



House of Commons  
Foreign Affairs Committee

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# The Implications of Cuts to the BBC World Service

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**Sixth Report of Session 2010–11**

*Volume I: Report, together with formal  
minutes, oral and written evidence*

*Additional written evidence is contained in  
Volume II, available on the Committee website  
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## The Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign and Commonwealth Office and its associated agencies.

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

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The current staff of the Committee are Dr Robin James (Clerk), Mr Eliot Barrass (Second Clerk), Ms Adèle Brown (Committee Specialist), Dr Brigid Fowler (Committee Specialist), Mr Richard Dawson (Senior Committee Assistant), Jacqueline Cooksey (Committee Assistant), Mrs Catherine Close (Committee Assistant) and Mr Alex Paterson (Media Officer).

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## Summary

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The BBC World Service has been described by Kofi Annan as “perhaps Britain’s greatest gift to the world”. It promotes British values across the globe and has a reputation exceeded by none. Despite this, the World Service has suffered a disproportionate reduction in its future Grant-in-Aid under the Spending Review settlement, by comparison with that of the ‘core FCO’: allowing for inflation, 16% as against 10% across the four years 2010–11 to 2014–15. The value of the World Service in promoting the UK across the globe, by providing a widely respected and trusted news service in combination with high-quality journalism, continues far to outweigh the relatively small cost of the service.

We believe that the BBC World Service is of such value to the nation that its income should be ring-fenced against spending cuts. The recent dramatic events in North Africa and the Middle East have shown that the “soft power” wielded through the World Service is likely to bring even more benefits to the UK in the future than it has in the past, and that to proceed with the planned cuts to the World Service would be a false economy. We recommend that the decision to reduce World Service spending by 16% during the SR2010 period should be reversed, and resources made available for it to continue its operations at roughly the 2010–11 level of staffing and output.

If, notwithstanding our recommendation, the Service’s funding is reduced, it will be important that cuts are imposed in such a way as to minimise the damage done. In particular, we call for the World Service to commit itself to longer-term support for an unreduced BBC Hindi and BBC China Mandarin shortwave service, and to providing enhanced resources to BBC Arabic as required by the recent and continuing political developments in the region.

We welcome the Foreign Secretary’s assurance to the House that World Service journalists who lose their jobs will not be compelled to return to a country where they may face persecution or be placed in physical danger. We conclude that it is important that this assurance is honoured. We recommend that, in its response to this Report, the World Service update us on the continuing status of those individuals whose residence in this country depends on their employment with the World Service.

There is a discrepancy between the relatively small amounts of money needed to avoid the most damaging cuts to the World Service and the scale of the Department for International Development Spending Review settlement. Some of the activity of the World Service contributes to the wider aims of DFID and it would be appropriate to consider how an additional small element of the DFID budget might be spent on specific activities and projects of the World Service which are consistent with the terms of the International Development Act 2002. A transfer of just 0.35% of DFID’s resource budget over the next three years would compensate for the proposed 16% reduction in World Service funding. There is no reason why such a transfer should not be made if the political will to carry it out is present.

The BBC World Service should do more to increase its turnover from its commercial activities and should work more closely with private sector firms in host countries.

The decision to transfer funding responsibility for the BBC World Service from the FCO to the BBC will have major long-term ramifications for the future of the World Service. Preliminary “modelling” of a transfer was carried out by the BBC in summer 2010—we ask for clarification as to whether this was encouraged by the Government. High-level discussions between the Government and the BBC about a transfer took place for the first time only nine days before the formal announcement of the change, and the approval of the Foreign Secretary was secured only 48 hours before. Taking this decision in such a short space of time cannot have allowed the FCO to consider the full range of options and implications. The decision was essentially financial, taken at very short notice, albeit with the full agreement of BBC top management.

We do not believe that the decision to transfer funding responsibility for the World Service from the FCO to the BBC will make the World Service’s funding more secure. We are concerned that, despite the mechanisms and procedures we have been assured will be put in place, this decision could lead to long-term pressure on the World Service budget, with the risk of a gradual diversion of resources from the World Service to fund other BBC activities. No transfer of funding responsibility for the World Service from the direct FCO Grant-in-Aid to the BBC should take place until satisfactory safeguards have been put in place to prevent any risk of long-term erosion of the World Service’s funding and of Parliament’s right to oversee its work.

A formal concordat should be drawn up between the Government and the BBC Trust, to make detailed provision for future funding and governance arrangements for the World Service, and the Foreign Secretary must ensure that the World Service is adequately represented at the top levels of BBC management.

## Conclusions and recommendations

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1. We share the assessments of the observations made by commentators, institutions, statesmen and the Government: the World Service is a “jewel in the crown” which promotes British values across the globe and has a reputation exceeded by none. In an era dominated by the media and the internet its influence becomes increasingly relevant. (Paragraph 14)
2. We conclude that the BBC World Service has suffered a disproportionate reduction in its future Grant-in-Aid under the Spending Review settlement, by comparison with that of the ‘core FCO’: allowing for inflation, 16% as against 10% across the four years 2010–11 to 2014–15. Furthermore, we note that this has to be seen in the context of the long-term trend whereby FCO spending as a whole has been eroded in relation to that on other areas of government. We consider that the relatively small monetary savings to be achieved through this 16% reduction in spending on the World Service are disproportionate to the World Service’s actual worth to the UK. The value of the World Service in promoting the UK across the globe, by providing a widely respected and trusted news service in combination with high-quality journalism, continues far to outweigh the relatively small cost of the service. (Paragraph 15)
3. In the current economic climate, there are very few bodies in the public sector whose value to the nation is so great that their income should be wholly ring-fenced from spending cuts. The Government has decided that spending on two institutions, the National Health Service and the Department for International Development, should be so protected. We believe that the BBC World Service, the costs of which amount to a tiny fraction of those of the NHS and DFID, should be likewise safeguarded against cuts. The recent dramatic events in North Africa and the Middle East have shown that the “soft power” wielded through the World Service is likely to bring even more benefits to the UK in the future than it has in the past, and that to proceed with the planned cuts to the World Service would be a false economy. We therefore recommend that the decision to reduce World Service spending by 16% during the SR2010 period should be reversed, and resources made available for it to continue its operations at roughly the 2010–11 level of staffing and output. (Paragraph 16)
4. As we have made clear, we do not think there should be any cuts to the World Service. If, notwithstanding our recommendation, the Service’s funding is reduced, it will be important that cuts are imposed in such a way as to minimise the damage done. In the following sections of this Report, we consider how World Service management has decided to implement the Government’s imposed 16% reduction in spending, and express concern about some of the decisions taken. (Paragraph 17)
5. We conclude that the announced loss of 650 out of 2,400 jobs in the World Service represents 27% of the total workforce, and that this level of job loss is disproportionate to the 16% cut in World Service funding under the Spending Review settlement. (Paragraph 25)
6. We welcome the Foreign Secretary’s assurance to the House that World Service journalists who lose their jobs will not be compelled to return to a country where

they may face persecution or be placed in physical danger. We conclude that it is important that this assurance is honoured. We recommend that, in its response to this Report, the World Service update us on the continuing status of those individuals whose residence in this country depends on their employment with the World Service. (Paragraph 30)

7. We conclude that the proposed closure of the BBC Hindi shortwave service is a matter of deep concern. The decision to offer the service a limited and temporary reprieve, contingent on alternative commercial sources of funding being found, offers only partial reassurance. We note that India is a major rising economic power and that the Government has professed its wish to improve bilateral relations as a priority. We further note that the estimated savings from reducing World Service operations in India, at £680,000, are small in relation to the nearly 11 million listeners that will be lost. While we welcome the temporary reprieve of the BBC Hindi shortwave service while alternative funding models are explored, and we recognise that the service's audience is likely to continue to fall as a long-term trend, we recommend that the World Service re-examine the limited "temporary" reprieve and commit itself to longer-term support for an unreduced BBC Hindi shortwave service. (Paragraph 39)
8. We conclude that the decision to close BBC China's short-wave output in Mandarin does not meet the criteria for service closures set out by the BBC and the Foreign Secretary, particularly the criterion regarding the "strategic importance of the countries they serve and the need of their populations for independent, impartial news". The shift from short-wave to online services in China will leave World Service transmissions vulnerable to action taken by the Chinese government to suppress or block internet traffic. Although the number of shortwave listeners may be in gradual decline, the underlying strength of shortwave transmission remains that it is much harder to turn off, block or criminalise compared to online provision. We recommend that the World Service should commit itself to longer-term support for an unreduced BBC China short-wave service in Mandarin. (Paragraph 45)
9. We conclude that it is unfortunate that the World Service has announced 60 job losses in its BBC Arabic Service, just as North Africa and the Middle East look likely to play an even greater role in foreign affairs, and as events are occurring which call for the provision within this region of high-quality, objective journalism and news coverage. As with the closures to the Chinese and Hindi services, we do not see how this change meets the agreed criteria, particularly those concerning the strategic importance of the countries they serve and the impact of BBC services in those markets. (Paragraph 49)
10. While we accept that the World Service could not have anticipated these events, we conclude that they require a reconsideration of the announced changes. We note that the 'core FCO' has responded to recent events in the Arab world by diverting considerable resources to the region, and we recommend that the World Service re-order its priorities along the same lines. The World Service should commit itself to providing enhanced resources to BBC Arabic as required by the recent and continuing political developments in the region. (Paragraph 50)



