possible standards of British comedy that have ever been achieved on British television. *Monty Python* is the benchmark. There is no disgrace in getting ratings; it is how you get them. You have to earn ratings, not buy them.

Q39 Chairman: Ratings are still important.

Mr Michael Grade: Of course they are. The BBC should never apologise for being popular in certain regards provided what they are offering the public that is capturing the public's imagination – *Only Fools and Horses*, *The Office* – are the highest calibre, inventive, innovative, brilliantly executed, creative creations that are essentially British and capture the imagination of all demographic classes of people.

Mr Thompson: Our news programmes are some of the most popular and they do not become more popular by making them less serious. If you looked this last weekend at BBC1, *Comic Relief* on Friday night and this two part *Super Volcano* programme which had a lot of real science in it, I do not see why we cannot continue to have a portfolio of programmes, some of which will not be popular which will meet particular and more demanding interests, but some of which will be ambitious, creatively interesting and valuable and reach large audiences.

Q40 Lord Peston: As far as I know from economics literature, I have no alternative way of financing public service broadcasting than either directly from the taxpayer, which leads to the independence question, or the licence fee. My reading of economics literature is that those who oppose the licence fee have no sympathy for any public service things at all. I try

to believe my own subject is objective but the people we are talking about are not objective at all. One of the benefits of being on this Committee is that one starts to think about things for the first time. I am quite in favour of public service broadcasting but what does anybody mean by public service broadcasting? I can recognise it but I cannot explain what it is and, reading your document on page 26, you do not quite tell us. As a result of these choices you then have the UK definition of public service broadcasting. You tell us in a functional way what it is but you do not tell us in a more philosophical way what is public service in this regard and how will I recognise it.

Mr Michael Grade: The conditions prerequisite for a full public service content provision are that the editorial decisions that are made as to what to make and what not to make are made purely and simply with the public interest in mind. The public interest is not shared with shareholders, advertisers, the need to drive subscription or any other party. You make those decisions on the basis that you will make this programme because you believe it will interest, amuse, educate and inform the public. There is no other consideration whatsoever. That does not mean that the programme will be wonderful. There is a high failure rate in programme making in television because of the number of programmes that you have to make. The screen has a voracious appetite for programming. Those are the preconditions required. After that, you need sufficient funding, sufficient ambition and people who make the programmes and the decisions to understand the responsibility and what it means to be the spenders of 2.8 billion of the public's money.

Mr Thompson: If you turn to page eight of our document, it lists the five kinds of public value the BBC propose in *Building Public Value*: democratic value, cultural, creative value, educational value, social and community value and global value. With some improvements, these values are laid out in the Green Paper. The government adds a sixth value which is also mentioned in the notion of building a digital Britain. The claim for public service

broadcasting would be that it is a public intervention against each of these five or six values. It is not what the market will not provide in each of these areas because there are providers who will provide; it is that the cultural intervention, which is public service broadcasting, can lead to greater public benefit against each of these public values than would have been achieved by the market on its own. It is an intervention aimed, if you like, at boosting the impact against each of these public purposes. In the jargon, you say that this is absolutely an area of public good. Free to air broadcasting is a public good. When public service broadcasting is pursuing these values, it is a merit good which also can have positive externalities in terms of not just directly but indirectly adding to benefits for society as a whole. That would be my philosophical and economic claim for public service broadcasting.

Mr Michael Grade: Also, in pursuing these values, the public can rely on the BBC as the major public service broadcaster to deliver these consistently. We are not subject to a downturn in advertising revenue where there are huge cutbacks and economic problems. If subscriptions are down, the share price is going down, we have to save money and do this or that. It is a perfectly reasonable proposition for the private sector but this is what is meant by the BBC as a cornerstone of British broadcasting. I think it is Douglas Hurd's phrase. The BBC is the public's guarantor of consistency of supply of these ambitions.

Q41 Lord Holme of Cheltenham: I think this public value notion is a step forward into this black hole which has characterised the definition of public service broadcasting. I do not think we are there yet and it is quite apparent from the government's paper that the alignment of what you think is representing the BBC is not wholly aligned with what the government perceive, although that may just be a matter of language. The trap into which the BBC always potentially falls is rather like that old sword that my Labour colleagues will find particularly amusing, which is that Socialism is what a Labour government does. Public service is what the BBC does. There is a general apprehension that if we renew the licence

fee for a long period that is no longer adequate. You will have to get more specific. This question is related not to the quality of judgments but the quantity of judgments because I think it would be fair to say that, in recent years, the BBC has looked as though it was trying to be universalist. Every platform, every technology, every genre, whatever is going on, the BBC feels it has to be there. From the point of view of a healthy broadcasting ecology and from the point of view of the licence payers' funding, I wonder if that is right. I wonder if you have not to get a bit more focused and selective, rather than trying to be everywhere, doing everything.

Mr Michael Grade: That question goes to the heart of the government's problem with the BBC. You have encapsulated exactly why everyone perceives there has been a problem. That the BBC always gets old time religion around charter review is the same point. The whole purpose of the government's reforms that we have been implementing and that the government is going to implement, given certain obvious qualifications, is to make sure that we have a governance structure in place that will ensure that all the fine words and promises get enshrined in service and businesses, in taking the public's mind, in public debate, public consultation and so on. The whole edifice of governance and the government's modernisation has to be to ensure that there can be no slippage. That is why we are going to have service licences. That is why we have the public value test. That is why so much of what is being proposed both in our *Building Public Value* document and in the Green Paper is designed to ensure that we cannot go back to the old days where public service broadcasting was whatever the BBC decided at that time. Who says so? The governors say so. On what authority? They are the governors. It is not good enough. We have to have a mandate from the licence fee payers. We must be able to show the world why this is a good policy, why we are doing this, why we are proposing to change the service. On the point of being all things to all people and trying to do everything, in fairness to the BBC, many decisions that have been

