



Oral evidence: [The future of the BBC World Service](#), HC

1045

Tuesday 11 February 2014

Ordered by the House of Commons to be published on 11 February 2014

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Members present: Sir Richard Ottaway (Chair); Mr John Baron; Sir Menzies Campbell; Ann Clwyd; Mike Gapes; Sandra Osborne; Sir John Stanley; Rory Stewart

Questions 1-37

Witnesses: **Peter Horrocks**, Director, BBC Global News, and **Richard Thomas**, Chief Operating Officer, BBC Global News, gave evidence.

Q1 Chair: We now move to the second session of the afternoon, an evidence session on the BBC World Service, following up certain themes from the Committee's recent report on the FCO's performance and finances. I am pleased to welcome Peter Horrocks, the director of BBC Global News, and Richard Thomas, the chief operating officer for BBC Global News. I welcome you both and apologise for keeping you waiting outside. We have been doing an inquiry into hard power, and now we are moving on to soft power. Is there anything you want to say by way of an opening remark?

Peter Horrocks: I don't think it's necessary.

Q2 Chair: In that case, Mr Horrocks, as you know, we are moving into licence fee funding from April. One of the advantages of the new funding settlement was that it would offer you the certainty and stability to make long-term planning decisions, but you've only got a one-year settlement. Does that allow you to make a long-term plan? It seems to us that that rather limits your scope for operations.

Peter Horrocks: The commitments that the BBC is making in its support for the World Service are certainly long-term commitments. The chairman, the director-general and the director of news have all made really clear statements of their support for the World Service. The BBC World Service is becoming part of the BBC's overall budgeting process, and you are right that we only have clarity over our funding for the first year. The director-general of the BBC published an article in *The Independent* this morning which referred to the commitment to the World Service. I am absolutely committed to seeing the World Service prosper, and beyond simply protecting the World Service's budget, I want to invest more to fund its digital future, so that we can reach half a billion people around the world by 2022. The scale of the ambition is absolutely clear, but the budget process for the next few years has not yet been completed and the BBC Executive will be taking its budget proposals to the BBC Trust in the next few weeks. The BBC Trust has set a figure of £245 million spend for the World Service for next year, and my understanding is that that is absolutely certain, but you are right that, beyond that, beyond the commitments I mentioned by the

director-general, which provide an underpinning for the level of the budget, the figures for the following years haven't yet been set.

Q3 Chair: You have my sympathy on this. There can't be many corporations that don't know what their funding is in 14 months' time.

Peter Horrocks: The BBC is fortunate broadly, of course, in that its funding, the overall funding from the licence fee, is known, but as you will be aware, and as the director-general refers to in his article this morning, the BBC as a whole is considering its strategy as it moves towards the charter renewal process. The BBC is seeking savings across all our activities of roughly £700 million. The World Service will continue to need to deliver savings, and in that overall picture, where all parts of the BBC are having to make ends meet, the commitment to the World Service, which as I understand it is a commitment that the figure that will not drop below the £245 million figure in the first year, and with the potential, as the director-general has said, to invest more in its digital future, it certainly creates the possibility, if we win those arguments, for growth.

And we are investing. This morning the Prince of Wales came to visit the World Service and met many members of our language service staff. He saw pilot programmes for the BBC Burmese television service, the launch of which this Committee called for. We are in the process of doing that. We are launching and creating many new digital and television services and investing in new ways of distributing radio and audio, and that is essential to meet the 500 million target. But you are correct; we don't yet have firm budget figures for the second and third years of licence fee funding.

Q4 Mr Baron: Actions speak louder than words. It seems a little strange that when you have to make reasonably long-term decisions when it comes to investment, you can only look forward, as the Chair said, 14 months when it comes to funding. Why do you think there has been this glitch? There seems to be a promise on one hand, but very little action on the other. Can you tell us more about how the World Service is going to be represented at BBC Trust level?

Chair: That comes later.

Mr Baron: Okay. I shall just ask the first question, if I may.

Peter Horrocks: Okay; it is helpful to keep those two things separate. In terms of the funding, the BBC has taken a long-term approach to the World Service. After the very significant reductions in Foreign Office funding through the comprehensive spending review, the BBC executive and the BBC Trust rapidly, in December 2010, stood back and created a six-year plan for the World Service. That included substantial savings in the first three years because of the Foreign Office reductions; an increase compared with Foreign Office support in the first year of licence fee funding—which is this £245 million—and then a progression beyond that.

So a six-year plan has been drawn up. The investments I am talking about, such as Burmese television and launch of services for Afghanistan in Pashto, French for Africa and various other things, are all part of that agreed plan. The BBC Trust, in its position paper about the World Service coming into the licence fee, talked about that agreed strategy. Lord

Patten said, “We are committed to providing sufficient investment in the World Service to support this strategy.” Those commitments are all there.