11. We note the discrepancy between the relatively small amounts of money needed to avoid the most damaging cuts to the World Service—those to BBC China Mandarin, BBC Hindi and BBC Arabic—and the scale of the Department for International Development Spending Review settlement. We accept that under the terms of the International Development Act 2002, DFID is not able to fund substantial parts of World Service activity directly, because that activity cannot be directly demonstrated to contribute to poverty reduction. However, we conclude that some of the activity of the World Service does contribute to the wider aims of DFID and it would therefore be appropriate to consider how an additional small element of the DFID budget might be spent on specific activities and projects of the World Service which are consistent with the terms of the International Development Act. Our figures show that just 0.35% of DFID's budget would be enough to compensate for the Government's planned cuts to the World Service. We conclude that there is no reason why such a transfer should not be made if the political will to carry it out is present. (Paragraph 62)
12. While we note that the opportunity for expanding commercial activity is much greater for the British Council than the BBC World Service, we recommend that the World Service, in its response to this Report, provide us with a detailed memorandum setting out the extent to which there is realistic scope for it to increase turnover from its commercial arms such as advertising on its websites and to work more closely with private sector firms in host countries, and indicating how it proposes to exploit any such opportunities to raise revenue. (Paragraph 65)
13. The decision to transfer funding responsibility for the BBC World Service from the FCO to the BBC will have major long-term ramifications for the future of the World Service. We were told that the BBC carried out "modelling" of a transfer of funding during summer 2010, because such a decision was, according to the Director-General, "in the air" during the run-up to the Spending Review. We recommend that, in its response to this Report, the Government should clarify exactly when and by whom such a transfer was first mooted in discussions between the Government and the BBC, who initiated those discussions, and to what extent the BBC's "modelling" work and internal discussions about a transfer carried out prior to October 2010 were encouraged by the Government. We note that following this preliminary work by the BBC, discussions between Ministers and the BBC about a funding transfer did not take place until nine days before the formal announcement of the change on 20 October 2010, and the agreement of the Foreign Secretary was secured only 48 hours before. We conclude that taking this decision in such a short space of time cannot have allowed the FCO to consider the full range of options and implications. We further conclude that the decision was essentially financial, taken at very short notice, with the full agreement of BBC top management. (Paragraph 75)
14. We do not believe that the decision to transfer funding responsibility for the World Service from the FCO to the BBC will make the World Service's funding more secure. We are concerned that, despite the mechanisms and procedures we have been assured will be put in place, this decision could lead to long-term pressure on the World Service budget, with the risk of a gradual diversion of resources from the World Service to fund other BBC activities. The freezing of the BBC licence fee for six years from October 2010 may increase the temptation for BBC senior

management to “raid” World Service funding. In addition, the BBC may be vulnerable to media campaigns confronting the British public with a choice between, for instance, BBC spending on popular light-entertainment programmes and spending on news services in foreign languages in remote parts of the world. There is also a risk that Parliament’s current ability to oversee the work of the World Service, in particular through select committee scrutiny, may be weakened under the proposed new arrangements. We therefore recommend that no transfer of funding responsibility for the World Service from the direct FCO Grant-in-Aid to the BBC should take place until satisfactory safeguards have been put in place to prevent any risk of long-term erosion of the World Service’s funding and of Parliament’s right to oversee its work. (Paragraph 80)

15. The FCO has attempted to reassure us about governance arrangements after the proposed transfer of funding, by arguing that “the terms of the relationship [will] remain unaffected, other than in the sense of who holds the purse strings”. Unfortunately, whoever holds the purse strings exercises a great deal of power. It is not difficult to imagine a situation some years in the future in which the BBC Trust might present the Foreign Secretary of the day with a *fait accompli*, along the lines of, “You can have a Russian service or you can have an Arabic service, but you can’t have both because we are not prepared to fund both”. We therefore conclude that a formal concordat should be drawn up between the Government and the BBC Trust, to make detailed provision for future funding and governance arrangements for the World Service. We recommend that this concordat give the Foreign Secretary not only the final decision over service closures, but also the right to stipulate minimum levels of service provision which the BBC will have a formal responsibility to fund. (Paragraph 81)
16. In the event that the proposed transfer of funding in April 2014 goes ahead, then, in view of the Foreign Secretary’s retained oversight responsibilities for the World Service, we intend to continue after that date, in conjunction with our colleagues on the Culture, Media and Sport Committee, to monitor the funding, policies and performance of the World Service, its links with the FCO, and its role as an important projector of the UK’s influence and ‘soft power’. (Paragraph 82)
17. We further recommend that, if the transfer of funding takes place, the Foreign Secretary ensure that the World Service is adequately represented at the top levels of BBC management; and in particular that the Director of the World Service should have a place *ex officio* on the new Executive Board of the BBC, and that the International Trustee of the BBC Board of Governors should be given the specific responsibility of representing the interests of the World Service. (Paragraph 83)

# 1 Introduction

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1. Our remit is to examine the “expenditure, policy and administration” of the Foreign and Commonwealth Office (FCO), and its associated bodies, the British Council and BBC World Service. This Report builds on our previous inquiry into *FCO Performance and Finances* which scrutinised the effect of the Spending Review 2010 (SR2010) on the FCO and its associated public bodies, namely the BBC World Service and British Council. During the later stages of preparing our Report on that subject, we learned that the World Service proposed shortly to make an announcement of the specific measures it was taking to implement the spending reduction imposed by SR2010. These measures were announced on 26 January 2011, in the form of a Written Ministerial Statement, with supporting detail provided in an e-mail to Members of Parliament from Peter Horrocks, Director of the BBC World Service.<sup>1</sup> We decided to exclude detailed consideration of the World Service from our Report, to enable us to take further written and oral evidence on this subject. Our *FCO Performance and Finances* Report was published on 11 February 2011, dealing only with the ‘core FCO’ and the British Council.<sup>2</sup>

2. On 9 March we took oral evidence on the World Service cuts from the following witnesses:

- Jeremy Dear, General Secretary, National Union of Journalists, and Luke Crawley, Deputy General Secretary, Broadcasting Entertainment Cinematograph and Theatre Union (BECTU);
- Peter Horrocks, Director, BBC World Service, and Jim Egan, Controller, Strategy and News and Richard Thomas, Chief Operating Officer, BBC Global News, and
- Mark Thompson, Director General, BBC.

The following week, on 16 March, we took oral evidence from the Foreign Secretary, Rt Hon William Hague MP, and the FCO Permanent Under-Secretary, Mr Simon Fraser, as part of our inquiry into *Developments in UK Foreign Policy*. We took that opportunity to question Mr Hague on the proposed changes to the World Service. The transcript of that session is printed separately.<sup>3</sup> We have also received 51 pieces of written evidence. We thank everyone who has contributed to this short inquiry.

3. The greater part of this Report deals with the proposed reductions in spending on the World Service over the Spending Review period, 2010–14. In a final section, we comment also on the Government’s proposal at the end of this period to transfer responsibility for funding the World Service from the FCO to the BBC. We recommend that this should not proceed until satisfactory safeguards are put in place to prevent any risk of long-term erosion of the World Service’s funding and of Parliament’s right to oversee its work.

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1 HC Deb, 26 January 2011, col 12WS, and “BBC World Service cuts outlined to staff”, *BBC News Online*, 26 January 2011, <http://www.bbc.co.uk/news/entertainment-arts-12283356>, see also Ev 38.

2 Foreign Affairs Committee, Third Report of Session 2010–11, *FCO Performance and Finances*, HC 572

3 *Developments in UK Foreign Policy*, Transcript of session of 16 March, HC 881-i

## 2 Spending Review 2010 and the World Service

### The scale of the cuts to the World Service

4. The World Service is currently funded through a Grant-in-Aid from the FCO. In 2009–10 the World Service was allocated a resource budget of £241 million by the FCO. The Grant-in-Aid from the FCO will be progressively reduced throughout the Spending Review period. Resource funding from the Department for 2010–11 is £229 million. This is expected to fall to £212 million by 2014–15, which taking account of inflation is a 16% real-terms cut. In addition, there will be a real-term reduction in capital spending of 49% between 2010–11 and 2014–15.<sup>4</sup> The table below sets out the Spending Review settlement for the BBC World Service:<sup>5</sup>

	Resource budget			Capital budget		
	Actual budget £m	Budget restated in 2010–11 prices £m	Change since 2010–11 baseline	Actual budget £m	Budget restated in 2010–11 prices £m	Change since 2010–11 baseline
2010–11	229	229	-	27	27	-
2011–12	231	227	-1%	22	22	-20%
2012–13	226	217	-5%	16	15	-43%
2013–14	222	207	-9%	16	15	-45%
2014–15	212	193	-16%	15	14	-49%

5. The Spending Review 2010 announcement stated that through the SR2010 period the overall budget of the FCO would fall by 24%.<sup>6</sup> The initial impression conveyed by the announcement was that the World Service, facing an overall reduction in Grant-in-Aid of 16%, had been treated relatively favourably by comparison with the rest of the ‘FCO family’ (an expression used to refer to the ‘core FCO’ together with the World Service and the British Council). However, during our inquiry into *FCO Performance and Finances*, it became clear that this was not actually the case, and that the ‘core FCO’ was facing a significantly lower budget reduction than other areas of the FCO family. In a letter to us dated 13 December 2010, the FCO’s Permanent Under-Secretary, Simon Fraser, confirmed that by the end of the Spending Review period, the Department would face a “mathematical real terms cut of around 6%”, and that, taking into account membership subscriptions for international organisations, “the predicted core FCO cut is a shade under 10%”.<sup>7</sup> This compares to a 16% real-terms cut in resource budget to the World Service (and a 25% cut to that of the British Council). We concluded in our Report on *FCO Performance and Finances* that these cuts to the World Service (and British Council) “will pose severe challenges to those two organisations”.<sup>8</sup>

4 *FCO Performance and Finances*, Ev 35

5 House of Commons Scrutiny Unit analysis of BBC World Service data. Data submitted to FAC inquiry into *FCO Performance and Finances*, Ev 35 and 77.

6 Spending Review 2010, HM Treasury, page 11, table 1

7 *FCO Performance and Finances*, Ev 47

8 *Ibid.*, para 26

6. During our evidence session of 9 March, many of our witnesses commented on the “disproportionate” nature of the cuts as they affected the component parts of the FCO family, with the ‘core FCO’ seemingly protected from the deepest budget cuts. Luke Crawley of BECTU stated “that if there was some equality or parity between the two levels—only a 10% cut—that would at least be seen to be equal treatment in all areas of Foreign Office spending.”<sup>9</sup> Jeremy Dear of the NUJ unfavourably compared the treatment of both the World Service and the wider FCO with that of the Department for International Development (DFID):

we can make an even stronger case that the cuts in the World Service and BBC Monitoring are disproportionate to the cuts that the Foreign and Commonwealth Office are facing and certainly disproportionate to the increase in the budget for the Department for International Development.<sup>10</sup>

The Director of the World Service, Peter Horrocks, argued that the World Service had, to some extent, been ‘singled out’:

through the investigations of the Committee and your report, it has become clearer. The figure that I recall from the evidence is that there is a 6% real terms reduction for the FCO budget, so the strict comparison is between 6% and 16% for the World Service. Clearly the difference in that number speaks for itself. The Foreign Office has explained the rationale for that, but there clearly is a discrepancy, and the reference to the FCO family is the fact that different members of the family have clearly been treated in different ways.<sup>11</sup>

7. The Foreign Secretary told us that he did not regard the cuts to the World Service as being “disproportionate” if they were seen in the context of expenditure since the start of the previous Spending Review period in 2007–08.<sup>12</sup> He repeated his position, first put forward in the Written Ministerial Statement on 26 January, that “the FCO has provided a settlement that keeps the BBCWS proportion of the FCO families overall budget at or above its 2007–08 level through to 2013–14”.<sup>13</sup> He told us that:

over the full period in which the Foreign Office has had to make spending reductions [...] the percentage of total FCO spending accounted for by the World Service, as it transfers into the BBC licence fee, will be the same as it was at the beginning, having gone up in the middle.<sup>14</sup>

8. We invited the World Service for its comments on the Foreign Secretary’s arguments. Its response was as follows:

- In common with all Government funded operations, World Service must make cuts from its existing levels of activity, i.e. its 2010/11 spend, not the

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9 Q 1

10 Q 2

11 Q 35

12 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, HC 881-i, Q 65

13 HC Deb, 26 January 2011, col 13WS

14 *Developments in UK Foreign Policy*, Q 35

level of spend it had in 2007/08. It is not clear why the 2007/08 position should be used as the relevant comparator.

