Public Accounts Committee

Oral evidence: BBC Digital Media Initiative, HC 985
Monday 3 February 2014]

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Members present: Margaret Hodge (Chair); Mr Richard Bacon; Stephen Barclay, Guto Bebb, JackieDoyle-Price, Meg Hillier, Stewart Jackson, Fiona Mactaggart, Austin Mitchell, Nick Smith, Ian Swales, Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, Gabrielle Cohen, Assistant Auditor General, Peter Gray, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-222

Witness: John Linwood, former Chief Technology Officer of the BBC gave evidence.

Q1 Chair: I have some questions for you. Who on the BBC executive board did you report to?

John Linwood: Initially, Erik Huggers, and then when Erik Huggers left in 2011, I reported to Caroline Thomson.

Q2 Chair: Who would you have told if something was going wrong?

John Linwood: My manager, and also the CFO, Zarin Patel.

Q3 Chair: Who was your manager?

John Linwood: My manager was Caroline Thomson, or, prior to her, Erik Huggers.

Q4 Chair: At any time when you reported about the project did anybody express any worry or concern about what you were telling them?

John Linwood: They expressed concern about the status of the project, but they didn't express concern about what I was telling them per se.

Q5 Chair: So when you say that they expressed concern about the status, do you want to say a little more about that?

John Linwood: Yes, of course. For example, on a number of occasions I escalated that there was a lack of engagement and lack of ownership from the business side—BBC Vision in particular. Caroline Thomson was deeply concerned about that, so she took up that challenge and spoke to George Entwistle on a number of occasions to see whether she could get BBC Vision to take ownership of the project and to engage more. Similarly with BBC North—

Q6 Chair: Who was running BBC Vision at the time?

John Linwood: George Entwistle.

Q7 Chair: Go on.

John Linwood: Another example was BBC North, which was piloting DMI. They started to talk about buying an alternative interim solution. Again, I spoke to Caroline Thomson about that, because I was concerned that if they removed focus from DMI, they would never come back to it, or that they would leave it for a number of years before coming back to it. Caroline set up a number of meetings with the head of BBC North, Peter Salmon, and also the COO of BBC North, Alice Webb, where we talked through the issues and challenges of getting them to engage in and deploy DMI.

Q8 Chair: In his evidence to us when we went to Salford, Peter Salmon said that he never used DMI.

John Linwood: Nobody of that level in the organisation would have used DMI. DMI would have been used by producers and editors—people more junior in the organisation.

Q9 Chair: But he might have known that it was being used by his producers and editors.

John Linwood: He knew that it was being piloted by his staff.

Q10 Chair: He actually said it was not. I don’t know whether anybody else can find the reference more quickly than I can.

John Linwood: I can tell you that all through 2012 it was piloted in BBC Salford and in BBC Bristol.

Q11 Chair: In Salford. I asked him, and he said—it will take me for ever to find it, so keep going. Will someone have a look for it? It was in the Salford evidence at the end—when we talked about DMI he said he had never used it.

You said in June 2012 that you were six months behind schedule. Which schedule were you referring to?

John Linwood: In September 2010, the project published a new schedule that showed that DMI would start being used by the business at the end of 2011 or the beginning of 2012. That was the schedule we were working to.

Q12 Chair: With that schedule, there was already a two-year delay.

John Linwood: Correct.

Q13 Chair: So there was a two-and-a-half-year delay?

John Linwood: When I joined the BBC the project was already 18 months to two years behind track. Again, I said this in my written evidence: when we brought it in-house from Siemens, we had hoped that we could use the code that Siemens had produced. That was factored into the schedule that we put forward. What we found when we investigated that code was that it was not of sufficient quality for us to use, so we had to revisit the schedule. As I said, in September 2010 we published a revised schedule, which went to the finance committee—they were aware of it—and which showed us delivering in January 2012.

Chair: Then, in November 2012, they brought in Accenture. Have I got my timetable right?

Q14 Stephen Barclay: Can I just interject there? Can I just clarify something? You said that the revised schedule in September 2010 was for delivery in January 2012.

John Linwood: Correct.

Q15 Stephen Barclay: When we had our hearing on the DMI in February 2011, we were told it was going to be implemented by that summer—July 2011.

John Linwood: I wasn't at that hearing, so I can't comment on that.

Q16 Stephen Barclay: Have you had an opportunity to read the transcript of that hearing?

John Linwood: I have.

Q17 Stephen Barclay: Right, so what I'm trying to understand is this. When we took evidence in February, we were told four programmes were already running and it was going to be delivered by the summer of 2011. You are suggesting that a decision had already been taken earlier than that date, in September 2010, not to deliver until January 2012.

John Linwood: Correct.

Q18 Stephen Barclay: So is that not at odds with the evidence we were given?

John Linwood: It appears to be. Again, without looking at the exact evidence you were given, I can't comment on that, but I can tell you that the documents—I have the documents—show that from September 2010 the project was reporting that at the end of 2011/beginning of 2012 the software would be in use in the business.

Q19 Stephen Barclay: Right, so as the person running it, as the chief technology officer, you were working to a different deadline when we were getting our evidence. You were working to a deadline of January 2012.

John Linwood: Correct. The project was working to a deadline of January 2012.

Chair: Where's the reference, Steve? Have you got it?

Q20 Stephen Barclay: It's in the—I'm sure the NAO can check before we hear from the other witnesses; that's just from reading it last night. Our Report was published in April; the bit that I did not understand when I read it last night was that our Report was published in April, yet the NAO reported in March on the fact that the deadline of summer had already shifted as of March. I was trying to understand—we will come on to this with the other witnesses—how we could have put a Report out in April on the basis of evidence received that four programmes were running and it was going to be delivered for Salford in July 2011, when the Report for today's hearing says at paragraph 6: "From March 2011", which is not the September 2010 date that Mr Linwood has just given us, "emerging problems with the system and also unclear user requirements resulted in the BBC moving the completion date beyond autumn 2011", not January 2012, "and beyond required dates, for example to support production teams relocating to Salford." The reason why that is material is that one of the key factors in the business case for this technology was the move to Salford, so if you are losing that, you are losing one of the key planks of the benefits of the case, but perhaps the CAG can check that and Mr Gray might want to come in.

Peter Gray: When our Report was published in January 2011—I think that Report was envisaging a delivery of July 2011, as Mr Barclay has said. The Report was making the point that when the project was brought in-house, there was a delay of five months, and that took it to July 2011, so that is what we understood.

Q21 Stephen Barclay: But what the NAO is saying in January 2014 is different from what Mr Linwood has just told us.

John Linwood: I have a document here, which is from February 2011, and it clearly shows that in September 2010 there was a revised plan. It is showing it going live in the business at the end of 2011/beginning of 2012.

Q22 Chair: Can I just say this to you? I have found the reference where I ask Mr Salmon, who was running Salford: "Were you using it, Mr Salmon? Did you think it was working?" And he replies: "We were not using it."

John Linwood: As I said, they were piloting it and had been piloting it throughout 2012. They stopped piloting it around—I don't remember the exact time—July 2012.

Q23 Chair: I've just got to say he denies it. I can go on: he said that whether it was the Natural History Unit—I don't know where that is—

John Linwood: Bristol.

Chair: —or "*The One Show* down in London, working in a limited capacity, some items went to air."

John Linwood: There were a number of different teams around BBC production in Bristol.

Q24 Chair: Just tell me, because we have a whole load of half-truths running around here: in your view what would working it mean and what would piloting it mean? What is the difference? What do you think was happening, and what does Mr Salmon believe was happening? What is the difference?

John Linwood: The difference is that from a pilot point of view—

Chair: He says it was working. It was not working.

John Linwood: With all large software development projects, what you tend to do is have a beta or pilot phase, where users try the software against their live requirements. As I say, the BBC had been piloting it throughout 2012. They actually produced content that was broadcast.

Q25 Mr Bacon: You are talking about the one programme that was broadcast.

John Linwood: It was one long-form programme that was broadcast.

Q26 Mr Bacon: I'm so sorry; I've stolen the Chair's line. We were given the clear impression that this was live. In fact, you gave an interview on 15 July 2010 entitled "John Linwood: Driving the BBC's digital revolution"—there's a picture of you. I don't want to misquote you. You said: "Our first release of DMI went live at the end of February"—that was February 2010—"so it's live and in production and being used in the BBC which is a major milestone for us." Gosh, you'd reached a major milestone! That makes it sound like it was quite significant and that it was in use. Now, as it turns out, paragraph 2.5 of the NAO Report states: "we understand from the BBC that while there was some testing of basic production tools"—to which you have referred—"they were only used in the production of one broadcast programme called 'Bang goes the theory'".

So actually, you were overstating the extent to which it was being used back in July 2010. That is something we are used to. We often hear people talking about things that have been deployed that turn out not to have been deployed. Perhaps it was only a pilot, or there were nine people in one department of one hospital who were testing it, which was considered deployment. We have head this sort of thing before, Mr Linwood.

John Linwood: We did our first release in spring 2010. The programme was running under an Agile software development at the time, which means that we do small, incremental releases of software that go into the business, the business uses them and that allows us to modify the direction of the programme based on the feedback.

Q27 Chair: What could that bit of software do? What would it do if I were a producer?

John Linwood: What we released at the very beginning was the ability to ingest content. "Frozen Planet" in Bristol used it to ingest content and collect metadata around the content.

Q28 Chair: So every time I made a film I could put it into the system?

John Linwood: You could ingest it into the system and you could collect metadata around it.

Q29 Chair: But I couldn't then use it to edit?

John Linwood: You couldn't do the full end to end, no.

Q30 Chair: So I could just shove the stuff I filmed or recorded into a big hole.

John Linwood: Correct. The whole point of Agile development was that it goes out in small, incremental releases, and you release each piece. That was where we were at that point.

Q31 Mr Bacon: But your team said quite categorically that without the whole thing it wasn't DMI. Your team was interviewed by Bill Garrett, at the behest of management, to try to find out what was going on, because there was a lot of concern. He asked the questions and the answers were moderated by your team, so they were able to put their own take on the answers and add to them if they wished. He asked: "Is it possible to optimise the benefits case in a particular production genre or business area by only taking part of the DMI functionality, for example just the Archive? In context as other systems are expected to feed the DMI Archive in isolation for example Northern Ireland and A&M it must be technically possible to do this?"

The answer from your team was: "Taking either the Archive or the Production Tools components is possible but this would not be DMI". Yet there you were saying it was up and running, and that it was a major milestone. You were out there pumping it to the media, but internally you were downplaying and de-scoping it, weren't you?

John Linwood: No, I wasn't downplaying or de-scoping it. I reiterate that we had done our first release. That is what I said to the press. It was a completely honest statement and was correct at the time. We were operating under an Agile development. It had been agreed up front with the business that they get small, incremental releases, not the whole system end to end on day one. The point is that it allowed them to take the software, start to use it and start to feed back on issues around it. Several months later they said that they no longer wished to do that, and that they wanted to wait until the full functionality was available before we did releases to them. At the time, it was true. Later on it was no longer true, because they didn't want to continue down that path. So I did not mislead anyone, and I certainly did not—

Q32 Mr Bacon: What you were saying was that implementing only part of it would not accrue the benefits. That is what you originally said.

John Linwood: I don't think in the press I said that we were accruing any benefits.

Q33 Mr Bacon: Can you tell me what cost avoidance was? There was a term of art in the programme called cost avoidance. It was introduced as an extra discussion item. Do you remember that?

John Linwood: I don't, no. Can you give me more context, please?

Q34 Mr Bacon: There were several suggestions for things that the introduction of DMI would lead to the avoidance of costs of. Are you honestly telling me that you have never heard this term before?

John Linwood: I have heard the term "cost avoidance"; of course I have. I just wondered what context you meant.

Q35 Mr Bacon: Can you tell me about it in the context of the discussions over DMI?

John Linwood: You are going to have to tell me which discussion.

Mr Bacon: I am reading from Bill Garrett's note to this Committee. Under "Preparation of the 2010 revised Benefits Case", he says, "I am invited to take part in a meeting to further address the benefits case for DMI. The proposed meeting is organised to consider a new benefit line item"—this is one of the extra benefits to stick in the benefits case—"'cost avoidance'. At the meeting we discuss what costs production divisions would be exposed to if DMI did not go ahead." And then there is the small detail of what they are.

John Linwood: Okay, I understand now. What they were referring to there is the fact that if the BBC did not do DMI, each of the different production departments would go off and buy their own systems, which would cost more and be inefficient compared with the DMI system. That is what that was referring to.

Q36 Mr Bacon: Is it true that, the higher the cost avoidance number is, the better the overall benefits case looks?

John Linwood: Look, I want to be very clear: I was not responsible for the benefits case. I did not come up with the business plan for this DMI—

Q37 Mr Bacon: I am just trying to be clear in my own mind whether it is true that, the higher the number for cost avoidance, the better the benefits case looks. That is right, isn't it?

John Linwood: I assume so, yes.

Q38 Mr Bacon: The clear suggestion in Bill Garrett's note is that extra cost avoidance figures were added in, which he had previously not seen, which made the number look higher. The spreadsheet he attaches in the evidence that he sent to us—on page 042—makes the number look £8 million higher than it was. There is an item under the heading, "Jim Dobel / FM&T" for £4,139,000. There is another one for "Alan Whiston/Dirk-Willem van Gulik" for another £3 million. There is another for Jim Dobel for £1,300,000. That is another £8 million in total.

Bill Garrett said that the sheet appeared to indicate that these figures had been based on the "'professional judgement of the production innovation execs'". He continues to say: "For the removal of doubt I did not believe this to have been the case."

