



HOUSE OF LORDS

Revised transcript of evidence taken before

The Select Committee on Communications

Inquiry on

BBC CHARTER RENEWAL: PUBLIC PURPOSES AND LICENCE FEE

Evidence Session No. 2

Heard in Public

Questions 20 - 36

TUESDAY 14 JULY 2015

3.30 pm

Witnesses: Simone Pennant, Laura Mansfield and Emily Davidson

Professor Diane Coyle and Lord Birt

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on
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Members present

Lord Best (Chairman)
 Baroness Bonham-Carter of Yarnbury
 Lord Hart of Chilton
 Baroness Healy of Primrose Hill
 Baroness Jay of Paddington
 Baroness Scotland of Asthal
 Lord Sherbourne of Didsbury

Examination of Witnesses

Simone Pennant, Founder and Director, TV Collective, **Laura Mansfield**, Chair, Pact, and **Emily Davidson**, Head of Policy, Pact

Q20 The Chairman: Welcome to the trio at the end there. Thank you very much indeed for coming and giving us your thoughts on these important issues. You have gathered that we are looking at the public purposes of the BBC and we are also looking, with some difficulty perhaps, at the funding arrangements, the process for deciding on the funding of the BBC. These are our two big questions that we are posing. We are delighted that you are willing to come and answer our questions on these matters. This is being televised and a transcript will be taken, so it will all be recorded and on the record, which means that it would be very helpful if when you start off you just say who you are and where you are coming from. Can I start the ball rolling by inviting you to say that, who you are and where you are coming from, but also then to launch in and give us your views on whether or not these public purposes are a useful way of considering the BBC's future, whether they are widely known among the public and whether that matters whether or not they are well known, and whether we are on the right lines in looking carefully at them and using them as a tool to explore the issues relating to charter renewal? Simone, perhaps I could start with you.

Simone Pennant: I knew you were going to say that. My name is Simone Pennant. I run an organisation called the TV Collective. The purpose of the TV Collective is to support primarily people of colour working in the industry, helping them to forge careers, getting their ideas in front of the right types of people. I used to work in the BBC 100 years ago and borne out of the frustrations of not being able to forge a career, the constant frustrations about how you are represented, the stories that you want to tell, the programmes that you are working on, the whole frustrations that those from diverse communities felt, it felt that something needed to happen and there needed to be a space where people could really voice and express their opinions on how they feel and that we could be part of the conversation. Because it often felt like decisions were being made but those that it actually affected were not part or included in that conversation. We have been running for a little while now. We have a mailing list of about 60,000, but probably an active membership of about 10,000 people. This is across the board and they work in all kinds of areas of media, TV, aspiring, established, the whole gamut, just those who are interested in the issues around diversity in media. We have done talent receptions. We have tried to put talent together with broadcasters and production companies. There is a common comment that always comes up that there is not the talent, nobody can find the talent, so part of my job is about ensuring

that the talent is known, people know where this talent is, people can find it and they can hear the ideas, hear the stories. We have done that. We are working with the BBC. We have recently got somebody who has a commission coming out on BBC History. We have helped people get ideas commissioned and get jobs. That is essentially what we do, trying to support those working in the industry and ensuring that their voice and their contribution is heard and felt.

In terms of my membership, there is a general understanding of what the purposes are but not in any kind of in-depth way. It is important that they know and understand what these are. About my membership, it is important that they have a clear understanding. They do not have a clear understanding. In the discussions that we have had, we have never broken down the six points, gone through the six points on how this is going to impact and how this one is going to impact. They have an overall understanding. That is okay, but I think it is far more important for the charter to understand or consider the impact that some of the decisions it makes has on BME communities. That is where the issue is. People do not necessarily feel that they are part of it. They do not necessarily feel that their needs or their concerns are being addressed, and that is where the issue is. Yes, it is great that it is there. Yes, people do not know. Should they know more? It is important that they know more so they can assess and they can measure and ensure that they are monitoring and saying, "Is this happening? Is that not happening?" I think the key frustration is they do not feel that they are included in part of the decision making.

The Chairman: Thank you very much. Laura?

Laura Mansfield: I am Laura Mansfield and I am the chair of Pact. That is the Producers Alliance for Cinema and Television. We represent some 400 independent producers right across the UK, right across the genre spectrum, and from the very, very smallest start-ups to the very largest independent groups. It is now one of the, if not the most, successful sectors in the creative industries with revenues at nearly £3 billion and exports at some £1.2 billion annually across the sector and a global reputation for delivering truly outstanding content.

I am not only here to represent the industry but I also play my own direct part in it as co-founder and managing director of a small independent production company called Outline Productions. I co-founded the company in 1999, so we have been going for 16 years and during that time have seen lots of changes in the sector. We produce factual and factual entertainment programmes ranging from Tom Kerridge's recent cooking programmes and the "Great British Garden Revival" for the BBC as well as a broad range of original series for Channel 4, Sky, ITV, Discovery, as well as global channels.

In regard to the public purposes and what Pact's view on that is, we definitely believe that the indies know about all six public purposes, although I doubt if you stopped an indie in the street and gave them a spot quiz test that they would be able to name them one to six in order, but they form a central part of every commissioning conversation and every commissioning contract. We particularly would like to see the continuation of purposes 1 to 4 and we think that there is a conversation to be had about purposes 5 and 6 in regard to the degree to which the BBC should be bringing the UK to the world and the world to the UK. We think that it is time to discuss that and we would also like to further discuss the degree to which the BBC should continue to deliver to the public the benefit of emerging communications technologies and services. This is an opportune moment to consider those two points, but certainly the first four are truly embedded with the Reithian principles of

inform, educate and entertain, which we think are probably seared into every independent producer's brain and at the heart of the content that they are delivering. I would also like to introduce Emily Davidson, who is also from Pact.

The Chairman: Please, Emily.

Emily Davidson: Thank you. I am Emily Davidson. I am head of policy at Pact. As Laura has said, the independent production sector is very aware of the public purposes. It is something that is known in terms of the commissioning that happens and we look forward to discussing in further questions the details as to why Laura has made the comments about numbers 5 and 6 in particular being something we think is important and relevant in this review.

Baroness Bonham-Carter of Yarnbury: Sorry, I am jumping ahead. I was just very surprised that you were questioning number 5. Do you not think the World Service is hugely important?

Laura Mansfield: I massively think the World Service is hugely important. All I am trying to say is I think this is a great time for us to discuss the degree to which the BBC, as a commissioner of content, as a producer of content, as a broadcaster of content, how its position is in the world, to what degree that global conversation happens with the world. We are now all part of a global community and I think this is a brilliant time for us all to be looking more closely and uncovering what we think is most important to the licence fee payers, to the Government, to the industry, about what the BBC is doing. This is a perfect time to work out what we want to celebrate, what we want to do more of, less of, and what the BBC is marvellous at doing. Yes, that would be what I would say. I just think it is time to have a really interesting conversation about that role.

Q21 Lord Sherbourne of Didsbury: This is really addressed to Laura from Pact. Just picking up your point about the six purposes being almost in the DNA of anybody who is making a programme for the BBC, if they are making a programme for an independent television company like ITV or somewhere, how does that differ from the way they make it for the BBC? How does their mindset suddenly change?

Laura Mansfield: Well, I think each channel within the BBC and each individual commission has a particular point and purpose, so when you are looking at the public purposes that is across the piece. In regards to when you are making a programme for ITV or Channel 4, as a producer you are always seeking to make it as excellent as it can be, but whether education and learning, for example, are foremost in your mind perhaps when you are making a piece of entertainment programming for ITV, that may not be the fundamental part of the commission. It really depends across the broadcasters.

Lord Sherbourne of Didsbury: I have never made a television programme in my life. What I am trying to get at is if you have a brief from the commissioning editor, from on one hand the BBC and on one hand from independent television, ITV or whatever, and it is the same kind of programme—because the channels do produce similar kinds of programmes, which might be entertainment or might be factual or documentary—if you have the brief for the programme and you had the same brief given to you for the kind of programme they want from the BBC and the same kind of brief from another company, how would you approach it differently for the BBC?

Laura Mansfield: If the brief was the same and if the budget was the same and if the commissioning slot was the same, you would probably approach it in the same way. Each

broadcaster has slightly different guidelines but, broadly speaking, we have the Ofcom guidelines that underpin all of it and underpin the way that as a producer you behave when you make a programme and your employment criteria and so on, but the briefs are not necessarily exactly the same. When you look at the output across the channels, there are similarities but there are also differences. There are slightly intangible textures about the way that a BBC programme might look and feel to the way that an ITV programme might look and feel.