Q5 Mr Baron: Just for clarity, we have only been given the definitive figure. You are suggesting that you have been given the definitive figure only for the next year or so, but you have not been given a firm commitment thereafter, at least for the next five years. That funding is going to increase; what is uncertain is the extent of that increase.

Peter Horrocks: Yes, the strategy is agreed, but not the funding beyond the first year. It would be a three-year period because that is to the end of the BBC licence fee and charter period. The figures for the second and third years are not yet finally agreed. There is an underpinning, as I have tried to explain, from the director-general’s words in the article this morning, which is protecting the World Service’s budget. I understand that that means it would not drop below the £245 million figure, but how far it can progress beyond that to meet the investments we wish to make through our strategy is not yet clear. That is partly because savings across the organisation as a whole need to be achieved in order to be able to do that. The World Service in these tightened circumstances with a protected budget will be in a better position than some BBC domestic services. That is a testament to the commitment that has been made. How far it can go beyond that depends on the degree of investment in its digital future to reach that half a billion target that the BBC can afford and agree in the second and third years of the final charter period.

Richard Thomas: Obviously, with a flat licence fee, if we increase the World Service money we would have to take it out of somewhere else. That is a decision for the director-general.

Q6 Sir Menzies Campbell: Neither from your appearances before us, Mr Horrocks, nor indeed the reports this Committee has produced in recent years, can anyone be in any doubt about the importance the Committee attaches to a healthy and vibrant BBC World Service. I share the Chairman’s sympathy with you, but I must express some dismay that matters are as uncertain as you have indicated. If you will forgive the vulgarity, there is an expression that goes, “One should put one’s money where one’s mouth is.”

Can I ask you a practical question? You are, as you have told us, constantly under encouragement and sometimes even pressure, to extend the services. That necessarily involves the recruitment of language speakers. If you are going out to recruit for a particular service, which requires a new cadre of language speakers, how confident are you that you will get the people that you want, if at this stage all you are able to say is that you can guarantee a job only for the next 12 months?

Peter Horrocks: Well, clearly, it would be preferable to have a longer-term commitment. I don’t think it would be sensible to argue against that. Is it a real practical problem in terms of being able to get the kind of people that we are looking for? At the moment, we are launching new services—the ones that I have mentioned in Pashto, Kyrgyz, French and Burmese—and I believe we will be able to sustain those. It is partly about staffing; it is also about consistency of commitment.

One thing the BBC rightly said, when it was agreed that it was taking over responsibility for the World Service, was that consistency of funding is important. The

Foreign Office generally reduced our funding each year for the past three or four years. The World Service is more than 80 years old and has to develop over a very long period. You are right that it is preferable to have a long-term commitment, wherever that is possible; but if it is not, we will work within those circumstances. The BBC is still an extremely attractive place for journalists to work because of its standards and the admiration that the industry around the world has for BBC standards.

Q7 Mike Gapes: Can I take up from where the Chairman began? The operating licence which comes into effect in just two months' time—

Peter Horrocks: It is exactly seven weeks from today on 1 April.

Q8 Mike Gapes: Your original draft of that was published for consultation last June. This Committee pointed out in a report last year that if it was to be signed off, as we were told at that time, by mid-autumn or by Christmas, it would not be acceptable, as it would not give you enough time to make long-term plans. In fact, it was published on 30 January. As far as I can see, it is also incomplete because of the lack of the financial annex. Are there any particular reasons why this was the case? Why did it take so long? Is it because you are having to deal with these new structures within the BBC and they are not sufficiently sympathetic or understanding of your requirements?

Peter Horrocks: First of all, I apologise to the Committee that it was not published on schedule and as rapidly as you would have liked. Of course, this is a matter for the BBC Trust and the BBC executive and I am not a member of either.

Q9 Mike Gapes: I understand that and that's why I asked you the question.

Peter Horrocks: As you appreciate, the BBC has gone through many issues that it has to manage over the course of the last year. A new director-general came into place as did a new director of BBC news. I don't take the longer time than you would have liked as an indication of a lack of BBC support for the World Service. Clearly, getting things sorted out as early as possible would be good. On the question of the funding annex, the BBC Trust this morning published the minutes of the decisions it took at its December meeting in relation to alternative funding, which is both commercial and non-commercial funding for the World Service. Those minutes have been published. The actual decisions around extra funding are dependent on the Secretary of State for DCMS agreeing them. That has not yet been reached. But the BBC Trust has published its broad recommendations, and we have provided briefing to the Committee today about the BBC's intentions in relation to funding that is extra to the licence fee.