- 2007/08 was the final year of the 2004 Spending Review settlement. In the next year (following the 2007 CSR settlement), the Government increased World Service’s revenue funding by £18m to enable it to launch BBC Persian TV and to take BBC Arabic TV to 24 hours a day broadcasting. To reduce the level of cuts to other services announced by the World Service in January 2011, we could have closed these new television services to reduce spend to 2007/08 levels. We have not proposed this because it would not be appropriate to curtail the most modern and most needed services in the portfolio, delivering significant benefit to their audiences particularly in the context of ongoing instability and uncertainty in north Africa and the Middle East. As a result, bigger cuts are being made in other areas to achieve the higher savings target.
- There will be other variations to the BBC’s and to the FCO’s budgets which provide important context to the historic comparison. World Service additional money (for BBC Arabic and Persian, see above) has not been excluded from the figures.<sup>15</sup>

In addition, the World Service commented that:

the WS share of the total budget is not unchanged over the period. It declines from 16.0% in 2007/08 to 15.6% in 13/14. That 0.4% reduction costs World Service £6.6m per annum—equivalent to one-seventh of the £46m total savings the World Service is required to make by 2014.<sup>16</sup>

9. The extent to which World Service funding has remained relatively constant as a proportion of overall FCO funding has to be seen in the context of the long-term trend in that funding as a whole. In our recent *FCO Performance and Finances* Report, we concluded that:

cuts to the core FCO budget even of 10% may have a very damaging effect on the Department’s ability to promote UK interests overseas, given that these will come on top of previous cuts to the FCO’s budget in the very recent past, which our predecessor Committee described, as recently as March 2010, as “unacceptably disrupting and curtailing” the Department’s work and representing a threat to its effectiveness. We further conclude that the Spending Review settlement will accentuate the regrettable long-term trend for the FCO to lose out relative to other departments and agencies in the allocation of government spending.<sup>17</sup>

10. An argument advanced by many of our witnesses was that the *cost* of the World Service has to be assessed in relation to its *value*. Sir John Tusa, the distinguished journalist and commentator, and a former Director of the World Service, described it as being “a key

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15 Ev 43

16 Ev 43

17 *FCO Performance and Finances*, para 25

national global institution” and “at the forefront of international broadcasting”.<sup>18</sup> He added that:

Since the Second World War BBCWS’s reputation as the trusted voice of international broadcasting has been recognised as preeminent by audiences, other governments and other broadcasters.<sup>19</sup>

Likewise Kofi Annan, former United Nations Secretary-General, told us that:

In the late 1990s, I described [the World Service] as ‘perhaps Britain’s greatest gift to the world this century’.

He stated that “for many communities around the world, BBC short wave broadcasts in their own language are a lifeline, a window to the outside world, an opportunity to learn and develop”.<sup>20</sup>

11. BECTU commented that “The World Service is currently the world’s most-recognised news service. [It] is seen by the public as the organisation that does most to serve UK interests internationally. This is confirmed by surveys conducted by Chatham House and Populus.”<sup>21</sup> The NUJ cited an unnamed Chinese journalist who said that “the BBC is the most trusted and respected” news service.<sup>22</sup> Support for the BBC World Service has also been widespread throughout the media. *The Financial Times* called the World Service “one of Britain’s principal sources of soft power,”<sup>23</sup> and *The Economist* recalled that Mikhail Gorbachev reportedly listened to the World Service while resisting a military coup in 1991.<sup>24</sup>

12. Writing in *The Daily Telegraph*, Mark Thompson said that:

The World Service is rightly considered a jewel in the crown of the United Kingdom. For generations, it has been a source of news, unvarnished and unbiased, to listeners in democracies and in dictatorships alike. For those who lived behind the Iron Curtain or who live today under other repressive regimes it has been a beacon of light—a source of truth and impartial analysis in a sea of propaganda and censorship.<sup>25</sup>

He repeated this in oral evidence to us, calling the World Service “one of the most precious things the BBC does” and “a lifeline to many tens of millions of people around the world who don’t enjoy proper access to accurate, impartial, open media”.<sup>26</sup>

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18 Ev w8–10 paras 2.1 and 2.4

19 Ev w8–10 para 2.5

20 Ev w21

21 Ev 22–23, paras 7 and 8

22 Ev 23–28, para 29

23 “BBC World Service: Government must clarify broadcaster’s overseas role”, *The Financial Times*, 29 January 2011

24 “BBC Funding”, *The Economist*, 27 January 2011

25 “The World Service can survive these cuts”, Mark Thompson, *The Daily Telegraph*, 25 January 2011

26 Q 96

13. Giving evidence to us in September 2010, the Foreign Secretary described the World Service as:

A very important part of Britain's presence in the world—of our soft influence, as it is sometimes described, or our smart power, as the Americans sometimes describe it. So I attach huge importance to the World Service.

He went to say that:

the BBC World Service will remain of fundamental importance to this country's presence in the world.<sup>27</sup>

In the Strategic Defence and Security Review, published October 2010, the Government said that the FCO will “continue to support the BBC World Service and British Council which play unique roles in promoting our values, culture and commitment to human rights and democracy”.<sup>28</sup>

**14. We share the assessments of the observations made by commentators, institutions, statesmen and the Government: the World Service is a “jewel in the crown” which promotes British values across the globe and has a reputation exceeded by none. In an era dominated by the media and the internet its influence becomes increasingly relevant.**

**15. We conclude that the BBC World Service has suffered a disproportionate reduction in its future Grant-in-Aid under the Spending Review settlement, by comparison with that of the ‘core FCO’: allowing for inflation, 16% as against 10% across the four years 2010–11 to 2014–15. Furthermore, we note that this has to be seen in the context of the long-term trend whereby FCO spending as a whole has been eroded in relation to that on other areas of government. We consider that the relatively small monetary savings to be achieved through this 16% reduction in spending on the World Service are disproportionate to the World Service's actual worth to the UK. The value of the World Service in promoting the UK across the globe, by providing a widely respected and trusted news service in combination with high-quality journalism, continues far to outweigh the relatively small cost of the service.**

**16. In the current economic climate, there are very few bodies in the public sector whose value to the nation is so great that their income should be wholly ring-fenced from spending cuts. The Government has decided that spending on two institutions, the National Health Service and the Department for International Development, should be so protected. We believe that the BBC World Service, the costs of which amount to a tiny fraction of those of the NHS and DFID, should be likewise safeguarded against cuts. The recent dramatic events in North Africa and the Middle East have shown that the “soft power” wielded through the World Service is likely to bring even more benefits to the UK in the future than it has in the past, and that to proceed with the planned cuts to the World Service would be a false economy. We therefore recommend that the decision to reduce World Service spending by 16%**

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27 *Developments in UK Foreign Policy*, Transcript of session of 8 September 2010, HC 438-i, Q 17 and Q 21

28 *Strategic Defence and Security Review*, October 2010, Cm 7948, page 67



during the SR2010 period should be reversed, and resources made available for it to continue its operations at roughly the 2010–11 level of staffing and output.

17. As we have made clear, we do not think there should be any cuts to the World Service. If, notwithstanding our recommendation, the Service's funding is reduced, it will be important that cuts are imposed in such a way as to minimise the damage done. In the following sections of this Report, we consider how World Service management has decided to implement the Government's imposed 16% reduction in spending, and express concern about some of the decisions taken.

### 3 Proposed closures and service reductions

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18. The Foreign Secretary announced the World Service's proposed closures and service reductions on 26 January 2011. He stated that he had approved "the BBC Trust's proposal to close five language services: Albanian, Macedonian, Serbian, Portuguese for Africa and English for the Caribbean".<sup>29</sup> More detail was provided by the Director of the World Service, Peter Horrocks, in an e-mail to Members of Parliament also dated 26 January.<sup>30</sup> As part of a plan to make annual savings of £46 million by the end of three years, Mr Horrocks announced, in addition to the five full service closures:

- the end of radio distribution in seven languages leaving those services reliant on online and new media distribution: Azeri, Mandarin Chinese (Cantonese radio programmes continue), Russian (save for three programmes which will be distributed online), Spanish for Cuba, Turkish, Vietnamese, and Ukrainian. Subsequent written evidence from the World Service indicates that "the distribution saving [of closing these services] is expected to be £0.8 million per annum", with "associated savings in production costs of £4.2 million per annum".<sup>31</sup>
- a phased withdrawal from most short wave and medium wave radio distribution. Language services affected included: Arabic, Hindi, Indonesian, Kyrgyz, Nepali, Swahili, the Great Lakes service in Kinyarwanda/Kirundi (for Rwanda and Burundi) and Uzbek, all of which will cease broadcasting on short wave in March 2011. Service in FM and through online distribution will remain, and
- a reduction in the distribution of World Service in English.

As a result of this process:

- It is estimated that there will be 650 post closures by 2014–15 from a total of 2,400 staff. It was proposed to close 480 of those posts during the next financial year 2011–2012, and
- It was expected that audiences would fall by more than 30 million from the current weekly figure of 180 million.

19. The 'Broadcasting Agreement' governing the relationship between the FCO and the World Service states that "The FCO is responsible for agreeing with the BBC objectives and appropriate performance measures", but that the BBC World Service remains "independent in all matters concerning the content of its output, the times and manner in which this is supplied and in the management of its affairs".<sup>32</sup> Closure of language services

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29 HC Deb, 26 January 2011, col 13WS; "English for the Caribbean" refers to dialects of the English language spoken in the Caribbean.

30 "BBC World Service cuts outlined to staff", *BBC News Online*, 26 January 2011, and Ev 38

31 Ev 31–32, Q 1

32 "Broadcasting Agreement for the Provision of the BBC World Service", *Foreign and Commonwealth Office and the British Broadcasting Corporation*, paras 6 and 9, [http://downloads.bbc.co.uk/worldservice/WS\\_Broadcasting\\_Agreement02FINAL.pdf](http://downloads.bbc.co.uk/worldservice/WS_Broadcasting_Agreement02FINAL.pdf), accessed 18 March 2011

require the formal approval of the Foreign Secretary, but other service reductions can be imposed by World Service management without Ministers having a ‘veto’ over them.