Lord Sherbourne of Didsbury: To put it another way, when the BBC gives you a brief does that reflect more these purposes than you might get in a brief from another television company?

Laura Mansfield: Probably, yes.

Q22 Baroness Healy of Primrose Hill: First to Laura, if I may, in your role as an independent producer you have made programmes for, among others, the BBC. I am just wondering what sense you get within the production community—I know you say they would be aware of them—as to the prominence of the purposes in the minds of the commissioners and the production staff. What impact do you think the purposes have on creativity? I am just wondering also after that if Simone might like to comment, too, in terms of whether the purposes are being met because you feel that diversity is not being stretched enough within the BBC.

Laura Mansfield: I think that it would never be that you would go in for a conversation with a commissioning editor and they would reel off a list of six public purposes and say, “And now I would like to talk to you about a programme about gardening or food or history”. However, those are underpinning values about the degree to which, for example, a programme would seek to inform the audience; it would seek to deliver entertainment; it would deliver a combination of entertainment and education where a programme would be really aiming to be the most creative it could be. Commissioning editors, rather than to create copycat programming, are looking to create the next new turn of the wheel in terms of the way that programmes are produced, the way that they look. I think that they are constantly aiming to push the bar of creativity further and to challenge themselves as well as their suppliers to deliver ever more excellence. What we have seen over recent years is we have an extraordinary quality across our public service output at the moment, not just for the BBC but for the other public service broadcasters who are seeking to compete with the bar that the BBC sets by keeping its standards so incredibly high. I think that is a really important part of every commissioning conversation. For example, representing the UK nations, regions and communities, that is something that we are hearing an awful lot of directly in conversations with commissioners at the moment. I think people are particularly keen to ensure that we are representing the entire country, that we do not just represent a small sector of the population. It is an onward journey and struggle, but you would never find a programme, for example, particularly for the BBC, where it was ever deemed appropriate that you might, for example, just do all your filming in London or just do all your filming in the south-east. There is absolutely the requirement to cover the length and breadth of the country to make sure that we are trying to represent to the greatest degree that you can the entire country.

Simone Pennant: Yes, definitely I think the biggest frustration is that you have the members of the production company, those members of colour, that feel that they are not given or

cannot forge those careers, they cannot be part of those conversations, they cannot tell their stories, they do not fit in, there is not enough thought in the process. I have been in the industry over 20 years. We seem to be having the same conversations about the lack of representation, the lack of staff at senior levels, at decision-making levels, so that they can have an influence in terms of the content that is being shared, what is being shared, how you are representing these communities. I think that that is the frustration of the BME community—that they are still not able to be part of that decision. They are still not able to be the person that commissions that programme, that says that this story is important to be told or these communities we need to be considering and their voices are not heard. That is a constant, constant thing that we are hearing over and over and over again. I suffered from it when I worked at the BBC and that was 15 years ago and we are still having a similar conversation.

Q23 Lord Hart of Chilton: It seems to us that the definition of the purposes effectively determines the size of the BBC because they drive the scope and the scale of the corporation. What would you say about the size and the effect of the BBC on your members and the impact on the industry? Do you welcome a framework around the activities of the BBC? Would you think that cuts to the BBC would have a detrimental impact on its fulfilment of the public purposes? Are there any particular areas of concern that might be brought about by financial cuts? Finally, what effect do you think this would have on the industry as a whole?

Laura Mansfield: There is a lot to get stuck into there. I would say that I think the BBC is the crucial key player in the marketplace and certainly in regard to the whole public service broadcast system and ecology. When we have looked at the numbers before, public service broadcasters represent 85% of content spend in this country. Where we have a thriving creative sector that is because of public service broadcasters and right at the heart of that is the BBC. The BBC I think spent last year £474 million on commissions from UK independent producers, so producers are supplying I think 29% of all UK commissions. The BBC is extraordinarily important just in terms of supporting this creative industry, which has now gone on to become an export world leader in format and in finished and in taking our creative content round the world.

I also think it is about the high quality bar that the BBC is able to set. There is not the need to particularly chase a particular audience segment that is particularly attractive to commercials. If you are running a commercial channel, you need to appeal to ABC1 16 to 34 year-olds and there is absolutely a place for that in the market and it is great to make programmes for that segment, but that is a very particular audience segment. The BBC can appeal more broadly, which means that the range and scope and quality of the programmes that it can broadcast can appeal right across the board to the youngest and to the oldest and to segments of the population that might be deemed to be less commercially attractive. I think it is that at the core of our system that makes it a system that is envied right across the world. We travel a lot to conferences and markets around the world and people are very, very envious of this unique ecology that we have here. What I would say is that if you change one part of that ecology we do not know what the ramifications are but there will be ramifications by reducing the scope and reach of the BBC because it is absolutely the pillar of that ecology.

We would absolutely welcome discussing the scope and spectrum of the BBC because I think it is important to have that open debate, open discussion, with licence fee payers, with stakeholders, because considering the views as you are doing now is so important—to step back and take a balanced view about the role at the heart of our cultural conversation. It is not just about commercial. It is about the cultural impact of the BBC and of what they are doing.

I would say that the other size and impact around the BBC on our members is that it is not just about delivering one kind of content in regard to the public purposes but a breadth of content. I suppose what I would say is looking at the public purposes, because they are quite broad you could interpret them in a whole range of different ways and there would be a way of interpreting those six public purposes as this is a remit to deliver only incredibly serious, high-minded programmes about arts. What we would say is that we would be looking for that to be considering entertainment as well as factual as well as current affairs as well as news, to be looking at the breadth of the output.

Lord Hart of Chilton: So financial cuts do not necessarily mean the benchmark deteriorates and lowers itself, it simply means that those responsible for programme making have to refocus?

Laura Mansfield: In regard to cuts, it costs a certain amount of money to make a programme and over the past years the BBC has been cutting year on year on year the programme budgets. I would say that pretty much across the board those budgets have gone as low as they can tolerably go without massively impacting on quality. What we have seen as a trend is that independent producers are now investing significant amounts more of their own and other people's monies in terms of deficit financing to ensure that the quality bar remains high. If there are cuts, without knowing the detail of the numbers within the BBC, it is very hard to speak. Therefore, what we would welcome is transparency about how fees are spent, about how budgets are allocated across the board for the BBC, probably a greater degree of transparency than we currently are afforded. The programming budget would suffer I think if there were significantly greater cuts. We would be extremely concerned particularly about areas of activity such as children's broadcasting where the BBC is pretty much the only commissioner of original British production made for children. This is an area of very grave concern to Pact but really across the board to all of us as parents: what are future generations going to be watching? Cuts to what is already a very, very low part of the BBC's budget even further would be of significant concern to us. I liken it to other industries where if you are in fashion or if you are in manufacturing it is the difference between something being well made and ethically made and being made in a sweatshop. You could still produce T-shirts but how was that T-shirt made? Right now we are producing well made, appropriately made T-shirts, and what we would like to do is make them even better, make them more representative and not have to make them in a shoddy fashion, which I think would happen potentially.

Lord Hart of Chilton: One programme that seems to be under fire is a programme such as "The Voice". They say get rid of that and refocus with the money you save on the sorts of things that you have been praising. What do you think about that?

Laura Mansfield: I would say that "The Voice" is an impeccably produced piece of entertainment and I think that entertainment is absolutely central to the BBC being relevant across the creative conversation in the UK. What "The Voice" does is not only is it one of the

more diverse pieces of broadcasting where you have—Simone can speak to this later on—some of the most aspirational black role models out there, so it speaks to a very broad community, but it is a show that appeals to millions and millions of people, which makes it relevant.

The other point about entertainment is that by the BBC producing high-quality entertainment it means that ITV has to produce brilliant entertainment to compete. By programmes such as “Strictly Come Dancing” being produced, you see “The X-Factor” being one of the best examples of entertainment programming on the planet. Their lighting is wonderful. It is all brilliant because it has to be because it has to compete against “Strictly”. If you take away “Strictly”, you take away “The Voice”, yes, you save money to put into children’s but then what happens at the heart of your schedules? I think it is about considering all of it as a whole but considering that quality is not just in necessarily what we might think of as culturally beneficial programmes. I think there is cultural benefit across the board and across the spectrum of genre. These are all areas where independent producers make programmes. “The Voice” is produced by an independent producer but so is “Question Time” and so are some programmes that are made for children’s audiences, which speak particularly to children in deaf communities. Independent producers make programmes right across the board. The other point about the scope and remit is that we would question the degree to which the BBC has to produce these programmes, or can it broadcast these programmes? I think that is something also that is interesting to look at as we consider the scope and range of the BBC.