made by my predecessor and Mark's predecessor have been brilliant decisions that have opened up new markets for a lot of people. Without BBC.co.uk, the internet market in this country would not be what it is today. Freeview is a huge success. Many commercial activities of the BBC have opened up new markets. There is some criticism in the Green Paper about the BBC being into all kinds of magazines. The BBC's entry into the magazine market many years ago in certain specialist areas has opened up the market in lots of areas. Lots of private sector players are now playing. They have motoring or cooking magazines that all started as a result of the BBC entering the market. The BBC has quite a potent effect in stimulating the market. There is a point where we have to say, "We have done it now. We need to withdraw from that and do something else." Withdrawing is not something the BBC does voluntarily.

Q42 Lord Holme of Cheltenham: Have you ever done it?

Mr Michael Grade: No. The graph review of our online activities, a report commissioned by the DCMS: we could easily have commissioned that ourselves. As a result of the graph review of our online activities, quite a few successful sites on the BBC website have been withdrawn. The market has taken care of that. There is no public value created by what we are doing so we withdraw.

Q43 Lord Holme of Cheltenham: As somebody who spends too much time abroad, the BBC World Service is one of the great creations of this country. I sometimes think it achieves more of the whole foreign service put together. There must be a question at least about what BBC world television represents. What is the strategy? What are the priorities? The funds produced for BBC World are presumably, ultimately licence payers' moneys, although we know that the World Service is financed differently. Abroad you have commercial partners of one sort or another. What I do not fully understand is why having at

best a passable competitor, CNN, is a key part of our national responsibility paid for by licence payers. When one of your values is a global value, the World Service which is differently financed amply exemplifies it. What is it that the World Service is intended to do? Will it work? Is it sensible? Where do we go?

Mr Thompson: The way we see the long term strategy is absolutely around the idea of global value and the notion of the BBC becoming the world's most trusted provider of international news and information and providing, where we can, a platform for the best of British talent and British programming in other markets. Part of our global strategy is BBC America. We have TV channels in many markets in the world and many television channels showing BBC programmes. The heart of the global mission is journalism. Let me explain how that works as to fact. The World Service is paid for by grant in aid, by the Foreign Office. Grant in aid money also helps pay for the distribution costs globally of our website. The BBC website – in particular the news part – is also a very significant way of delivering BBC journalism to consumers around the world. BBC World is not paid for by the licence payer; nor is it paid for by grant in aid. It is commercially funded. In my view, in recent years, it has been doing extremely well in growing its audiences, growing the commercial impact it gains around the world and also in growing its advertising revenue. The more its advertising revenue grows, the more we can invest in the editorial quality of BBC World. BBC World has come on leaps and bounds. It is now overtaking CNN in many markets around the world. We would like to secure better distribution for BBC World, particularly in the United States, a very key market, but at the moment our plan is to make a commercial success of BBC World, which is very important. If the tripod of our global journalism is the World Service, BBC World is the third leg of that tripod. The World Service too faces interesting challenges. Increasingly, we are trying to get FM distribution for the World Service in addition to short wave as around the world our listeners switch to FM. There are some questions in the Green Paper about the

World Service's priorities, in particular the future of some language services, and other new challenges – for example, the idea of an Arabic television news service.

Chairman: Could we have some figures on what you were just saying about BBC World? It would be very interesting to see how the revenue has grown.

Q44 Lord Holme of Cheltenham: To the extent that BBC World is recycling BBC material, it is not quite true to say it is commercial. After all, BBC Enterprise has been very successful over the years in selling the rights to foreign television companies of a lot of the best of BBC products. Presumably the option exists to get the best of the BBC recognised around the world, wholesaling rather than retailing indirectly. The notion that it is now commercial means that it is a profit centre in which I am suggesting that the costs are lower as a result of the licence payers' investment.

Ms Thomson: The costing basis of BBC World is done on the same basis that every other international news channel around the world works. In other words, it is costed at marginal cost, not at full cost. That is exactly the same as CNN International is done, as we understand it. It is audited regularly and we have bench marking figures done to show that that is the case. It operates commercially on exactly the same basis as every other commercial channel. Where it has specially commissioned material, it obviously pays the full costs for all its own special programmes.

Lord Holme of Cheltenham: Perhaps that underlines the Chairman's point about understanding what the business model is.

Q45 Lord Maxton: I have never been quite clear what audiences BBC World is aiming at. If I am travelling abroad along with many other British people for tourism, business or anything, I go to a hotel room and almost inevitably I can get Sky News. What I am getting is the Sky News from Britain and I can watch what is happening here, which is what I want to

do. If I watch BBC World, I am getting something different. Are you aiming at the ex-pat Brit or are you aiming at the wider audience?

Mr Thompson: It is aimed at a global audience. It is aimed at English speaking, English understanding opinion formers around the world. It frequently commands an audience of very close to a million in the United States alone. It is reaching hundreds of millions of households around the world. The nature of the beast is, if you are aiming at such a broad spectrum of audience, you will perhaps not please any one person perfectly. Our website is a better way of getting precisely the news you want but we believe that World is very important.

Q46 Chairman: Are you aiming at exactly the same thing as the World Service?

Ms Thomson: That is absolutely right. As with the English language service of the World Service, World is targeted at a global audience, which is not to say that it does not in some regions specifically target a regional audience. What it does not do is target an ex-pat audience. For example, in the subcontinent, there are special programmes made for an Indian audience and a Pakistani audience which are particularly about their affairs, which is a very important part of its succeeding and overtaking CNN in that area.