20. The World Service told us that a meeting between their management and the Foreign Secretary took place on 14 December 2010, to discuss “options for delivering the savings required by the Spending Review settlement”.<sup>33</sup> At this meeting, criteria were agreed that would guide the World Service’s subsequent decisions to close or reduce services, namely:

the strategic importance of the countries they serve and the need of their populations for independent, impartial news; the impact of BBC services in those markets; and the cost effectiveness of the services.<sup>34</sup>

21. Prior to the formal announcement from the BBC, Sir Michael Lyons, Chair of the BBC Trust, wrote to the Foreign Secretary, on 12 January, requesting his formal agreement to the proposed service closures. This letter stated that:

I believe we both agree that it is imperative that service continues to reach as wide an audience as possible in a rapidly changing global media environment, as well as continuing to fulfil its vitally important role for the UK.

However, Sir Michael added, the decisions

taken together, will materially affect the audience and impact of the World Service, but are unavoidable given the financial framework for the World Service.<sup>35</sup>

## Job losses

22. In November 2010, giving evidence as part of our *FCO Performance and Finances* inquiry, Peter Horrocks told us that “hundreds of jobs [...] will need to go” as a result of the reduced Grant-in-Aid to the World Service announced in the Spending Review. He added that the World Service was a very staff-heavy organisation, and therefore “most of our costs are in people, and so the reduction in staff numbers will be broadly in line with the level of savings that we need to make—i.e. more than 16%.”<sup>36</sup>

23. In January 2011 the World Service announced that “there will be post closures of 650 by 2014/15 from a total of 2400 staff. It is proposed to close 480 of those posts during the next financial year 2011/2012.” The World Service states that due to the creation of new posts the net number of post closures during 2011/12 is expected to be 433.<sup>37</sup> In March 2011 we asked the Trade Union Representatives their views on both the job losses and the process by which those figures were reached. Luke Crawley of BECTU praised the BBC’s handling of the consultation process, telling us that:

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33 Ev 41–42, para 20

34 Letter, William Hague to Sir Michael Lyons, 21 January 2011, page 1. Placed in the House of Commons Library.

35 Letter, Sir Michael Lyons to William Hague, 12 January 2011, page 2. Placed in the House of Commons Library.

36 Q 69–70

37 Ev 31–36, Q 11

I think I can say that they have been fairly detailed, extensive and—I have to say—over a relatively short period of time, for lots of good reasons. I think the BBC has made serious efforts to ensure that consultation is proper and adequate. At the moment, I don't think we would have any complaint about what is happening. We are less happy about the outcome, but the BBC is consulting properly.<sup>38</sup>

However, both Mr Crawley and Jeremy Dear of the NUJ drew our attention to the fact that none of the proposed job losses would take place at a senior management level.<sup>39</sup>

24. We asked the World Service where the announced 480 job losses in the coming financial year would be targeted and which grades of staff would be made redundant. We were told that before the Spending Review senior managers had “already taken a reduction of 25%” and as a result no senior management changes had occurred as a result of the Spending Review.<sup>40</sup> Mr Thomas provided us with more information on exactly where the forthcoming 480 losses would be targeted. He said that these job losses would be shared evenly between junior management and non-management:

I had a look at the split by grades and, if you look at grades 9 and above, which is where people start getting management responsibility, 15% of the post closures were within that category. When you compare that to the spread in the total population [in the BBC as a whole] it came out at 15.6%.<sup>41</sup>

Mr Thomas characterised Grade 9 as “quite junior”.<sup>42</sup>

**25. We conclude that the announced loss of 650 out of 2,400 jobs in the World Service represents 27% of the total workforce, and that this level of job loss is disproportionate to the 16% cut in World Service funding under the Spending Review settlement.**

## Employees at risk

26. The residence status of some employees of the World Service is dependent on their continued employment with the BBC. Witnesses raised concerns with us that if these journalists were made redundant they would have their residence permit revoked and would be returned to their home countries where their lives would potentially be in danger. Jeremy Dear told us that:

You have here journalists broadcasting news about foreign Governments, some dictatorial and tyrannical, in different parts of the world. You then have the possibility that they lose their job and their visa, as a result being sent back [...] our fear is that we will get some situations—it might be China, Russia or some of the countries in Africa and so on—where you have a very real danger of people being

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38 Q 28

39 Q 29

40 Q 70

41 Q 72

42 Q 75

sent back to countries that can appear vaguely democratic on the surface, but actually for journalists are very dangerous.<sup>43</sup>

27. During the exchanges in the House on the Urgent Question on 26 January, the Foreign Secretary was asked about journalists currently working in the UK who may, on losing their jobs, be required to return to their own countries, at possible risk to themselves. Mr Hague replied that:

There should be no question of that happening. We have well established procedures, over which the Home Secretary presides, to ensure that people do not go back to danger in their home countries. That is a separate issue, but if it comes up at all, and if there is any danger of those things happening, Ministers will want to make sure that they do not.<sup>44</sup>

28. During our evidence session on 9 March, Luke Crawley told us that BECTU estimated that there were 277 people whose residence in the UK was dependent on their continued employment with the World Service. Of those, he claimed that “around half” could face repatriation. While BECTU welcomed the Foreign Secretary’s 26 January assurance, Mr Crawley called for further, more concrete action from the FCO.<sup>45</sup>

29. Also on 9 March, Peter Horrocks commented on the status of staff who could face repatriation as a result of job losses at the World Service:

We are still in the relatively early stages of the process of losing the staff who unfortunately will need to leave. We have done the analysis of the numbers of people who are on various different visas and permissions to remain [...] As we get nearer to identifying individuals, we will be able to assess whether that is working in terms of the response from officials within the Border Agency and Home Office and so on.<sup>46</sup>

Mr Horrocks called the Foreign Secretary’s reassurance “very helpful”.<sup>47</sup>

**30. We welcome the Foreign Secretary’s assurance to the House that World Service journalists who lose their jobs will not be compelled to return to a country where they may face persecution or be placed in physical danger. We conclude that it is important that this assurance is honoured. We recommend that, in its response to this Report, the World Service update us on the continuing status of those individuals whose residence in this country depends on their employment with the World Service.**

## Closure of short-wave services

31. Many witnesses criticised the decision to close shortwave transmission in seven languages, and leave those services reliant on online and new media distribution. The NUJ claimed that “up to 40% of BBCWS listeners use short-wave transmission” while for non-

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43 Q 26

44 HC Deb, 26 January 2011, col 303

45 Q 23

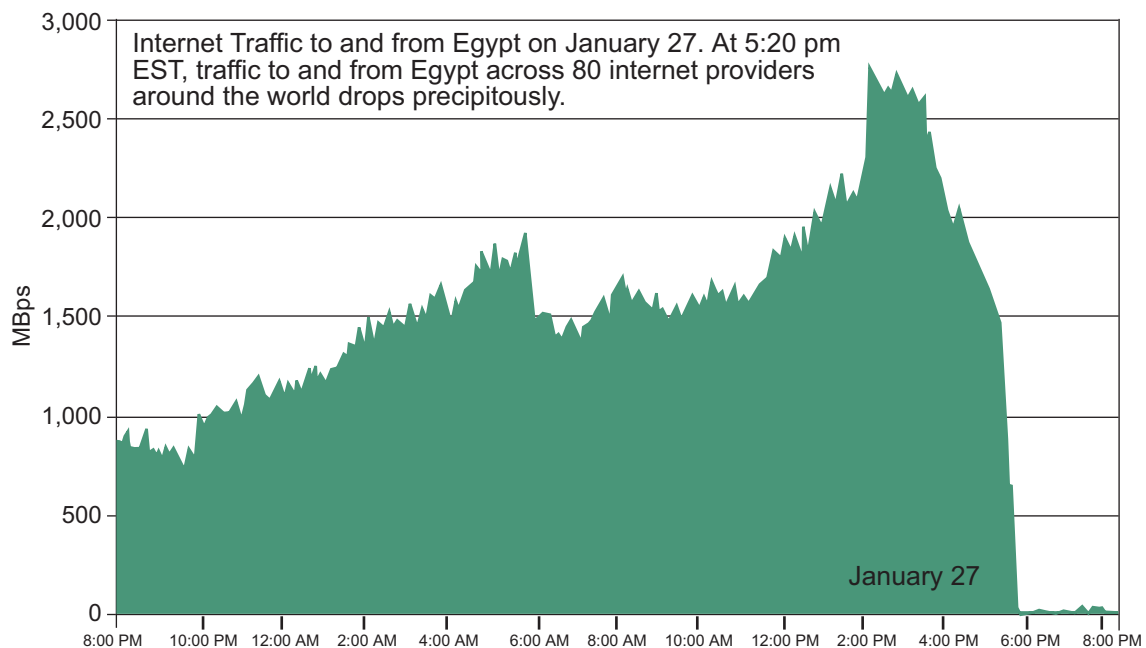
46 Q 69

47 Q 69

English services, the BBC’s mobile and internet audiences are just 6% of the size of the radio audience. They estimated that the World Service currently spent only around £7 million a year on short-wave distribution.<sup>48</sup>

32. The NUJ also argued that the “internet can be turned off at any time by repressive regimes” and the “BBC is constantly removed from FM for political reasons in places such as Sri Lanka [...] short wave radio guarantees editorial independence”.<sup>49</sup> They added that “short-wave broadcasts that cannot be intercepted and which can be listened to in safety will be abandoned in favour of a policy that allows local censors across the world to decide what the BBC can broadcast or publish”.<sup>50</sup>

33. An example of the vulnerability of internet services to action by a repressive government was given during the recent disturbances in Egypt: at 10.30 GMT on 27 January 2011, traffic to and from Egypt across 80 internet providers around the world dropped precipitously, as the result of the simultaneous withdrawal of services by Egyptian internet service providers. The graph below indicates the extent to which this occurred.<sup>51</sup> Some days earlier the Egyptian government had suppressed access to Facebook and Twitter. Other countries, including China, Iran, Thailand and Tunisia, have cut off access to news websites and social networking services during periods of unrest.<sup>52</sup>



Source: “Protests in Egypt: as they happened”, *The Guardian*, 28 January 2011

48 Ev 23–28, para 20

49 Ev 23–28, para 16

50 Ev 23–28, para 44

51 “Protests in Egypt: as they happened”, *The Guardian*, 28 January 2011; “How Egypt shut down the internet”, *The Telegraph*, 28 January 2011

52 “How Egypt shut down the internet”, *The Telegraph*, 28 January 2011

## BBC Hindi

34. Under the plans announced on 26 January, the BBC Hindi shortwave service was scheduled to close in March 2011. According to World Service figures, this reduction in output would have saved £680,000 and seen the closure of 30 equivalent full-time posts.<sup>53</sup> There was disquiet about this decision. A staff member of the Hindi service, Naleen Kumar, told us that the planned cuts in the service would save only around 5 pence per listener, adding that there “is no other medium to provide the Hindi Service news and current affairs programmes to listeners in India as the FM radio is not open to non-state broadcasters for news”, and that therefore the announcement meant that “the World Service is pulling out completely from news and current affairs radio in Hindi”.<sup>54</sup> Marianne Landzettel, another employee of BBC Hindi, questioned the alleged savings that the closure of the service would bring. She told us that the projected saving has been reduced to “just £300,000”.<sup>55</sup> A group including radio broadcaster Mark Tully and Booker prizewinner Arundhati Roy released a statement arguing that “For nearly seven decades BBC Hindi radio has been a credible source of unbiased and accurate information, especially in times of crisis, [and therefore] we strongly urge the UK Government to rethink its decision to severely cut the funding for the BBC World Service to enable the continued transmissions of BBC Hindi on shortwave radio.”<sup>56</sup>

