**Lemons into Peaches**

Howell James, Permanent Secretary Government Communications, keynote address to RUSI conference “Managing Information Asymmetry” 15 November 2005.

[Thanks for Chair’s introduction]

I tried to buy a new television this weekend. Tried. And failed.

I used to think I understood television. After all, I’ve spent long enough working in and around it.

I used to work for the BBC but for those of you with long memories you may remember the early days of TV-am and a glove puppet called Roland Rat.

Roland, you may remember, was responsible for transforming the fortunes of TV-am. It was the first time in recorded history that a rat saved a sinking ship.

I was TV-am’s head of publicity at the time. Which made me Roland Rat’s press officer - a badge I still wear with pride.

So I thought I understood television.

Until I tried to buy one.
Before you can buy a television these days you need to have a PhD in acronyms to understand the sales patter.

Did I want CRT or FST? If it was FST, then did I mean LCD or DLP? Either way, it had to be HDR of course. Well, of course. And be fully loaded for S-CART, AV, and S-Vid. And was I sure I didn’t want a DVD-combi? Because there was a special on and if I ordered there and then I could have a free auto-swivel.

In the end, the nagging feeling that wool was being pulled insidiously over my eyes was too much to bear and I gave up and went home.

I had become the latest victim of information asymmetry – the subject of today’s conference.

As you know the term was coined some forty years ago by economists trying to find out why some markets work - and some don’t.

The key is equal access to information.
In some markets buyers and sellers both have access to broadly the same information. That means both sides speak the same language, know the rules of the game, and understand the nature of the transaction.

This generates a high degree of trust between buyers and sellers. As a result the market works well.

But there are other kinds of markets. In these, one side knows a lot more than the other.

Typically it’s the seller who knows a lot more than the buyer. As with my television salesman, there is an asymmetry of information. Here, the markets function much less well – indeed, in extreme cases they may cease to function at all.

One of the key texts in this field is a paper called: “The Market For Lemons.” That’s lemons not as used to perk up your gin and tonic, but lemons in the sense of used cars – or, more to the point, dud used cars. It was written by the American economist George Akerlof – and won him a Nobel Prize.

Typically the used car salesman knows a lot more about the cars on his forecourt than the buyer does, knows which are
lemons and which are peaches. The buyers don’t really have any way of distinguishing one from the other.

Now the buyers know this. And the result is that the buyers approach the seller with a profound lack of trust. Their general approach is: “If he wants to sell it, it can’t be worth buying.”

In economic terms the result of that lack of trust is destruction of value.

The buyer assumes that everything the salesman says is suspect, and that therefore everything he is selling is suspect and that all the cars are lemons.

The result is that the market price for all the cars goes down – including the peaches.

The market itself begins to deteriorate. In extreme circumstances the result is market collapse: Lemons, peaches, who cares? Leave them all to rot.

Now you may be asking: what does this have to do with government communication?
The answer is I think that for those of us engaged in the business of communicating government information there is an important lesson to be drawn.

It’s become commonplace to bemoan the breakdown of trust between government and the general public. That lack of trust may reflect a perceived asymmetry of information between government and public. A feeling among the public that government is holding stuff back, is not telling the whole truth, can’t completely be trusted.

That’s dangerous. Because if the economists are right, unless we can change that perception, then, just as a market can deteriorate sharply in these circumstances, so can the relationship between a government and the public it serves.

Of course this is not just a problem for government. Many institutions have suffered a decline in trust and therefore in their perceived legitimacy – including the media.

All sorts of factors contribute to this. The great overarching factor is the profound shift in power from producers to consumers.

That plays out in various ways.
On the one hand: Goodbye deference, Hello accountability and transparency.

On the other hand: the unstoppable rise of the empowered citizen saying, “I’m an individual. Treat me like one. Take me seriously. I have something valuable to contribute.”

In this new context communication only works if it is genuinely two-way.

Indeed, organisations that want to succeed in this new context have had to learn how to rebuild themselves around the idea of two-way communication. They know that effective two-way communication builds trust and sustains legitimacy.

That applies to public institutions just as much as it does to private companies.

And it certainly applies to government.