Q10 Mike Gapes: Can I just be clear about this time scale? The minutes were from a board meeting in December. Has the Secretary of State been made aware of those decisions prior to the publication today, or do we now have to wait for a further period while the DCMS look at this before there is an approval?

Peter Horrocks: I know that the BBC Trust and DCMS officials have been in communication. There is broad understanding of what the BBC is doing. It has not yet been finally approved by the Secretary of State. I think all the information that the Committee needs to make a judgment about the extra funding and the approaches to extra funding that

we are expecting to take is in front of the Committee. But the final decision by the Secretary of State has not yet been taken.

Q11 Mike Gapes: As I understand it, the draft that was published last year and the final version are different in some respects. What is your view of the differences between the draft version and the final version? Is there any significant change of direction?

Peter Horrocks: I don't think that that is significant. There are some small changes in terms of objectives and there is a particular stipulation that the proportion of news in any given service should be at a certain level. That was an extra stipulation that the Trust entered. But apart from that they are relatively minor.

Q12 Mike Gapes: You are quite content with those changes from your operational point of view?

Peter Horrocks: Yes. So, for instance, there is a stipulation that we need to have a certain proportion of news—a 75% proportion of news—but one of the reasons why the BBC Persian service is popular is because it has quite a lot of culture on it. An agreement has been reached with the BBC Trust that that can be excepted. So there is a process for us to be able to ask for that stipulation to be lifted and the Trust is already being very helpful about that. It is a very minor issue. The broad shape of the operating licence is as was published in the draft in the summer.

Q13 Mr Baron: Commercial income is becoming a more important source of revenue for the BBC World Service, but we lack some of the detail. There is a little uncertainty, so will you clarify what the formal authority is for the World Service to derive commercial income now? And are there any constraints as to how that can be generated or, indeed, used?

Peter Horrocks: There are different kinds of commercial income. The World Service has always sought syndication revenues, so, for instance, when World Service English is distributed on national public radio in the United States, we receive income for that.

Three years ago, the Foreign Office, as part of that tough CSR settlement, tasked the World Service with increasing its commercial income to the tune of £3 million a year. Subsequently, we sought permission from both the Foreign Office and DCMS to be able to take advertising on three language services and our radio relay for World Service English in Berlin. It is under that authority—the BBC agreement.

Moving into the licence fee creates a slightly different regulatory issue, and that is the approval that I was explaining to Mr Gapes that we are seeking from the Secretary of State for Culture, Media and Sport. We are confident that that will be achieved, and the BBC Trust has been in touch with officials in relation to that. As you say, it is a common practice for publicly funded organisations—museums, galleries, opera houses and so on—to take additional sources of funding that do not undermine their core purposes or values.

The BBC—I have experience of this through my other responsibilities for BBC World News and BBC.com—has been taking in advertising and, indeed, sponsorship around the world on BBC World News television for more than 20 years. So we have a well-established track record of doing that without compromising our editorial values and we know that audiences around the world are broadly comfortable. They look to the BBC because of its

quality and impartiality; it is very different from the UK audience's view of the BBC, which is very much bound up in the fact that it does not have advertising. Around the world, because we have been taking advertising on television for more than 20 years, audiences are comfortable with it. So we are confident that we will be able to operate this effectively.

It will not create a huge amount of income, because most of the places that the World Service broadcasts to do not have a commercial market to take revenue from, but it will enable us to take additional, supplementary, top-up income. I take that phrase "additional, supplementary and top-up" to mean that getting extra income from other sources would not erode the core funding that the licence fee will be providing, so I think those phrases are important.

Q14 Mr Baron: Having said that, if I may, Mr Horrocks, granted, it was from a low base, but there was a quite significant increase in income from something like £4.5 million in 2011-12 to nearly £8 million one year later. Can you give us a breakdown of that near £8 million and be specific about the extent of advertising within that breakdown?

Peter Horrocks: Yes. I would regard it as being a good thing that we are making more money and sustaining our services.

Q15 Mr Baron: I am not criticising—we are just trying to get more detail.

Peter Horrocks: Richard, could you provide the breakdown?

Richard Thomas: Yes. In terms of new sources of advertising on the websites, that is still very small. We are up to about £200,000 at the moment. The main sources of income in the last year, 2012-13, were co-production incomes and traditional stuff where we are sharing the production of a programme with another broadcaster and the programme goes out on both networks.

We made about £2.5 million from those shared deals, and obviously we have production costs against that. Then, distribution of programmes—syndication and so on—made us about £4 million. We also had a one-off benefit last year, when we auctioned the contents of Bush House that we were not moving into the new building, which raised nearly £1 million. So that is a one-off that we will not be repeating—at least, not for some time.