He also said: "One of the cost items was 'Datacentre & Storage Management costs' and equalled £3 million. This line item alone defied reason as this cost would only occur if DMI went ahead…It is my belief that the reason I was not recorded as having attended this meeting or been on the original distribution list for the email and summary was because the authors would have known I would realise the additional £8.4 Million to be unjustified. In looking at these costs it was clear to me that the numbers had simply been made up by the group who authored the sheet."

If you go on to his paragraph 27, he says, "Many senior figures…had reputations invested in DMI. The resulting behaviours ensured that concerns external to DMI were either dismissed or shut down and business cases and other approvals were simply waived through without proper scrutiny…In some cases I believe certain individuals acted wilfully to subvert governance processes and falsify value propositions so as to deceive the various consideration panels. This most serious matter is one I believe the BBC has a responsibility to investigate."

That is why you were fired, isn't it?

John Linwood: Not at all. With respect, Mr Bacon, Bill Garrett left the BBC in 2010. I met him for 13 minutes in the entire time that I was at the BBC.

In terms of the meetings that he referred to, I was not at those meetings and was not involved in them.

Mr Bacon: You were too busy talking to the media.

John Linwood: I was also not involved in defining the benefits case of this project.

Mr Bacon: You were known inside the BBC for avoiding key meetings, so you could say you weren't there.

John Linwood: I am sorry. I am not aware of that. I have never avoided key meetings.

Q39 Chair: Just tell me, out of interest, why were you not defining the costs?

Mr Bacon: You were in charge of it. You were the chief technology officer. You were paid £287,000 of licence fee payers' money.

John Linwood: I was responsible for the technology delivery. The terms of reference are very clear on DMI. I was not responsible for coming up with a business case for DMI or for the original vision of DMI, or for the financial—

Q40 Chair: Who was?

John Linwood: The business—BBC Vision and BBC North.

Chair: Who; who; who?

John Linwood: The people on the steering group—Bal Samra, Pat Younge, Roly Keating—from BBC Vision.

Q41 Stephen Barclay: Mr Linwood, we will come on to the role of the business and whether it was sufficiently engaged. The suggestion is that the IT department continued regardless, and missed a series of milestones. Could you clarify, what was the first major milestone you missed?

John Linwood: The first major milestone was in 2010—as I have said, when we realised that we could no longer use the code that had been produced by Siemens.

Q42 Stephen Barclay: When in 2010? September 2010?

John Linwood: Correct.

Chair: But that is after the new programme, Steve.

Q43 Stephen Barclay: Yes, so could you talk us through that key milestone that you missed?

John Linwood: I don’t have the details in front of me, I’m afraid.

Q44 Stephen Barclay: The first key milestone you missed—the first key thing that went wrong on your watch—what was it?

John Linwood: I think I just answered the question. In terms of delivery of DMI, we had to change the plan and move it back, because we could not use the code that we thought we were going to use from Siemens.

Q45 Stephen Barclay: Right. And how did you escalate that risk?

John Linwood: It was reported to the steering group. The new schedule was reported to the finance committee.

Q46 Stephen Barclay: How did they mitigate the risk?

John Linwood: The risk was not mitigated. The schedule moved.

Q47 Stephen Barclay: And that didn’t cause alarm?

John Linwood: It did. It caused concern. Of course it did.

Q48 Stephen Barclay: And that is not going to affect the benefits; that’s fine?

John Linwood: Of course it affects the benefits. It pushes the benefits further out.

Q49 Stephen Barclay: What was the next milestone missed?

John Linwood: I'm afraid I don't have the schedule in front of me. I left the BBC in July last year.

Q50 Stephen Barclay: In your submission, you said the business objected to this approach—that is to say, Agile. The very essence of Agile is that you do it in phases and get the business by it.

John Linwood: The essence of Agile is that you do small, incremental releases that allow the business to get hands-on with the technology during the development phase, so that you don't wait until the end of a two-year programme to get the feedback from the business. We had proposed right up front that we use Agile, because we thought that would be the best way to run this project. The business then said they didn't want to spend time working on and testing partial pieces of the software. They wanted to wait until large incremental pieces were delivered.

Q51 Stephen Barclay: Didn't it alarm you that, if it was too difficult for Siemens, it might be too difficult for you and your team?

John Linwood: When I joined the BBC, it was already out with Siemens and they were already having problems. I was told by people already in the BBC who knew about this project that the issue was Siemens' lack of understanding, and that Siemens were struggling to deliver the project. Subsequently, what I believe now, having gone through the process, is that perhaps Siemens suffered some of the same challenges that we did internally, which is that the business did not and could not define a consistent set of requirements; could not speak with one voice; did not take ownership of the project; and did not engage to the level they should have.

Q52 Chair: I want to cut this quite short. I want to cover two other things. When Accenture were brought in—in November 2012?

John Linwood: Yes.

Chair: Was it explained to you why they had been brought in?

John Linwood: Let me be clear. From October 2012, DMI was folded into the end-to-end project, and I was no longer responsible for it. I knew that Accenture were coming in, but I wasn't involved in scoping the work they came in to do.

Q53 Chair: You had moved off DMI completely by November 2012?

John Linwood: Correct. From that point of view, it had been folded into the end-to-end digital programme, just after October 2012.

Q54 Chair: So how can you take the view, as you do in your evidence, that the BBC executive board made the wrong decision to scrap it, because you thought most of it worked? How do you take that view?

John Linwood: Because, in October 2012, it was ready to go live.

Q55 Mr Bacon: You'd already said two years earlier that it was working.

John Linwood: Okay. In October 2012, the metadata archive was live. It eventually had nearly 5,000 users on it. The production tools had been in pilot throughout the year and had successfully produced some content, which is what the pilot was to do. We had cleared all the Showstopper bugs that were known, so there was no reason for it not to go live.

Q56 Mr Bacon: How many of those 5,000 users accessed it?

John Linwood: How many accessed it?

Mr Bacon: You said there were 5,000 users.

John Linwood: There are now about 5,000 users.

Mr Bacon: I thought you said there were 5,000 users then.

John Linwood: No. At that time, there probably would have been about 3,000.

Q57 Mr Bacon: There is a difference between it being "deployed" and somebody actually accessing it. The NHS IT programme used to talk about this; they would say, "It's been deployed", and such and such would be sitting in a corner in a GP's surgery, but no one would use it because it made things three times slower.

John Linwood: The way it worked is, if you needed to get content from the archive, you needed to use the DMI metadata archive. The archive was sending out 5,000 items a week, therefore people were using it.

Q58 Chair: For my simple mind, this archive held a whole load of film and data that had been recorded from a particular point in time?

John Linwood: No. Perhaps, Madam Chairman, I can clarify? There was a metadata archive.

Q59 Chair: What was in that?

John Linwood: That is all the information about all the programmes that the BBC had ever made or broadcast.

Chair: Ever made?

John Linwood: Well, certainly for the past 20 years. That was used for finding content. If you needed to find any content that the BBC had made or broadcast, you could go in, search for it and find it. You could go in and do a search on “Top Gear episode 23” or “Top Gear” and put in some reference words, and it would find all the information.

Chair: When Mrs Thatcher died, they should have been able to access all the—

John Linwood: No. The point is that news and sport were out of scope for DMI, so in terms of the Thatcher story that ran in the press, that content would not have been in DMI.

Q60 Ian Swales: Hold on. News and sport, as I understand it, were not out of scope originally. Sport decided to go it alone after the failure of this, but can you confirm whether sport was in the original—

John Linwood: No, sport was not. I believe the business case in 2010 states that they were not.

Ian Swales: It was never in?

John Linwood: That was misreported in the media. I cannot speak about the original business case, I was not with the BBC.

Chair: For goodness sake, you worked with it.

Q61 Stephen Barclay: Mr Linwood, is not the reality that you are saying that it was prematurely pulled in May 2013, when actually it had gone badly wrong with Siemens, to which it had been put out without any competitive tender? It had gone to Siemens; it had not worked. Instead of pulling the plug then, in 2009, it was brought in-house, even though that carried massive risks—reorganisation, capability gaps and so on. The BBC had already had fault and you entered into no-fault. It was seriously at risk in 2009. The BBC then pushed on, telling us on this Committee in February 2011, “Don’t worry, it’s going to be implemented by the summer”, and the following month knew that it wasn’t going to miss a key objective in the benefits case. Again, it should have been pulled in 2011. You are coming to the Committee today—a further two years on—and saying, “It was prematurely pulled.”

John Linwood: First of all, I cannot comment on Siemens. I was not at the BBC when the project was started or was put out to Siemens, When I joined the BBC, it was in trouble and I was told that the business wanted to bring it in-house. I am the technologist; I am responsible for delivery of the technology. I am not responsible for coming up with why we do this or should we do that.

Stephen Barclay: That is not the question.

John Linwood: I am answering your question. I cannot say whether it should have been pulled in 2009 or not. That is not for me to say. The business then revalidated the business case. They decided that they still wanted this thing and it was still worth doing, so the business put together a proposal, which then went to finance committee in early 2010, where the business said they wanted this system. I, in good faith, then set about delivering that system with the resources I had in technology, in parallel with the business.

Q62 Mr Bacon: You were one of the authors of the revised business case, weren't you?

John Linwood: My name was on it, but that was because I was leading the technology. I did not write any of the business case.

Q63 Mr Bacon: No, but you put your name to it. You agreed with what was in it.

John Linwood: I believed it at the time. Of course, I had no reason not to believe it. If the business is telling me that that is what they want and this is what it would save, why would I—

Q64Mr Bacon: Was the revised business case, which had your name on it, coming from the business division or the technology division? Was it coming from BBC Vision or from the technology division?

John Linwood: From BBC Vision.

Q65Mr Bacon: You say that the business case came from BBC Vision, do you?

John Linwood: Yes.

Mr Bacon: Are you sure about that?

John Linwood: I am absolutely sure.

Q66 Mr Bacon: You do not think it came from the technology division?

John Linwood: How could the technology division put together a business case?

Q67 Mr Bacon: My information is that the business case you put your name to came from the technology division, not from Vision. That is something we can check later, Mr Linwood.

John Linwood: Please do, because that is not correct.

Q68 Chair: I'm going to move you on because we have a main hearing we want to get on to. You haven't really answered the question that Stephen and I are trying to get out of you. What is it that you think was working that was stopped too soon?

John Linwood: Okay. Production tools. At the point in October 2012 when the business decided it did not want to use production tools, production tools could have gone live. The metadata archive was live and the digital archive had been written but had never been tested because it needed content.

Now, look, let's be really clear. The business stated in October 2012 that it was stopping production tools because of unclear business direction. They did not in any document that went to any board in the BBC state that there were technology issues and that was why they were stopping it. Six months later, in April 2013, again a document goes to the BBC's finance committee, which is made up of executive board members, and the document written by the business states that our vision has changed; the original vision is no longer valid and we are stopping the project because of a change in direction.

Again, not once did they say that there are technology issues and that is why we are stopping it. Do you think it is credible that they would have said that if it had been technology problems that were stopping the project? I am sorry; it is not credible to me.

Q69 Chair: Okay. Let me raise a final issue. In your note you imply that the present director-general deliberately maximised the write-down beyond what is legitimate in the project. You say, "The Director General stated at the meeting," on 29 April, which you were at, "that he wanted to 'maximise the write-down'." The note also records, "The DG noted that in respect of the accounting write-off we should seek to make one write-down only and therefore it should be the maximum and not the minimum."

That is quite a serious allegation. You are alleging that the present director-general has written off far more than he should have done in terms of what was delivered under the project.

John Linwood: Yes, and the minutes of that finance committee show exactly that; that that is what he said.

Q70 Chair: That is what he said. I am also asking if that is what happened. Did they write off more than they should have done in relation to facilities and capability?

John Linwood: Yes, correct, because they wrote off software and infrastructure that were working. I absolutely believe that was the wrong thing to do.

Q71 Chair: Is it being used now, as far as you know?

John Linwood: Part of it is being used. The metadata archive is being used, and the BBC has valued that at a much lower number than it actually cost to deliver.

Q72 Chair: What should they have valued it at?

John Linwood: Again, I am wary of giving you numbers that I don't have in front of me. It was in the region of £20 million to deliver.

Q73 Chair: And they wrote it off at £30 million or £40 million, something like that?

John Linwood: I don't know exactly what number they put, but it was a lot lower. In terms of the production tools and the digital archive, no review had been carried out when the write-off was done. No review whatsoever had been carried out in terms of the production tools. Accenture never looked at the production tools. They are very clear in their report that they never looked at the production tools, and they did not look at the digital archive either.

Q74 Chair: But they were written off because they did not use them.

John Linwood: They were written off because the business decided not to use them, yes.

Chair: Yes, okay.

Q75 Mr Bacon: Of course, it is quite possible that a business will decide not to use something because it is so clunky and difficult to use that it defeats the business purpose.

John Linwood: They did not state that as the reason, Mr Bacon. They said that the reason was a change in business direction and their original vision being no long valid. They have tried to pin this on technology to avoid facing up to the truth that they made a business decision to write off tens of millions of pounds of software that the BBC had delivered that could have been used, and would have delivered benefits.

Mr Bacon: My experience on this Committee is that people from technology sides very often talk about software as if it has been delivered, when it turns out that it hasn't, and talk about it as if it works and is in use, when it turns out that it isn't. I am making a general point, not necessarily about yours, although it may relate to yours. All I am saying is that it is not as if we have not heard this before.

Chair: Thank you. You have helped us for our next hearing.

Examination of Witnesses

Witnesses: **Mark Thompson**, former Director-General, BBC, **Caroline Thomson**, former Chief Operating Officer, BBC, **Zarin Patel**, former Chief Financial Officer, BBC, **Anthony Fry**, former BBC Trustee and Chair of the Trust Finance Committee, and **Dominic Coles**, current Director of Operations, BBC, gave evidence.