The Chairman: Emily, do you want to add to anything?

Simone Pennant: I would just like to add obviously like many other public service broadcasters the BBC is one of the biggest employers of talent from BME communities. If there are any cuts, traditionally what is known is that when there are cuts BMEs are the first to suffer. So if there are cuts, that is going to disproportionately impact on those from BME communities and that is a concern.

Also, when things come up like thinking about BBC3 and moving it online, BBC3 is arguably one of the most diverse stations or channels on ITV so the considerations on how that impacts on BME communities and other minority communities have to be at the heart of the decisions and constantly being thought about. Stuff like when you move it online or moving productions outside of London, if London has such a high population of BME communities, how is this going to impact on employment if you are now in environments where those communities are not there? Diversity and the impact on BME communities or minority communities has to be at the heart—not just the HR issues or not just when we are thinking about on-screen representation—of every decision that is being made because it impacts on everybody and ensures that all the communities feel that they are being served.

Emily Davidson: Regionality is a point that is definitely at the heart of what we are thinking about in terms of diversity as well. Ofcom in its recent PSB review noted that spend on first-run originations from the nations and regions fell by 26% over the last five years. We welcome the BBC having a 17% out of London target by 2016, but what we cannot see from that high target is the amount that is produced in-house, so with the BBC’s move to Salford, to Pacific Quay in Glasgow, and the amount that is being commissioned from independent producers in those areas, thus helping to sustain an indigenous base outwith the BBC’s in-

house production teams. We would love to see more clarity in terms of the numbers as to how that percentage will be broken down in-house versus external spend.

Q24 Baroness Scotland of Asthal: Just to follow up on that a little bit, I want to concentrate on the fourth public purpose of the BBC that we have just been talking about, because of course it falls within representing the UK, its nations, regions and communities. I know that Lenny Henry had suggested that there should be a proposal to ring fence funding for diversity, but instead they have gone for a diversity creative talent fund. I know, Simone, you have made comment on that in the past saying it is not a quota, that the £2.1 million fund aims to address BAME issues, but it lacks teeth. I want to ask you all if it lacks teeth what teeth would you like it to have? In your view, how well is this purpose, purpose 4, being fulfilled by the BBC now and what do you think they have to do differently to make sure the complaints you make about underrepresentation of the BAME community get addressed and addressed appropriately? It is all three of you, really.

Simone Pennant: I will go first. As we know, the recent Ofcom report that you were talking about said nearly 50% of the audiences still feel that they are underrepresented and unfairly portrayed. Over the last year or so there have been various different diversity drives and initiatives to boost diversity. We recently did a four-part study to study the impact of how these initiatives are addressing the problem and how those in the industry feel and whether they feel that they are going on. The general sense is that it is still a lot of talk; there is no action. I think that the BME community is probably the most trained community within the creative industry. We have had so much training but there are no jobs. There is a point where you just cannot help, there just have to be jobs, and that needs to be addressed. I wonder if when we are looking at the charter, we need to be looking and defining communities slightly differently, being really clear about communities—and that might change because right now it might be BME and disabled that might be the pressing issue but in a few years' time it might be something else—so you can move with that but really address and look at communities and write that into the charter so that there are clear outlines, clear remits, in terms of how you are going to address this and how you are going to ensure that this is part of the thought process. I think that is the problem. We will talk about diversity initiatives. Something will come up. For three or four months we will jump up and down and we will say, "We are doing this", then it disappears. We do not know what has happened. We do not know the results. It then goes away. Then we scream and shout and then it comes back up again, so it needs to be consistent.

Baroness Scotland of Asthal: I absolutely see what you are saying that this is all nebulous and we want some hard-edged, positive criteria that we would then be able to judge. What are they?

Simone Pennant: People are saying quotas, ring-fenced money—

Baroness Scotland of Asthal: They have said no to Lenny, "No, no quotas for you".

Simone Pennant: Well, this is what people feel, that there needs to be consequences, yes, just needs to be some kind—

Baroness Scotland of Asthal: Basically, what they are suggesting has not worked and you are saying quotas?

Simone Pennant: Yes. We are saying that we have to come back and have that conversation, yes.

Baroness Scotland of Asthal: What about you, Laura?

Laura Mansfield: We would not be saying quotas. What we are looking at, the trend is that the entire BBC spend needs to be representing diverse communities and I think the trend is that it is going that way. In terms of hard, measurable statistics, recently Pact's CEO, John McVay, has become chair of the CDN, the Creative Diversity Network, which is supported by all broadcasters. The BBC is a big supporter of this. Pact has played a leading role in promoting something called Project Diamond, to which the BBC is contributing. This is going to be the world's first pan-industry monitoring system. It is launching this autumn. We are going to start seeing statistics coming through early next year and this is going to give us the statistics and the benchmark across the industry both about on-screen representation and off-screen representation. I think this is going to be really important and it will give us a sense across the industry about benchmarking and representation and give us a sense about how well the BBC is doing, how well other broadcasters are doing, how well a producer is doing. I think we will probably find in the first instance that we can all do significantly better, but finally we will have some sense of beginning benchmarks and some proper, meaningful, consistent data. The challenge has been up until now the data between broadcasters, between productions, between companies has been different, which has meant that it could be represented in a range of different ways. What we would be celebrating is the fact that the BBC has joined in this with other broadcasters, with us, to start having some proper, meaningful, measurable statistics. What we would not be looking at doing is creating smaller, potentially ghettoised areas of spend. What we would be looking at is there should be representation across the entire area of spend.

Baroness Scotland of Asthal: So you are mapping it, auditing it, and then shall I say targets instead of quotas? If you have quantifiable measures, you will then be able to do a correlation, will you not, between the level in the population and the level in the representation and be able to recalibrate it?

Laura Mansfield: That certainly would be able to be part of it and certainly at the moment each broadcaster has set slightly different targets and slightly different end goals. Because we have to go from a position where things have not been necessarily measured to a point where they are measured and mapped and we can start to look at the landscape.

Baroness Scotland of Asthal: The common measures between all of them?

Laura Mansfield: Yes, across the board with different broadcasters.

Emily Davidson: In terms of on-screen portrayal and off-screen representation.

Q25 Baroness Jay of Paddington: Given that I think we all accept that the public purposes are a proxy for the whole discussion about the scope and the scale and the size of the BBC and your conversation with Lord Hart about that, do you think that there are ways in which the purposes should be altered? Should they perhaps be extended? Should they be made more specific or do you think there is potentially a danger in tampering with those public purposes?

Laura Mansfield: I certainly think they should be discussed robustly.

Baroness Jay of Paddington: If I may say so in this room, that is a very political way of talking about what I think we are all addressing.

Laura Mansfield: I think there is potentially a case for simplification and for greater specificity. At the moment, as they are potentially written they are slightly all things to all people. As I said before, I think the degree to which the BBC necessarily needs to be producing as well as broadcasting programmes could be looked at.

Baroness Jay of Paddington: How would you look at that under the purposes?

Laura Mansfield: Well, under the purposes I think I would look at that both in regard to number 5, bringing the UK to the world and the world to the UK. Now, in terms of—

Baroness Jay of Paddington: I am afraid I just do not understand that. I am glad Baroness Bonham-Carter does not either.

Laura Mansfield: For example, is the BBC responsible for producing content that is then taken out to the world if it owns IP? To what degree is that relevant and part of their public purpose, or is their public purpose to broadcast to the UK programmes or content or audio that reflects the broader world? I suppose the breadth of the purposes are very, very general and can be read to mean a whole range of different things. That is one of the challenges around them.

Baroness Jay of Paddington: But I think in response to some of the other questions that people have put to you, you have suggested extending the scope under various headings. What you have just referred to in relation to the UK and the world, et cetera, is greater specificity, if that is how you pronounce that word. Are you looking in a sense, if you are going to change the purposes, to add things to the purposes or retract them given, as I say, what we all understand, that this is really about the size and the scope of the BBC?

Laura Mansfield: I think that within the public purposes further definitions of what is meant and what is intended to be meant by those headings could be broadly helpful. Like I said, I think they are very, very broad purposes. You could suggest that those purposes could pull back the BBC into being something very, very tiny, which would still fulfil those purposes; you could also increase the BBC and still fulfil those public purposes. Therefore, I think that, in a way, the challenge of the purposes drafted as they are is that they do not dictate the degree to which the BBC should be larger, smaller or remain the same size.

Baroness Jay of Paddington: Do either of Simone or Emily want to add anything?