Peter Horrocks: There are bound to be more pianos to sell off.

Richard Thomas: So that is most of it. The distribution of programmes is about £4 million and co-production about £2.5 million, plus the sale of the assets. So it is quite traditional stuff at the moment and getting into the new areas is for the longer term, which is why it will take quite a while to build up.

Q16 Sir John Stanley: I do not have any problem in principle with the BBC expanding its language services on the back of advertising and commercial revenue. The key issue for me, and possibly for other Committee members, is how far the BBC World Service is being prevented from broadcasting into those countries where there is an imperative need, on human rights grounds and freedom of expression grounds, for the BBC World Service to be heard, and it is not able to do so simply because of the constraint that those services are not financially viable in commercial terms. My question to you is: looking ahead, are we going to

have a position in which the BBC World Service is failing to get listened to in the very countries, on human rights grounds and so on, where it ought to be heard?

Peter Horrocks: Thank you for asking that question. I agree that the commercial issue and delivering to those most in need of information should be treated separately. The main country where that question has arisen, and there has been parliamentary activity around this, is clearly North Korea. The reason why we currently do not think it is advisable to try to launch a North Korean service is not because of the commercial issue and not really because of funding, but because of the practicality of it. We do not believe that there is an effective way of being able to get a signal through, at least on anything like a reasonably cost-effective basis, to audiences in North Korea, because of the extremely repressive techniques that the North Korean regime uses to prevent people listening, such as not providing them with radios. If there was a technology or a way of being able to broadcast, for instance, from South Korea, we have always said that the information need in North Korea is absolutely at the highest level, more so than any of the services that we currently have. If there was a practical way of doing it, we would be launching a North Korean service, but at the moment, we do not think it is practical, nor do we think that it is cost-effective.

Q17 Sir John Stanley: I did not pose my question in the context of the Korean peninsula. I chair the all-party group on South Korea and I am well aware of the concerns in South Korea about what would happen if the BBC World Service set up a broadcasting unit from South Korea. They have, in my view, very understandable concerns that such a decision by the BBC World Service to broadcast from South Korea could be very seriously misrepresented and used by the North Korean regime, which would be wholly contrary to trying to calm issues between north and south on the Korean peninsula.

I am raising the issue on a worldwide scale. There are many countries around the world where there is repression, the total failure to have equality for women, the use of torture, brutalisation, single-party states and military states, where the BBC World Service needs to be heard, so that people in those countries can understand that there is a better way of life in countries that believe and place a value on freedom of expression and basic human rights and dignity. I put it to you: what is the BBC World Service going to do to ensure that it has the necessary funding to get access to those people in those countries where the need is greatest?

Peter Horrocks: We are doing everything we can, and I completely agree with you about the basis on which the World Service is offered to the world. The issues that we face in many of the countries in the categories that you are referring to—China and Russia being an example—is not fundamentally a funding issue; it is whether it is possible to get our information through in an effective way. As you know, the Chinese authorities regularly jam our radio broadcasts. They interrupt our television broadcasts and our websites are blocked. We do everything we can to get round those using new techniques, which we provide information on to our users.

In Russia, we had had some success with one of the new television services that we have launched, but the television partner—an independent television station that has been carrying the BBC Russian news—has recently come under, we believe, significant Kremlin pressure and that is affecting our ability to be able to get our news through on television in Russia. The internet continues not to be blocked in Russia and that audience is growing very fast. One of the success stories of the World Service in recent years has been the growth of its

digital audiences on PCs and in particular, on mobile phones, which is growing very fast around the world. That is one of the best ways that we can get our information through. If there are countries you think we should be providing radio services for or countries where you think a particular need is not being met that we have not thought of, I am very happy to discuss that or to take suggestions. We regularly look at levels of media freedom around the world and ask ourselves the question, “Should we be providing a service there?” and also, “Is it practical and cost-effective?”

Q18 Sir John Stanley: Finally, are you or are you not, Mr Horrocks, saying to us—this is possibly relevant to what we have to say to the Government—that there is no funding constraint on the BBC World Service in extending the World Service to those countries that have the greatest need in human rights terms?

Peter Horrocks: I am saying that. Clearly, funding overall is a constraint, as it is for any organisation, but in terms of the priorities we can see in front of us, in terms of those human rights violations and countries where media is being repressed, we believe that we are providing services wherever it is practical and cost-effective to be able to do it.

Q19 Chair: Mr Horrocks, in your evidence last November, you spoke about more widespread commercial activity. Are you in a position to tell us more about it now? How do you intend to develop the extra commercial activity and for what services?