Q76 Chair: Thank you, Mark, for coming back again. I will start with two short items that are not part of the DMI, but I need to clear some ground. Caroline, this is the first time that you have appeared before the Committee. As you know, the Committee has been looking at the pay-off issue for a long time. Given that you are giving evidence, we want to ask you a couple of questions about that.

You took a severance payment of £680,000 and a pension pot of nearly £2 million. Are you, like your colleague, going to give some of that back given the public view of these pay-offs?

Caroline Thomson: No, I am not. Thank you for giving me an opportunity to explain it, although I have already made this statement to the press. I was made redundant. I did not want to be made redundant; I wanted to stay and work. I was paid a lot of money—I completely accept that—but it was my contractual entitlement and no more, and it was in a context where I not only offered to work my notice but at one stage I pleaded to work my notice. I came back from holiday on a Monday, and on Monday afternoon I was told I was being made redundant, and was asked to leave three weeks later. When I asked to stay even for a month or two—in order particularly to look after technology projects, so it is relevant to today—I was told I could not.

Q77 Mr Bacon: Can I be clear, Ms Thomson, that you said to *The Daily Telegraph*, "I offered to stay and work my notice and it was refused"? You have more or less said the same just now. Who was it who refused your request?

Caroline Thomson: George Entwistle.

Mr Bacon: Thank you.

Q78 Chair: I understand that the contractual commitment gave you a year's salary in lieu of notice, and then a year's redundancy. Am I right?

Caroline Thomson: That is right.

Q79Chair: And then you have got your pension pot. But if you were trying to speak to the average licence fee payer, how would you explain that you deserved this amount when leaving the BBC? How would you feel about explaining that? One issue that we are constantly up against is that if you look at this from the outside, it does look like a neat bubble—that is the only way I can describe it—where people get caught up in their own justifications and values and lose all sense of perspective. I don't know how you would come to Barking and Dagenham—I always say Barking and Dagenham, but it is the area I am closest to—and how on earth you would explain to the people there that somebody working at the BBC who is made redundant then feels it is right to take nearly £700,000 and a nearly £2 million pension pot.

Caroline Thomson: I do absolutely understand that point, and I have been on a number of platforms where people have asked me that question since. I explain that it is what I was entitled to. Clearly, I did not set my pay, and I know the feelings that there are about high pay at the BBC, but I never once asked for a pay rise or had a discussion or argument about my pay in my entire time with the BBC. I did a very big, responsible job. I could have earned a lot more if I had been working for ITV or in the commercial sector.

Q80 Stephen Barclay: You say that, and it was Mr Agius's evidence that the BBC pays a 60% discount, and that you were in essence being paid half, but it is strange that most of the people who left under those generous terms did not go to the private sector. You have gone to the English National Ballet. Why didn't you go to the commercial sector?

Caroline Thomson: I took the view personally that having spent 25 years in broadcasting, I quite wanted to leave broadcasting behind me. I was a bit bruised by the manner of my departure and the speed of it, and I felt I wanted to do something different, but I have spent my life managing creative industries. I spent a long time in Channel 4 and the ballet seemed a good place to be. They offered me, first of all, a temporary job, and last September it turned into a permanent job, and also, thanks to the payment from the BBC, I was not needing to earn as much money as I had done.

Q81 Stephen Barclay: Could you remind us whether you approved pay-offs to other senior members of staff above contractual terms?

Caroline Thomson: I didn't have any role in any—

Chair: Roly Keating is the one.

Caroline Thomson: I am conscious that—

Q82Stephen Barclay: I appreciate that you have already sent an e-mail disputing Lucy Adams' evidence on that. The reliability of her statements is a separate issue. My question was more general. In terms of the various pay-offs you approved, were any of those above contractual terms?

Caroline Thomson: Wow. I had to approve pay-offs for people who worked directly for me. I can remember two occasions when I sent them back and said, "We should not be making these people redundant. It costs too much." I can't be absolutely—I mean, I wouldn't want to sit here and—I can't remember all the ones I signed and whether any were over contractual terms. I would be surprised if they were, but if you want a definitive answer, I would have to go back and check.

Q83 Chair: Okay. I am going to stop it there. I want to ask Mark about the Peter Fincham pay-off, which we talked about in September 2013. At the time—Stephen Barclay asked you about it—to quote what you said, Mark: "I have to say—this is based on my recollection, rather than after having checked the records—I believe we were advised that we did not have grounds for dismissal." Stephen said: "Right. Because he got paid £500,000", and then you said, "The clear advice, however, was that we did not have grounds for dismissal. We decided that we would go for a consensual termination, where he would depart. It was a compromise agreement." Stephen asked: "Was that communicated to the Trust at any point?" and you said, "I remember briefing the Chairman—not on every detail, but explaining that we were going through a difficult lawyer-to-lawyer negotiation. It was different from a redundancy situation, where you have a contract that you can read out; it was a negotiation…There was, without question, a risk of legal action afterwards."

The reason I raised it is that one of our MPs, Rob Wilson, has been asking a number of questions about this settlement and FOIed the BBC on it. In the FOI, he was given a briefing note that was prepared for Tony Hall on the Fincham termination. That briefing note said: "There is no documented approval for the payment; it is understood that Mark Thompson gave verbal instructions to the BBC legal team." It stated, "There is no documentation authorising the payment to Peter", and—I am quoting bits of it—"The lawyer who constructed the compromise agreement is no longer with the BBC; however a team member recalls the lawyer saying that Mark Thompson gave verbal instructions to her as she drafted the compromise agreement."

Putting that together, you told us, when you gave us evidence, that that particular pay-off was based on legal advice, yet the FOI suggests that there was no legal advice. Would you like to think again about what you told us last time?

Mark Thompson: I haven't seen the document you mentioned and it is after my time anyway. My recollection remains—nothing has changed to change my recollection of what happened. If the internal document is suggesting that at some point in the negotiation, a figure was arrived at which I approved verbally, that may well be the case.

Q84 Chair: The document suggests that there was no legal advice, although you, in your evidence to us, suggested that you acted on legal advice. So the FOI, which is recording what happened when you were there, points in a completely different direction.

Mark Thompson: Unless I misunderstood it, I think what the document is suggesting is that I gave approval for—

Q85 Chair: No, you gave verbal instructions to the BBC legal team. The lawyer who constructed the compromise gave verbal instruction to her as she drafted the compromise agreement.

Mark Thompson: But not without considerable dialogue before that; in which absolutely the legal position was made clear to me.

Q86 Chair: There is no legal advice. This probably goes to Mr Coles. We are in this terrible position where again we are getting contradictory evidence. All we are trying to do is—

Mark Thompson: If I may say so, I do not think there is a contradiction.

Chair: I think there is.

Mark Thompson: This particular event happened very quickly indeed—in a matter of hours rather than days. I took the view, which was supported by others and, I think, by the BBC Trust, that the right thing to do was to deal with the issue very quickly indeed. It was done probably in less than 24 hours from the report about so-called "Queengate" to Peter Fincham's departure being announced.

There was extensive discussion with the lawyers. There was legal advice. It may well have been oral, in the same way that the entire thing, in a sense, was done very quickly indeed. I talked to other members of the finance committee about the likely level of pay-out, but what we wanted to do was, in everyone's interests—including Peter Fincham—to deal with this very promptly indeed.

Q87 Chair: I am going to recall again what you said last time. You clearly said that "we did not have grounds for dismissal." You said that you "were going through a difficult lawyer-to-lawyer negotiation." And the FOI to check the records, if you go to a lawyer, either in-house or presumably out-of-house on these sorts of things—presumably Ms Patel did that on Mr Linwood—

Mark Thompson: What are you suggesting? Are you suggesting that—

Q88 Chair: You would have a record of it within the BBC. Would you not, Mr Coles?

Dominic Coles: I cannot comment, because I am not on—

Q89 Chair: I think what we will have to end up doing is go back to the BBC as a Committee and ask you to produce the documentation about Peter Fincham's dismissal so that we can see what legal advice was sought and whether the evidence Mark Thompson gave to us in September was right.

Mark Thompson: Peter Fincham, quite understandably, sought legal advice. There was a process in which I was not directly involved—that is my recollection, as I do not have any of the paperwork in front of me—

Q90 Chair: You were directly involved. According to this FOI, you instructed them, for heaven's sake.

Mark Thompson: But you understand what the word "instructed" means in that context, which is, in a sense—

Q91 Chair: "Mark Thompson gave verbal instructions to her as she drafted the compromise agreement." It could not be much clearer.

Mark Thompson: But, Chair, that does not mean that the employment lawyer was not giving me advice and helping me understand the situation. It does not mean that the only thing that happened was a one-way dialogue. How on earth do you think that would have happened? There was a room and I was popping in and out, no doubt. I cannot—

Q92 Chair: In the two hours that you decided that.

Mark Thompson: As I said, I think it happened over a 24-hour period, though I want to be clear that I am going entirely on my recollection of something which happened seven years ago.

Q93 Nick Smith: Mr Fry, Mr Thompson said he had the full support of the Trust on this particular case, and I looked at your face when he said that. Do you remember this?

Anthony Fry: No, because I was not on the Trust; I did not join the Trust until afterwards. I would have no recollection of anything that happened at that time. I did not join until the next crisis, which was Ross/Brand.

Q94 Stephen Barclay: Just for clarity—this is not the purpose of today's hearing—Mr Thompson makes a valid point that I did FOI the relevant papers pertaining to Will Wyatt's investigation and that request was turned down. Is it the will of the Committee, Chair, that you want to see those papers so that we can look at that issue separately?

Chair: Yes, that is what I am asking of the BBC. As you are the only who currently works at the BBC, I think we are asking that of you, Mr Coles.

Dominic Coles: I can take that up.

Mark Thompson: Perhaps I could emphasise, Chair, that I had not looked at the papers. Last September, you asked me and I said that that was my recollection. I have done no further research since then. What I have told you is my honest recollection, and I do not accept that there is a necessary contradiction between the words you read out to me just now and what I said to you then. The crucial thing that I want to say is that I promise you that what I said was and remains my honest recollection of what happened.

Chair: I was giving you the opportunity this afternoon to reflect on whether that was true.

Mark Thompson: Thank you.

Q95 Chair: If you want to write to us again, that is fine.

Let us move on to this disaster. I am afraid that I am going to start with you again, Mark Thompson. You gave evidence to us on this issue in February 2011. I am going to read what you said in answer to me at question 95: "What is happening at the moment is that DMI is out in the business. There are many programmes that are already being made with DMI, and some have gone to air and are going to air with DMI already working. It is true that some modules are slightly later in delivery than we initially planned, but other modules have been brought forward, though. Crucially, is it on track now to fully deliver over the course of this year for BBC North and Salford? Yes, it is. Are there going to be any significant further delays in benefit from the way we are delivering it? No, there won't be…We have got a more flexible way of delivering, but it is out in the business. The modules which are out there are working and are making programmes, and what is exciting about DMI is that the feedback from users of the system is very positive. I think you are going to see a broader deployment of the system across the BBC than we expected, because of the enthusiasm with which it is being used." That appears to have misled us, again.

Mark Thompson: I don't believe that I have misled you on any other matter, and I do not believe that I knowingly misled you on this one.

I will answer your question directly, but can I just make one broad point about DMI before then? In my time at the BBC, we had very many successful technology projects—very large projects, some of them much larger than DMI. I believe that the team, including John Linwood, who were in the middle of DMI had many successes—for example, digital switchover, West One, Salford and BBC iPlayer. I just wanted to say—and I have heard what John has had to say—that I have not seen in detail the evidence on the basis of which DMI was cancelled, but, notwithstanding John's view, everything I have heard and seen makes me feel that DMI was not a success. It failed as a project. It failed in a way that also meant the loss of a lot of public money. As the director-general who was at the helm when DMI was created and developed and who, in the end, oversaw much of the governance system that, as we will no doubt discuss, did not perform perfectly in this project, I just want to say sorry. I want to apologise to you and to the public for the failure of this project. That is the broad point.

Chair: Thank you.

Mark Thompson: Here we are in the beginning of 2014—I am not going to debate with you whether or not this project failed. I am sure we can talk about how, why, where and so forth, but it definitely failed.

When I came to see you in February 2011, I believed that the project was in very good shape indeed. Why did I believe that? I had seen a number of programmes myself—I had been and seen parts of DMI working on "Bang Goes the Theory"; I knew that "The One Show" had started to use elements of DMI a few weeks earlier; and I knew that a kind of prototype version of the technology had been used in the very, very successful "Frozen Planet" natural history series. I have gone back and asked the BBC to look at all the briefing materials—I had a voluminous amount of briefing from the BBC—and there is a real consistency between the briefing I got—

Mr Bacon: Sorry, a real inconsistency?

Mark Thompson: No, a real consistency between the briefing I got and the evidence that I gave. To be honest, some of this is going to go very much to the point Mr Bacon was making earlier on.

Q96 Stephen Barclay: Just a second. You say there was consistency, but a month later you missed the key issue of getting the technology you accepted in March. So it was consistent, but consistently wrong, wasn't it, because just the following month, after the consistent briefing, you were then aware that it was going to miss the key milestone. From March 2011 you knew it was not going to hit the deadline.

Mark Thompson: If I may say so, what I am trying to focus on at the moment is the question—I understand, given subsequent events, the perfectly reasonable question—about whether the testimony I gave in February 2011 misled you or not.

Stephen Barclay: It is a month later.

Chair: Let us deal with that, then come to the other point.

Mark Thompson: Can I just focus on this? My belief is that my testimony gave a faithful and accurate account of my understanding of the project at this point.

Q97 Chair: But were you misled, then? I will come to you, Stephen, on the other point. What I do not understand is that according to the current NAO Report the only programme that was made was "Bang Goes the Theory"—you couldn't think of a better title, could you? But you told us "It is out there—there are many programmes coming out." So either you misled us, or you were misled. Something was wrong.