Simone Pennant: I wonder if there should be a greater specificity around diversity and how that is implemented, particularly within the communities, a definition of communities, what that means, how that changes, how we address that. I wonder if that should be included.

Emily Davidson: The purposes set out the broad aim but within that there are useful mechanisms for considering the size and scope for specific services such as the public value tests, and that gives an opportunity for stakeholders and Pact representing our members to comment on specifics. We welcome the role for Ofcom in conducting market impact assessments as part of that process. We have just gone through one process with the BBC's recent proposals to change BBC3. That is a useful process of stakeholder consultation and market impact that has the public purposes as its aim but has a specific service licence around a specific service under consideration.

The Chairman: I want to ask of Simone: diversity does not itself appear among the public purposes. Should it?

Simone Pennant: I think it should.

The Chairman: It should be there?

Simone Pennant: Yes, I think it should, definitely, 110%.

Baroness Bonham-Carter of Yarnbury: I am coming on to public purpose 6, but I just want to go back on a couple of things. Laura, just to be sure about what I think you said, it is that one of the BBC's purposes absolutely should be entertainment and entertainment in the sense of, as Lord Hart was saying, programmes like "The Voice" because that sets a bar. I think there is a misapprehension sometimes about what is called entertainment and that the BBC should somehow pull back from that, which I find odd.

Laura Mansfield: I absolutely think so. I think that entertainment can be found in its broadest of senses. I would celebrate programmes such as "The Voice" but find entertainment in programmes about the universe and about the galaxy and about delivering concerts and Glastonbury to the audience. Entertainment is how people come to education. It is how people come to learning. It is by delivering content in an entertaining package, but I do not think that entertainment for entertainment's sake is a dirty word. It is an important part, not all, and it is a part of an overall mixture and a part of an overall ecology. It is that breadth and that whole that is important for the BBC to retain, just as, for example, children's is a really important part of that whole and delivering, again, that breadth of content to children ranging from pure information, news, current affairs, natural history, but also entertainment for children, but British entertainment made here and about the world, not imported cartoons. Entertainment made here that reflects our communities, that reflects our country, is what is really important. We want entertainment made for our audiences, not just imported entertainment.

Baroness Bonham-Carter of Yarnbury: Sorry, picking up the bringing the UK to the world point, is what you are concerned about the role of Worldwide rather than what we may have understood you to be saying, which is our programmes going out there and representing the UK? Sorry, Worldwide being the—

Laura Mansfield: Certainly, yes, and thank you for that. I think looking at the role of Worldwide within this broader conversation is going to be important, but I also think looking at the degree to which it is important or relevant for the BBC themselves to own or create IP that is sent around the world.

Baroness Bonham-Carter of Yarnbury: Yes, but it is not about what we all know when we travel abroad that people are loving British content that comes out of the BBC, and the World Service, as we know, is something that is hugely valued. It is more about the commercial?

Laura Mansfield: Yes, it is more about the commercial size and impact of it, which as part of this process this is a very timely point for us to look at it.

Q26 Baroness Bonham-Carter of Yarnbury: Yes, okay. Coming to my question, which is purpose 6, which you also thought should be addressed, I think, do you think having very successfully overseen switchover to digital television this is something that should be removed from one of the purposes of the BBC?

Laura Mansfield: I think an extraordinary job has been done in waking everyone up to the power of digital, to enjoying programmes being streamed. The success of the iPlayer speaks to that. The degree to which that job has now been done I think should be looked at, as well

as the degree to which digital content can also be provided by third-party providers. There is a huge amount of expertise out there in the industry that could be tapped into, which perhaps is not at the moment. The terms of trade have been extraordinarily important in helping to create a television production industry, a creative industry, that thrives in its own sense. Those terms of trade do not currently apply to digital content and Pact would like to see that they are and would like to see a stimulation of digital providers perhaps in the same way. We would certainly like that purpose and the scope of that purpose to be looked at and considered in the round.

The Chairman: Do you want to elaborate on that one?

Emily Davidson: I think Laura has made the key points.

The Chairman: Fine. Back to you, Baroness Scotland.

Q27 Baroness Scotland of Asthal: Again following on from what we were just talking about, it is clear that the UK media and communications industry has gone through a radical change since 2008. We have iPlayer, Netflix, DVRs. It is a whole breadth of new services. Do you think that the six public purposes still are able to deliver in this new constellation of services or do you think there has to be some change? That is number 1. If you do think that, how should the public purposes or whatever system or performance measurement emerges after the charter renewal be developed in this charter renewal process to try to ensure the BBC can respond to the current and future developments in the industry?

Laura Mansfield: First of all, I suppose I would take a step back. I think the degree to which Netflix and other entrants into this market are affecting it can sometimes be overstated. I think they are hugely welcome and what they have done is stimulate all kinds of debate and brought us different ways of consuming content, but the amount that they commission from the UK and the amount of British content that is delivered via these different platforms is absolutely tiny. The PSBs here still represent 85% of the share of the commissioning market and when you are looking at these new entrants, what they are bringing us is second-run content in the main. We welcome them, but they are currently small entrants. I think we will be seeing the climate evolve and we do not yet know the degree to which this climate is going to be shaped up. A watching brief in a way would be what we would advocate. The BBC is in a privileged position of having this guaranteed income, which means that there can be some stability. There can be a certain amount of stability given to our creative community because of that, whereas these other entrants may not have that level of stability and that level of ability to commission British content.

In regard to how the public purposes should be looked at, I think it is really important for us to have these purposes in terms of the content that is being commissioned because this is not the kind of content that is being commissioned by the new entrants. Therefore, to have a market that represents different purposes but has that public purpose at the heart of it is going to be important when you are looking at different kinds of output. To quote an example about children's output, my own children are completely obsessed with watching different Australian programmes about ballet dancers and mermaids. These are Australian programmes that they very much enjoy and they welcome, but are any of our BBC public purposes in terms of citizenship, in terms of education, in terms of creativity being stimulated by these programmes that they enjoy watching? No, none of them. In terms of the education of our future generation, I think having these things at the heart of our

content and our broadcasting is really important, especially in light of the fact that we have content coming from everywhere. That is great, but somewhere in that mass of content we need to have stuff where the values of this country are celebrated and represented in their diversity. How should the purposes be developed? That becomes a question of it being to a certain degree a watching brief. I slightly feel that it is in a way too early to say.

Emily Davidson: If I may pick up on that, Laura, some of the important measures that are in place, such as enabling regular reviews of service licences or content supply by the regulatory body, enabling full public consultation where stakeholders can submit views, are very important. One of the beauties of the existing legislation that was introduced in the 2003 Communications Act is that the terms of trade, so the rules, the framework under which BBC and other public service broadcasters commission content externally, they are not outlined specifically in the legislation but they are commercially negotiated between Pact and the producers. That is something that Pact has negotiated with all of the broadcasters several times and enabled them to evolve to launch new services as new technologies emerge, and that is something that we will be able to continue during the next charter renewal process as well.

Laura Mansfield: It is that live responsiveness of, for example, the way that those terms of trade operate that enables us to be live to developments because we do not necessarily know what is over the horizon.

The Chairman: Thank you, all three of you, very much indeed. Is there anything that you would like to add that we have not asked questions that have drawn from you so far? Indeed, feel free to go a bit wider than public purposes or even funding. If there are any final thoughts that you would like to share with us, do please put them on the table. Simone, anything? Any final words?

Simone Pennant: I would just repeat myself over and over about the importance of diversity being at the heart of decision making, and being embedded in the charter as well and maybe having a separate section where we look at that. That is my key.

The Chairman: Absolutely. Laura?

Laura Mansfield: Fundamentally, we would thank you for inviting us to this, and we think that the importance of consultation and of considering the views of a variety of stakeholders in this process is so fundamentally important to making sure that we get it right for the next period. That would be our big headline.

Simone Pennant: I would second that.

Emily Davidson: Thank you. Yes, we look forward to seeing your Committee's report.

The Chairman: Absolutely. Thank you very much indeed for being with us.

Examination of Witnesses

Professor Diane Coyle, former vice-chair of the BBC Trust, and **Lord Birt**, former Director-General of the BBC

Q28 The Chairman: Welcome, Lord Birt and Professor Diane Coyle. Thank you very much for joining us. You have been in the back row, so you have a feel for where we are going. This

particular Committee is concentrating on these two areas of interest, the six public purposes, which I know both of you have some background knowledge of, and indeed the funding arrangements and process by which those funding arrangements are agreed.