Mr Thompson: We can provide much more information on this.

Chairman: That would be helpful.

Q47 Lord King of Bridgwater: What do you see as the future of regional broadcasting in television and radio? I do not know if you look at them together or you have them as quite separate issues, local radio and regional television.

Mr Michael Grade: We see the expansion of broadcasting in television and radio online to nations and regions in these islands as a big, vital growth area for the BBC. We see an expansion of the provision of our services outside of London to the nations and the English

regions as an absolute growth area for the BBC going forward. We see that the provision of high cost, high quality news, current affairs, local interest, community interest, nation's interests, national interests and so on for the British public is going to be less and less by the private sector. This is a key role for the BBC going forward.

Q48 Lord King of Bridgwater: One of the features of local radio has been technology driven. It makes it possible for far greater penetration, far smaller catchment areas. I note in my own constituency the way in which it started with the radio station was operating out of Bristol, which was for the west country. Then we had Somerset Sound coming in. Then we had something coming in to Bridgwater as the town and it was getting smaller and smaller. Are you going to chase it all the way down?

Mr Thompson: It is highly unlikely. There are some parts of England where the existing chain of BBC local radio stations does not serve large communities as well as it might. *Building Public Value* has one or two examples of areas where we think we can provide potentially good, additional local radio. We do not see an argument for a complete tier of community radio provided from the BBC. Where we can, we are trying to work with community radio and others who want to provide community to see if we can offer some of our skill and content to help them. However, in terms of online, both narrow band web and broad band, we are quite interested in whether these technologies might enable us to offer local television and local television news in particular; but also more broadly, as we already try to do, to offer web based services which are valuable at the level of community, at a smaller granularity than BBC local radio. We have over 40 local radio stations. That still means, as you imply, that a radio station in Bristol is covering quite a big catchment area in the west country. We think that the web is potentially an interesting and effective way of providing richer services at community level. This notion of local television via broad band may also be a better way of serving the regions of Scotland, Wales and Northern Ireland,

where the BBC's focus has been quite a heavily national one based in Glasgow, Cardiff and Belfast principally, rather than one which reflected the regions of Scotland, Wales and Northern Ireland as fully as we would like.

Q49 Lord King of Bridgwater: You segment your audiences in this local area on geography. What about going more for culture and ethnicity?

Mr Thompson: We already try to reflect ethnicity in our local as well as national services. We broadcast in many dozens of languages in the United Kingdom, as many as we do globally. These are programmes within local radio. In our web services we will have opportunities to reach other communities, both ethnic communities and other communities of interest, who define themselves by their interests or their sense of identity rather than where they happen to live in the United Kingdom. It is also very important that in our network programmes on television and radio we try and reflect the entire country we live in, including its minorities. In terms of the geographical spread of talent, voices and programme making around the United Kingdom but also in terms of the different communities of this country, ethnically and defined in other ways, we want to try harder than we have in the past to make sure that network television and network radio reflect the richness of the modern UK.

Q50 Lord King of Bridgwater: You said that you wanted to decentralise a lot of your production and creative facilities. How many locations do you envisage putting those in while still keeping an adequate critical mass of capability?

Mr Michael Grade: If you go back to the original federal, regional system of ITV, there were 15 centres of production throughout these islands. I do not think we would aspire to anywhere near 15. I do not think that is an economic, value for money model.

Q51 Lord King of Bridgwater: When you say “aspire”, you are already doing it, are you not?

Mr Michael Grade: Not 15.

Q52 Lord King of Bridgwater: You are already putting in hand your programme to move people out of London.

Mr Michael Grade: Yes.

Q53 Lord King of Bridgwater: How many destinations have you at the moment?

Mr Thompson: In terms of network programming, we would not seek to increase the number of centres where we are making network programmes but rather to shift the balance between the amount of network programming we are making in London and the amount we are making in our existing centres which in England are principally Birmingham, Manchester and Bristol and, in the nations, Glasgow, Cardiff and Belfast. You have very substantially more in Manchester and rather less in London. We also want to try and find more opportunities for network programmes to be made in other major cities, for example, in the north east of England, where there may not be a complete BBC centre but nonetheless we can reflect a particular culture. The other thing is to try and develop what we have. One interesting example is the Asian network. This is a radio network which began as effectively an adjunct to local radio in Leicester and then in Leicester and Birmingham but which we are now providing digitally on digital radio and also digital television to the whole country. The Asian network is now becoming a UK-wide network, albeit aimed at listeners from the south Asian community in the whole of the UK.

Chairman: At some stage later on we would quite like to visit one or two of the regional centres, so perhaps we might move the questioning on.

Q54 Baroness Gibson of Market Rasen: You have indicated already to us that you are pretty satisfied with the fact that the Royal Charter will run for ten years but obviously during that period there will be technologically many changes. I was wondering about the implications of these. How future-proof do you think the proposals in the Green Paper are in relation to the ten year Charter? When we were discussing previously public service broadcasting, you mentioned that that was a debate for the future but how are you thinking of protecting and promoting public service broadcasting in the digital age?

Mr Michael Grade: The big event of the next ten years as far as possible, forecasting it sitting here today, is going to be the digital switchover. The BBC will have a major role to play, yet to be clearly defined, in effecting smoothly and efficiently with all the other stakeholders an efficient switch off of the analogue. That is going to take to between 2008 and 2012 to achieve.

Q55 Baroness Gibson of Market Rasen: You have not at the moment any sort of ideas about protecting public service broadcasting?