Mark Thompson: Let me give you just a sense of my briefing. To be honest, there were echoes of this in John Linwood's testimony a few minutes ago, and Mr Bacon has helped me to understand this by putting his finger on the use of one word in particular, which is "deployment".

This is the timeline I am given; I am giving you evidence from February 2011, and this is part of the timeline I am shown. "28 June 2010. Release 2, Fabric Workplace"—this is one release inside DMI—"was successfully deployed and was made available to production staff in London Factual. Fabric Workplace gives these teams the ability to ingest their rushes from standard and HD tape into the Fabric Workspace, organise content into projects and manage the work groups across these projects, view and organise their rushes from their desktop in the office as well as at home by connecting to Fabric across the internet, share content"—it enables them to share content with other members of the team—"store their rushes, send to Final Cut Pro and Avid for craft editing." London Factual is the biggest programme-making department in BBC television.

The day before I gave evidence, we got another note: "Our next release, Enhanced Production Tools, entered into user acceptance testing this week. This release builds on the production tool we previously delivered in 2010, Fabric Workspace, and desktop editing and logging. We will deploy its release to pilot users in Bristol, the 'Blue Peter' production team, 'The One Show' current affairs team, 'Bang Goes the Theory'"—again—"'Generation Earth', weather and 'Pavlopetri' inside London Factual."

So two things: I have seen at least one actual example. I know that at least an early prototype version was used on "Frozen Planet". I am told it has been—in quotes—"successfully" deployed and made available inside the biggest production department in the BBC. I also took some comfort, and this is not in any way meant as criticism, from reading both the Amtec and NAO reports—Amtec were commissioned by the NAO to come in and look at the project. Amtec said "The project has demonstrated in its early releases that the technology fundamentally works, is feasible and can gain user acceptance. The remaining areas of technological risk are being addressed through improved planning and management processes."

Now, I think we know—and it is not a criticism of Amtec, because that was also the belief of the BBC as a whole, that that was happening—that almost certainly there were, even at this stage, some issues which over the course of the coming weeks and months would become significant. But that was what Amtec said, and the NAO, again understandably, said "The Digital Media Initiative is a challenging Programme, but the BBC has now started to deliver the system and users have been positive about the elements delivered."

External technical advisers; some personal experiences I had; the flavour, which, in retrospect, is very bullish—Mr Bacon is right about the very bullish use of the world "deployed", meaning, perhaps, elements that have been loaded on to a desktop but not really extensively used: that was the background to the remarks I made to you in February 2011. I am absolutely clear that at the time that was what I knew and believed about the project.

Q98 Chair: So you were misled?

Mark Thompson: Well, I think you heard a flavour of it earlier today. One of the issues of which I was not aware in February 2011, and of which I only really became aware in 2012, is that, in a sense, these were complicated, difficult issues. There was a pronounced and, it would appear, growing difference of opinion between the team making DMI and the business users on how effective and how real the technology was. You will understand that I have been involved in a lot of projects at the BBC and in other organisations, and I can smell business obstinacy. I can smell when a business is unready, is not prepared to play ball or is constantly moving the goalposts.

I absolutely understand John Linwood's particular perspective, given what he was doing. He was a very passionate advocate of the project, and I understand all of that. In my time, which ended when I left in September 2012, I saw great efforts being made by the business—in other words, by colleagues inside BBC Vision, BBC North and elsewhere—to get DMI to work. Although there were tensions, I do not believe that those tensions, which frankly were more or less inevitable, were themselves a central and critical part of the project's failure.

Q99 Mr Bacon: I don't want to misrepresent what Mr Linwood said, but he sounded as if he was trying to pin the blame for the failure on the folk at BBC Vision. I have the revised business case in front of me, and the names on the front of it, apart from Mr Linwood himself as the chief technology officer, are: Kerstin Mogull, who is also a technology person; John Turner, who is also from the technology division; Erik Huggers, who was the director of the technology division; and Zarin Patel as CFO. There was nobody at all from BBC Vision sponsoring the revised business case. The business case wasn't driven by BBC Vision, although there might well have been BBC Vision people involved at some point. It sounds to me as if the people getting the business case through the main governance processes were technology and finance people. I want to be clear on what you are saying. It sounds to me as if the technology people were very gung-ho and the experience of the business people on the ground was that it was not necessarily working as well as they had been led to believe, so they probably lost faith in it. Is that a fair summary?

Mark Thompson: I believe that that was definitely what started to happen, certainly by the end of 2011 and through 2012. It happened for understandable reasons. This has been a troubled project. I came to you in February 2011 to talk about a previous difficult period towards the end of the relationship with Siemens. The point I am trying to make is that I think the lack of confidence on the business side—I differ a little from John on this point—was, in large measure, justified by the difficulties we had had with the project. I thought great efforts were made in BBC Vision and in BBC North both by senior people and by some front-line programme makers to help us to get the thing to work.

Where my perspective perhaps differs from John's perspective—it is very easy for me to sit here and say that this project failed because some difficult programme makers refused to use it, although there may have been an element of that somewhere—is that I thought that, overall, this was a project on which there was a lot of work and effort to try to get it to work on the business side. Although the business side might not be represented in the signatures or names on the business case, they would have been heavily involved.

I have one word of caution, and Zarin might want to touch on this. I have read Mr Garrett's written evidence and I cannot shed too much light on it. One thing I will say is that Mr Garrett was sitting inside one division of the BBC, and there may well have been costs and cost avoidance in other parts of the BBC of which he simply would not have been aware.

Q100 Chair: Can I just ask you the question again? Answer simply. When you told us in February 2011 that this was being used a lot—

Mark Thompson: I believed it.

Chair: You believed it?

Mark Thompson: Yes.

Q101 Chair: You believed it, but were you being misled?

Mark Thompson: I think that the language that the team was using, combined to some extent with the fact that I had seen what looked like a very positive demonstration of it, and I knew lots of—

Chair: Only in this one programme.

Mark Thompson: I had heard that "The One Show" had also started using it, and I saw a list of other programmes that were also using it. That combined with the language in the briefing led me to believe that it was being more extensively used.

Q102 Chair: Caroline, at that point in 2011 you were in charge of the project.

Caroline Thomson: In April 2011.

Q103 Stephen Barclay: You were in charge, so when Mark Thomson gave us that evidence, did you think, "Hang on a minute, that's not the reality of it on the ground."

Caroline Thomson: Well, I was not in charge of it in February 2011. That might sound like splitting hairs, but I didn't take it over until April or May.

Q104 Stephen Barclay: The Committee's Report was published in April. Were you not in charge by then?

Caroline Thomson: I was just taking it over in April.

Q105 Stephen Barclay: Did you read the PAC's Report into the project that you had just taken charge of?

Caroline Thomson: Yes, of course I did.

Q106 Stephen Barclay: So you knew that the PAC Report was factually wrong.

Caroline Thomson: I did not register it as wrong in that way. We are talking about degrees of language.

Q107 Stephen Barclay: Indeed, it is grammar. Mr Thompson gave us evidence saying that the project was not just a "nice to have", but was absolutely business-critical. That was his answer to question 1 on the transcript. You took over the project in April 2011, and you look at the PAC Report that says that it will all be in place by the summer and you know that that is not true. Did you write to the Committee to say that that was wrong?

Caroline Thomson: As I am sure you know, I did not.

Stephen Barclay: Why not?

Q108 Mr Bacon: I have one more question. This is an important point, which relates to something that Mr Thompson said earlier. You said that Mr Garrett might have been unaware of other costs going on. Can you just remind us whether Mr Garrett was a technology employee or a BBC Vision employee?

Mark Thompson: I don't know the answer to that. I have never met Bill Garrett.

Mr Bacon: My information is that he was a technology employee, embedded in Vision, so he would have had a pretty wide view.

Mark Thompson: That is possible, but it is by no means certain that he would have known about every cost line in every other part of the BBC. Zarin is probably in a better position than me to answer that question in detail.

Zarin Patel: I read Bill Garrett's evidence and I do not believe that the business case was falsified. That business case was so important that it had significant levels of scrutiny, including from people outside of technology. Every division—Vision was the major benefit driver—had to sign up to the benefits. I remember that there was a lot of to-ing and fro-ing to ensure that people owned the benefits and believed that they could deliver them. In addition, the NAO—

Q109 Mr Bacon: Why was there not a single author from Vision on the revised business case then?

Zarin Patel: The minute of the finance committee at the time will show you that Bal Samra, who was the operational leader of television, was actively engaged in thinking about the benefits. The business was engaged. I think it would be impractical if you had a sign-off page with 20 names on it.

Q110 Mr Bacon: I am not talking about 20 names; I am talking about one top person in BBC Vision. We have heard many times about projects failing because the business case was not owned by the business; it was seen as a technology project, rather than a business case. We have heard that many times before. Surely the whole purpose of project sponsors is to ensure—

Zarin Patel: Can I assure you that the business is really owning—

Mr Bacon: If I can just finish my question, surely the whole purpose of project sponsors is to ensure holistically that embedded at the top as the sponsors are all the people, including those who will benefit. It is noteworthy that on this revised business case, the people sponsoring it were you as a finance person and three people from technology, but no one from BBC Vision. That is the case, is it not?

Zarin Patel: That may be the case, but the reality on the ground—

Mr Bacon: Hang on. When you say it "may be the case", that injects a degree of doubt. That was the case, wasn't it?

Zarin Patel: I am trying to assure the Committee—

Mr Bacon: Can you just answer my question, please? That was the case, wasn't it?

Zarin Patel: I am trying to assure the Committee that the business owners were fully engaged in the case.

Q111 Mr Bacon: This will go a lot more quickly if you answer my questions. Was it the case, as I have just described, that the project sponsors were you as a finance person, three people from technology and no one from BBC Vision?

Zarin Patel: That was not the case, because Vision was—

Mr Bacon: I am talking about the project sponsors; the names on the document.

Zarin Patel: The names on the document may be what they were to get papers through. I assure the Committee that television production was heavily engaged in the benefits.

Q112 Mr Bacon: I want the evidence to be clear; I do not want there to be any doubt about this.

Zarin Patel: I have no doubt in my mind that Vision was involved in the business case.

Q113 Mr Bacon: I want it to be clear that there was not a project sponsor from BBC Vision in the same way that you were a project sponsor. That is correct, is it not?

Zarin Patel: The name might not have been on the paper, but Vision was fully engaged in the business case.

Q114 Mr Bacon: Is what I am saying correct?

Zarin Patel: You are correct in saying that their name was not on the piece of paper, but they were fully engaged in the development of that business case.

Q115 Fiona Mactaggart: My concern is about the layers of management here, because it seems to me that the lack of clarity and leadership in the programme could be one of the reasons why Mr Thompson was able to be so gung-ho before the Committee in a way that seems now to be not a completely accurate representation of what was the case. One of the things that I am concerned about is that you were able, Mr Thompson, to portray this as working well—I am quite prepared to accept that that is what you believed, because the various layers of management at the BBC had said that—and yet now, with hindsight, we have compelling evidence that that was not an accurate reflection of what was happening on the ground.

The present Report from the NAO highlights what might have been a reason for that. If you look at paragraph 1.6, it reminds us that "when the business case for the DMI was approved by the BBC Trust in June 2010, the director of future media and technology was responsible. The BBC transferred executive-level responsibility for technology to its chief operating officer"—that is you, Ms Thomson—"in March 2011 following a reorganisation. It transferred responsibility again in September 2012, to its chief financial officer, following another reorganisation." We read later on that you, Ms Patel, did not go to the board meetings but that one of your team used to go on your behalf. This business-critical, really expensive business transformation programme was being passed between people without any board-level champion, and that is the ABC of management, is it not?

Mark Thompson: I think, first, you are pointing at a very important area in terms of the story of the project. I was responsible for one reorganisation in that story. There are two or three in there, but I was responsible for one. Let me tell you what we were trying to do. When Erik Huggers left as head of technology, the BBC was facing a period with a colossal number of very, very big projects. A not-complete list would include digital switchover, the launching of BBC North, the building of the Cardiff drama village, the launch of the new Broadcasting House and the Olympic games, which itself was an enormous technology project.

Many of these projects were not just technology; they were technology, they were property and they were, in various ways, business-related. Because the projects, in many ways, bumped into each other, connected with each other and had very elaborate interdependencies, we decided that it made sense for Caroline, who was also leading the work on the physical property, to have an overview of property, technology, BBC people—the many issues related to these major projects, some of which you have discussed—as well as strategy and policy. That made sense precisely to make sure that we had a very strong overview, making sure that all of this was being aligned.

Fiona Mactaggart: But our point is that you did not have a very strong overview.

Q116 Chair: This is beyond—just look at the project. We are talking about this project. Who was the person in charge of this project? What we get is a whole load of technical people, with Mr Linwood at the end. You get a moveable feast, of which Caroline Thomson—I do not know who it was before you, because there is no identity—

Caroline Thomson: Erik Huggers.

Chair: Erik Huggers, Caroline Thomson and Zarin Patel in a three-year period. The criticism of PWC, the criticism of the NAO and the criticism in everything is: "Why did you not have one person responsible?" It is different from your organisational structure—just the project.

Mark Thompson: There are some realities here. Erik Huggers was a brilliant appointment, and Erik is one of the key reasons that we got the iPlayer. By the way, the iPlayer—

Q117 Chair: No, don’t talk about the iPlayer. Talk about DMI. I have given you a lot of leeway, but we are really here talking about DMI.

Mark Thompson: When Erik arrived, the iPlayer looked very much like DMI looks now. It was an immensely difficult project, which we turned around.

Chair: Please talk about DMI. I am not going to take anything on anything else.

Mark Thompson: I understand. The reason we reorganised was because Erik left to take another job.