If I may, bearing in mind we are on the record, televised, there is a transcript being taken, if I could ask you each to introduce yourselves, just say a few words about your own background, and perhaps from your knowledge of the past to the position we are in today, a bit of your understanding of the history of these public purposes, what they were designed to do, and indeed what your own involvement in creating them might have been. Diane, if I could ask you to go first.

Professor Coyle: First of all, I would like to say thank you very much for inviting me to give evidence to you. I reached the end of my term as the BBC Trust vice-chair in April, and I am now half and half a professor of economics at Manchester University and running a small consultancy.

I was not involved at all in the last charter discussions. I paid them no attention, but I was a founder member of the BBC Trust and established the public value test procedures, and played a large part in implementing the understanding of public value in service licence reviews as well, drawing on my years on the Competition Commission and now many years of experience looking at the economics of these new technologies.

Through those eight-plus years on the trust, I found the public purposes a very useful accountability mechanism, and I am sure we will get into the more detailed reasons in your questions. But I am very pleased that what you have done is linked the public purposes to the setting of the licence fee, because I do think they are linked and that the level of the licence fee needs to depend on the BBC serving the public interest and there being a framework for defining what that is and measuring that contribution.

As we just heard, we have a very healthy, thriving, competitive, creative economy, and it is quite right to be discussing the key role that the BBC is playing in that. Do you want me to go on a little bit about how we used the public purposes in practice?

The Chairman: If you would, yes.

Professor Coyle: As I said, I was not involved in creating the public value concept, and I came to it really rather sceptical, because I am an economist, and this sounds like woolly political science stuff. I found them to be a very useful, disciplined, evidence-based framework for two things: engaging with audiences, and finding what audiences actually think, in some detail, about the BBC services.

Secondly, those assessment processes that we have, the public value test and the service licence reviews. In terms of the former, the trust every year conducts a very large-scale purpose remit survey of the gap between what people expect to get from the BBC and what they think they are getting in practice.

The six public purposes are quite high level, principles based, so we broke those down into much more detailed questions, which evolved a little bit over the years, and they revealed gaps. People placed different levels of importance on different purposes, and on some of them they were very happy with what they were getting from the BBC, and on some of them much less so.

One of the biggest gaps that was revealed by the early surveys was delivering the creative purpose. The level of creative ambition and distinctiveness the people expected from the BBC, they thought it was high; they expected even more. There was a gap there, which is what we were measuring. That informed the service licence reviews that we subsequently conducted. The television reviews would be one very good example of that, or the music radio station reviews that we conducted.

Over time, that gap has largely closed because of the pressure, the increased creative ambition, the increased distinctiveness that we have seen over that eight-year period. There are still gaps, and it was the one we were just hearing about in your previous session, it was the communities purpose, in the shorthand, representing the whole of the UK, whether that is regional, or different ethnic groups, or different social groups, and that is now the widest gap in the purpose remit survey.

So, some 12 or 18 months ago, that became the focus of our attention in the reviews, and we have had a lot of internal conversations; used the public pulpit to talk about it; we have also used the service licence review; and because that is an evidence-based process, it is a way of getting buy-in from the people working in the BBC. Over time, the kinds of measurements that we use in our assessments have matched up with the kind of performance indicators, and the whole process of commissioning that we are hearing that the BBC itself uses.

So I do think they are a really useful tool. They really do steer what the BBC does. There are some things that I would like to see changed about them, particularly the sixth one.

The Chairman: We will come to those, yes. Lord Birt.

Lord Birt: Lord Chairman, I am a broadcasting lifer. I spent most of my time working in ITV, on the commercial side of the divide. I was at the BBC for 13 busy, troubled years, from 1987 to 2000, first as deputy director-general in charge of all news and policy, and then director-general.

I am not an expert on the current expression of the BBC's purposes. There has always been a debate about those purposes. There was an intense debate in my time. Three Prime Ministers—Mrs Thatcher, Mr Major and Tony Blair—all took a keen interest in these things, as Prime Ministers always do, so there was always an intense debate, and there were always attempts to write it down.

I think the modern-day purposes appear to be written by a lawyer, not a poet, and I say that in the presence of some extremely distinguished lawyers and, as far as I know, no poets. Plainly, Diane is a much greater expert on how they have been interpreted than I am. If I have a fear, it would be that they are not a substitute for judgment.

There are so many issues that you face when you are running the BBC or if you are regulating the BBC, where you have to make a judgment: where the BBC is deficient in serving its licence fee payers, and perhaps because of a drop in quality; perhaps because you are not serving the needs of licence payers; perhaps because you are not serving particular groups of licence fee payers; it is a ceaseless, dynamic search on the part of all involved to try to understand at any one moment. It is not a fixture. It is not painting by numbers. It is not a box-ticking, bureaucratic exercise. It has to be a continuing, constant dialogue.

So, if you are going to write them down in this way, it is fine, but I do not think it does much for the poetry of the BBC.

Baroness Jay of Paddington: Does it, though, strengthen the BBC's defences?

Lord Birt: Well, I am not sure, Baroness Jay, that it does, particularly. I watched one of your previous sessions and, let us be honest, how many members of the public would you have to stop before they had even heard of the BBC's purposes, let alone be able to recite them? I had to mug up on them for this session myself. If you ask me what public purpose 5 was, I would have to refer to my notes.

What gives the BBC its standing and stature is above all its own performance and its ability to beguile, engage, enchant the British people, and to serve them in a multiplicity of different ways. History tells us that the BBC does need to be tightly regulated. It regularly goes off the rails in a variety of different ways, so you have to have tough, considered, considerate regulation.

On the one hand, we need high performance from the BBC itself; on the other, we need tight, tough regulation from the trustees or the governors of the day and, dare I say, a political consensus across the parties that supports, understands what a remarkable the BBC is. It is one of Britain's greatest ever achievements. It is nearly 100 years old. No other country in the world has been able to come anywhere near to matching it for all the things that it does for our culture and our society, and the quality of our national debate.

As I will say, more than once, things go wrong. Things have to be put right. But that has to be understood, and one looks for the politicians of the day to be wise about the BBC, to remedy what is not right, but to safeguard what is wonderful about the BBC. In that respect, we are not in a good period.

Q29 Lord Hart of Chilton: Everybody, it seems to me, needs a set of guidelines and a set of objectives, which are in a way a background testing paper to see whether things have been achieved or not achieved. So my question is—in a way, answered already—does it matter that perhaps the public does not readily understand purposes 1 to 6? Do you think there is a wide understanding in both the industry and in the public, to know what those purposes are, and does it matter if they do not?

Lord Birt: I think the public has a really good understanding of what the BBC's purposes are. When you are Director-General, you have to attend a very large number of meetings. You are exposed to the public in lots and lots of different ways all of the time, and the centre of gravity of public opinion would entirely understand what these purposes are trying to express. They know the difference. They have expectations of the BBC, about the nature of its programmes, the quality, the values that underpin them. That is why they trust the BBC.

They know when the BBC makes a mistake, the public understand, and they know when the BBC has done something which is not true to its values, because the public has a very strong expectation of it. Or if the BBC makes programmes which drift too far away from its public purposes and qualities, which has happened from time to time and always will happen, the public is quick to say, "That is not right. That is not a BBC programme".

So, yes, of course we have to write it down as best we can and we must regulate with as much precision and rigour as possible. But even when you are doing that, you have to step back and be able to say, as I was able to say as Director-General, "In this particular area of our programming we are not performing very well. Something has gone wrong. We have the wrong leadership. We are not keeping track with the best talents in our society", or

whatever. You have to be able to say those kind of things. You do not just want to tick a lot of boxes saying we have made X hours of Y and so everything is okay. It may not be.

Lord Hart of Chilton: Diane, what do you think?

Professor Coyle: I agree with that. In Ofcom's public service broadcasting review published in December, they had a go at writing down general public service principles, and what they wrote down mapped very well, in almost equally technocratic language, to some of the BBC's public purposes. I think people do understand it. From our engagement with audience councils and the consultations, they certainly would not use that language, but they are very clear in their expectations and they have very high expectations of the BBC.

Q30 Lord Sherbourne of Didsbury: Can I ask you both two questions, following on? I have never worked for the BBC, but I have known lots of people over decades who have worked for the BBC. It seems to me that they are pretty well all imbued with the kind of public service broadcasting ethos that this particular set of purposes try to set out. Question one, therefore, is if these did not exist, would the BBC not still be making the same kind of programmes and, if they did not exist, would the public not still have the same expectations of the BBC? You are talking about what the public expect, what the licence payers expect, so that is my first question. Would it work just as well without these being written down?