35. Following this public criticism, the World Service announced a temporary reprieve for the Hindi service. On 7 March 2011, it stated that following approaches from commercial parties with “alternative funding proposals”, the World Service would maintain an hour of current affairs broadcasting in Hindi on shortwave radio, for an interim period. However, the situation remains that if alternative commercial funding cannot be found, the Hindi service is still scheduled to close by March 2012.<sup>57</sup>

36. In our session on 9 March, Peter Horrocks told us that the decision to close the shortwave transmission of BBC Hindi, despite the relatively large listening figures, “was largely taken because of the very rapid falls that have been happening in shortwave listening in India—very steep declines in recent years”. Jim Egan, Controller, Strategy and Distribution, BBC Global News, provided us with figures setting out the decline in the BBC Hindi shortwave audience. He told us that in 2007 the audience was 19 million, compared to just under 11 million now.<sup>58</sup> While accepting that the budget reductions set out in the Spending Review had accelerated the process somewhat, he said that “the audience has been falling by more than the 10 million figure organically because of the change in listening habits.”<sup>59</sup> While stressing the “organic” nature of this decline—with audiences

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53 Ev 38

54 Ev w32–33, para 1

55 Ev w16

56 “Radio legend joins battle to keep BBC Hindi on air”, *The Times*, 18 February 2011

57 “World Service statement on BBC Hindi”, BBC World Service press release, 7 March 2011

58 Q 47

59 Q 44–46 [Horrocks]

increasingly listening via other media—the World Service did acknowledge that the planned closure would result in a loss of 10.9 million listeners.<sup>60</sup>

37. We asked the Foreign Secretary how the decision to close the BBC Hindi shortwave service matched the agreed criteria for closures, particularly given the strategic importance of India and the cost-effectiveness of the service. Mr Hague responded that these decisions were ultimately the responsibility of the World Service management, but that he had “no reason, having looked at it, to think that they are making the wrong decisions with the resources available”.<sup>61</sup> He said that the proposed involvement of local commercial partners, as suggested by the World Service on 7 March, could be a model for the future. He told us that that the temporary reprieve “will give the service a chance that the proposed self-sustaining model will work. It will not necessarily close in a year, but now they need the encouragement to make sure that this new model succeeds.”<sup>62</sup>

38. The Coalition Government has described an improvement in bilateral relations with India as one of its priorities. The Prime Minister led a high-level delegation to India in July 2010, accompanied by six UK government ministers and a delegation of 58 leaders from UK business, sports, education, arts and culture and local government.<sup>63</sup> The FCO has stated that “the Government is committed to a special relationship with India, one that reflects our deep and historic ties and recognises India’s strategic importance”.<sup>64</sup>

**39. We conclude that the proposed closure of the BBC Hindi shortwave service is a matter of deep concern. The decision to offer the service a limited and temporary reprieve, contingent on alternative commercial sources of funding being found, offers only partial reassurance. We note that India is a major rising economic power and that the Government has professed its wish to improve bilateral relations as a priority. We further note that the estimated savings from reducing World Service operations in India, at £680,000, are small in relation to the nearly 11 million listeners that will be lost. While we welcome the temporary reprieve of the BBC Hindi shortwave service while alternative funding models are explored, and we recognise that the service’s audience is likely to continue to fall as a long-term trend, we recommend that the World Service re-examine the limited “temporary” reprieve and commit itself to longer-term support for an unreduced BBC Hindi shortwave service.**

## BBC China

40. The World Service stated that the decision to stop all of BBC China’s radio output in Mandarin was taken “due to the jamming of short wave radio signals by the Chinese authorities over decades,” as a result of which “BBC Chinese’s radio programming in Mandarin struggles to make a lasting impact and reaches a very small audience given the size of the target population”.<sup>65</sup> The World Service estimate that this decision will entail the

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60 Q 50

61 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 70

62 *Ibid.*, Q 71

63 <http://ukinindia.fco.gov.uk/en/about-us/working-with-india/ministerial-visits/080VisitsIn2010>

64 <http://ukinindia.fco.gov.uk/en/about-us/working-with-india/india-uk-relations/>

65 Ev 31–36, Question 2



loss of 595,000 listeners and the closure of 8 equivalent full-time posts, for a saving of £413,000.<sup>66</sup> Provision in Mandarin, Cantonese and English will continue via online and mobile media.

41. The World Service attributed BBC Mandarin's relatively low listening figures to issues of both supply and demand. Blocking and jamming activities by the Chinese authorities hinder potential listeners, mainly in urban areas; and in those rural areas which are able to access shortwave transmissions, listening figures remain low. The World Service told us that, as a result "it has not been possible to get the sort of impact for our Mandarin broadcasts that merits the expenditure that we have committed to it".<sup>67</sup> Mr Keith Perron, the owner of PCJ Media/Radio based in Taiwan, questioned the World Service's view that the BBC Mandarin service had lacked "impact". He noted his experiences after the Sichuan Earthquake of 2008 when a "number of people came to ask me if I had a shortwave radio so they could listen to the BBC to find out what was happening with the relief efforts".<sup>68</sup>

42. The World Service told us that, "the service will refocus away from radio to concentrate on its online provision".<sup>69</sup> However, in June 2010, the Chinese government published a strategy paper asserting its right to censor the internet inside its own borders: "Laws and regulations clearly prohibit the spread of information that contains content subverting state power, undermining national unity [or] infringing upon national honour and interests [...] Within Chinese territory the internet is under the jurisdiction of Chinese sovereignty. The internet sovereignty of China should be respected and protected."<sup>70</sup> There are many examples of people in China being arrested for accessing internet pages deemed off-limits by the Chinese authorities.<sup>71</sup>

43. There is concern that the World Service may have difficulty in providing a widely accessible objective news service within China, maintaining its independence from the Chinese authorities and avoiding political pressure, if it switches to a wholly online Mandarin service. The NUJ quoted an unnamed Chinese journalist as having said:

the Chinese political system is still the same, and alternative political views are hard to find. Just one example: during the award-giving ceremony for last year's Nobel Peace prize, and because the winner was a Chinese dissident, the Chinese media was ordered not to report it, and the foreign media like satellite television have been blocked [...] and yet if people have a short-wave radio, they can still hear the most moving and inspiring ceremony and speeches via BBC Mandarin broadcast.<sup>72</sup>

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66 Ev 38

67 Q 90 [Mr Egan]

68 Ev w3-4, para 9

69 Ev 31-36, Question 2

70 See: "China Defends Internet Censorship", *BBC News Online*, 8 June 2010

71 Ev w3-4, para 7

72 Ev 23-28, para 29

The World Service assured us that they will be introducing “new circumvention technology that helps users on the internet to get round some of the blocks put in the so-called great firewall of China”.<sup>73</sup>

44. We asked the Foreign Secretary how the World Service’s decision to abandon short-wave service in China would impact on the Chinese people’s ability to access independent, impartial news. Mr Hague responded that the online audience in China was growing, and that the decision to concentrate on online provision would also allow communication with “vast numbers of Mandarin Chinese speakers outside of China”. He stated that “with the limited resources available, that is the sensible way to go”.<sup>74</sup>

**45. We conclude that the decision to close BBC China’s short-wave output in Mandarin does not meet the criteria for service closures set out by the BBC and the Foreign Secretary, particularly the criterion regarding the “strategic importance of the countries they serve and the need of their populations for independent, impartial news”. The shift from short-wave to online services in China will leave World Service transmissions vulnerable to action taken by the Chinese government to suppress or block internet traffic. Although the number of shortwave listeners may be in gradual decline, the underlying strength of shortwave transmission remains that it is much harder to turn off, block or criminalise compared to online provision. We recommend that the World Service should commit itself to longer-term support for an unreduced BBC China short-wave service in Mandarin.**

## BBC Arabic

46. Of the 480 announced job losses scheduled to occur in 2011–12, 60 posts will be lost in the BBC Arabic service. This is the single largest concentration of job losses in the World Service, amounting to nearly 25% of all its job losses in language services.<sup>75</sup> In March 2011, in the midst of mass political protest, political change and instability in the region, Peter Horrocks highlighted the apparent desire of protesters in Cairo and Bahrain to tune into the BBC Arabic service. He said that:

You can see through the Arabic service, through both the traditional delivery through radio—we are retaining and sustaining the shortwave for radio—as well as the investment in television and online, whose figures have doubled in recent weeks, the importance of and the need for what the World Service does.<sup>76</sup>

Mr Horrocks went on to describe BBC Arabic as a “priority service”.<sup>77</sup>

47. Given these statements, we asked Mr Horrocks whether the World Service regretted announcing 60 job losses in the Arabic service. We noted that the FCO had increased the number of its staff assigned to the region in the short-term and had suggested to us that

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73 Q 90 [Mr Horrocks]

74 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 66

75 Ev 31–35, Question 11

76 Q 34

77 Q 54

recent events would have long-term implications for the Department's priorities.<sup>78</sup> Mr Horrocks conceded that the changes would weaken the BBC's ability to cover the region:

If these changes had happened six months earlier, we clearly would have had fewer journalists in Egypt; for instance, the radio journalists who have been brilliantly contributing to our coverage. You may have used the BBC live page on News Online, which has this amazing updated rolling information about what's happening in North Africa. A large amount of the information in that is being provided by the BBC Arabic journalists, so, of course, losing that number of journalists would mean that we are less able to cover that story.<sup>79</sup>

Mr Horrocks held out no prospect that the World Service would rethink these post closures, stating that "If I were to say we will rescind all those job losses within the Arabic service, I would have to find another 60 posts across the piece and that would be very significant". He was also hopeful that developments in the Middle East would see a change in media organisations and a loosening of restrictions, and that the BBC could work closely in partnership with, and providing support to, these bodies.<sup>80</sup>

48. Speaking to us the following week, on 16 March, the Foreign Secretary commented that for the 'core FCO' the recent dramatic developments in the Arab world had:

already required a diversion of resources—the Middle East and North Africa department has grown considerably over the past few weeks in terms of the number of people in the Foreign Office devoted to it. I think that that might turn out to be a permanent change for the next decade. Of course, we will have to see what happens over the coming months, but if this is as important for world affairs as I was arguing at the beginning of our meeting, it requires a greater proportion of the energy and manpower of British foreign policy to be devoted to it.<sup>81</sup>

**49. We conclude that it is unfortunate that the World Service has announced 60 job losses in its BBC Arabic Service, just as North Africa and the Middle East look likely to play an even greater role in foreign affairs, and as events are occurring which call for the provision within this region of high-quality, objective journalism and news coverage. As with the closures to the Chinese and Hindi services, we do not see how this change meets the agreed criteria, particularly those concerning the strategic importance of the countries they serve and the impact of BBC services in those markets.**

**50. While we accept that the World Service could not have anticipated these events, we conclude that they require a reconsideration of the announced changes. We note that the 'core FCO' has responded to recent events in the Arab world by diverting considerable resources to the region, and we recommend that the World Service re-order its priorities along the same lines. The World Service should commit itself to providing enhanced resources to BBC Arabic as required by the recent and continuing political developments in the region.**

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78 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 47 [Simon Fraser]

79 Q 78

80 Q 79

81 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 47

## 4 Options for alternative funding of the World Service

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### Funding from DFID?