Chair: Who was in charge of DMI?

Q118 Ian Swales: Can I ask a specific question about this? He left just after our hearing in February, and Ms Thomson, I think, took over the project. In question 102 of our hearing, Mr Barclay raised the point that, as well as Mr Huggers, you had six senior people reporting below that, and beneath that nine controllers, beneath that 18 heads of department, and beneath that a further five project directors.

Fiona Mactaggart: And no one is surprised that Adam Boulton doesn’t want to work for the BBC.

Ian Swales: This a byzantine structure, which is something the BBC has unfortunately become a bit of byword for. I would like to know from you, Ms Thomson, what you actually did about that structure. You said you had read the Report. Surely that couldn’t be acceptable. What did you actually do about it?

Caroline Thomson: When I took over technology, one of my first tasks—I wasn’t too worried about DMI at that stage because we thought it was on track—was to drive 25% of the costs out of technology.

Q119 Ian Swales: Can you please be specific? I am emphasising this because I think what Ms Mactaggart is rightly highlighting is the lack of clear communication up to the top, which could then lead to people not having the right picture of what is happening with the project. I am asking specifically, what did you do about these layers of management? Not money—I know that money follows that. But the people and the organisation structure: what did you actually do?

Caroline Thomson: I was about to come on to that. At this distance, I cannot remember the precise details of the new structure, but we also took 20% of the people out, including at senior management level. We restructured technology to make it a much simpler operation.

Q120 Ian Swales: So are you saying you took one level out?

Caroline Thomson: I know how important it is to make my answers accurate, and I am afraid I would need to come back to you and write about the precise new structure.

Q121 Ian Swales: According to the evidence we got that day—or that Mr Barclay dug out—between the job you now had and the project directors, who were actually doing the work, there were three other levels of management. How many were there, and did you do anything about that?

Caroline Thomson: As I said, we took out 20% of jobs, including a number of senior management layers, but that is not one of the sets of papers—it was two years ago.

Q122 Stephen Barclay: Ms Thomson, when you gave your answer to Ian Swales a moment ago, I think you said, if I heard correctly, that when you took over in April you weren't worried about DMI because it was on track.

Caroline Thomson: Our general view at that point was that it was on track.

Q123 Stephen Barclay: Again—sorry to repeat the point— but to go back to the key findings, paragraph 6 refers to, from "March 2011, emerging problems with the system and also unclear user requirements". Paragraph 8 states: "users lost confidence in the DMI".

Caroline Thomson: Sorry, which document is that?

Stephen Barclay: The "Key findings" in the NAO Report for today's hearing.

Amyas Morse: Paragraph 2.7.

Stephen Barclay: Or on page 7 under "Key findings".

Chair: And in June 2011 there was a Report.

Stephen Barclay: Yes, it was already in serious trouble, and you took over, but you seem to be in denial regarding what the NAO Report is saying, even now.

Caroline Thomson: Sorry, I didn't mean to imply I was in denial about the NAO Report. I may have got into confusion about my dates.

Q124 Stephen Barclay: Confusion indeed. When did you realise this project was seriously off track?

Caroline Thomson: I started worrying about it in July 2011, because of the problems in Salford, and then in November 2011 they were clearly very acute, so in November 2011 I started working with John Linwood on how we could revise and get it back on track. Our immediate response was to strengthen and change various bits of the project team. We brought in a new deputy programme manager from IBM, we changed the technology director and we made various other changes in December and January to try to get the project back on track.

Q125 Nick Smith: Mr Fry, I am trying to get an understanding of the Trust's oversight of what was a reasonably chunky, big-ticket, complex project. Tell us more about how you tried to get more information on it and how you challenged your executive directors and the CEO about what was going on here.

Anthony Fry: As you will know from the NAO's Report, we were receiving quarterly reports from BBC Project Management Office and, following the timeline that has just been outlined, the report we received in September 2011 showed it to be an "amber/red" from the PMO. There was quite considerable discussion at the finance committee, which, as you know, I chair. At that meeting, we received various assurances in regard to whether or not the business case was sustainable within the context of the "amber/red". We then received a further report in December 2011, which was in regard to the same status—it was still at "amber/red"—but with wording within that that gave us some degree of comfort that the actions being taken by the executive board were actually having some effect.

With the benefit of hindsight and given the statements that I made to this Committee in February 2011, there is no question that a number of mistakes were made by the BBC Trust, which I freely admit to and as chairman of the finance committee am happy to take responsibility for. They are, in order, as far as I am concerned, the following.

First, following the hearing held here in February 2011, the plan had been that there should be an investigation or examination of the entire project by internal audit. The decision was taken by the executive audit committee to cancel that. I think that was for the very good reason that management of the project argued that they had had the NAO crawling all over them, they had had to make the changes from Siemens and as a result of that, could they please get some leeway to get on with it? With the benefit of hindsight, that was probably the wrong decision.

Secondly, it is fair to say that there is a clue in the name: the finance committee is there to look after the question of finance. With the benefit of hindsight, we did not have—as the BBC Trust—a sufficient knowledge around technology to be able to question properly, in my view and in my judgment, the statements that were being made, particularly given that the PMO itself was in part reporting from the information that had been given to it by the technology department.

I wish sincerely that we, as the BBC Trust, had appointed outside consultants to keep a very much closer eye than we were able to do on the project, in the technology sense. I recognise that in doing so, I have no doubt that, if the project had gone swimmingly, we would have been criticised heavily for the use of consultants when using them was not necessary. However, given what has happened, I think there is a really interesting lesson around the governance of complicated large-scale projects. So, that is the second issue.

The third issue—to be blunt about it—is that I think we gave the executive team too much leeway in time terms between the end of 2011 and the middle of 2012. With the benefit of hindsight, I wish we had taken action quicker.

Q126 Nick Smith: You said there was an "amber/red" light in the autumn of 2011; you talked about the cancellation report and audit; and you said that the Trust was out of its depth in not having anybody who had a good oversight of IT during that whole period. It seems to me that the Trust was not really fit for purpose in a really important part of the BBC's work.

Anthony Fry: There is no paper between the evidence given by me and the statements made by Mr Thompson in regard to the fact that it is quite clear from the NAO Report and the PricewaterhouseCoopers report that the information flowing to the executive board was no different to the information flowing up from the executive board to the Trust. Given that, I would say to you that there is no governance system known to mankind—you can criticise the Trust, you can criticise the structure, you could put in place a unitary board, but there is absolutely no evidence that a unitary board, being governed by Ofcom or any other variations on that, would have made any difference to the outcome here. This is not a "governance by the Trust" issue, with respect. I wish personally and sincerely that, having made the statements I made in front of this Committee in February 2011, we had been able to take more actions than we did. That is a personal statement by me, as chairman of the finance committee.

I think it is an open question, whereas if I had spent 24 hours a day, seven days a week, 365 days of the year doing nothing but focusing on DMI, would the outcome have been different? I am not sure it would have been.

Q127 Nick Smith: It's great that you have apologised in that way; it is an important reflection. Did you do any scratching around at all during this period to probe a bit further on this project?

Anthony Fry: We did a huge amount of, as you put it, scratching around, but if you are asking me whether we could have done more, the answer is, by definition, we clearly did not do enough, and as chairman of the finance committee I must take responsibility for that. We should have scratched more; there is no doubt. It would be foolish of me to sit here and say to you that we did absolutely everything we could have done. Whether the outcome would have been different is more questionable, given what we now know: this is not a question of the executive board having information that it did not pass to the Trust. The problems were occurring far lower down the chain than that.

Q128 Chair: I just want to draw your attention to what you said to us. You said, "I am going to spend every FCC"—I assume that is your finance committee—"worrying the heck about this. This is a big contract… I think we have now a sufficient flow of information to actually understand what is happening and where the problems may or may not be occurring". You are now saying that was wrong—

Anthony Fry: No, I am also saying, Madam Chairman—I also said, at the end of that Committee, that "I would be very nervous about using this as some poster child for the wider public sector at this stage. I am happy to come back in two years when it has been done, and say to you, ‘I hope you got some lessons learnt.’ I am still in the nervous position of let’s deliver this thing.”

I freely admit that, if you ask me, “Did you worry about this at every TFC?”, the answer is, “Yes, I did.” Was that worry enough, of itself? By definition, it was not.

Q129 Chair: Was there anybody, either on the executive committee or on the Trust, who had ever run big projects of this nature?

Anthony Fry: Certainly, not on the BBC Trust.

Q130 Chair: Anybody in the exec who had run a big project of this nature?

Zarin Patel: I was the senior responsible officer for the digital switchover help scheme; I have transformed the TV licensing system, which is a 28 million household database; I have done the SAP business systems in the BBC; and my share of the responsibility in this programme is that I did not ask for an independent technical assessment much earlier, in February 2012, when we put the programme into remediation. I took false optimism from my ability to correct failing programmes, and for that I apologise to licence fee payers.

Q131 Mr Jackson: Back to Ms Thomson’s evidence. My understanding is that you assumed executive responsibility for this £126 million project in March 2011—

Caroline Thomson: April.

Q132 Mr Jackson: April. Did you read and were you familiar with the Accenture technical report given to the BBC in December 2010?

Caroline Thomson: I was familiar with it, yes.

Q133 Mr Jackson: No. Did you read it?

Caroline Thomson: Yes, I read it.

Q134 Mr Jackson: Did you understand it?

Caroline Thomson: I am not a technologist, so my understanding is that of a layperson, but I obviously did a fair amount when I started. I read that and the NAO Report. Not content with that, I went and spent a day with the DMI production tools team, so that I could see—I often find that it is better seeing what it is like on the ground and really talking to people doing the software development—the coding development. If you are a layperson, that helps you understand it much better than the reports.

Q135 Mr Jackson: As you will know, the Accenture report told the BBC that key elements of DMI were not robust enough for producing television content and that significant remedial work was needed. Was there any stage where you, as you would do when you assumed new roles and responsibilities in a very important project management role like this, would pull together all the information that you had and make a value judgment on the efficacy of continuing with that project?

Caroline Thomson: I cannot say I sat and did that, no. I accepted it as an ongoing project which had already been very well reviewed. In addition to that, there had been the technology review that had been done for the NAO, and the NAO Report itself. So I took lessons from what they were saying, but I did not sit and do a major reassessment. I felt that—

Mark Thompson: Sorry to interrupt. I think it is true, is it not, Zarin, that earlier in 2010 there had been a pretty fundamental report and we had considered closure at that point?

Caroline Thomson: I am talking about April 2011. That was done in 2010.

Q136 Mr Jackson: I am talking specifically about the period between the Accenture report being produced for the BBC and the period when you were making the judgment, as the new chief operating officer, as to whether this was a long-term viable project, given that we have already heard evidence that not all the information on the technical feasibility of this project was given to the NAO or this Committee in its February 2011 Report. In other words, you knew stuff that could have prompted you to make a decision in spring 2011 that you had to pull the plug on this.

Mark Thompson: That last point is not true. I don't think there is any information that was not made available to the NAO and to Amtec.

Q137 Chair: Well, we are told there was a report that wasn't made available to us.

Peter Gray: The BBC had commissioned a report from Accenture which was partly in response to a recommendation we were making. We recommended that they should complete a technical assessment of the design. Accenture reported in draft form in December 2010. We didn't see that prior to publishing our Report.

Q138 Chair: Or to our hearing?

Peter Gray: It was not mentioned during your hearing.

Q139 Chair: Or when we published the PAC Report?

Peter Gray: The Committee was not informed of what had arisen—

Q140 Chair: Did you know about it before we published the PAC report?

Peter Gray: I think we had seen a draft, but not before we published.

Q141 Mr Jackson: I think we have clarified that the substantive point I made is, in fact, correct: there was detailed, pertinent technical information that you had but that you had not shared with the NAO or this Committee, which probably informed the rather optimistic glow of the February 2011 Report that the PAC produced—incidentally, before I was on the Committee. My point is that, with all the information you had that was in the public domain and the information you had that wasn't in the public domain, did it not occur to you that this project was potentially going very seriously wrong? This is a question to both of you.

Caroline Thomson: I have to say that it obviously did not occur to me that it was going very seriously wrong. I may have made a misjudgment in that. Normally, I regard my sense of whether there is a crisis in projects as quite good, and my record in running other projects has been very good—to go to the Chairman's point about whether any of us had experience of running large projects. I ran phase 2 of Broadcasting House on time and on budget, which was a much bigger project than this.

I did not take the Accenture report as meaning that there were very fundamental issues, which involved a relook. What I did was talk to John about how he was handling it, and got his assessment as well of the technology. I felt as well, I have to say, that the project had been reviewed an awful lot at this stage, and what we had to do was get on and try to deliver it.

Q142 Chair: Just out of interest, and then I will come to Amyas, there is a point at which it gets a red star for danger. I can't remember when—

Caroline Thomson: February 2012.

Chair: For the quarter for September to December. Why on earth didn't you report that straight off? You got a red traffic light on the state of the project, and there was a huge delay. That was on your watch as well. Why did you not report that until June to the executive committee and July to the Trust?

Zarin Patel: May I help with that? We discussed with the Trust in December 2011, as part of the quarterly PMO report, that this programme was seriously amber-red—that is, in serious difficulty.

Q143 Chair: In December 2011?

Zarin Patel: Yes. In February 2012, we had a detailed discussion in the finance committee with the project directors there. At that stage, it was our collective judgment that the programme was red. In hindsight, I should have brought that and escalated it with the

Trust immediately, but what I wanted the report to do was put together a remediation plan—we were actively working on a remediation plan.

We then took that report to the executive board in May 2012 for a very major discussion about the programme and its future. That report then went to the Trust in June and July. I apologise for the fact that I did not raise this in February 2012 with the Trust with urgency and clarity.