Secondly, we could all have a stab, each one of us, at writing our own version of what we think the BBC should be doing, have our own version of what we think the public purposes should be. Again, whatever version we use, would it make any difference? Therefore, the question is: what is it about setting them out which is so important?

Professor Coyle: I would say, as an accountability mechanism, and the way they create that framework for public value tests and the service licence review. Because it allows you to be quite specific about where those very high expectations are not being met. Perhaps if I give you some examples, it might help.

In the first television service review that the trust did, we pinpointed a lack of distinctness, creative ambition, about some of the BBC1 and BBC2 schedule and drama commissions. Over time, because it takes a little time to change the commissioning and get the things on to screen, there has been a very clear response to that, and that audience expectation of the highest ambition is now largely being met.

Another example might be ensuring the public service distinctiveness of Radio 1 and Radio 2. If you listen to those stations now for any length of time, you will clearly hear that they are extremely ambitious in terms of delivering not just entertainment but information, education, to young people. They really do understand and deliver on that public service remit. I see it as a very effective accountability tool.

Lord Birt: I think you do have to write things down. When I first went to the BBC there were not meaningful producer guidelines; in other words, the ethical code underpinning the BBC's programmes. There were some rudimentary guidelines, but they were very simple, rudimentary, and not extensive, and were not a very practical to programme-makers, who face an extraordinary number of testing issues when they make their programmes. There was a massive effort then to—

The Chairman: There will be about a seven-minute delay, I am afraid. If you will forgive us, there will be a pause. Time for a glass of water, at any rate.

The Committee suspended for a Division in the House.

The Chairman: Normal service is resumed now. Thank you very much for bearing with us for those moments. On we go, and I think that we have come to Baroness Healy, if we may. Catch your breath.

Q31 Baroness Healy of Primrose Hill: Thank you. In evidence provided to the CMS inquiry, David Elstein, Chairman of openDemocracy and the Broadcasting Policy Group, argued that, “We can all set ourselves things that we know we are going to do. There cannot be a single programme the BBC transmits that does not fulfil one or other of the public purposes. That is the whole point of having them, that you cannot fail the test”. My question is: how well do you feel that the BBC’s public purposes have achieved and are achieving their aims and do you think that the purposes as they are currently written are too vague?

Professor Coyle: They are obviously very high-level principles, and they get cascaded down in more detailed kinds of requirements. If you look at the BBC Trust website, that is very explicit. David’s question was, “Is it possible to make programmes that do not fit the public service remit?” Yes, of course it is. I think the test can be failed and I very much hope that there are not BBC programmes that do fail it. I wonder whether programme level is the right way to think about it though. You are thinking about the whole package, as we were hearing in the previous session. Does the whole package deliver the whole of the audience or different groups in the audience? Does it as a whole deliver on the public purposes? Although I think you can look at it at the level of programmes, I am not sure that is the best way to look at it. I do not think they are too vague, because they are setting a framework at a high level for all the measurement tools or management tools that are used to deliver them.

Lord Birt: If you were a pedant, you could say that, as David Elstein said, so to speak, every single programme would match that, but the regulators of the BBC tend not to be pedants, so they do layer on judgment to these principles, and need to layer on judgment. As I said earlier, you cannot regulate the BBC by computer, you have to do all the things that Diane has just said, and which I said before, you have to recognise this is a dynamic, ever-changing environment. You can never rest.

I was not born somebody who was easily satisfied, so I tended, when I was at the BBC, always to be aware of the things we could do better rather than just the things that we were manifestly doing well. It is important to say that it is not as David implies, so to speak, a protective mechanism which the BBC can say, “Hey, we have done all these things, so everything is okay”. It is the beginning of a process of regulation, where everybody should be saying, “Where can we do better?” Broadly speaking, that happens. Does it happen perfectly? No, and everybody will come to it with a different set of judgments about where they think the BBC is or is not performing well at any moment in time.

Q32 Baroness Jay of Paddington: In a sense the question that I was going to put to you has largely been answered, but it is about the mechanisms. You now have the purpose remits going beyond the purposes, and we will not have an examination about what the purpose remits are, but they are regarded as being, as you said, Diane Coyle, at the beginning, a good

accountability mechanism. Lord Birt has talked about the need to write things down, and given that writing things down usually involves lawyers rather than poets, how in a sense do we get to a situation where we do have something by which accountability for public service can be judged in the way you have both described, but which is a document or at least something that is available for public scrutiny?

Professor Coyle: It is all published, and because it is written in the language of lawyers, I doubt very many people read it, but it is there. I think more important than the public purposes themselves or the purpose remits, there are two things that are more important. One is that the way the BBC is managed matches up to delivering those public purposes, and largely I think it does. The kinds of tools that management uses match up to it. I have never been a programme-maker and I was very encouraged to hear Pact talking about the way that commissions embody the public purposes. I did not know that, and that is a sign that the management part of it is working.

The other part of is the public value tests and the service licence reviews, and they do involve judgment, as Lord Birt has been saying, but they also involve publishing all the things that we look at, all the evidence that is used in reaching these judgments on which they can be based. I think for audiences taking part in the consultations, or if they are interested enough to look at the publications on the website, and importantly for the industry as whole, that has been a useful tool, a good defence of the BBC, as well as a way of limiting it when it is going into areas that did not seem appropriate. We turned down a proposal for the BBC to do ultra-local websites some years ago and that was because of what audiences told us they wanted and because of what the industry told Ofcom about the impact that would have. Those tools are important in just creating this public framework for both accountability and testing the judgments that have to be made all the time by the BBC.

Baroness Jay of Paddington: The other area that of course we developed with the previous group of witnesses, which I think you will have heard, was that these public purposes—and there are various refinements—are proxies for the scope and scale and extent of the BBC's remit. Do you think that in a sense we are having a rather sort of proxy debate about it by trying to focus on these purposes? Should we be looking much more broadly and more philosophically at what the corporation is doing?

Professor Coyle: As you are saying, the broader discussion is an important one and I do also think the purposes and the scope and scale of the BBC are linked. I would be interested to have a discussion, as I sense Pact would as well, about that sixth purpose, which seems to me it was written in the context of digital switchover, so it was written in terms of bringing consumers to new technologies. If you ask members of the audience what they think about it, it is the purpose that has least salience, which is it not surprising, because people do not know what they want if it is not there. I think it speaks to the wider role of the BBC in the creative economy, which is really successful, and the BBC is absolutely a cornerstone of that, so that is where I would be looking to make it much clearer that the BBC should be seeking to support the rest of the sector. It does so in lots of ways already: BBC R&D have developed compression standards like DVB-T2, which means that we have very efficient use of spectrum in this country and lots of channels on the available spectrum. The BBC can build markets, as it did with the HD television service, which was one of the first channels and helped bring audiences to HD, as indeed the iPlayer.

If you look back at Ofcom's assessment of the iPlayer, they saw the market impact being largely very positive because it was an audience-building service for on-demand services. There is the commissioning of independent content, the production incentives of the UK outside of London, so it does all of these anyway, and I think being clearer about that would also make us much clearer about what is the right scale and scope for the BBC.

We do not have a good enough evidence base for that, so what worries me about the current conversation and the current attack on the scale of the BBC is that we just do not know how dangerous it is if it gets to be too small, because I would think of it as a sort of platform for musicians or writers or new independent production companies to reach an audience, to get to a viable scale to operate in these global markets. I would see the BBC in global markets, including BBC Worldwide, as creating a kind of halo effect for other British content. The success of UK writers, UK production companies, UK musicians in the export markets is enormous, and I think we play with it at our peril if we do not have that conversation.

Baroness Jay of Paddington: I am sorry, I have lost it on my iPad, but I think you have yourself said that in order to embrace all those various things that you have just very well described, the BBC probably needs to be bigger rather than smaller.

Professor Coyle: I think we should have that discussion and collect that evidence.

Baroness Jay of Paddington: Yes, but I think you have said that you thought it could not do the things that you have now described very well—and you have described in the piece that I was reading—if it was smaller in its scale.

Professor Coyle: That is my hunch, because the economics of these new technologies are that scale is more and more important, not less and less important, and in the global context, the BBC is already very small.

Baroness Jay of Paddington: Thank you. Lord Birt.

Lord Birt: May I add to that? To me, I think among the most important of many serious public policy issues in respect of broadcasting we face at the moment is the decline in the amount of UK content. That is not just a BBC matter; it goes right across the board of all the public service broadcasters. If you look at the Ofcom data for the last five, six years, we have seen a decline in UK content of roughly a sixth and there is no sign of that abating. Five years ago, the Government took 16% out of the BBC's budget and people think, "Oh well, nothing will happen". Look at the data, look at how much is spent on the main channels, look at how much is spent on original content. It has gone down. It is cause and effect, as night follows day.