Mr Michael Grade: Yes. The licence fee, the ten years, the endorsement of the licence fee as a means of funding the BBC and endorsement of the BBC in roughly its present shape and size we hope are the public's guarantees that the BBC will be able to continue, at least for the next ten years of the next Charter, to go on delivering the range of services specifically and simply designed for their consumption through different technologies, not exclusively simply that TV box in the corner but through digital radio, digital television, through the web, through 3G or 4G -- who knows what is coming? -- telephony and so on? Whatever distribution mechanisms there are will still require content. We will be there. The public's guarantee that there is going to be continuity of supply of high quality news, current affairs, education and entertainment is the ten year Charter, underpinned by the licence fee.

Mr Thompson: The hope is that over the course of this Charter every household will be able to get all of the BBC's digital services. That is the connection, if you like, between the Charter and the digital switchover, that we can return to the universal provision of all our services and offer a much wider choice to the public into every household.

Q56 Lord Peston: On reflection, I can make no sense of why the Royal Charter should be for a finite time period. The more I think about it, the more I say, "Why is there not a permanent Charter?" You might say that is the same as an Act of Parliament. It is not obvious to me, unless governments simply want to interfere in things where they should not, why there is not a permanent charter. Do you have a view on this? What meaning is there out of the blue to say ten years?

Mr Michael Grade: I would love to agree with you wholeheartedly. It would be every BBC chairman's dream for there to be no Charter review. In the end, this is a large amount of public money and it is a good discipline for the BBC not too often – ten years is enough – but every ten years in a democratic society I think it is right that the roots are lifted up and examined and hopefully carefully replanted with a bit of pruning, a bit of extra growth or a bit of Fison's or whatever.

Lord Peston: You could get all those changes with a permanent Charter. In an extreme case, imagine someone saying, "We will set the House of Lords up for ten years and during the course of the last few years we will decide whether we want a House of Lords."

Chairman: I thought that is what we were doing!

Q57 Lord Armstrong of Iminster: You always have had a Charter and there are those around who say, "Would it be a good idea if the BBC were governed by Act of Parliament like ITV is?" Indeed, the House of Commons select committee suggested that but the government has come out in favour of continuing with the Charter. Do you have any

preferences in that? The issue for me is which gives you greater independence but some people think you would be more independent with an Act of Parliament than with a Charter.

Mr Michael Grade: The answer is in the history of the BBC which has, a bit like China, been invaded many times but never conquered. The constitution of the BBC has stood it in good stead. Unless the BBC is independent, it is not worth having. Over its 77 year history as a corporation under Royal Charter, it has never lost its independence. There has to be some connection, given the tax on the BBC by various governments over its history, and to take a risk with something that is proven to have been resilient to political attack or any other kind of attempted capture would be an unnecessary risk. I do not quite see what the argument is against the Charter. On the ten year period, a statute can be revoked at any time on a political whim. The Charter allows the BBC to be one step removed from a vote in both Houses.

Mr Thompson: The ten years therefore falls when it falls, not when a particular political moment arrives. That is one safeguard. The Charter rather, in some ways fruitfully, provokes a debate about the entirety of the BBC: its global role, its regional role, its technology, its future, its relationship to its licence payers and so forth. If you lock it into an Act of Parliament, a slight danger is that very quickly the debate, when it comes, will be about funding. I think seeing the BBC in the round and debating it once every ten years in the round is probably a healthy thing to do.

(The Committee suspended from 5.13pm to 5.23pm for a division in the House)

Q58 Chairman: Am I right that Channel 4 is set up under statute? It has never seemed to me that being set up under statute has had any implications for its independence. You could say it is more sternly independent than most channels.

Mr Michael Grade: The answer is that there is no public money that can be cut off. Channel 4 has always earned all its revenue from the private sector. In the early days, it was ITV that

gave a subvention to Channel 4 but all the money Channel 4 gets is earned from the private sector in competition.

Q59 Lord Maxton: As technology changes, if Channel 4 is no longer viable, it disappears presumably without changing the statute?

Mr Michael Grade: You have before you two former chief executives of Channel 4. I wait for my colleague to nod his head but I think Channel 4 is some way off disappearing.

Q60 Chairman: With this unique experience of Channel 4, you do not feel that the statute model had anything particularly going for it?

Mr Thompson: We are talking of quite a fine point here. On the balance of argument, the continuation of a Royal Charter for the BBC probably makes sense. If you told me that instead it was going to be run under statute, I think it is a 55/45 judgment. The better part of £3 billion is flowing through so £30 billion over a ten year period arguably means that this once every ten year guaranteed discussion about the BBC's value and future is quite a valuable part of the calendar and you might lose the scale and completeness of that debate if you went for statute.

Q61 Baroness Bonham-Carter of Yarnbury: Picking up on your idea of the window of creative competition, how would this proposal work in practice and how could you ensure it was fair? How independent do you intend commissioning to be from production?

(The Committee suspended from 5.27pm to 5.35pm for a division in the House)

Mr Thompson: It is absolutely important from the point of view of the producers that the BBC should have a system which is fair to them. Also, it is in the interests of the licence payer that the licence fee investment should go to the best ideas and the best talent. A clear, strong, fair commissioning system is the best way of getting the best programmes on the air.

We have already begin the process of clarifying roles in BBC television amongst commissioners with fewer commissioners more empowered and with clearer lines of responsibility. We also hope to improve communication between commissioners and all providers of programmes, whether they are based in London, outside London, whether they are in-house or they are independent. Also, we are going to reduce the capacity we have for in-house – and this is intensely painful for the organisation – productions at the BBC in television somewhat. The numbers of people we have making programmes inside the BBC will reduce somewhat. The intention is to create the situation where we have a sensible and powerful in-house capacity. We think there are many areas where it is very important that the BBC should have a strong, skill-based critical mass of talent inside the organisation making programmes. We want to reduce that so that over and above the statutory quota – 25 per cent independent production – there should be a big window of creative competition where there can be genuine competition between all the different producers to pitch for and hopefully get the best ideas commissioned in a way which reflects the commitment to have real talent and skills inside the organisation – it is not just good for the BBC but good for the whole industry – but also much more space for the independent sector to pitch into.