Q144 Ian Swales: But figure 7 in the NAO Report shows the constant long delays between reporting upwards. It was nothing new that you took anything up to three months or more to report upwards on this project. In fact, for the critical period you are talking about when the project went red, the very first time it went red, figure 7 says you didn't report at all on that. It then went back to two to three months' delay in reporting the status of the project to both the executive board, in one column, and the Trust.

Zarin Patel: At the trust finance committee every month, when we went to it, I had a practice of giving verbal updates. Because DMI was so front of mind for us because of its amber-red status from late November 2011, I believe I did give verbal updates—

Q145 Chair: Hang on a minute. You mean this is verbal? None of it is written down, on a major expenditure project of this nature?

Q146 Ian Swales: Would this be normal on a key project?

Caroline Thomson: In addition to the quarterly PMO reports—

Mark Thompson: The reporting structure is that once a quarter there is a collective report from the project management office—the PMO—which comes as the formal reporting. What Zarin is saying is that in addition to that formal quarterly reporting, partly because of the issue of the thing being somewhat out of date, it was her practice to also give an oral update in the months between those in which the PMO quarterly report appeared.

Q147 Mr Jackson: Don't you think it is astonishing that for a £126 million project, on which in the private sector you would have daily reporting, you were reporting quarterly and by verbal feedback?

Caroline Thomson: It may well be that we should have been reporting more frequently, but you have to remember that it was one of three or four projects, and it was not the biggest. Broadcasting House was £150 million, and we were doing it at the same time and on a very similar timetable—it had to be in by September 2012. We were also doing the Olympics, which was a very big, technical project. So every month were reporting on four or five projects to the Trust.

Q148 Mr Jackson: My final question. There is a bit of a discrepancy here, because we have the three former most senior executives at the BBC, who were running these large projects. Mr Fry has intimated that the Trust was not aware of what was going on because this was lower down the management structure—if I heard you correctly, Mr Fry. My question is, from your point of view, how much was the Trust aware of exactly what was going on, in terms of the potential difficulties, the red flag and the other issues relating to the project?

Mark Thompson: I think Mr Fry's point was rather that the Trust accepts that the senior executives were passing on everything they knew to the Trust, but clearly—it is one of the important points here—the quality and the timeliness of the information was not everything that it should have been. Mr Fry has talked about the Trust's point of view. I think that from November 2011, senior managers were very active. You have heard about very significant changes in the project team. There was a big effort involving all of us—special meetings, an extraordinary version of the steering group with all the key directors—both Caroline and Zarin were there—and I was involved in many conversations on the business side to see whether we could bring the business side of the project closer together. There was an intense amount of activity, an internal audit report was commissioned, and so forth, but it should have been done more urgently than it was. We were reacting, but we were not reacting quickly enough.

Q149 Mr Jackson: My final point is that there is a golden thread that runs through the whole of our scrutiny of your regime at the BBC, which is that you never wrote anything down. You made these massive payments, often outside contract; you didn't write them down. We have heard Peter Fincham; you didn't write that down. You can't produce any evidence of legal advice being given. You are saying, "We didn't write this down." What did you ever write down?

Mark Thompson: That's not true.

Q150 Mr Jackson: No, it is true. When we were looking at severance payments—

Mark Thompson: I've got an aching shoulder because of the papers I have carried into this meeting.

Q151 Mr Jackson: We were looking at severance payments, we've looked at specific issues such as Fincham and this case. What did you ever write down? What evidence did you ever produce in writing to justify the decisions you took as Director-General? The ambiance around your regime was not healthy.

Mark Thompson: If I may say so, there were many, many big projects alongside this one during my regime, as you call it, that went spectacularly well. Digital switchover delivered an underspend of hundreds of millions of pounds—far more than the loss on this project; the iPlayer transformed on-demand viewing; the Olympic Games, a gigantic project, was flawless. First, please don't characterise it as a period in which every project went badly.

Q152 Mr Jackson: I didn’t say that.

Mark Thompson: Secondly, if I may say so, overall on DMI there was probably too much paper rather than not enough. Zarin has talked about one thing, which is that there was one quarterly PMO report, which was decided in the FC would be held back so we could fill it out—we were doing an awful lot—and say clearly what we were doing to make the project right. She said—I think she is right—that that was a mistake. We should of course have sent in that report. The process of reporting up to the Trust with the PMO reports was a reasonable one and it was—believe me—on paper.

Q153 Chair: Right. I am banning any further mention of anything apart from DMI, so we can get on with it. Amyas?

Amyas Morse: I am listening to this—good explanations and so forth—but I have to put on record that we had the Amtec technical report we received, which we shared with the BBC management as soon as we had it, and our draft Report, which we shared with the BBC management. Then there was the Accenture report, which was not shared with us, and which actually turned up at a low level, sent to us without any explanation the night before the hearing, at the working level. That does not smack, frankly, of a frank exchange of information or of a particularly frank relationship. I feel pretty badly about that. You have all, very understandably, mentioned the NAO Report, and of course we were encouraged by it, but we could have done with some more frankness. When we had shared our technical assessment with you, not to be told about a negative assessment that you had received is surprising to me.

Mark Thompson: By the way, you will absolutely respond to this by saying, “You darned well should have done,” but I was not aware of the Accenture report. I never read it.

Q154 Chair: Who was it? Go on.

Caroline Thomson: I had no idea you hadn’t had it.

Q155 Chair: Did you know, Ms Patel?

Amyas Morse: Somebody thought of sending it to us at the very last moment.

Q156 Chair: Who knew about that? We are going round and round in the jelly.

Stephen Barclay: Who paid for it?

Q157 Chair: Yes. Who paid for it?

Zarin Patel: It would have been paid for by the technology team. I was not aware until today that that report had not been given to the NAO, and there is no reason why it should not have been.

Q158 Chair: Who had taken the decision not to? Who should have given it to the NAO?

Zarin Patel: Absolutely we should have.

Q159 Chair: Who?

Zarin Patel: The person who commissioned the report would have been the technology leader at the time.

Q160 Mr Bacon: Who was that?

Zarin Patel: I think that would have been Mr John Linwood at the time. I am pretty certain that if I had known about the Accenture report then and that it had not been given to the NAO, I would have asked for it to be given to the NAO. Perfectly sensible.

Mark Thompson: My clear recollection of this is that there was a complicated debate about some material relating to the Siemens contract and whether that should be released to the NAO. I remember Amyas talking about that in February 2011. I think that, whatever the legal issues were, they were eventually resolved and I think the NAO got that. I was not aware of any information. As far as I was concerned, in this as with all NAO Reports, the NAO in principle should see absolutely everything. This was presumably an internal report commissioned by someone not at the top of the organisation, and I was not aware of it.

Amyas Morse: It was an Accenture report.

Chair: Okay. I want to keep this going as we have a lot to cover.

Q161 Stephen Barclay: Mr Fry, can I go back earlier, because I think the problems with the project arose far earlier than much of the discussion has focused on? There were clear issues in July 2009, 18 months into the project, when it was taken in house. It was taken in house from Siemens on a no-fault basis, with a £26 million write-off of the benefits. Clearly, there was BBC fault as part of that termination. Can you outline the issues that were identified from a Trust perspective by the BBC as being BBC-controlled? How were those issues handled differently once the project was taken in house? Given the increased risk, what evidence did you, on behalf of the Trust, require to see whether those risks were being addressed? If they were not, what did you do about it?

Anthony Fry: The monitoring by the BBC Trust of this project was consistent throughout. As I remember it—as you know, I was not chairman of the finance committee at the time—the BBC came with its revised business case, which was discussed at the finance committee and by the main Trust. There was the scrutiny that you would expect from a supervisory body. A budget was agreed for that.

In terms of the nature of the Siemens contractual arrangements, we discussed that at length at the 2011 hearing, and I am not sure there is much benefit in discussing that now. In terms of the overall monitoring, I have already said that, with the benefit of hindsight, I do not believe the BBC Trust had sufficient technological expertise. Nor were we able, for whatever reason, to get any greater clarity as to the progress of what was happening with the BBC than, it appears from the evidence of both PwC and the NAO, the executive board itself of the BBC had. And at no stage was there any discussion of the question whether, if the project was going so badly wrong, there should be a write-off in the annual report and accounts as late as 2012.

Q162 Stephen Barclay: Mr Fry, with respect, you are not answering my question. My question was as follows. This was a high-risk project that was put out externally, on a fixed-term contract, because of the risk. It then went wrong, in part because of errors made by the BBC. At that point, you decided that, having taken it external because of Siemens' expertise, you were going to bring it internal, assuming that your in-house capability was even more skilled than Siemens. So there was clearly a higher risk to this. What I'm trying to establish is, given that higher risk—this is as early as July 2009, bearing it in mind that it then took several years and several DGs before it was scrapped—what additional oversight did the Trust put in place?

Anthony Fry: As to the risk level, I commented on that at the February 2011 hearing, if you remember, when I said that by definition, having taken this in house—I have described the profile around the reporting, which came through, first, the project management office quarterly reports—we discussed it with internal audit every six months. We met with the chairman of the audit committee every three months. We had a risk report on a regular basis. Those were all in place before we met—

Q163 Stephen Barclay: But are those normal processes or are they over and above for DMI for the additional risks?

Anthony Fry: As I have said here before, the BBC, in regard to its finance and its risk and regulation, has been on a journey. Certainly by the time we had taken it in house, those processes were being put in place, and they were certainly operational by the time I sat in front of you, by February 2011. If you're asking me, "Post February 2011 did we do any further increase?", I have already said to you that with the benefit of hindsight, I wish there were things we had done.

Q164 Stephen Barclay: Actually, it's the opposite. We know that for the first seven months of 2012 you didn't even know what the risk rating of the project was. For the first seven months of 2012, you were in the dark. We know that; it's in the Report. I am asking about a much earlier stage, when there was a red rag on this project. You had put it out because it was high risk. It had failed in part because of the BBC. It then came back. If the project's scope and the purpose changed over time, does that not increase the risk? Do you accept that the project's scope and purpose changed?

Anthony Fry: Absolutely, and when I came here in February 2011, I made that point to you. I made the point that this was a high-risk project, and I have already explained what we have in place at the finance committee to monitor this. What I can't do is change the level of monitoring that had taken place and did take place. If you're asking me, "Do I think it was adequate?", by definition of the end result it wasn't. If you ask me a different question, which is "At what point in monitoring as a supervisory body do you become intrusive into the business, or are you actually occupying the right position?", I don't believe we were intrusive enough, but there is always a risk that as a supervisory body, as a strategic authority, you've got to ultimately let the management manage the business against the criteria that are set down.

Q165 Stephen Barclay: It is hardly intrusive to actually know, on a project that has been high risk since July 2009, what the risk rating of the project is. Do you accept—

Anthony Fry: With respect, we did. There was a risk rating every—

Q166 Stephen Barclay: Do you think that there was clear and effective project governance in place? Do you think that was the case through this project—that there was clear, effective governance?

Anthony Fry: I think the NAO and Pricewaterhouse make it quite clear there wasn't. I don't think at any stage I have ever suggested that the level of governance as it turned out was adequate, and I would not want you to suggest that I have ever tried to defend the governance structure for this project. As is clearly set out in the Pricewaterhouse and NAO Reports, it wasn't adequate.

Q167 Stephen Barclay: In which case, when we had our hearing in February 2011, we asked Erik Huggers, the director of future, what lessons there were to be learned from what had gone wrong with Siemens. The lessons highlighted included the importance of "Clear and effective project governance with the appropriate representation on each group or board from across the project, business and suppliers", "Clear roles and responsibilities" and "A senior leader who has a track record of successful delivery of large, complex software". What I'm driving at is this: we had a hearing with you; you were one of the witnesses; you were sat next to Mr Huggers. It had gone significantly wrong with Siemens. You then take it in house. You tell the Committee, "The lesson we learned from that is the importance of having clear and effective project governance." And then several years later, you come to us on the same project and say, "I accept the Trust hasn't put clear and effective governance in place." You must personally carry responsibility for that.

Anthony Fry: With respect, I have already accepted that—looking back on what happened—yes, the governance failed. But I made the wider point that I would say that, given the amount of information flowing up to the executive board and the amount of information flowing from the executive board to the Trust, this would have happened, in my judgment, regardless of the particulars of the governance structure at the BBC Trust and the BBC. If the executive board had known all about the problems, which, by definition and the signing off of the accounts, they cannot have done, your point would be valid. I have already said that as chairman of the finance committee, this end result is clearly one that is significantly embarrassing. I do not know what more I can say, with respect, to clarify that any greater. I have said that, when you look back on the reports, the total project, right the way through the BBC, was an embarrassment.

Q168 Mr Bacon: May I just be clear on one of Mr Fry's answers to Mr Barclay? When you said, "given the amount of information flowing up to the executive board", do you mean given the small amounts of information?

Anthony Fry: Correct. I said— I think it is important to say this—there have been occasions in this Committee where the Trust and the executive board have had very different views. I see no evidence, from reading the Pricewaterhouse report and the National Audit Office Report, that the executive board, taken as a whole, was in any better position than the BBC Trust with regard to this.

Q169 Mr Bacon: You're all in the dark, basically.

Anthony Fry: I do not say that with any pleasure. I am simply pointing out the situation. I do not think this is a matter, which I know has been often discussed here, of whether this particular form of governance is broken. There is no evidence that this would have been any better had you completely changed the governance structure.

Q170 Nick Smith: Mr Fry, in between getting your amber-red report on what was going on in DMI in December 2011, and then getting a red star update on what was going on in July, how intrusive were you in trying to understand why this project was going so awfully wrong?

Anthony Fry: Clearly not intrusive enough. I am not being glib about this, but that is the fact. There is no point in my sitting here and saying to you that we were clearly highly intrusive, when the evidence clearly points out that we were not intrusive enough.