We have just had another raid on the BBC's finances. The sum total of both those raids will take roughly 25% out of the BBC's pot. As night follows day, there will be a reduction in the amount of original content. I think this is an argument that goes way beyond the BBC. It is an argument about, as a nation, how much we want to invest by different means, through subscription, through advertising. We know that depending on how it is funded determines the nature of that content, but we know that if you fund through a licence fee, you get a very large volume of a particular kind of content. I personally want to see that volume retained and you have to have a critical mass if you wish to reach out to every different kind of group, to have critical mass in your genres, whether science programming or arts

programming or music programming or whatever. We are going to see that critical mass decline.

Baroness Jay of Paddington: I think we were going to come on to the question of the licence fee, and as you described them, raids of the last week in a few minutes, but shall I ask those points now, Chairman, or would you like to go back to the other points?

The Chairman: We will just finish part 1 of our two-part questioning, if we may. Baroness Bonham-Carter.

Q33 Baroness Bonham-Carter of Yarnbury: My question picks up from where you were, which is about the broader discussion and the fact that the new Secretary of State, John Whittingdale, has questioned why the BBC is committed to universality. He seems to feel that it leads to the BBC chasing share and reach and that this is not what it should be doing. Can you comment on that?

Lord Birt: I do not want the BBC to be chasing share and reach either, in the sense of we all know what that means and we have all been there and we have all seen it. I worked in ITV. It is channel controllers looking at ways of driving ratings and driving share. That is not what the BBC is about and that is not how the BBC's services should be provided and their success measured. You have to look at it again from a high-level abstract position. The core reason for the BBC is market failure, not the only, but the core reason. We know that if it were not licence funded, we would not have a huge volume of very high-quality programmes in lots of different genres. You can look around the world; it is an easily demonstrated position.

Plainly—and this is not a new argument, it has been going on for a very long period of time—there are those who say, “Just have a pure market failure, BBC. Yes, we accept there would not be many arts programmes or science programmes or naturalistic programmes or whatever. Let us just invest in those”. The price we would pay for that would be absolutely enormous, because one of the great virtues of the BBC is its civilising impact. Which of us in this room, from our childhood on, over and over again were exposed to things that we would not otherwise have experienced through children's programming, through the children's services, through the education programmes? There is a perpetual educative process that goes on throughout our lifetimes.

If you just had the purist form of public service, as a child in Liverpool, I do not expect I would have watched much of it, because it is put into a wrapper that reaches out to large audiences. Again, if those other programmes in the wrapper were all the worst sort of meretricious, easy ratings-getting programming, then that would not be very satisfactory. But what the BBC did—not before 1957, but from 1957 on when ITV was present—was to create high-quality entertainment in this country. There may be people here too young to remember “The Two Ronnies” and “Morecambe and Wise” and suchlike, but that is the tradition that we see today in “Strictly”. It is a long, long tradition. When I was in ITV, I would have killed for the ability to be able to match the BBC's power. Look at the comedy, which has not been mentioned so far. If you want to tell the story of our nation over the last 30 years, through “Dad's Army” and Hancock, all the way through to “The Office” and “W1A”, which is, by the way, not about the BBC, I do not think, but about many organisations that we can all recognise. Would you have the BBC not make those programmes? I am not in that camp. You have to have a beguiling mix, but with a real quality filter on them. The entertainment programmes have to be made with intelligence. We have to work with our

best comedians and our greatest wits, which is, broadly speaking, what we do. We create this beguiling mix of entertainment and education and information and we have done it extremely well.

Yes, when I was Director-General I spent some part of my time complaining about programmes that were at the margin, in my judgment were not of sufficient quality, did not match the high purposes I have just expressed. Is it true that occasionally the BBC does that? Of course it is, and it happens in all systems, people work too hard, they press too hard, they push too hard and they need to be pulled back. That is the job of the BBC executive; it is the job of the trustees. The BBC is not perfect. It needs to be pulled back, but that is the argument against a pure market failure of BBC.

If you want this civilising force, if you want this force that allows the most creative elements in our society to express themselves through writing and performance and so on and so forth, you have to have a certain amount of critical mass. We will imperil that if we continue on the track we are now on of reducing the effective funding of the BBC. By the way, the same is happening on Channel 4 and happening in ITV, which also have fantastic programme traditions—it is all part of the mix—and they are in long-term decline as well and there will be less and less programming we regard as excellent. If you take a 10 or 20-year view, we are watching the slow loss of blood from the system at the moment, and nobody is putting up the flag. Our politicians in all parties have not stepped up to the mark on this.

Baroness Bonham-Carter of Yarnbury: I like your image of the wrapper. I think it used to be called inheritance, did it not, that you watched—I do not know—the nature programme and then the comedy came on and so on and so on. In the modern world, the wrapper slightly unravels, does it not, because there are so many other places to go? Is that a—

Lord Birt: Not yet a problem. 97%, 98% of people consume BBC radio and television every week. The shares of total television and radio watching are still enormously high. As Director-Generals down the ages have said, it is most effective, it is a great bargain. The licence fee system is fantastically effective, and for the best part of 100 years has helped create it. It is not an add-on; it is intrinsic to the nature of the BBC. It is part of why you have the BBC in its present form, because of the nature of the funding. Yes, of course at the edge there is fragmentation and we all consume new media, and yes, younger generations will increasingly consume services. The BBC has to be flexible and agile and serve people; as they receive services on different devices and so on, the BBC has to follow them with appropriate public services rooted in the BBC's public purposes.

Q34 Baroness Scotland of Asthal: I am going to try to merge the next two issues together, because we have talked a lot about the measurements, and of course the BBC also has the other measurement and the evaluation tools, including the strategic objectives set out by the trust, which I know, Diane, you will know only too well. Do you think that there is a danger of the system just becoming too complicated and is there a case for simplification or greater specificity? In the old days, you just had the three: educate, inform, entertain. Everybody knew those and knew what they meant. Do you think that we are getting too complicated or do you think we are about where we should be? That is one.

Do you think the data captured for the purpose of the remit surveys makes a difference to what the licence fee payer sees on the screen?

Professor Coyle: It is a very good question. I think there is a danger of over-complexity and we always tried in the trust to keep it simple. When we looked at the number of targets that BBC managers, producers, programme-makers complain about, it turned out that very few of them were set by the purposes or the trust. Most of them were set internally by BBC management and they do feel, I think, that they do have too many targets to adhere to. So that is a constant challenge, because if something goes wrong somewhere, then it is very easy to come along with a new target. Adding strategic objectives is not meant to be a different thing; it is just meant to emphasise priorities among the quite wide range of things that are being demanded of people in the BBC.

I do think the data has an impact, and the question there is about whether it is fast enough, because this is quite a slow process. Certainly if you are commissioning programmes, it is going to take a year or 18 months to start to see any change onscreen, and that was one frustration. You were talking earlier in the previous session about the ethnic mix of the BBC and the representation onscreen and because of the data that we had, it was something that we became very concerned about about 18 months ago, I would say. The data for comparing the BBC to the rest of the industry has not been there. That is just starting to come on stream, so that will be useful for assessing progress. There are some ways in which you can just listen or look at programmes and see what you think, so if you listen regularly to the “Today” programme, as I do, it seems to me that audibly the range of voices there is wider. I do think the data is useful in highlighting problems, but there is just a frustration about whether the organisation moves quickly enough and it is not always a very fast-moving organisation.

Baroness Scotland of Asthal: You were here when we were talking about the change that has happened since 2008 with the advent of the iPlayer, the Netflix and all of that. Some people have stated that given the changes in the industry since 2008, the BBC should be free to develop services and pursue audiences wherever they are, regardless of platform. Do you agree with that or do you think we are in the right place now, and is the public purpose framework still the right way to measure our expectations of the BBC and how would you reform it?

Professor Coyle: The procedures that we have are pretty cumbersome for assessing new services, and I think it is a fair comment that it slows down the kinds of ways the BBC ought to be responding or limits its ability to experiment with things. A public value test has the great merit that it gives audiences and industry stakeholders a real opportunity to say what they think, to talk to Ofcom, be reassured about market impact, but it takes six months and it costs a lot of licence fee money, so you do not want to do too many of them. Of course, if a change is significant, then you have to go ahead and do the public value test, but you are spending £1 million that could go to programmes otherwise. Could something nimbler be done? I think we should consult with the industry and see if there are procedures that would give them the same assurance but would be much faster and allow experimentation. I think that would be useful. But if you going to go down that route, then the high-level principles become more important, it seems to me, and not less important.