Peter Horrocks: I cannot go into the exact services yet because we are still doing feasibility around that, but I can certainly talk about the broad categories of funding. We already have advertising, as Mr Thomas explained, on a number of our language service websites, and we believe that there are probably three or four other language service websites that we could put advertising on. We have also been given permission by the BBC Trust to seek sponsorship. Sponsorship can be used only in non-news and non-current affairs, so features and lighter programming. We will look for sponsorship, as we do with BBC World news already. The other change that has happened is that we can approach philanthropic institutions, educational institutions, to partner with them or to seek funding potentially. Again, that is to help with the broad educational features-based content, which is an important part of the mix of our service. Those are the broad categories that we are exploring. It will take some time for that to ramp up.

You will be aware that our partner charity, BBC Media Action, already funds quite a significant amount of programming on the airways of the World Service. An audience of almost 50 million is achieved through that funding, largely through DFID, but also from other funders. We can now take that funding, and we will be able once the permissions have been agreed with the DCMS to take a wider range of funding. All of it needs to be under the right editorial supervision, to ensure the BBC’s integrity is maintained. A crucial extra thing I should make clear to the Committee is that none of the advertising will be heard in the UK. The World Service English service that is available via Radio 4 and through digital broadcasting in the UK will not carry any advertising at all. It will be only for international audiences. They will hear advertising.

Q20 Chair: Forgive me if your answer to Sir John Stanley covered this point, but just for clarity, in your letter to Lord Alton of Liverpool, dated 1 November 2013, you said that your

proposal, “might involve launching new language services, if they could be commercially self-sustaining”. Is that likely?

Peter Horrocks: It is a remote possibility, to be absolutely honest. Lord Alton himself was trying to be helpful in terms of whether the BBC do something for the Korean peninsula as a whole. He was suggesting that there could be a commercially supported service, funded by the vibrant market in South Korea. I was talking about that being a possibility. Editorially, it would probably be a very strange service that would appeal both to the economically prosperous South and the benighted North. I find it quite hard. Lord Alton was keen that I should explain on what basis it could possibly happen. That was the reason for that response, which I think has been slightly taken out of context and magnified, as though it was going to be a substantial part of the World Service’s strategy. It will not be. Our primary focus is, as Sir John Stanley has been encouraging, on those who need us most.

Q21 Chair: I personally do not have any trouble with it. I welcome it if it means that you have more language services. A number of the Committee members were worried that it would impact on the integrity and independence of the services, if it was reliant on commercial funding. Since when, you have kindly let us see the minutes of the Trust, which said that there were going to be draft editorial guidelines about it to protect the integrity of the service. How is that going to be achieved?

Peter Horrocks: They are very much based on our experience with bbc.com and BBC World News. We have had experience of dealing with a range of commercial and non-commercial funders. Every month I turn down income that would be useful for the BBC to have but which would put us in an inappropriate position in terms of people who want to advertise or sponsor on BBC World News. So we are used to making judgments about putting our editorial integrity ahead of pure income.

We are extending those guidelines and applying them appropriately to the World Service. The teams who work for me who already handle those issues of editorial integrity will be teaching teams that are not used to taking advertising at the moment, so there will be someone in each of the services. The Russian service now has advertising. There is someone whose responsibility it is to ensure that the advertising that is taken on the Russian service website is appropriate and does not undermine the reputation of the BBC Russian service.

Q22 Chair: The BBC World Service is currently funded by a grant from the Foreign Service, and very shortly to be from the licence fee. But BBC World News TV is commercially funded.

Peter Horrocks: Yes.

Chair: An argument has been put to me that there is a degree of cross-subsidy here. It was suggested that that is improper, and that the resources of the grant-funded World Service are being taken to assist the commercially funded TV news. For example, material that is produced by the World Service’s English radio output appears on BBC World News TV. Is that a fair comment?

Peter Horrocks: In my view, it is certainly not a fair comment that there is any inappropriate cross-subsidy, because we have strict fair trading rules, which are audited by external accountants who come in to check on that.

However, we operate as cost-effective a single news operation as we can. We believe that good-quality journalism that is produced in any part of the BBC's operation should be available elsewhere, as long as the right so-called transfer pricing and marginal costing principles are applied.

It also works the other way round. For instance, our marvellous chief international correspondent Lyse Doucet, who is doing extraordinary work at the moment on the Syrian crisis, is paid for predominantly by the budget for BBC World News—the commercial income. Would it be sensible for her not to be broadcasting on the World Service or the 10 o'clock news on BBC One? I think all our audiences would think that that was a strange thing to do.

So we operate a single integrated operation, with all the BBC's journalist teams working effectively together. The accountants in the background have to ensure that it is done fairly and appropriately in terms of state aid law and our own fair trading guidelines. All that is open and audited.

Q23 Chair: So some of the revenue from the TV goes to the World Service indirectly.