51. Many of our witnesses have suggested that the Department for International Development (DFID) could help to fund the World Service. It has been argued that since DFID will see an increase in funding over the SR2010 period, and that since some of the World Service's activities can be classed as "Official Development Assistance" under OECD guidelines, DFID could legitimately transfer some of its budget to the World Service and to assist in maintaining particular services. It was also noted that the changes to World Service activities announced in January 2011 are expected to generate savings of £30 million over the period 2011–14, which is a relatively insignificant amount when taken in the context of DFID's total £23.3 billion Spending Review settlement over the same period.<sup>82</sup> Figures provided for us by the House of Commons Scrutiny Unit show that if DFID funding were made available to compensate for the proposed 16% reduction in World Service funding, this would involve an average financial transfer of 0.35% of DFID's real DEL budget over three years.<sup>83</sup>

52. The Spending Review allocated £25 million of the FCO's grant to the World Service for ODA-eligible activity. On 26 January, the Foreign Secretary suggested that some extra funding would be available to fund ODA-eligible activity by the World Service. He stated that:

It is not impossible that we will find some additional money for the World Service. A good part of the public money that is spent on the World Service is ODA-able-official development assistance-expenditure, so it falls within that category.<sup>84</sup>

He later more explicitly suggested that DFID could provide some funding for the ODA-eligible activities of the World Service:

a good deal of the expenditure is already ODA-able. I do not know what scope that leaves for additional ODA-able funding, but DFID is already in the process of setting its own priorities, which do not normally include supporting the operations of the BBC World Service[...]I am considering whether additional money can be provided to help the World Service through the restructuring — I am talking about only up to a few million pounds, but it may be of assistance. I cannot promise a large part of the DFID budget for this cause.<sup>85</sup>

53. This view was repeated by FCO Minister David Lidington MP in an adjournment debate in the House on the future of BBC Hindi on 14 March 2011. Mr Lidington told the

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82 Q 59 and Spending Review 2010, Cm 7942, page 10, table 1

83 Research provided for the Committee by the House of Commons Library and House of Commons Scrutiny Unit. E-mail to Committee staff, 29 March 2011.

84 HC Deb, 26 January 2011, col 299UQ

85 *Ibid.*, col 300UQ

House that while the current Broadcasting Agreement governing the relationship between the BBC and the Government required the FCO to fund the World Service, and that DFID's funding priorities over the next few years did not include the BBC World Service, discussions within Government were ongoing:

some World Service activity may count as official overseas development assistance. We are discussing with DFID and the OECD how BBC World Service expenditure may be reported as official development assistance. I understand that the World Service is discussing funding for specific projects with DFID, which already supports the BBC World Service Trust, the charitable arm of the World Service [...] It is sensible that those conversations should initially take place at official level before advice is put up to Ministers.<sup>86</sup>

54. Many of our witnesses welcomed the FCO's intimation that DFID could help plug the "funding gap" in the World Service's budget. The National Union of Journalists' written submission contrasted the reduced budget of the World Service (and wider 'FCO family') with the increases to DFID's budget:

If limited DFID funding were provided for dedicated services that met development purposes, World Service could avoid damaging cuts and invest in new services [...] The DFID budget is increasing over the period by an average of £3.5bn pa. £50m for WS would be less than 1.5% of the average annual increase in development spending and could be targeted to fully qualify towards the development target.<sup>87</sup>

BECTU agreed with this statement.<sup>88</sup>

55. Andrew Tyrie MP, Chair of the Treasury Select Committee, wrote to the Foreign Secretary on 21 February, in a letter copied to us, to argue that "the full value of the cuts in cash terms, of £28 million, can and should be found from the DFID budget." He went on to state that "this can be achieved without prejudicing the coalition's commitment to increase aid to 0.7% of GNI from 2013. This is because, under OECD definitions, much of the value of World Service activity can be legitimately scored as aid."<sup>89</sup>

56. We asked Mr Horrocks to elaborate on the World Service's ODA-eligible activities and its relationship with DFID. He told us that:

Our submissions to the Foreign Office, which were also shared with DFID, identified clearly our priority proposals, which were Pakistan, Afghanistan, sub-Saharan Africa and Bangladesh. They were all defined in a way that would make them absolutely susceptible to being scored as ODA and we have defined them in those terms. We have also had, through the settlement letter from the Foreign Office in relation to our existing activity, a requirement that £25 million of our existing expenditure should

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86 HC Deb, 14 March 2011, col 140–141

87 Ev 23–28, para 45

88 Ev 22–23, para 5

89 Ev w34 (Annex)

count towards development. However, we did not receive any extra funding for that.<sup>90</sup>

Likewise, Jim Egan, Controller, Strategy and News, BBC Global News, told us that:

there was a clause within our settlement letter from the Foreign Office, which stated that funds are provided “to the BBC World Service in order to provide impartial and independent news services as a developmental good to DAC list countries.”<sup>91</sup> In the eyes of the Foreign Office, at least, it appears that some of the activities of the World Service qualify.<sup>92</sup>

57. Notwithstanding these expressions of hope from the World Service, the Director-General of the BBC, Mark Thompson, told us that he did not:

have any indications yet that any fresh, additional or compensatory money is available [...] The case for the developmental value of much of what the World Service does is considerable ... [But] As yet, we have not heard anything that gives us comfort that that broad sense of support is being translated into money.<sup>93</sup>

## The International Development Act 2002 and the OECD Guidelines

58. How DFID spends its money is governed by the International Development Act 2002, which states that “The Secretary of State may provide any person or body with development assistance if he is satisfied that the provision of the assistance is likely to contribute to a reduction in poverty.”<sup>94</sup> We asked DFID for a legal opinion on whether the provisions of that Act would allow for the direct funding of the World Service. They replied that “the International Development Act 2002 makes reducing poverty the core purpose of DFID’s assistance,” and that:

core funding to the BBC World Service could not be deemed to meet the terms of the Act as poverty reduction is not identified as a purpose or objective of the BBC World Service in either the BBC Royal Charter or the BBC World Service Broadcasting Agreement.<sup>95</sup>

As a result, any financial assistance the BBC World Service received from DFID would be marginal:

Our preliminary view is that it is difficult to identify any specific BBC World Service activities which will meet this test [of reducing poverty] other than for example, the training of local journalists and technicians.<sup>96</sup>

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90 Q 80 [Mr Horrocks]

91 ‘DAC list countries’ refers to countries listed by the OECD Development Co-operation Directorate Development Assistance Committee (DCD-DAC).

92 Q 82 [Mr Egan]

93 Q 122

94 International Development Act 2002, Part 1, Clause 1

95 Ev 28

96 Ev 28

59. We also sought independent legal advice as to whether it would be lawful for the Secretary of State for International Development to fund the activities of the BBC World Service. The advice we received from Counsel was that:

I do not think that the powers conferred on the Secretary of State under the International Development Act 2002 are wide enough to permit him to make grants or loans to the BBC World Service.

60. We note that there is a precedent for DFID transferring funding to other bodies for ODA-eligible activities, even if these activities do not appear to conform to the “reduction of poverty” requirement in the 2002 Act. In its report on DFID’s *Annual Report and Resource Accounts 2009–10*, the International Development Committee (IDC) noted that:

Some of DFID’s budget is being transferred to other departments. In the 2010–11 Winter Supplementary Estimate £58.697m is transferred to the FCO for British Council Official Development Assistance (£40m), Conflict Prevention Pool (£16.547m), Papal Visit (£1.85m), Police Training in Tanzania (£0.2m) and Visas for Chernobyl Victims (£0.18m). £16.033m is transferred to the Ministry of Defence in respect of the Conflict Prevention Pool.<sup>97</sup>

The International Development Secretary told IDC that:

When I was in discussions with the Foreign Secretary about the British Council, it was clear that he would not be able to fund that through his budget and I said that we would look at it. I made it clear back in July that, as much of what the British Council does is ODA-compliant—the Committee will understand the very good work that the British Council does around the world, particularly on education—I would not want us as a country to lose the ability to fund that. So I made it clear to the Foreign Office that we would take that over.<sup>98</sup>

61. In our evidence session on 16 March, the Foreign Secretary told us that while the World Service undertook activities that can be classed as Overseas Development Assistance, there was little likelihood of diverting “a whole chunk of [DFID] money for the core funding of the World Service”, and that while it was possible that further World Service activities, over and above the already agreed £25 million minimum stipulation, could be classed as ODA, beyond a possible extra £3 million of funding this financial year, no extra funding would recompense the World Service for these activities.<sup>99</sup>

**62. We note the discrepancy between the relatively small amounts of money needed to avoid the most damaging cuts to the World Service—those to BBC China Mandarin, BBC Hindi and BBC Arabic—and the scale of the Department for International Development Spending Review settlement. We accept that under the terms of the International Development Act 2002, DFID is not able to fund substantial parts of World Service activity directly, because that activity cannot be directly demonstrated to**

97 International Development Committee, Third Report of Session 2010–11, *International Development Annual Report and Resource Accounts 2009–10*, HC 605, para 24

98 *International Development Annual Report and Resource Accounts 2009–10*, para 24

99 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 77–79

contribute to poverty reduction. However, we conclude that some of the activity of the World Service does contribute to the wider aims of DFID and it would therefore be appropriate to consider how an additional small element of the DFID budget might be spent on specific activities and projects of the World Service which are consistent with the terms of the International Development Act. Our figures show that just 0.35% of DFID's budget would be enough to compensate for the Government's planned cuts to the World Service. We conclude that there is no reason why such a transfer should not be made if the political will to carry it out is present.