Baroness Scotland of Asthal: I have to go, I am afraid, so I do apologise, but the one extra thing I would like to just throw into the mix is that some people—not in this session, but in other sessions we have had—have said that, because it is the BBC, we expect more of it, we give it a higher standard, because it becomes the benchmark, the exemplar, the

consummation devoutly to be wished. Do you think, first, that is true, and, secondly, that is fair?

Professor Coyle: I hope it is true and I think it is absolutely right, and I do think that the competition we have is very healthy, and having a quality benchmark in that competition is good for the UK economy.

Baroness Scotland of Asthal: I am sorry. I am a chancellor and there is going to be something that I am supposed to be at, and without me I do not think—

The Chairman: It is called the Chancellor's dinner.

Baroness Scotland of Asthal: Yes, the Chancellor's dinner.

The Chairman: You do have to be there.

Baroness Scotland of Asthal: It is Greenwich University, and one of my guests at the Chancellor's dinner has clearly already left.

The Chairman: Thank you for coming. Baroness Jay, let us turn to some of these other—

Q35 Baroness Jay of Paddington: Yes. Let us get on now, if we may, to the licence fee, which is the second part of our inquiry, as you know. Lord Birt, a few minutes ago you described last week's settlement as a raid on the licence fee. Would both of you like to comment on the process that we saw about setting the licence fee and what proposals would you have, both of you, for setting in another way or perhaps dealing with it in a different way?

I also want to ask a supplementary question, which in a sense is part of what we have been talking about. Regarding this area of political consensus that you have raised a couple of times, Lord Birt, and it not being here, are we in this whole business not talking about public purposes, about settling the licence fee, but talking about a very—large P—political fight?

Lord Birt: Shall I go? These are two very big questions. First, can there be anybody who thinks that the process that we saw in the last couple of weeks is fit for purpose?

Baroness Jay of Paddington: Presumably the people who did it do.

Lord Birt: I note what the Secretary of State said when he was chairman of the Culture Committee, and it is hard to improve on what he said at the time.

Baroness Jay of Paddington: I know, I know.

Lord Birt: No doubt the Committee has seen that quote. No, it was quite wrong, and by the way, it was wrong five years ago as well, and is a complete departure from the past. I know that, because I went through some truly exhaustive processes on the licence fee review and charter review, which lasted not hours or days, but years. I remind you of what happened in the late 1990s when the then Labour Government brought in Gavyn Davies to review the licence fee: did it need to be refreshed or adapted; what were the BBC's financial needs; was the BBC efficient and so on and so forth. He took a very, very long time to make a judgment of that and that was all extremely public, transparent, above board. I was exposed to any number of processes down the years that involved the BBC setting out its case, the Government setting out its case, an intensive period of discussion and review, and at the end of the day, Government, as is right, makes the decision. Twice in five years we have seen decisions that are monumental, not just in terms of the impact on the BBC's finances, which

has been enormous, and we have already discussed the inevitable consequence for the BBC's programmes and services, but twice in five years the BBC has been handed a long string of obligations—and Diane will correct me if she disagrees—that neither the trust nor the executive would have voluntarily accepted.

Indeed, if you go back to the charter, which I did in preparation for this session, the charter that the last one fell in says, "The BBC may use sums paid" that is the licence fee, "except those carried on for the purposes of the World Service". The charter ruled out the notion that the BBC should pay for the World Service and five years ago the Government overnight insisted that the BBC paid for the World Service out of the licence fee and therefore displaced other funding that would have been used for other programmes. We do not have time to go into all the different obligations that were placed on the BBC five years ago and in this last week, but that is no way to make public policy.

It would not be a way to make public policy about any important national institution that we have, let alone one that we parade to the world as being independent. Yes, the BBC, for good cultural reasons, I think is genuinely independent in respect of the coverage of political matters. That kind of independence has not recently been threatened, and indeed has not been threatened for a very, very long time. But there is another kind of independence, which is it is simply not proper for Government to come in and in the space of a small number of days require the BBC to take on lots of services without any kind of public debate. It is wrong.

Professor Coyle: In 2010, I was one of a number of trustees prepared to resign over the issue of the over-75 free licences. After as much discussion as we could fit into that short period of time, we concluded that we could accept the other elements of the top-slicing then, because they were broadly related to delivering a universal broadcast service. I cannot quite understand how it is thought proper for a welfare payment to be considered a reasonable thing to spend the licence fee on, not least because you would have thought outsourcing a welfare policy decision was not acceptable to Parliament. I find that just extraordinary.

Foreigners are always absolutely astonished at the way some people in the UK seem eager to attack the BBC, shrink the BBC. There is a concept of soft power, and I happened to notice before I came out this morning that there is a new index of rankings of countries by their soft power and the UK is number one, ahead of the United States, and this explicitly lists the world influence of the BBC as a key part of that soft power. Other nations are spending much, much more on their public broadcasters at this moment. In the geopolitical context we have, in the context of the debate about what identity do we have as a country, I just find it extraordinary that this could be done in a period of days, absolutely attacking the capability of the BBC to deliver on its public purposes, without involving the public at all and without involving the rest of the industry at all. Just extraordinary.

Baroness Jay of Paddington: But do you have any positive proposals about how this could be avoided in the future and why do you think it was done in this way?

Lord Birt: I am sorry to say that, when I was Director-General, I would have been a passionate supporter of the notion of the BBC having a Royal Charter as a signifier of its independence, but I think two episodes in five years have demonstrated the extreme vulnerability of having a Royal Charter without any statutory framework. A government, as we know, can decide to change a charter and take it to the Privy Council and simply amend it. Again, I do not think I had appreciated it, but in preparing for this session, you go on to

the trust website and what do you find? You find a series of amendments to the charter. I think we have discovered that a Royal Charter is not fit for purpose. I am sorry to say, despite the difficulties of achieving a framework with cross-party consensus in Parliament, I think we need a statutory framework now for the BBC.

Baroness Jay of Paddington: Which would include provisions for establishing the licence fee?

Lord Birt: A proper process, establishing the proper role of Government, and Government does have a role in determining the overall strategic direction of the BBC and the scale of funding, of course, the proper role of the trustees, whatever the regulators are and the proper role of the executive. It needs to be set out and the limitations and the powers of each of those needs to be set out. Of course it can be changed by Parliament, but there needs to be a legal framework where matters of this scale, as Diane said, are properly discussed with the trust, properly discussed with the executive, and most important of all, properly discussed with the wider public, none of which has happened on this occasion.

Baroness Jay of Paddington: Would you, Diane, think that was a potential way of going forward?

Professor Coyle: I think it is a very interesting idea. I had not thought about it before, so I am just reacting on the spur of the moment. It certainly would have meant that we had parliamentary discussion of what was happening, so that is obviously very attractive. I think whatever it is, it needs to include in the charter or statute the process for updating so that the licence fee level is linked to what the BBC is expected to do and that the due process is written into whatever framework document there is, whether it is a statute or a charter.

Q36 The Chairman: Do either of you see merit in the system we understand exists in Germany of an independent body in whom the authority to draw conclusions on the level of funding is vested?

Lord Birt: I see merit. I think we had something approximating that with the Gavyn Davies exercise I described earlier, so yes, I think the more we can bring judicious, impartial, non-politically partisan scrutiny to bear on these things, the better. Ultimately, I do not think I would be comfortable with anything other than, at the end of the day, Government deciding, but you want Government to decide after a proper process and a transparent process, where all the arguments are on the table. We are talking now just about the licence fee settlement. Obviously there is the charter as well. I do see some merit in an appropriate group of people that look at all of the forces in play, the context in the wider industry, what the inflationary pressures are, whether the BBC is efficient or not, how much the nation is spending on UK content, all the things we discussed earlier, setting all those out so that the choices are clear and then making the options clear for Government and making a recommendation, but informing whatever decision Government then makes.

The Chairman: Still taken by Government, yes.

Professor Coyle: If you ask the people who pay for the BBC what they think, a majority think it should be an independent body. The opinion polling published in January, I think, showed 55% favoured an independent body setting the level of the licence fee and high proportions in favour of setting out the responsibilities of the BBC.

The Chairman: Thank you both for bringing your incredible experience and understanding of these matters to us. Are there any final words of wisdom you would like to leave with us, anything we have not covered that you feel we should have done?

Professor Coyle: It is an incredible national asset, the number of times I have been completely exasperated with it over the last eight years, and I am very grateful to you for airing these issues.

Lord Birt: Thank you, Chairman, for the opportunity.

The Chairman: Thank you both very much.