Q62 Baroness Bonham-Carter of Yarnbury: How are you going to ensure that those doing the commissioning are not going to give their BBC colleagues the best slots?

Mr Thompson: In terms of the objectives we set them, the way we reward them, the way we structure them within the organisation to make sure that they are incentivised to come up with the best ideas for our channels, rather than simply to give Fred down the corridor the best programme ideas. In recent years the BBC failed to achieve the statutory quota of 25 per cent production. That will not happen again. We have not yet had the figures for last year validated by Ofcom but we believe last year in calendar 2004 we commissioned over 30 per cent of programmes for the independent sector. We are trying to move already from a

position where, bluntly, in the BBC that 25 per cent was regarded as a ceiling as well as a floor to a point where it is very definitely a floor and the independent sector is encouraged to compete to get commissions over and above that floor.

Mr Michael Grade: The governors have approved in principle the executive's proposal for the window of creative competition but that approval will be subject to the governors themselves being absolutely satisfied that for once inside the BBC we are finally going to have an absolutely level playing field to resolve the conflict between in-house production capacity and the independent sector.

Q63 Baroness Howe of Idlicote: The BBC have played such an important part in training everybody in the entire broadcasting world, one wonders what impact the proposal is going to have on the training issue. Also, I am concerned about all the staff that have already been culled, as it were, and how many of them will have to come back recycled into this new creative area of mutual competition?

Mr Thompson: These are obviously difficult questions for the organisation. I believe it is essential that the BBC is driving the best possible value it can out of the licence fee. It is also important that the BBC is open to the best ideas from whatever source and does not have its editorial judgment skewed by the fact that it is carrying too much in-house capacity and production. The changes we are making, although they are very painful for people inside the organisation, are the right things to do. However, my view of the likely future of broadcasting and the changes we can expect is that the need for having skills and a properly trained workforce is going to grow, if anything. The BBC's historic role in being a trainer not just for its own needs but as a centre of excellence for training and for delivering skilled broadcasters who can go on in the independent sector, working with other broadcasters and working elsewhere in the independent sector, will remain very important. The Green Paper says that the BBC should play a vital role in helping to train in the broadcasting sector. We

are very committed to doing that. We are working with skill sets and other key stakeholders in training in the audiovisual and creative industries. Over the next couple of months, I will be bringing the BBC governors a long term strategy of training in the BBC. We think it is very important. It is one of the distinct contributions the BBC should make over the next Charter period to the industry as a whole.

Q64 Lord Maxton: If BBC Scotland commission into the private sector, are they going to be obliged to commission within Scotland rather than perhaps coming to a London company to do a commission for BBC Scotland? If that is the case, what I would describe as the role of the BBC is as a centre of culture within Glasgow and Edinburgh – in other words, by employing actors, by employing staff, they ensure that those people stay in Scotland and are able to work in the theatres in Scotland as well as just working in the BBC. It would be very dangerous if we lost that sense of the BBC as being a centre of culture within a nation like Scotland.

Mr Thompson: On the contrary, we are keen that we should increase that role. We have been very active with Channel 4 and others in trying to promote the independent sector within Scotland. For example, the merger of Ideal World and Clements in Scotland was something that the BBC and Channel 4 welcome because the creation of independent producers of scale within the nations as well as in London is one of the ways of strengthening the creative industries in Scotland, Wales and Northern Ireland and indeed in non-metropolitan England, as well as a continued commitment to in-house production in Scotland, Wales and Northern Ireland. The London audiovisual sector is very large. It can support a very big, diverse independent sector on its own as well as in-house production. We believe in the other creative cities in the UK it is quite important that broadcasters collaborate to try and make sure that you are building up opportunities, not just for in-house production but also for independent production and for the craft industry and craft skills that support this. I would

very much agree with the thrust of your question. It is very important in the next decade that we make sure we do not see a flight of talent out from the rest of the UK to London, but on the contrary, that the BBC plays its part in building talents and skills across the whole of the UK.

Mr Michael Grade: Talent essentially follows the money. If the money is moving from London to Glasgow, Edinburgh, Aberdeen or wherever, the talent will find it. The local talent will find it first, which is where we want to get to.

Q65 Baroness O'Neill of Bengarve: I am going to put this as a set of questions around this notion of public value, which was clearly a key concept. You indicated earlier a couple of ways of defining it and one immediately comes to the contrast between public value and market value but then very quickly thereafter the realisation that there is no clear metric of public value as these five or six categories are united under that heading. Yet, judgments are going to have to be made about whether a certain line of activity would create more public value or whether it would not, and all of these decisions bear on competition with other broadcasters. I wondered how you are going to look at that and tell whether there is more public value in two proposals put up, for example, in the BBC or two proposals put up by the BBC management to the governors.