Modern government simply cannot work without modern communication.

In this new context, government communication has to be more than the business of managing news flows, issuing press releases and properly co-ordinating government
announcements. Those things are vitally important and will continue to be so – indeed I’ll have more to say about them later.

But there is another role for communication in government. It’s akin to the role of marketing in a successful company.

Whenever I say that in front of audiences like this, I see sceptical eyebrows being raised.

But I believe it’s true.

What good marketing departments in successful companies do is get close to their customers, listen hard, understand their needs and then bring those insights back so that products and services can be designed to fit those needs – products and services that are themselves endlessly refined and adjusted through further consultation with customers, so that the fit between product and need becomes ever closer and most satisfying.

Seen in that light, marketing is absolutely central to the success of any commercial company. Increasingly it is a key – perhaps the key - commercial discipline.
Government though is different – certainly more complicated – but it needs the same level of insight.

Effective government communication means rebuilding chunks of the machinery of government around the disciplines of marketing.

That means getting close to the public. Indeed it means bringing the public into government. It’s about developing acutely-sensitive antennae, about listening hard, about sharing information, about involving the public in policy-development, and continuously and explicitly refining policy and policy-delivery in response to their concerns. No-one said this was going to be easy…

Quite how this will play out over time is difficult to forecast. A lot of it is uncharted territory. But you can see how it’s beginning to work by looking at the strategy and tactics of counter-terrorism policy.

Strategy first.

As you know the government’s long-term counter-terrorism strategy for the UK goes under the title CONTEST (what was I saying about acronyms earlier?).
CONTEST has four pillars, the four Ps:

- Prevent
- Pursue
- Protect, and
- Prepare

All four of those pillars has a communications component, two of them in particular – Prevent and Prepare.

Let me explain what I mean.

Government cannot prevent home-grown terrorism by itself. It can only do so if it has really effective communications with the communities from which those home-grown terrorists spring. And remember, effective communications means two-way communications. That means listening as well as telling.

What does that mean in practice?

Over the summer the Prime Minister, Home Secretary and fellow Ministers met representatives from Muslim communities and together they identified a series of aims, with a community-led working group set up for each.
These aims included:

- Engaging with young people
- Tackling extremism and radicalisation
- Engaging with women
- Working to combat Islamophobia
- Providing a full range of education services that meet the need of the Muslim communities in the UK
- Considering the role of Mosques as a resource for the whole community, including the training and accreditation of Imams

These aims are important.

But just as important is the process itself.

That process embodies the strategy. One of the aims of this two-way communications exercise is to increase confidence among the Muslim community that their voices will be heard in government - that their concerns will be properly taken account of.

That, in itself, is a significant blow against extremism and radicalisation, which thrives on perceptions of exclusion from the centres of power.
The process is also a vote of confidence by government in the ability of the Muslim community and its institutions to play a key role in dealing with these issues.

It’s a practical example of government’s belief in the misguided nature of Islamophobia.

It’s a similar story with the other P: Prepare. This means making sure that the right people and the right resources are in place to respond to the consequences of terrorist action.

Central to effective preparedness is establishing the appropriate channels for two-way communications so that business and other organisations understand the risks they face. This enables them to apply a proportionate level of security to protect their customers, their employees and their assets.

Communicating risk is a hard thing to get right. We want to put the maximum amount of information in the public domain, but at the same time cause the minimum public alarm.

Striking that balance is not easy.

The current concern over avian flu is a case in point.
Let me share with you the communications conundrum that avian flu has produced.

The basic story with avian flu is this: There is a risk that it could – stress could - turn into a problem – perhaps even a big problem. But government has very-well developed plans, based on the best scientific advice, to alleviate the problems that might arise.

That's the story in a nutshell – or, perhaps, an eggshell.

Beyond that, the story becomes slightly more complicated.

As far as Britain is concerned there are two separate risks. The first is the possibility of avian flu infecting birds here. The second is that avian flu turns into a brand-new virus that can spread rapidly between people – the so-called human pandemic flu.

The first risk – avian flu infecting bird-flocks here - is essentially a problem for commercial poultry production with very little possibility of risk to humans.
The second risk – a new strain of virus producing a pandemic flu - has the potential - though no more than that - to pose a significant threat to humans and cause large numbers of deaths.