Peter Horrocks: Indirectly. For instance, in the Westgate siege, the brilliant young Swahili correspondent Anne Soy, a young woman who happens to shop in that complex, was on the scene within a few minutes. She was broadcasting on BBC news channels in the UK, on Radio 4 and on BBC World News.

It would be an odd thing for the BBC to have people in parts of the world who, because they have a particular financial label on their head, were not able to serve all the BBC's audiences. We share that content and information, and we make sure that we do the accounting that shows that it is being done fairly and properly.

Richard Thomas: World News has to pay the World Service when it uses stuff that has been paid for from grant in aid.

Q24 Chair: It does?

Richard Thomas: Yes. That is checked, as Peter says, every year.

Q25 Mike Gapes: Do you have some kind of formula? How do you account for these things? You said that it is checked by outside accountants, but presumably you have some kind of internal cost basis of taking account of things. How is that done?

Richard Thomas: As simply as possible. You would look at people's time allocations and things like that. Peter's time and my time are allocated to those services as well.

Q26 Mike Gapes: Is this information public?

Richard Thomas: At a top level it is. It is certainly in the annual report, for instance. You can see the percentages of people's time and the way that works.

Q27 Mike Gapes: I am not against that. I just think that, in order to meet people's—perhaps unnecessary—concerns about cross-subsidising, it might be helpful to have some idea of what kind of money is involved in these transfers.

Peter Horrocks: I think we can do that. The crucial thing about cross-subsidy is that this is not cross-subsidy because it is a kind of commercial entity that has shareholders, or anything like that.

Mike Gapes: I understand that.

Peter Horrocks: As long-serving members of the Committee will know, the BBC wanted to have a publicly funded international television service. That was not agreed by the Government, so the BBC went ahead and did it on a commercial basis. We are doing it on a commercial basis in order to do a great service to audiences around the world. It is the largest BBC channel—80 million people around the world consume BBC World News—so we want to do everything we can to make it as strong an editorial service as possible within the rules that are rightly in place on how public and commercial need to work together.

Q28 Ann Clwyd: Could I press you further on your editorial guidelines? You mentioned them in passing, but I am not clear what they are. I would like you to spell out what those guidelines are as you increase your commercial links. Secondly, does any vetting of potential advertisers take place so that the BBC's reputation is not affected by the content of adverts? You were saying that you leave it to the particular service—the Russian Service or whatever—to do that kind of work, so is that what happens?

Peter Horrocks: The principles are primarily to do with the audience's impression of the BBC's editorial integrity. The key test is: would the association between the BBC and the advertiser or the sponsor make a right-minded member of the audience think that the BBC's editorial integrity and independence were being compromised? There is more detail around that, but that is the way that it works.

I explained that some things need to be decided at a local level, especially in relation to specific languages, but, of course, sensitive decisions can be referred up. That is why I explained that I do take a number of decisions. To give you a couple of examples, in the last year or two, BBC World News had a very substantial potential contract from the Chinese image branding agency, which was all about China's image. We decided to turn that down, because it had a political purpose; it was not about tourism to China, which would have been appropriate.

Similarly, the Zimbabwe image agency had a campaign that purported to be about Zimbabwe's culture, but was really a political campaign that was timed in relation to elections. Again, I personally turned that down. Those are examples of the kinds of decisions that have been made, and will continue to be made, to ensure that funding does not override editorial.

Q29 Rory Stewart: Mr Horrocks, just to remind us where we are on the governance structures, when you go back into the dim and distant past, the director of the BBC World Service sat on the main board. There then seemed to be two levels below, and I believe that James Harding is now somewhere in this set-up. Will you remind us of what these different boards are and where you sit in all of that?

Peter Horrocks: The BBC Trust has overall sovereign responsibility for the BBC as a whole. It has a trustee, Lord Williams of Baglan, who is the representative on the international services committee, and he takes a particular interest in the affairs of the World Service. The operational executive body of the BBC is the BBC executive, chaired by the director-general.

The director of news and current affairs, James Harding, is the overall representative of the so-called news group, which brings network news, English regions and the World Service and global news together, so he acts as the representative of the World Service on both the executive board and its operational board below that, which is the BBC management board. I am part of the news group and I sit on the news group board, which is and will be the decision-making body of the World Service.

Q30 Rory Stewart: As you can remember, you rightly did not comment on this, but we were a little disappointed because our preference as a Committee was for the World Service to continue to be represented—as it was, going back 15 or 20 years—on the equivalent of the executive board. This was done at Mark Thompson’s time and at that stage we were reassured that, nevertheless, you were on the management board. Now it appears that you are on neither the executive board, nor the management board, which from our point of view appears as though the World Service’s position institutionally is less robust than it might be. For example, when it comes to calling on resources—getting hold of your own studios and technical staff, and being able to call for a technician if there is a crisis in your office in Nigeria—you are presumably now in a pool. You no longer have your own designated people under you. Is that correct?