Mr Michael Grade: The position we are moving from is where the BBC has made decisions to start new services or change existing services without any regard whatsoever to the impact on the private sector. Services have been launched. There have been howls of rage, pain, anguish, impoverishment and so on from the private sector and the DCMS have had to come in, get some wise people with no vested interest to come in and look at what has happened after it has happened. That is the position ante. The position going forward is that there will be no radical change to any existing service. There will be no new service introduced until a full process of consultation has been gone through independently by the governors and

trustees orchestrated and managed by the governance unit who owe their existence, their pay and rations, their enhancement, their hiring and firing only to the governors or to the trustees, not to the management which has been the case in the past, another radical change. There will be a full consultation with the private sector and a market impact assessment independently arrived at in consultation with Ofcom, which is what the Green Paper suggests – I think that is a mistake, personally – and the public value test will attempt to create some sense of what public value might be created. This is work in progress. In the end, it will come down to a judgment. If the case for public value is thin and not really evidentially strong enough and the case for damage done to the private sector pretty conclusive, there is only one decision the trustees and governors can make. How the public value test will work is work in progress presently. There will be wide consultation with all the stakeholders, including Ofcom, on how it will work. It may not be a perfect tool to begin with but it is the first time in the BBC's history that there has been an objective measurement tool introduced before decisions are made, not afterwards.

Q66 Baroness O'Neill of Bengarve: I see what you are driving at but I also see how very difficult it will be to create that as an objective tool in that you do not have units there as far as I can see. Is that right?

Mr Thompson: I think you are right that the idea of a calculus, an algorithm, which you could crank through which would come up with an answer is not achievable. It is not just apples and oranges but very large numbers of different fruit and some of the things you are talking about will be, to some extent, subjective judgments. There is the notion of assembling a body of evidence which tries to weigh the benefits and disbenefits of a particular service. Amongst the benefits might be this idea of value that will be delivered to the individual as a consumer and also perhaps the idea of the value delivered to the individual as a citizen. In a sense, this is the notion of consumer value, merit good value and externality value. Using

such measures, some of which are metric, of the realised reach of a service, its value for money which can be expressed numerically in terms of cost per user hour and so forth, slightly more subjectively impacts when you ask people, “Do you particularly remember this programme? Do you value this programme?”; the quality of a given programme, again perhaps measured in opinion surveys and so forth. That, balanced against the cost to the licence payer in terms of the millions of pounds of licence fees pent on the service, and also a market impact test where you are looking at the impact of this service on the rest of the market. We should not assume that that impact will always be entirely negative. There may well be evidence of market distortion but in the early stages of digital radio the impact on audiovisual services helped to establish digital radio and encouraged consumers to buy radios and also listen to and enjoy commercial digital radio. The idea that you assemble this body of evidence, the pros and cons, the benefits and disbenefits, and attempt to achieve a reasonable conclusion based on the balance of evidence on what the net benefits are seems rather better. This is what the board of governors, DCMS and others have always tried to do but the idea of beginning to codify what is going on into different categories of evidence, accepting that these have to be weighed against each other in a reasonable way, is an advance but what it is not is an exact calculus.

Q67 Baroness O'Neill of Bengarve: It is evidence based but it is not an algorithm. Will you be making this evidence base public?

Mr Michael Grade: The objective is that when the trustees make their final judgment based on the evidence we can publish, explain and be very transparent and accountable and say, “This was the evidence we received. This is where we think the balance lies. We have therefore decided not to go ahead with this project” or, “We have decided to go ahead with it.” It will be very clear what the evidence was on which, in the end, the trustees made their judgment.

Q68 Lord Holme of Cheltenham: Is this assembly of evidence analysis or advocacy? The BBC are very good at advocacy. You have always spent a lot of time preparing cases very punctiliously and arguing them. Is this the BBC doing an analysis of the cost benefit alternatives etc., or is it the BBC saying, “We want to do this. Let’s get together the best case we can and put it to the trust”? Which is it?

Mr Michael Grade: The executive board will no doubt make the case. They will say, “We think there is a case for doing BBCX, a new service.” In the old days, the governors would have looked at that and been very quickly convinced it was a jolly good thing, rubber stamp it and then all hell breaks loose in the private sector. Under the new arrangements, the management would prepare the case, helped by the non-executives on the operating board. Hopefully it will be a good case. The trustees will then take that away and spend as long as they need to spend looking at it, examining it, applying the public value test, weighing the evidence on both sides and eventually making a judgment. It is certainly not advocacy.

Q69 Lord Holme of Cheltenham: The trustees would not be looking a counter case?

Mr Michael Grade: They would be looking at the case presented by the executive and they will take it away, consult widely with the private sector, stakeholders of all kinds and they will apply the public value test to see if it is possible to quantify the public value created, define it and then they will make a judgment. We may have further questions for the management at that point and we may not but it will be taken away from the management and examined objectively. It will be transparent and the evidence on which the judgment is made will be published. Nicholas Kroll is the midwife of the public value test.

Mr Kroll: This is why it is so important that the governance unit is separate from and independent from the executive side of the BBC, because my job would be to take this material and advise the governors on the basis of independent advice on the proposals as they

come forward. I am absolutely able to do that independently of the executive side of the BBC.

Q70 Lord Peston: I did not understand the Green Paper on this and I still do not. I would have thought what the BBC ought to be doing is saying, “We can do this better than them.” At a very low level, the BBC music magazine is the best music magazine around. The BBC gardening magazine is the best gardening magazine around. When the BBC did test cricket, I am not saying that Sky were bad but the BBC were very much better. Why is the BBC not going to be in a position to say, “They are doing it but we can compete and we can do it better”? I do not see why the trusts should be involved in this. It seems to me the people who do the work should be taking this kind of decision.

Mr Thompson: We will be doing exactly that. We will be coming up with ideas and services very much based on what we think is in the best interests of the licence payer and strong, powerful services which the BBC can provide. Under the proposed system, the governance unit and the board of governors, in which the BBC trusts would be, would then be in a position to objectively weigh that claim by consulting other providers of these services to decide whether or not they believe that the claim that these services will be outstanding is true.

Q71 Lord Peston: I have never run a business in my life but would you run a business that way?