However, the government has well-developed plans, based on the best scientific advice, to alleviate the problems that might arise.

Those plans include a high degree of preparedness including stockpiling drugs and other equipment. Because the impact is unpredictable at this stage, care has been taken to ensure the plans are flexible and scalable. They exist within tried and tested structures for managing emergencies. And they have an international dimension in which the UK is taking a leading role because of our scientific expertise and our Presidency of the EU.

Now, here’s the conundrum: What is the correct degree of detail to put into the public domain about these risks and the plans to deal with them in order to ensure that people remain, as the saying goes, “alert but not alarmed.”

There is, of course, no right answer.
We have operated on the principle that information must be proportionate. When the risk is limited, as it is now, it is right that public information is kept low key. Otherwise needless alarm may be created – unwelcome in itself, and with the potential to cause unnecessary pressure on the nation’s medical infrastructure.

So, just as we have always taken the view that it is unwise to give a running commentary on our assessment of the terrorist threat, so we believe that, given our understanding of the current risk from avian flu, we should avoid public comment on every rumour and speculation. For flu we have adopted a measured but open approach. Our overall goal is a level of public knowledge and attention that is proportionate to the risk.

There is, of course, a risk to this strategy – that some people will equate a low-key public stance with inactivity. Or that conspiracy theorists will assume that government is concealing information for the wrong reasons – but there are no secrets with flu planning – it’s all out there.

The truth is that we are giving detailed information to health, veterinary and emergency planning professionals so that preparedness continues to improve. And we have made extensive information available on government websites – available to anyone who wants to seek it out.
As this detour into the communications issue surrounding avian flu has shown, striking the right balance where the communication of risk is concerned is no easy task.

And the problem is compounded because we are dependent to some degree on messages communicated via the media, who, like markets, always tend to overshoot. And you can see why: a major risk will always be a better story than a modest one.

In order to get a better shared understanding of the issues here - Ministers, the Chief Medical Officer and the Government’s Chief Scientist have opened up a dialogue with those in the media.

We’ve been encouraged by the early results in our discussions about the best ways to ensure that risk associated with the current terrorist threat is communicated effectively in order to ensure that the public remains “alert but not alarmed.”

From our side we will play our part – which is to be open, to provide the evidence we have, and not to over-claim.
But we look to the media to play their part too, like any other good citizens, in helping to improve the public understanding of risk.

I’ve spoken a little about the role of communication in the government’s counter-terrorism strategy.

Let me turn now to its tactical role in responding to a real terrorist attack – in this case 7/7, and the attempted follow-up two weeks later.

Ironically, one of the tests of good communications in situations such as these is that no-one should notice them. On the whole, communications only become the story when they go wrong.

It’s a tribute to the smoothness of the communications on 7/7 and 21/7 that the communications made no headlines, neither on the day, nor in the analysis and commentary afterwards.

But an effective communications response doesn’t happen by accident. So let me share some of the lessons with you.

The first is: plan and prepare.
Our planning and preparation included regular meetings, planning sessions, simulations and exercises involving all the agencies that might be involved in responding to a terrorist incident: the Police, the emergency services, the transport authorities, as well as central and local government.

An important result is that strong networks – formal and informal – have grown up between all the services involved.

Only a few weeks before the bombings of 7/7, for example, the British, American and Canadian Governments took part in a complex exercise involving a terrorism scenario. The planning for this exercise had taken more than a year to complete and involved real time terrorist events in all three countries.

Code-named “Atlantic Blue”, the exercise tested communications between Britain, the US and Canada at all levels. In the United States two small towns were used to test the capacity of local hospitals and emergency services to cope with the aftermath of a terrorist attack.

Here in Whitehall it was a table top exercise in COBR. As it happened, the scenario involved attacks on main-line stations in the capital. Most of the people taking part in the exercise were involved for real during 7/7.
The people who worked together in the immediate aftermath of 7/7 knew one another and understood their own and others’ roles and responsibilities without having to consult the manual.

That was a priceless asset.