Peter Horrocks: Yes, there is more sharing of resources along the lines that I was describing earlier, in terms of the content being shared. We share studio resources, all other facilities, support from finance and human resources, and those sorts of things. It is important that the rest of the BBC supports the World Service in the right way. That is why the director-general’s support is important. James Harding has talked about the World Service being modern Britain’s greatest gift to the world. I am sure they are four-square behind the World Service. However, you are right that the director of the World Service is not on either of those boards. It would be invidious for me to comment further. You have stated it accurately.

Q31 Rory Stewart: Obviously, we are concerned about doing what we can to ensure that, institutionally, the BBC World Service is in the best position for the next 20, 30 or 50 years. There is a risk that we are dependent on the good will of particular individuals who come and go. The BBC, we hope, is a much longer-term institution; it is not simply dependent on whether Chris Patten or James Harding happens to like the BBC World Service, although we hope that people in 20 or 30 years’ time will continue to do so.

Do you have any thoughts about what one could do institutionally to protect the position of the World Service? Financial pressures might increase, and people might start saying, “Really, licence payers’ money should not be used for you, so we are going to push you into funding yourselves from advertising.” Or, “I’m really sorry, but we are going to have to make some decisions. We are going to have to take more of your resources away and share them out more. You are going to have to use more content from other bit of news and current affairs.” If that conversation starts to happen in five or 10 years’ time and I am sitting here, as I hope I will be, what guarantees do we have?

Peter Horrocks: The BBC Trust is the ultimate sovereign body. It sets the operating licence, which Mr Gapes referred to. It requires the BBC as a whole to deliver according to the terms of the operating licence, in terms of the range of services, the quality of services, the reputation and their objectives for reach. The BBC as a whole is tasked with achieving that. The role of the World Service and the role of the director of the World Service, if that role is still there, will be to push forward that strategy. However, the overall responsibility is for the BBC as a whole, the BBC executive and the director-general.

This is a shift, and the BBC as an entity is taking responsibility for the World Service. It is not the responsibility only of the people who are currently charged with it. The operating licence is a mechanism to ensure that the executive is delivering that. In the end, the proof of the pudding will be whether the BBC gets behind the World Service.

The trust has set and agreed a strategy. As I explained, it was agreed more than three years ago with the previous director-general, Mark Thompson. The funding, the intentions, the levels of savings and the reinvestment—the work that I have been describing—was all set. It is now for the BBC as a whole, obviously with the World Service playing the lead role, to deliver on that, and you will be able to see and assess whether the BBC lives up to the commitments and promises that it is making.

Q32 Rory Stewart: Very bluntly, would I be right in saying that we have gone from a situation where we as the Foreign Affairs Committee could see clearly the funding for the World Service coming predominantly from the Foreign Office budget, to one where it has been shifted over to the main BBC licence payer pot, so it is much less easy for us to hold it to account and focus on it? You are essentially saying that apart from the short-term commitment—the multi-year commitment to a particular strategic plan—there are absolutely no concrete, long-term institutional protections in place to ensure that the World Service remains a major aspect of the BBC's operations in 20 years' time.

Peter Horrocks: I think something as long as that, for any part of the BBC, is difficult. Clearly, it is up to Parliament, when the BBC's charter is discussed and hopefully renewed, to decide exactly how those mechanisms work. It will be open to Parliament, when it responds to the proposals that the BBC will no doubt make, to consider how specific that should be.

Lord Birt was talking to another Committee this morning about the fact that the licence fee settlement happened with very little initial public debate because of the circumstances under which it happened. The charter review process will be an opportunity for long-term mechanisms to be put in place which relate to the decisions Parliament takes about the spread of BBC services and what the priorities are for each of the different BBC purposes.

For the next three years, which is all that can really be talked about, because that is the length of the BBC's remaining charter period, the Trust has made commitments through the operating licence. It has told the BBC executive that it needs to deliver the highest reputation in the world, that it needs to deliver an audience of 200 million around the world across all platforms and that a specific sum of money has been allocated, admittedly only specified so far for the first year. We will need to prove to the BBC Trust and to public

scrutiny that £245 million has indeed been spent on the World Service and how the World Service is defined.

Q33 Sir Menzies Campbell: You are putting up an admirable defence of the institution, if I may say so, but I hope you won't mind if I say I am not entirely convinced. It wasn't just the formal arrangements for the transfer of funding from the Foreign Office to the BBC that the Committee was concerned with, it was the spirit and the nature of the assurances that were given. From the answers you have just given to my colleague Rory Stewart, it seems to me—I appreciate that this is not your responsibility—that the spirit, at least, of some of these assurances is not being met. You know that the Committee, as I have already said, is extremely concerned and anxious. It is an advocate and a defender of the World Service.