Mr Michael Grade: There is public money here. Magazines are commercial activities which do not involve any element of the licence fee. Therefore, the question is should the BBC be using its market clout, its distribution and marketing skills, to run magazines. The answer to that question is we believe we are quite good at magazines provided those magazines relate

directly to the intellectual properties that we create on radio or television. For us suddenly to do a knitting magazine or ----

Lord Peston: You could do a computer magazine which some of us would buy like a shot.

Q72 Baroness Howe of Idlicote: I see what you are going to be doing in this new formula but I want to be reassured of is that you will have some leeway for a purely qualitative judgment because that is crucially important.

Mr Michael Grade: When the trust is called upon to make judgments that are qualitative, it is still important that everyone, the private sector, the public licence fee payers, Parliament and so on, has confidence that the trustees have exercised that judgment not solely on evidence provided by management. We are moving to that point now very quickly and people will begin to accept that the decisions of the governors and the trustees are not decisions made in the old style, which is essentially just nodding through anything the management wants to do.

Lord Kalms: When we started talking about the trust at the beginning, I thought you damned it with faint praise. What is the trust? How many people are there? Is it a big organisation behind it? How often would you report to them? Are they your bosses? Is this another regulator?

Chairman: Can we just finish this point and come back to you?

Q73 Baroness O'Neill of Bengarve: I am having some difficulty in the light of that view of what the trust and the governors do understanding whether it is a top tier of management or whether its role is simply accountability, whether its judgments have a prospect of impact or largely retrospective impact.

Mr Michael Grade: The government's proposals make it clear that the trustees are the custodians of the public money, that the trustees are the sovereign board of the BBC. The executive board is there to implement policies, strategies, that have been approved by the

licence fee payers and so on, by the trustees, and the management executive board, the three non-executives, are there to implement. The trustees are very much inside the BBC and that is for a good reason. That is why we are able to support it because, as trustees and as the body responsible for the public's money, we need to be in a position not just to sit in judgment after the mess has been made but to be there hopefully to stop the mess but, if the mess happens, to be able to influence what is done and who is responsible afterwards, rather than being an outside regulator who has no power.

Q74 Lord Kalms: How many people do they employ?

Mr Michael Grade: None of that has been ----

Q75 Lord Kalms: If they are going to look at the stuff that you are producing, they must have a reasonably large organisation. They must be like any regulator and regulators grow like Topsy. There is going to be a top structure here over you with a vast number of people looking at you stuff.

Mr Michael Grade: He runs the executive board and whoever succeeds him. I am top structure. The trust of which I would be chairman sits above the whole thing.

Mr Thompson: The Green Paper is something that we too are looking at with enormous interest. None of this is absolutely pinned down. It seems to me that the BBC trust is prospectively responsible for signing off on budget, overall strategy for the BBC and for setting service licences which set out the ways in which individual BBC services would meet the various kinds of public value which are set for them. The task of delivering BBC services and the entire machinery of the organisations which deliver the programmes and content to the public is delegated to the executive board and the BBC trust examines in great detail retrospectively the extent to which the executive board and the BBC machine has delivered against the objectives they set in the budget, the strategy and the service licences.

Q76 Lord Kalms: What is the difference between this and a supervisory body board, a bog standard, German model supervisory board, supervising a management board?

Mr Thompson: The BBC trust has the licence fee and it is a supervisory board.

Lord Kalms: If you had said that right from the beginning and said that Michael is going to be the chairman of that, then you really would have said it in plain English. It should not be called a trust; it should be called a supervisory board. That is what it is.

Q77 Chairman: Is it a supervisory board? A supervisory board is a bit more distant, is it not?

Mr Michael Grade: It is more than that. The trust is responsible for 2.8 billion of the public's money and it has a much greater role than a supervisory board.

Chairman: It is a very important question and we need to get it clarified. I think we need to clarify it first with the minister and the government who are proposing the model.

Q78 Lord Kalms: We talked earlier about a BBC mission statement which is to sustain citizenship and civil society. On the whole, the BBC does a magnificent job but is there not a weakness in the way the BBC treats politicians? Politicians on the whole are not given sufficient respect and are disparaged quite often. Is it not becoming a style now that you take the people who lead our country, the politicians, whether you like them or not – that is the best system we have – and you knock them for six. There are several of our very excellent reporters who do that, almost as a matter of practice. I watching a television programme with Andrew Neill and there were six examples of where they attacked journalists, journalists have attacked politicians and the politicians have either walked out or crumbled. Do you have a policy on the way Paxman treats journalists? You talk about creating a civil society and at the same time you kick away from under their legs the impact and the respect that we should hold

for them. You do it a little with royalty. You are not the worst for royalty. Some of the other media are ten times worse, but do you have a view about royalty and about politicians?

Mr Thompson: The controversy around political questioning by BBC interviewers is not a new one. Mr Robin Day in the 1960s interviewed politicians. You should look at the tapes of election programmes in the 1960s and 1970s. You would be surprised at how aggressive and similar the discourse was then. The balance one is trying to strike the whole time is between the proper task of scrutinising and using the traditional, British adversarial way, exploring issues with the politicians of the day and doing that in a way which genuinely exposes the underlying arguments and challenges the points politicians are making; and the danger of overstepping the mark into negativity and rudeness and so forth. Generally, I believe in the current affairs division we get that balance right much of the time.

Q79 Chairman: You would not mind if this Committee were to interview one or two of your interviewers and reporters?

Mr Thompson: Of course not.

Mr Michael Grade: It is a very good idea. I made a speech recently in which I talked about the fine line between the use of scepticism which is a genuine weapon in a journalist's armoury and cynicism. There are occasions where cynicism is masquerading as scepticism. That is something that we have to be very careful of.