Q171 Chair: This really worries me. We discussed it—I can't remember; in May or June when we had a hearing about something else—and you go on to say, "It's worth nothing. I am terribly sorry, but the kit does not even work." Mr Linwood tells us something quite different. Who is telling us the truth there?

Anthony Fry: When a project goes as seriously badly wrong as this has clearly gone—and remember, the question of write-off is not a decision that is taken by the BBC Trust, nor is it solely a decision for the BBC executive board; it is a decision for the executive board and the audit committee to discuss with the auditors of the BBC and reach a conclusion—my experience is that any number that you could have thought of that this kit might be worth, any number, would frankly be wrong. If I had been sitting on the audit committee, and if I had been sitting as the chief auditor, my advice would have clearly been that in the absence of being able to give a definitive number, the only sensible conclusion would be write the whole lot off. If this was a private company—a public listed company—that would be the decision.

If later on you find that some of it did part of the job, you would then come to a view as to whether there was any write-back. I personally think it very unlikely in these circumstances that you would get a write-back for those reasons. I think it was the prudent and right decision. It was not my decision, but I happen to agree with it, and this was exactly what a board of directors in a private company would do in the circumstances in which they found themselves at the time they made that decision. I personally find the criticism of the current director-general in that regard unwarranted.

Q172 Austin Mitchell: I'm worried about Mr Fry having to worry such a heck of a lot, as he told us in February 2011. Then, in September 2011, you were told there were delays and that the benefits, which were already less than the cost, I think, by that stage, would be less because of the delays. But you were told then, Mr Fry, that this did not matter, because there would be unforeseen benefits. Retrospectively, can you see what those unforeseen benefits were?

Anthony Fry: Clearly not.

Q173 Austin Mitchell: What were you told?

Anthony Fry: In the usual way of these projects, there are clearly identified financial benefits. We got the same sort of information that Mr Thompson was referring to earlier, on the back of which he made the statements to you in February, together with further comments.

It is the case—this is not intended as a joke—that, rather bizarrely, the DMI project was still "within budget". Having approved a budgetary limit, particularly for a project of this size, depending on the size of the corporation, a board of directors would not be receiving daily reports on its progress.

There were lots of benefits being talked about. The overall objectives of DMI—

Q174 Austin Mitchell: There always are, in these projects, aren't there? Always hypothetical.

Anthony Fry: I couldn't agree more, but the objectives, which were to deliver two things in particular that the Trust was keen on—greater efficiency in the BBC and the breaking down of silos—were ones that we regarded as critical for the BBC going forward.

I am not going to defend any of the decisions we took subsequent to, probably, the first amber-red. It would be pointless for me to sit here and say, "With the benefit of hindsight, it would have been much better if we had pulled the plug on this in September, October, November or December 2011 than leaving it to the back end of 2012", because quite clearly, with the benefit of that hindsight, that is what we should have done.

Q175 Austin Mitchell: Okay. There you are, worried and even more so after what you have been told about unseen benefits. There is Mr Linwood getting on with it, when the requirements for production tools have been changed as to whether you are going to use Adobe or not. So things are getting complicated on the project.

Then in February 2012, the project management committee suggested that the project should be suspended or stopped. Ms Patel, why wasn't it? Why was the decision that it should be suspended or stopped not communicated immediately to the finance board and to the Trust?

Zarin Patel: Our judgment in February 2012 was that we had invested a significant amount in this project. The archive database—the database of physical programmes that we held—was very close to completion, and we felt we should push through and deliver that. Production tools were still being developed, but there was confidence that we could get an operational version that would enable us to implement that.

So the judgment I took was as follows: we have invested a significant amount in DMI. It is an important project for the BBC to deliver. As I said earlier, I took false optimism from my own record on correcting other programmes.

Q176 Austin Mitchell: But production tools were the lynchpin of the project.

Zarin Patel: They are indeed.

Q177 Austin Mitchell: That work was not suspended until October 2012. The announcement in February that it should be suspended or stopped was not told to the Trust until July. That is inconceivable.

Zarin Patel: In February 2012, we had a serious discussion about whether we should continue. It was our collective judgment that we ought not to waste the investment and continue.

As I said earlier, when I paused the programme in October 2012, when I became the senior responsible officer, in hindsight, I should have insisted on an independent technical review in February 2012 to give us independent insight into what was going on in the programme. But the judgment we made was that we had the experience of correcting these programmes. We had invested a significant amount. A significant part of the programme was close to delivery—this is the archived and metadata database. In hindsight, those judgments proved not to be correct.

Q178 Austin Mitchell: That is not satisfactory. Nobody was in overall charge. Mr Linwood was getting on with it—naturally, because that was his job. Money was being spent. Meanwhile there was a kind of suspended animation—you were all stood there like statues, not talking to each other. It is inconceivable.

Caroline Thomson: No, that is not a proper characterisation of what we were doing. It was flagged red in February, as you rightly say. We clearly should have referred that to the Trust, as we have said, but in the mean time, we had a new team in. A decision to stop a project of this magnitude, given how much money we had already spent, would have been enormous. You would not just do it on the basis of a programme management office report. However good the PMO was—and it was very good—you would have had to have taken some further step. The thing that I think both Zarin and I now feel that we regret is that we did not at that point do the technical review, which I think was done in October, after I had left. Clearly we should have done that and we would have been six months ahead in the decision. It would not have made an enormous difference to how much money was saved, but it would have made a bit and it would have been the right thing to do.

Mark Thompson: There is one other factor—

Q179 Austin Mitchell: Mark Thomson, was it affected by the fact that you were preparing for departure and therefore not communicating?

Caroline Thomson: I should say that, at that point, we did also get internal audit to go in and do a review, to start the reviewing process, so we were not just waiting for things.

Mark Thompson: I will answer that question, but I wanted to make one specific point about the decision making in February 2012. The other thing we were aware of was that the archive database—the piece that is still being used, although I am told that it is by no means perfect—was replacing a system that was falling apart. That part of the DMI project was urgently needed by the business. It represented quite a lot of the planned spend in 2012, and it was widely believed—this turned out to be the case—that that part of DMI would be of significant use, and it is still being used currently. That was also a factor in carrying on with that segment.

I and others attended a very large number of meetings about trying to get DMI back on its feet in 2012, so it got intense scrutiny. As Zarin and Caroline said, I do not think that we did everything as quickly as we could have done, but it was getting a lot of attention. I think it has less to do with the changing of the guards in the DG's office and more to do with the fact that we were simultaneously trying—indeed, succeeding—in getting BBC North going, working on the new Broadcasting House and working on the Olympics. It was a very busy period.

Q180 Stephen Barclay: But you knew that when you took it back in house.

Mark Thompson: Yes, we did.

Q181 Stephen Barclay: That is the point. People keep talking about 2012, but the risks were material and there in 2009. In fact, it was identified as high-risk in 2008 when it was put out to Siemens on a fixed-term contract. You knew that the BBC was contributing to the problems when you had a no-fault settlement. On top of that, there were capability gaps in the team, there was no SRO, and you were going through a reorganisation of the IT function. There were a whole lot of other risk indicators in 2009, so you cannot keep saying that you only really realised that things were going wrong in 2012. Mr Linwood, again, said in September 2010 that the goalposts were being moved and the deadline had moved beyond Salford. So it was not just a one-off with a number of other competing business demands. You took the decision to take it in house. That was a very risky decision, and it then seems that you did not put in place additional governance to help to mitigate that, which is why the Trust was left in the dark.

Mark Thompson: I think that there is some justice in what you say. It was very high risk. Although we believed at the time that we were putting in place adequate governance, history suggests that we did not do that. That is right. Can I address one very basic point? Why did we go for DMI in the first place? In 2000, when I was director of television at the BBC, I had cancelled a rather similar project called Darwin because I thought that the difficulty of scale and complexity of an end-to-end system was too great and the chances of its working were too low. Essentially, it was ahead of its time.

What happened between 2000 and the inception of DMI was really two things. First, because of all the building we were doing and the needs of the business, there was a danger that we were going to end up with competing different systems that would not talk to each other in different parts of the organisation. We had successfully built a system for BBC Scotland at Pacific Quay, but the rest of the BBC, for a variety of reasons, many of them justified, felt that that was not quite right. There was a danger that we were going to end up with a Salford system, a Bristol system, a Birmingham system, a W1 system, a Cardiff system and so on. That was the first thing: avoid ending up in front of the PAC talking about why you are wasting money building five different systems to do the same job.

The second point was that we had done PQ successfully. We had done it successfully, or were on the way to success, in terms of digital—in the jargon—end-to-end work flow in BBC news and in radio, so we felt we had some successes either already there or looking good, and those systems have worked well. We felt that if we did not go for an overarching architecture for it, we would end up with a bit of a dog's dinner of different systems. So that was the reason why—knowing that it was high-risk, knowing that the issues of scaling were going to be very difficult, knowing the complexity of different geographies, different kinds of programme and different kinds of activity, and the fact that everything is moving; the technology is changing, the business is changing, and the iPlayer had not been launched by the time we were beginning to think about DMI. That meant it was very high risk, but to be honest, the one thing you will not find any of us disagreeing on is that it was high risk right through its life.

Q182 Stephen Barclay: If it is the case that it was high risk through its life, why were you telling us in February 2011 that it was all on track for implementation?

Mark Thompson: Because every indication I had—from my own experiences talking directly to people on the ground, from all the briefing that I was getting, from what I took to be complete open-book, external perspectives—was that actually, the project was in a really good state.

Chair: I will take Ian, Jackie, then I will come in and ask about the future a little bit, and then we will close the session.

Q183 Ian Swales: May I bring in Mr Coles, who has been sitting very patiently? Let's face it—everyone we have spoken to so far is no longer with the BBC. He is the poor chap left holding the baby of all of this. I would like to ask one or two questions, Mr Coles. First, are you satisfied with the conclusions of the NAO Report in figures 11 and 12, where they effectively say that this project now has no value to the BBC? Do you agree with that? I understand that you took over as chief operating officer from Ms Thomson in October 2012.

Dominic Coles: Director of operations, yes.

Q184 Ian Swales: Is that a different job?

Dominic Coles: It is a slightly different area of responsibility, yes.

Q185 Ian Swales: Okay. Figure 11 talks about the various modules and whether they are in, and what the benefits are. Figure 12 starkly shows expected benefit—nil. Do you agree with that assessment, given your current knowledge of operations?

Dominic Coles: In a nutshell, yes. The review that we undertook, back in October 2012, of DMI was extensive and comprehensive, over six months. It involved Accenture, as you know, for five weeks. We entered that review optimistically. Although the project was suffering and it was clearly in trouble, we were hopeful that we could identify at least parts of the project that had value and were of sufficient value that it would justify the extra licence fee payers' money, in terms of investing further in it. Unfortunately, by the end of that review, we did not find anything that we felt had enduring value. As Anthony very eloquently put it, we decided, from a prudent accounting perspective, to write everything down to zero.

Q186 Chair: Hang on a minute. You are using this archive stuff. Everybody has agreed you are using this metadata archive, whatever it is—

Dominic Coles: The metadata archive database—let me be really clear about that. There are currently 3,000, not 5,000, users, of whom only 163 are regular users—

Q187 Chair: Why? Because it doesn't work?

Dominic Coles: It is incredibly clunky. It was designed for something far more ambitious, far bigger, and it was designed to access digital archive as well as the physical stock-and-loan archive. As a consequence of that, it is really difficult to operate. Our estimates are that it can even take up to 10 times longer to use the archive database than the legacy system, which we are having to switch off—the Infax system. The reason why we decided to write down in full the archive database was that, despite the fact that we had invested a lot of money in it, we believe that it has not got a long, useful, economic life for the BBC. We have written it down because we are going to have to replace it or invest further money to maintain it and improve it.

Q188 Ian Swales: Another DMI project.

Dominic Coles: No. Rest assured, we are not going to be making those mistakes again.

Q189 Ian Swales: I should note that I had brief contact with the BBC's digital archive project as a consultant in 2001, so this has been going on quite a while. This is a comment rather than a question: what you have just said is very interesting in light of what Mr Linwood said earlier. You don't need to respond to that.

I want to pick up a particular point about the current situation. Paragraph 3.7 suggests that the annual running costs of the archive to which you have just referred are currently £5 million and that that archive replaced a system that had annual running costs of £780,000.

Dominic Coles: Correct.

Q190 Ian Swales: That doesn't seem like very good value for money. Did you consider canning the entire thing and going back to whatever it is you were doing in the past?

Dominic Coles: First, you are right that it is appalling value for money. We have managed to negotiate that £5 million running cost down to £3 million per annum, but it is still significantly more than the old legacy system, which is called Infax and is 40 years old—we were using it for 40 years. Infax is no longer supported. We had no option but to continue with a new archive database, so we either stick with what we have here or we go somewhere else. Part of the end-to-end digital project that I am running at the moment is looking specifically at that question.

Q191 Ian Swales: Can I ask about the money in relation to that particular part of the system, and indeed in relation to any other redundant part of the system? Are you paying external money for software licences, long-running rents and so on?

Dominic Coles: Yes, we are. The high cost of the archive database is due to an external contract with IBM.

Chair: Which database?

Dominic Coles: The archive database that we are talking about.

Q192 Ian Swales: So you have negotiated your payment to IBM down from £5 million a year to approximately £3 million a year?

Dominic Coles: Correct.

Q193 Ian Swales: Do you have any other contracts with external suppliers that you are having to pay, even though you are getting no utility from them?

Dominic Coles: No. Now that we have closed the project we are no longer paying for any licences other than this licence. Through the review period we kept those licences going, which is why over the six months we incurred £9.6 million of costs to the BBC. We kept the licences open because we hoped and expected that we could rescue some parts of DMI, which has not proved to be the case.