Peter Horrocks: We hugely appreciate that, of course.

Sir Menzies Campbell: You may remember that I asked the slightly extraordinary question as to who would decide between the admirable Mr Robin Lustig, then the doyen of the World Service, and the equally admirable Sir Bruce Forsyth, with other talents. Where is that decision now going to be made? Does it get made on the news board, at the management board or at the executive board?

Peter Horrocks: The executive board, fundamentally, because within the operating licence that the Trust has set, the BBC executive will propose the budget to the BBC Trust.

Q34 Sir Menzies Campbell: That goes to the Trust.

Peter Horrocks: That goes to the Trust, and the Trust can decide whether it is happy with the commitments it has made. Lord Patten said to your Committee: "I cannot imagine that the BBC Trust and the executive would be allowed to get away with short-changing the World Service". He talked about an exciting new chapter for the World Service. Those are words which resonate in my ears, at least, and it is up to the BBC Trust, following a proposal from the executive to set the exact funding for the rest of the licence fee period, to see whether it will support the strategy that was agreed some years ago and that I have outlined today. So the executive proposes and the Trust makes the final judgment on that budget. The extent of that commitment in terms of the inputs—the financial resources that are available—will, I imagine, be determined in that budget process in the next month or so.

Q35 Sir Menzies Campbell: To simplify, for myself as much as anyone else, at the time the executive board makes a decision about the allocation of resources you, as head of the World Service, are not in the room.

Peter Horrocks: That is correct.

Sir Menzies Campbell: Thank you.

Q36 Mr Baron: Mr Horrocks, you are doing admirably well here in defending the position, but I am going to add to concerns about institutions and concerns about the spirit. I have heard you quote the new operating licence in your answers on a number of occasions. I just remind you that when it comes to the funding of the World Service budget, to quote from the licence itself: "Any planned or actual change in the licence fee-funded content and distribution budget of more than 10% in real value will be regarded as a significant change

and requires approval from the BBC Trust”. While that gives you a sort of nod of underpinning, at the same time it doesn’t stop funding to the BBC World Service being incrementally eroded by less than 10%. I suggest, being devil’s advocate slightly, that reference to the new operating licence isn’t perhaps as watertight as we would all like it to be.

I reiterate what has been said before, that this Committee is deeply supportive of the work of the BBC World Service and is deeply concerned about its funding going forward. Can you therefore, apart from vague promises from above that all is going to be well, point to any other clear mechanism for negotiating the World Service funding that we could perhaps take greater comfort in?

Peter Horrocks: What I can be specific about is the commitment to spend £245 million in the first year. The phrasing that the director-general used in this article this morning commits to seeing the World Service prosper and protecting the World Service’s budget which, as I said, I take to mean an underpinning of that £245 million figure. That does not necessarily mean uprating in line with inflation, but at least it would stay at £245 million. That is my understanding. It is not my responsibility to decide this.

You are right, technically, that there could be that variation in the content budget up to a level of 10%. In practice, the BBC Trust signs off the budget that the executive proposes and could decide that it does not want any further reduction. Indeed, it could decide that it would like to increase beyond that £245 million in order to make that investment in digital and move towards 500 million. Of course, as the person charged with responsibility for the World Service, I hope that we will make the arguments about the importance of that effectively. But there are no further mechanisms that I can point to beyond the ones that you have identified.

Q37 Mr Baron: No, there are no further mechanisms, and therefore, whereas you may not be able to say this, Mr Horrocks, I would suggest that in order to assuage our concerns, there is no substitute for having the BBC World Service represented on one of the two boards, if not both. That would be far preferable to relying on the good will of incumbents above you. Would you disagree with that?

Peter Horrocks: I am not going to disagree with your view. It is clearly not my job to decide that. I am someone who is within the BBC structure. I am sure that your words will be heard by those who do take those decisions.

Mr Baron: Let us hope so.

Chair: Thank you both very much indeed. Mr Horrocks, this is probably the last time that you will appear before us while we have responsibility for oversight of the Foreign Office and thereby, indirectly, yourselves. So may I, on behalf of the Committee, thank you and the generations who have gone ahead of you, for the courteous way that you have answered all our questions? It is very much appreciated. May I also thank your team behind you who always been very helpful and forthcoming? We wish you well as you move to a new world. We still have some residual oversight over your policy.

Peter Horrocks: It will be a pleasure to still have your residual oversight. Thank you very much for those compliments. I will pass them on to my team.