Just as important, we’d put a lot of work into establishing and maintaining communication channels with the media – particularly TV and Radio.

There had been regular meetings of the national and regional Media Emergency Fora that bring together communications professionals from central and local government and the media, along with emergency planners, to share information and lessons from major incidents.

These cover not just terrorist incidents – they include crises such as floods and public health emergencies – but they create an immensely valuable context for partnership when terrorists do strike.

After “plan and prepare”, the second big lesson is: be able to respond rapidly, and provide co-ordination across agencies.
When horrific events like 7/7 happen, the demand for information from the public and from the media is almost instant and potentially overwhelming in its scale and intensity. To survive, you have to have a system already in place capable of responding speedily and robustly.

Within minutes of the blasts that day communications professionals from Government, the emergency services and the transport services had been alerted by text message under the London Significant Incident Protocol and brought together on a conference call.

A multi-agency press conference, led by the Met, was set in motion and the government’s News Co-ordination Centre was put in place to coordinate media enquiries and public information across all government departments. It ran as a central press office 24/7 for eight days, with more than one hundred personnel coordinating Government’s response.

That ability to co-ordinate across agencies was vital.

The right messages had to reach the right people via the right channels at the right time: administrators in hospitals, children in schools, commuters at train stations, people at work – whatever - and whether they were getting their information from radio, TV, or the web via PCs, mobiles or blackberries.
Getting these messages across effectively leads us to the third big lesson: maintaining public confidence. You can’t do this without effective communication.

In an emergency, most people will get their information from the media. Public information and news will often be received together - and that means they have to be managed together.

Key messages, such as “Go home” or “Stay in” will only be acted on if people are confident that the situation is under control. In other words, the situation cannot be effectively managed unless public confidence in government communication is maintained.

This requires active engagement with the media and constant updating with accurate facts and information – as well as the ability to respond calmly to what may sometimes be ill-informed comment and analysis from media pundits.

News stories tend to move in relatively predictable phases. Different phases bring different challenges. Effective communication means understanding the appropriate response to each phase.
In the case of 7/7, media attention moved rapidly from basic facts – casualties, cordons, eyewitness accounts – to analysis (sometimes critical) of how the police, emergency services, hospitals and transport networks were responding.

For the media, the spotlight stayed on aspects of the Police action. For government, the focus shifted to what was being done for victims, what had been done to prevent the attacks, and the broader policy response.

Proper co-ordination of information, media briefings and spokespeople was vital to maintaining confidence that the situation was being managed well.

After maintaining public confidence in the immediate aftermath, the fourth big lesson is that the story doesn’t stop when the smoke has cleared. There has to be a communication plan in place to deal with the “after-aftermath” – and that may go on for weeks.

This is a time when your people can be tired, maybe a bit tetchy.
But it’s really important that none of that is allowed to colour the communications response as the media move on to the inevitable next phase: what mistakes government might have made, who is responsible, where does accountability lie?

Maintaining a considered response as media pressure mounts is always a challenge.

But it is particularly important when a careful choice of tone and language can be critical to maintaining community cohesion when terrorists have struck.

Language can divide communities if its different meanings for different communities are not understood – particularly the language of faith.

Finding ways to stress common values helps to maintain cohesion and balance in government communications when taking strong action to protect communities.

If you put all this together, then I think it’s clear that effective communication goes hand in hand with an effective counter-terrorism strategy.

I would go further and say that effective communication will lie at the heart of every effective government strategy.
In my job I would say that, wouldn’t I?

But I do believe it’s true.

Without effective two-way communication that really engages the public and loops them into the policy process, we can stack our store with all the peaches we like – but they’ll still look like lemons.

Government has certainly not been immune from the decline in trust that has affected so many institutions. Reversing that trend is a real challenge, but by no means an impossible one.

As I’ve suggested earlier, the process of building channels for two-way communication, maintaining them, keeping them open and the information flowing, is itself part of the process of strengthening trust by building engagement.

It is possible to create a virtuous circle: where effective communication builds engagement and engagement enables better communication. It starts with government learning to share information, learning how to learn, learning how to listen.

Thank you for listening.
In the spirit of encouraging two-way communication, I’m happy to take questions.