Q80 Baroness Gibson of Market Rasen: Where I would disagree with you about Mr Robin Day is that he would ask a question aggressively and shut up. Unfortunately, two of the programmes that I listen to carefully are *News Night* and *Today*, and John Humphreys speaks more than the person he is interviewing. It is not good broadcasting because you cannot hear the answers of the politicians, be they whatever colour. The same happens on *News Night*. I wonder if you ever look at it from that viewpoint. I do not mind the aggression but it is the

talking over of whoever is being interviewed. I find myself shouting at the radio and the television, to my husband's anger.

Mr Thompson: There are lessons on both sides to be learned, particularly when there is time pressure on an interview. A characteristic scenario is of a politician who has one or two points they are desperate to make. An interview is often trying to get a question of real substance and you get over-speaking, a clash and more heat than light. That is to be deprecated. That is not good broadcasting. There is an argument on both sides, reflecting on what is the best way from the public's point of view of exploring the issues of the day. There may well be lessons for BBC journalists and there are sometimes also lessons for politicians in what is the best way of getting light onto the subject. It is something we should think about. Talking to the public, the public take a slightly different point of view than many politicians do about this. Many members of the public thoroughly enjoy the adversarial approach and many of the interviewers politicians worry most about are regarded as the most independent, the most fearless and the most valuable by the public.

Lord Maxton: John Reid was absolutely right to have a go at Paxman. What worries me is not news programmes and political programmes; it is the pervasive cynicism about politics that permeates the whole of the BBC across radio and television. I do not listen to Radio 1 but my sons do and they tell me that during a general election you have disc jockeys essentially saying, "I cannot see any reason to vote for any of them and I am not going to bother." If they are saying that to our youngsters, what can you expect our youngsters to do and say in response? If you listen to Michael Parkinson, it is a wonderful radio programme and it is one of the few that plays my type of music. Again, every so often Michael Parkinson or someone he is interviewing makes a totally off the cuff remark about politicians and politics. It is unnecessary and you should be above it.

Lord King of Bridgwater: The polls we took of public attitudes to politicians put them at equal bottom with estate agents, which was a message for politicians and a message for the media. Also, anybody who thinks Robin Day is a harmless old crusty, it is true that he stopped after he had said something tough. I remember on one occasion, “Why should the public listen to you, Secretary of State, as you are if I may say so here today and gone tomorrow?” He did stop there because John Mott had walked out of the room.

Q81 Chairman: Can we have a quick reply to Lord Maxton’s question?

Mr Thompson: In so far as there is a broader cynicism in the media, I would agree. The BBC should be extremely careful. We have to reflect the reality of the broad range of public perceptions about politics and politicians.

Q82 Lord Maxton: But you make it.

Mr Thompson: Where we can find ways of engaging the public constructively in the great issues of the day, we should do that. We have just come to the end of a period where across BBC television and radio we have been focusing on Comic Relief. That was a good example of the BBC, not just on BBC1 but on Radio 1 and elsewhere, getting many millions of people focused upon what is a great public issue. They gave an extraordinary amount of money but they also watch documentaries and listen to stories about the developing world which are remarkable. The BBC is not always cynical in the way it approaches the great issues of the day or even in the way it approaches politicians.

Q83 Baroness O'Neill of Bengarve: On the last day of last year, I was a so-called guest editor of the *Today* programme and the tsunami dominated, which was quite right. I listened to those assembled blaming governments, the United Nations and the NGOs out in the field. After I had been listening for sometime, I was asked in the last four minutes what I thought. I

said that I thought those of us who were sitting comfortably in the studio were in no position to blame anybody for trying to do something about so great a tragedy. The response was both on air and subsequently that if we do not point out who is to blame who would. My response was I thought an explanation might be your task, not blame.

Mr Thompson: I agree.

Q84 Chairman: You said a very interesting thing earlier on in our discussion. As I understand it, you said that no politician, political leader, Cabinet minister or shadow Cabinet minister has sought to influence you in your period as chairman.

Mr Michael Grade: Absolutely not. I get letters from Members of both Houses. I get formal letters complaining and pointing things out. One knows the difference between a letter saying, "How can you have let this happen?", a formal letter, and a nudge-nudge, wink-wink telephone call or meeting. Never in my broadcasting career over 30 years has any politician of any persuasion at any level, from either House, tried to exercise undue influence on me.

Q85 Chairman: Is that the same with you, Mr Thompson?

Mr Thompson: I do not think I have been the subject of undue influence. I get a lot of phone calls from politicians complaining about things or worried about things that we are broadcasting.

Q86 Lord King of Bridgwater: You are talking about individual politicians but organisationally are you under pressure?

Mr Thompson: No. Political parties again have perspectives to share with us, of course, and sometimes they will share them with quite a lot of excitement and anger but nothing that I would regard as improper or undue.

Q87 Chairman: Are the representations that are made recorded? Does one have a league table of who is complaining where?

Mr Thompson: We do not keep a minute account. We make a broad note of what is going on and what different political parties and different individuals are asking us, simply because we want to get some sense of what is going on.

Q88 Chairman: Under the Freedom of Information Act we can find that out?

Mr Michael Grade: The corporate activity of the BBC comes under the Freedom of Information Act. Programme related matters are external.

Q89 Lord King of Bridgwater: If you minute for the attention of the government the amount of representations you are getting from one political party or another, that would become the subject of the Freedom of Information Act?

Mr Michael Grade: Yes.

Chairman: We have not dealt with digital switchover but a number of us had the benefit of a briefing yesterday for about two hours and we shall wish to come back to that whole area. In the meantime, I would like to thank you and your colleagues very much indeed for your patience during this vastly interrupted evidence and thank you very much for the way in which you have all answered questions. At the end of our inquiry, we would be very anxious to invite you back again to share these things with you.