Q194 Ian Swales: This is my final question. Figure 9 shows the breakdown of the £126 million that has been spent. Only £6 million went to BBC staff. I recognise that there are a lot of contractors. Have you fully examined whether any of that money is recoverable, given the performance of contractors, software suppliers, consultants and so on? I know the Siemens contract has been considered specifically, but are there any other contracts on which you could recover some public money because you can demonstrate an external organisation's failure to deliver?

Dominic Coles: As you can imagine, that is one of the first questions I asked when we closed. We did a review with our lawyers. The arrangements we had in place with those contractors and consultancies were very different from the arrangements we had with Siemens, which was a build-and-deliver contract. These contractors were—

Ian Swales: Day by day.

Dominic Coles: Day by day, and delivered to our instructions. If we weren't giving them the right instructions, we cannot pursue them and say, "Look, you didn't deliver."

Q195 Chair: Can I just ask a question on costing? How much have you spent in total to date?

Dominic Coles: £98.4 million.

Q196 Chair: Does that include Siemens?

Dominic Coles: The gross cost of the project is £125 million, but the cost to the BBC is £98.4 million.

Q197 Chair: Out of the £133.6 million budget, you have spent £125 million?

Dominic Coles: Correct.

Q198 Chair: And how much of that in total was spent on consultants?

Dominic Coles: £8.4 million, as per figure 9.

Q199 Jackie Doyle-Price: My question is also for Mr Coles. If we are to gain anything from this, we need to focus on lessons learned and how that informs future thinking. What we have seen is yet further examples of the weaknesses in the internal governance and the leadership culture of the BBC that allowed this waste to happen. There has been poor project management, a lack of a senior responsible owner and a lack of determination to drive it through the culture, because we are talking about a transformational change. Going forward, are there any reflections within the BBC on what changes need to be made to the organisation's leadership culture?

Dominic Coles: Absolutely. I can give the Committee an assurance that we have already overhauled how we manage our major projects. Culture is one aspect of that. There is this expression, "Culture eats strategy for breakfast". That is true, and it is certainly true in the BBC, so we want to try to change the culture of the organisation. Tony Hall's announcements about the way in which we are addressing the board structures—we are getting rid of boards and we are pushing down accountability throughout the organisation so that everyone is aware of individual accountabilities across the organisation. We are reflecting that in how we are going to be managing major projects going forward. We are appointing single responsible owners for all of our major projects, so that there is no confusion as to who is the individual accountable for delivering the project.

Because we are changing the board structure, we are putting more responsibility directly into the executive board. The PMO will independently review all our major projects on a monthly—no longer a quarterly—basis, and it will report to the executive board on a monthly basis. The executive board will have two extra non-executive directors as well, so that there is more challenge at the executive board level. The executive board themselves have given the commitment to the Trust that they will be reporting on a more regular basis when projects go into exceptional circumstances—so, where there are special measures or where they go red.

We have also introduced a far more rigorous—we are calling it an integrated assurance and audit plan. That effectively means that all our projects will require particular milestones throughout their progress, and stage gates where they are reviewed. They are reviewed by internal audit, they are reviewed by external audit and, most importantly for the highly complex and really technical challenging projects such as this one, they are going to get some external assurance. That is what I think was missing throughout the DMI project, and that is what we will be getting right here.

Q200 Jackie Doyle-Price: What about engagement with the Trust? Is there a drive to make that more transparent? I think that was clearly lacking here as well.

Dominic Coles: There has recently been a review of the relationship between the executive board and the Trust. Both the chairman and Tony Hall have said that there is going to be a complete change in the way in which that relationship works. That will include more regular information flowing to and from the Trust when major projects go badly wrong.

Q201 Jackie Doyle-Price: Finally, is any thought being given to how you spread the values relating to the fact that this is licence fee payers' money? I have detected in some of the answers—I recognise that Mr Thompson apologised for what has been a waste of money—particularly from Ms Patel, a complete complacency about the fact that this is licence fee payers' money. We need to make sure that the BBC culture reflects the fact that they are accountable for money taken from taxpayers. We have seen practices that are, frankly, arrogant towards taxpayers.

Dominic Coles: As the representative of the current BBC management, I will reiterate what Tony Hall said at the time: this was a shocking waste of money. We regret that, we are sorry for that and we apologise to the licence fee payers for that. But we are absolutely learning our lessons. We do actually deliver a huge number of large projects really well, as Mark has mentioned. During the period that this project was going on, we did deliver some fantastic stuff.

Chair: Don't go on about them. We have heard about them.

Dominic Coles: The context is important here, though, Madam Chairman.

Jackie Doyle-Price: That is excusing complacency, to be honest.

Q202 Chair: On the back of what Jackie said, when Mark talked to us about this project in February, he said that it was not a "nice to have"; it was a "have to have."

Dominic Coles: Yes, it is. That is absolutely right. We have to digitalise our production processes.

Q203 Chair: You are going to repeat this, aren't you?

Dominic Coles: No, we are not. I am the sponsor of the end-to-end digital project, which is looking at how we deliver something different from DMI. We are completely changing the way we are doing this. We are chunking it up into definable separate projects, each with its own business plan, objectives and milestones. We are going to be delivering those—looking to the market to deliver those cheaper and with more certainty. We are not going to be delivering it by our own software engineering; we are going to be delivering it by getting the right things for the BBC. One of the problems with DMI was that the marketplace moved on so quickly over the period in which DMI was delivering that a lot of these tools were available off the shelf. We are going to capitalise on that now and make sure that we deliver to our production areas tools that they need now. What I will be doing—I give a commitment to this Committee—is that we will be completely changing the way in which we oversee this project. The changes I have just outlined we are applying absolutely to the end-to-end project. We will no longer be one integrated, big "it all works or nothing works" plan. This is about chunking it up and having single bits of the project delivering to different parts.

Q204 Jackie Doyle-Price: And will you engage more openly with the NAO in future?

Dominic Coles: As far as I am concerned, I have always engaged openly with the NAO.

Q205 Mr Bacon: Mr Coles, two quick questions—actually, three quick questions. It is surprising that such a damning report as the Accenture report could lie around in the BBC, and that senior people in the BBC couldn't all know that it hadn't been handed over to the National Audit Office. What processes have you put in place to ensure that if, in future, the NAO is doing investigations of any kind and highly pertinent, germane reports have been produced, the NAO will know about them?

Dominic Coles: Can I first address the question of the Accenture report? I only became involved in DMI in October 2012, but my understanding, in preparing for this Committee, was that that bit of work was actually commissioned by a new member of staff: I think it was the new technical director. It was not a report-based assignment; he had asked Accenture to come in and review something for him. It was very much a personal and departmental request, as opposed to a formal report which was there to inform the progress of DMI going forward. That is my understanding. To answer your question, Mr Bacon, about what we are doing to ensure—

Q206 Mr Bacon: Hang on. Because it was personal to this individual—which individual are you referring to, by the way?

Dominic Coles: I believe it was the technical director.

Mr Bacon: Who?

Dominic Coles: The DMI technical director at the time.

Mr Bacon: Who was that?

Dominic Coles: I am not sure. I haven't got that name, but—

Q207 Mr Bacon: You are not referring to Mr Linwood?

Dominic Coles: No, I am not.

Q208 Mr Bacon: You are saying that, because it was personal, it was not necessarily relevant to ensure that the NAO saw it?

Dominic Coles: No, I am not saying that at all.

Q209 Mr Bacon: It says, "The key points to note about the current state are:"—this is March 2013—"Currently the only live element of DMI is what is now called the Archive Database". It goes on to say it is "currently only active as a Physical (i.e. mostly tape) Stock and Loan system". Do you think that this information—that in March 2013; it is mostly only tape—didn't need to be shared with the NAO because it was a personal report?

Dominic Coles: No, that is a different report.

Mark Thompson: You are confusing two different Accenture reports.

Q210 Mr Bacon: This is a different Accenture report?

Dominic Coles: That Accenture report there was commissioned by me for the purposes of my review—

Q211 Mr Bacon: That one was shared?

Dominic Coles: Yes. I agree with you that that is very pertinent information.

Mr Bacon: It is highly pertinent.

Dominic Coles: Yes.

Q212 Mr Bacon: So there was an earlier Accenture report?

Dominic Coles: The earlier Accenture report—

Amyas Morse: I must just say, I agree with everything you said, except for the fact that somebody thought it right to send it to us on the eve of the hearing. Otherwise, to be quite frank, I would be inclined to accept what you say; but it is just a bit of a giveaway, isn't it?

Mr Bacon: On the processes you have put in place—

Dominic Coles: Yes. When the NAO comes into the BBC to audit any of our major projects or conduct an audit, we are as open as we possibly can be for full overviews. I can give you my commitment that we will always give them documents such as that if they are pertinent to their inquiries.

Q213 Chair: Not the day before a hearing.

Dominic Coles: Absolutely not. I agree with you that that is—

Q214Mr Bacon: Has there been any disciplinary action against anyone else in the BBC in relation to DMI?

Dominic Coles: No, there hasn't.

Q215 Mr Bacon: Finally, when one speaks of the archive database being a physical, mostly tape, stock-and-loan system, are we essentially describing a database where you can go and look things up like you would look them up in a library, and then you have to go and get them, as opposed to what one would imagine would be useful: a screen where you look up what you want, you touch it and the tape starts rolling? One can see the advantage of that. You are talking about the former, not the latter, is that right?

Dominic Coles: Yes we are, but it is not as straightforward as that.

Q216 Mr Bacon: Just so we can be clear, it is that former, not the latter, that is now costing £3 million rather than £780,000?

Dominic Coles: That is correct. So that is costing that amount of money because it was designed to do more than just—by the way, the BBC's archive is enormous. There are millions and millions of tapes and records that you need to access. So you understand the scale we are talking about. However, you are absolutely right, Mr Bacon, that it was designed to do more than just access that. It was designed to access all the digital archive, which does not exist.

Q217 Mr Bacon: You said that the old one cost only £780,000 but had been working for 40 years. The very fact that it had been working for 40 years suggests that it was quite good or quite reliable for what it did and what it was designed to do. You said that you couldn't keep on using the system because it is no longer supported. Would it not have been an obvious contingency plan or failsafe to buy the system and to hire in a couple of systems engineers to keep running it? That would have been a heck of a lot less than £3 million a year, wouldn't it?

Dominic Coles: We are exploring all options, which include doing exactly what you have just described—finding a way to keep the Infax system going.

Q218 Mr Jackson: Mr Thompson, I understand that you are not going to be giving evidence to the Select Committee on Culture, Media and Sport.

Mark Thompson: I have not been invited to give evidence.

Q219 Mr Jackson: Well, you will be pleased to know that this is probably your last ever appearance before a Select Committee. You will probably be more relieved than we are.

Mark Thompson: I felt that some time ago, actually.

Q220 Mr Jackson: I therefore think it prudent to ask you two questions that may not be comfortable. Before you left the BBC, you and Helen Boaden spent £803 of licence fee money asking the law firm Mills & Reeve to threaten to sue *The Sunday Times* if it ran a story about your knowledge of the "Newsnight" investigation of Jimmy Savile. The letter was dated 6 September 2012. Can you explain why you thought it was appropriate to do that?

Mark Thompson: You know that I have already answered questions on that matter as part of the inquiry conducted by Nick Pollard on behalf of the BBC. What I said to him is that that is a matter that came up in the very, very last days before I left the BBC. I did not read that letter in any detail at all. It was suggested that it was not uncommon for the press office and for the BBC legal department to suggest sending a lawyer's letter if they thought that something defamatory was going to be written. In this case I did not read the letter. Indeed, I should have done. It would have been better if I had read the letter, but it was literally one of my very last days in the office and I just waved it through.

Q221 Mr Jackson: But you commissioned the letter to be sent—

Mark Thompson: The letter was commissioned on my and Helen's behalf, and I am not even sure whether I clocked it. I take responsibility for the fact that the letter was sent, but I did not actually read the content of the letter.

Q222 Mr Jackson: This is my final question. Helen Boaden told the Pollard inquiry that she discussed Savile's alleged sex abuse with you on the telephone before you left the BBC. Is that true?

Mark Thompson: You will recall that that conversation was not about whether "Newsnight" should proceed with its investigation or anything like that. It is absolutely accepted that I played no part at all in that decision. I heard—it turns out after the investigation had already been cancelled—about the fact that "Newsnight" had been investigating Jimmy Savile as a result of a chance conversation at a drinks party. A BBC correspondent said words to the effect of, "You must be worried about 'Newsnight' and Jimmy Savile," or some such. What I recall is an incredibly brief conversation—I cannot recall whether it was face to face or on the phone—in which I was told that "Newsnight" itself had decided not to proceed with the investigation and that the matter was closed. That is all I can remember. I have a good memory, and it is all I can remember from the call. I subsequently understand that Helen has a different recollection of that conversation, but I want to make it very clear that my recollection is that I heard about the existence of the investigation not from any kind of referral or meeting but simply because I bumped into someone who raised it incredibly briefly at a drinks party. I made a mental note. I had a very brief conversation in which I was told that “Newsnight” had abandoned the investigation and that the matter was closed. That is the full extent, and it is what I told Nick Pollard. That is my memory of the event.

Mr Jackson: Thank you.

Chair: Okay. Well, that’s it. I hope to goodness that this is the last hearing that we have on a saga of this nature in relation to the BBC. Mr Coles is the only one who will be around for the future. My reflection, thinking back on it, is that there was a jungle of bureaucracy at that time. The bureaucracy was almost beyond parody, which is one of the issues. Rather sadly, there have also been some half-truths around the place. I just think that the BBC deserves better.

Mr Bacon: You might get a good sitcom out of it.

Chair: Thank you.