### Commercialisation

63. The FCO Permanent Under-Secretary, Simon Fraser, told us that “the British Council can, and increasingly does, earn income from commercial work to supplement their Grant-in-Aid; and the BBC World Service can also do so to a lesser extent”.<sup>100</sup> The British Council and the World Service are the FCO's two major “associated public bodies”. The Council is facing similar deep cuts to its direct grant from the Department. Between 2010–11 and 2014–15 the value of the FCO's grant to the British Council will fall by 25% in real terms.<sup>101</sup> Around 70% of the Council's revenue is currently earned through commercial activity, in particular by the provision of English language courses and examinations. According to the National Audit Office, the Council aims to double this income by 2014–15.<sup>102</sup> On 10 March 2011, the Council wrote to inform us that its new Corporate Plan will be agreed with the FCO in May. It is a reasonable expectation that this Plan will set out the Council's plans to raise an even greater proportion of its revenue by means of commercial activity.

64. The BBC World Service has more limited scope than the British Council to generate income from commercial work. In particular, it is constrained by the strict restrictions on use of advertising which apply to the BBC as a whole, under section 75 of the BBC Charter and Agreement.<sup>103</sup>

**65. While we note that the opportunity for expanding commercial activity is much greater for the British Council than the BBC World Service, we recommend that the World Service, in its response to this Report, provide us with a detailed memorandum setting out the extent to which there is realistic scope for it to increase turnover from its commercial arms such as advertising on its websites and to work more closely with private sector firms in host countries, and indicating how it proposes to exploit any such opportunities to raise revenue.**

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100 *FCO Performance and Finances*, Ev 48

101 *Ibid.*, para 76

102 BBC Broadcasting Agreement 2006, Cm 6872, Clause 75

103 [http://www.bbc.co.uk/bbctrust/about/how\\_we\\_govern/charter\\_and\\_agreement/index.shtml](http://www.bbc.co.uk/bbctrust/about/how_we_govern/charter_and_agreement/index.shtml)



## 5 The future funding and governance of the World Service

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66. In addition to the financial settlements announced in the Spending Review, the Government also announced a change to the method of funding of the World Service: “from 2013–14, responsibility for funding the BBC World Service will transfer to the BBC”.<sup>104</sup> In its written evidence to the Committee the BBC World Service confirmed that from April 2014, it would be financed from the UK Licence Fee, rather than through the existing Grant-in-Aid delivered via the Foreign Office.<sup>105</sup> The Foreign Secretary clarified that:

From 2014/15, the BBC will provide World Service funding from the Licence Fee, and the amount I had allocated (£227 million for resource and capital) will be cut from the FCO’s baseline [...] Until then the FCO will continue to fund the BBC World Service in line with the (CSR10) settlement figures.<sup>106</sup>

The TV licence fee has been frozen at £145.50 a year for the next six years as part of an agreed 16% cut in the BBC’s budget.<sup>107</sup> The BBC World Service noted that “after extracting an efficiency dividend”, the BBC would commit to providing sufficient investment in the World Service to support its current plans for the period.<sup>108</sup>

67. Giving evidence as part of our *FCO Performances and Finances* inquiry in November 2010, our witnesses from the World Service and the FCO supported this change. The World Service stated that “the move away from direct government funding will further reinforce BBC World Service’s reputation for independence” and that “BBC World Service will be strengthened by its ability to draw on the full resources of the BBC [...] without being constrained by the barriers that have been required by separate funding sources”.<sup>109</sup> Peter Horrocks told us that “we [the BBC] can be confident about this new arrangement”, and that it was something he had always thought to be a good thing.<sup>110</sup> He was clear that this change was “in the best interests of the World Service”.<sup>111</sup> The FCO argued that day-to-day governance as a result of this change would not differ from current practice: the objectives, targets and priorities of the World Service would continue to be agreed between the BBC Trust and the Foreign Secretary, whose consent would continue to be needed to the closure of foreign language services (see paragraph 68 below). Simon Fraser told us that the “terms of the relationship remain unaffected, other than in the sense of who holds the purse strings”.<sup>112</sup>

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104 *Spending Review 2010*, October 2010, Cm 7942, p. 59, para 2.90

105 Foreign Affairs Committee, Third Report of Session 2010–11, *FCO Performance and Finances*, Ev 71–78

106 *FCO Performance and Finances*, Ev 35–36

107 Tara Conlon, ‘How the BBC Licence Deal was done’, *The Guardian Unlimited*, 21 October 2010

108 *FCO Performance and Finances*, Ev 71–78

109 *Ibid.*, Ev 78

110 *Ibid.*, Q 59

111 *Ibid.*, Q 65

112 *Ibid.*, Q 160 ff.

68. The BBC's written evidence to our previous inquiry set out the basis of the Government's new agreement with the BBC Trust in relation to the Service's governance from 2014–15:

- The BBC Trust sets the overall strategic direction of the BBC including the World Service;
- The BBC World Service will remain editorially independent and will be answerable to the BBC Trust;
- The BBC will continue to set the objectives, priorities and targets for the World Service with the Foreign Secretary, and
- The Foreign Secretary's written approval will still be needed for the opening and closure of any language service.<sup>113</sup>

69. When we took evidence in November 2010 there had yet to be a formal concordat drawn up between the FCO and the BBC over the future management of the World Service. Peter Horrocks assured us at the time that “the right measures would be put in place” to prevent any possible risk of the World Service budget being ‘siphoned off’ to fund other BBC activities. He was sure that the World Service would “be able to reassure the Committee in relation to those mechanisms once they’re agreed in the next period.”<sup>114</sup>

### Timing of the decision

70. During our original inquiry, it became apparent that part of the reason for the lack of detailed information about future governance arrangements for the World Service arose from the last-minute nature of the decision to transfer funding responsibility to the BBC. In November 2010, Peter Horrocks told us that “the actual decision to do it, or the likelihood of it, only happened about 10 days or two weeks prior to the announcement”,<sup>115</sup> and the process “suddenly accelerated because there were proposals from the Government to which we needed to respond. It was something that we had put thought into in advance, but, of course, it happened more quickly than any of us had expected.”<sup>116</sup> Simon Fraser told us that “the discussions on the handling of the BBC World Service came relatively late in that negotiation”.<sup>117</sup>

71. In March 2011, Mark Thompson provided further information on just how ‘last minute’ the decision to transfer funding responsibility had been. He told us that he was aware of discussions “in the air” and he had discussed the possibility of this change “throughout the summer” with Mr Horrocks. Mr Thompson added that, prior to formal request from Ministers in October 2010, the BBC had “modelled the funding of the World Service”:

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113 Foreign Affairs Committee, Third Report of Session 2010–11, *FCO Performance and Finances*, Ev 71–78

114 *FCO Performance and Finances*, Q 72

115 *Ibid.*, Q 62

116 *Ibid.*, Q 63

117 *Ibid.*, Q 118

we, at the top of the BBC, had in our own time and on our own terms in that summer discussed, researched, considered and come to the conclusion that, on balance, the merits of moving to licence fee funding over grant in aid funding outweighed the demerits. We came into the conversation with Ministers in October with a considered and carefully researched view that under the right circumstances this could be a good idea.<sup>118</sup>

Notwithstanding these earlier “modelling” exercises carried out by the BBC during summer 2010, the first formal conversation on the matter with the Secretary of State for Culture, Media and Sport had taken place in “early October”.<sup>119</sup> During that conversation, the Secretary of State had asked the Director-General whether “there was any kind of Government expenditure currently on the national accounts that the BBC might potentially be prepared to fund through the licence fee” and “first raised the idea of whether the licence fee could take over funding the World Service.” Mr Thompson recalled that he had met the Foreign Secretary twice during the Spending Review process: “immediately prior to the announcement of the Spending Review” and then after the settlement decision to discuss options in terms of closures and reductions.<sup>120</sup>

72. In subsequent written evidence, the World Service provided us with a “Summary of events during licence fee settlement negotiations between the BBC and the Government in October 2010”.<sup>121</sup> The first event listed occurred on Monday 11 October (nine days before the Spending Review announcement), when “the BBC was advised (both Trust and Executive) that as part of the Spending Review the Government was actively considering the funding of free television licences for the over-75s and the funding of the World Service, and was considering transferring funding responsibility for both from the Government to the licence fee”.<sup>122</sup> The “exploratory” conversation with the Secretary of State for Culture, Media and Sport that Mr Thompson had mentioned in his oral evidence had taken place on the following day, Tuesday 12 October. Negotiations had continued throughout the run-up to the SR2010 announcement. A set of draft Government proposals was not prepared “for review by the Executive Board and the [BBC] Trustees” until Monday 18 October.<sup>123</sup>

73. The Foreign Secretary confirmed to us “that the final agreement within Government on this was only reached shortly before the Comprehensive Spending Review was finalised—the day before, I think”. He went on to present the change in management and governance of the World Service, not only as a benefit to the World Service but also to the Exchequer:

This is an attractive option on the grounds of a secure future for the World Service, and a genuine reduction in public expenditure. It is a huge saving off the FCO baseline. It is a genuine public spending reduction, because it then goes into the

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118 Q 110

119 Qs 111, 106

120 Qs 106–118

121 Ev 41–42

122 Ev 41–42, para 11

123 Ev 41–42 paras 1–3, 12

licence fee. However, there were other options available to the Chancellor and the Government which were also looked at up to the last moment—I think up to the day before the comprehensive spending review.

74. The FCO subsequently informed us that Mr Hague agreed to the transfer of the funding of the World Service to the licence fee on Monday 18 October 2010. They added:

There were discussions over the formal wording of the DCMS [Department of Culture, Media and Sport] Settlement letter and of our settlement letter on 19 October and the announcement was made on 20 October. The Foreign Secretary met Sir Michael Lyons and Mark Thompson on 20 October.<sup>124</sup>

**75. The decision to transfer funding responsibility for the BBC World Service from the FCO to the BBC will have major long-term ramifications for the future of the World Service. We were told that the BBC carried out “modelling” of a transfer of funding during summer 2010, because such a decision was, according to the Director-General, “in the air” during the run-up to the Spending Review. We recommend that, in its response to this Report, the Government should clarify exactly when and by whom such a transfer was first mooted in discussions between the Government and the BBC, who initiated those discussions, and to what extent the BBC’s “modelling” work and internal discussions about a transfer carried out prior to October 2010 were encouraged by the Government. We note that following this preliminary work by the BBC, discussions between Ministers and the BBC about a funding transfer did not take place until nine days before the formal announcement of the change on 20 October 2010, and the agreement of the Foreign Secretary was secured only 48 hours before. We conclude that taking this decision in such a short space of time cannot have allowed the FCO to consider the full range of options and implications. We further conclude that the decision was essentially financial, taken at very short notice, with the full agreement of BBC top management.**

### Future governance arrangements

76. We pursued the question of future governance arrangements for the World Service during our session on 9 March. Representatives from the trade unions recommended that a combination of continued Parliamentary scrutiny of the World Service, and an internal ring-fence, guaranteeing the World Service a set percentage of the overall BBC budget, could help protect its budget from any risk of its being siphoned off to other areas of the BBC.<sup>125</sup> We raised these suggestions with World Service management. Peter Horrocks reiterated that the transfer of funding responsibility was to the benefit of the Service. He also made clear that he and the FCO had not seen eye to eye in recent months:

As long as the understanding of the need for the World Service is there, and the BBC Trust puts in place the right mechanisms, and has a way of being able to assess the difficult judgment between the delivery of services to UK audiences and the delivery of services to international audiences [...] I believe that we will be in a better position,

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124 Ev 45

125 Q 15–17

not least because of the experience of recent months, when it has been difficult to share with the Foreign Office the judgments that I have been outlining through the course of my evidence.<sup>126</sup>

Mr Horrocks stated that a concordat over governance would be devised in due course: “within the licence agreements the protection will be there. It will not be possible under those mechanisms for the budget to be raided month by month or year by year.”<sup>127</sup>

77. Mark Thompson elaborated on these proposed arrangements, which, he suggested, would provide “a higher level of protection than that which the World Service has enjoyed up until now”. He told us that:

The expectation is that there will be some form of service licence; that is, a formal document that requires the BBC to pay within a certain parameter plus or minus x% of the licence fee to this service. That will be accounted for, and it will be audited afterwards.<sup>128</sup>

In common with Mr Horrocks, he was critical of the FCO’s past exercise of its responsibilities for the World Service:

our current system has led to a very substantial and damaging reduction in the funding of the World Service. We are moving to a system where that will be harder and much less likely to happen. I think that there will be more security in the future than there manifestly is in the current arrangements.<sup>129</sup>

78. Mr Thompson also argued that a planned new management structure at the BBC would help guarantee the World Service a voice at the senior levels of the BBC:

Under the new arrangements there will be a director of news [...] who will be on the executive board of the BBC and who will be in charge of delivering all the BBC’s journalism. They will have explicit objectives in ensuring that the BBC’s international journalistic services, and specifically the BBC World Service, are delivered to the highest possible standard. [...] within her brief, I am clear that she will be charged and held to account for the quality and support of the international services.<sup>130</sup>

79. The Foreign Secretary described the proposed change to World Service governance as “an attractive option on the grounds of a secure future for the World Service”.<sup>131</sup> He added that:

The governance mechanisms are to remain essentially the same [...] Such provisions that are in the existing agreement, which mean that the Foreign Secretary has to approve the opening or closure of new language services, will be retained in the new

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126 Q 58

127 Q 60

128 Q 103

129 Q 103

130 Q 121

131 *Developments in UK Foreign Policy*, Transcript of session of 16 March 2011, Q 80

arrangements. I agreed that with the BBC Trust at the time of this change [...] So those safeguards will be there for the future.<sup>132</sup>

He also indicated to us that the FCO, despite transferring funding responsibility for the World Service to the BBC, would monitor the BBC's management decisions in respect of the World Service and would intervene if necessary: "If the BBC set about systematically running down the entire thing in the way described, it would be open to us to change the arrangements again."<sup>133</sup>

**80. We do not believe that the decision to transfer funding responsibility for the World Service from the FCO to the BBC will make the World Service's funding more secure. We are concerned that, despite the mechanisms and procedures we have been assured will be put in place, this decision could lead to long-term pressure on the World Service budget, with the risk of a gradual diversion of resources from the World Service to fund other BBC activities. The freezing of the BBC licence fee for six years from October 2010 may increase the temptation for BBC senior management to "raid" World Service funding. In addition, the BBC may be vulnerable to media campaigns confronting the British public with a choice between, for instance, BBC spending on popular light-entertainment programmes and spending on news services in foreign languages in remote parts of the world. There is also a risk that Parliament's current ability to oversee the work of the World Service, in particular through select committee scrutiny, may be weakened under the proposed new arrangements. We therefore recommend that no transfer of funding responsibility for the World Service from the direct FCO Grant-in-Aid to the BBC should take place until satisfactory safeguards have been put in place to prevent any risk of long-term erosion of the World Service's funding and of Parliament's right to oversee its work.**

**81. The FCO has attempted to reassure us about governance arrangements after the proposed transfer of funding, by arguing that "the terms of the relationship [will] remain unaffected, other than in the sense of who holds the purse strings". Unfortunately, whoever holds the purse strings exercises a great deal of power. It is not difficult to imagine a situation some years in the future in which the BBC Trust might present the Foreign Secretary of the day with a *fait accompli*, along the lines of, "You can have a Russian service or you can have an Arabic service, but you can't have both because we are not prepared to fund both". We therefore conclude that a formal concordat should be drawn up between the Government and the BBC Trust, to make detailed provision for future funding and governance arrangements for the World Service. We recommend that this concordat give the Foreign Secretary not only the final decision over service closures, but also the right to stipulate minimum levels of service provision which the BBC will have a formal responsibility to fund.**

**82. In the event that the proposed transfer of funding in April 2014 goes ahead, then, in view of the Foreign Secretary's retained oversight responsibilities for the World Service, we intend to continue after that date, in conjunction with our colleagues on the Culture, Media and Sport Committee, to monitor the funding, policies and**

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<sup>132</sup> *Developments in UK Foreign Policy*, Q 81

<sup>133</sup> *Developments in UK Foreign Policy*, Q 81

performance of the World Service, its links with the FCO, and its role as an important projector of the UK's influence and 'soft power'.

83. We further recommend that, if the transfer of funding takes place, the Foreign Secretary ensure that the World Service is adequately represented at the top levels of BBC management; and in particular that the Director of the World Service should have a place *ex officio* on the new Executive Board of the BBC, and that the International Trustee of the BBC Board of Governors should be given the specific responsibility of representing the interests of the World Service.

# Formal Minutes

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## Monday 4 April 2011

Members present:

Richard Ottaway, in the Chair

Mr Bob Ainsworth  
Mr John Baron  
Sir Menzies Campbell  
Ann Clwyd  
Mike Gapes

Mr Frank Roy  
Sir John Stanley  
Mr Dave Watts

Draft Report (*The Implications of Cuts to the BBC World Service*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 44 read and agreed to.

Paragraph 45 read, amended and agreed to.

Paragraphs 46 to 61 read and agreed to.

Paragraph 62 read.

Amendment proposed, in line 4, to leave out from “settlement” to the end of the paragraph, and add “While we support increased spending on international development, we raise concern when a small fraction of this increase comes at the expense of a national institution such as the World Service. Our figures show that just 0.35% of DFID’s budget would be enough to compensate for the Government’s planned cuts to the World Service. Given this, the case for DFID funding being reallocated to support the World Service is overwhelming. We recommend that the Government re-prioritise its spending plans to allow cuts to the World Service to be prevented, at the expense of the Department for International Development.”. —(*Mr John Baron.*)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 2

Mr John Baron  
Sir Menzies Campbell

Noes, 6

Mr Bob Ainsworth  
Ann Clwyd  
Mike Gapes  
Mr Frank Roy  
Sir John Stanley  
Mr Dave Watts

Amendments made.

Another Amendment proposed, in line 10, to leave out from “Service.” to “We” in line 11. —(*Mike Gapes.*)

Question put, That the Amendment be made.

The Committee divided.



Ayes, 4

Ann Clwyd  
Mike Gapes  
Mr Frank Roy  
Mr Dave Watts

Noes, 4

Mr Bob Ainsworth  
Mr John Baron  
Sir Menzies Campbell  
Sir John Stanley

Whereupon the Chair declared himself with the Noes.

Another Amendment made.

Another Amendment proposed, in line 11, to leave out from “Service.” to the end of the paragraph.—(*Mike Gapes*): —Amendment, by leave, withdrawn.

Paragraph, as amended, agreed to.

Paragraphs 63 to 74 agreed to.

Paragraph 75 read, amended and agreed to.

Paragraphs 76 to 79 read and agreed to.

Paragraph 80 read.

Amendment proposed, in line 13, to leave out from “arrangements” to the end of the paragraph, and add “We recommend that instead of transferring funding responsibility of the World Service to the BBC licence fee, with the subsequent possible weakening of Parliamentary scrutiny, the World Service continues to be funded from the direct FCO Grant-in-Aid. In order to mitigate the effect that this will have on the FCO’s efforts to meet its spending review settlement, we further recommend that funding for the World Service, both from 2013–14 and in subsequent Spending Reviews, is found from a comparable reduction in DFID’s budget.”.—(*Mr John Baron*.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1

Mr John Baron

Noes, 7

Mr Bob Ainsworth  
Sir Menzies Campbell  
Ann Clwyd  
Mike Gapes  
Mr Frank Roy  
Sir John Stanley  
Mr Dave Watts

Paragraph agreed to.

Paragraphs 81 to 83 read and agreed to.

Summary amended and agreed to.

Resolved, That the Report, as amended, be the Sixth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 9 March.

[Adjourned till Wednesday 27 April at 2 pm.]

## Witnesses

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<b>Wednesday 9 March 2011</b>	<i>Page</i>
<b>Luke Crawley</b> , Assistant General Secretary, BECTU, and <b>Jeremy Dear</b> , General Secretary, National Union of Journalists	Ev 1
<b>Peter Horrocks</b> , Director, BBC World Service, <b>Jim Egan</b> , Controller, Strategy and Distribution, BBC Global News, and <b>Richard Thomas</b> , Chief Operating Officer, BBC Global News	Ev 7
<b>Mark Thompson</b> , Director-General, BBC	Ev 16

## List of printed written evidence

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1	BECTU	Ev 22
2	National Union of Journalists	Ev 23
3	Department for International Development	Ev 28
4	BBC World Service	Ev 28, 31, 38, 39, 41, 43
5	Foreign and Commonwealth Office	Ev 44

## List of additional written evidence

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(published in Volume II on the Committee's website [www.parliament.uk/facom](http://www.parliament.uk/facom))

1	Gilberto Ferraz	Ev w1
2	A. Corinne Podger	Ev w1
3	Rosie Kaynak	Ev w2
4	Keith Perron	Ev w3
5	Jonathan Stoneman	Ev w4
6	Keith Somerville	Ev w5
7	Sir John Tusa	Ev w8
8	John Rowlett	Ev w10
9	Jacqueline Stainburn	Ev w10
10	Richard Hamilton	Ev w11
11	Elzbieta Rembowska	Ev w11
12	Ian Mitchell	Ev w11
13	Marc Starr	Ev w12
14	Andrew Bolton	Ev w12
15	Patrick Xavier	Ev w13
16	Ailsa Auchnie	Ev w13
17	Catherine Westcott	Ev w14

18	Caroline Driscoll	Ev w16
19	Rajesh Joshi, Rajesh Priyadarshi and Marianne Landzettel	Ev w16
20	Clem Osei	Ev w18
21	Sam Miller	Ev w18
22	The Kenya National Kiswahili Association (CHAKITA-Kenya)	Ev w19
23	Mike Fox	Ev w20
24	Kofi A. Annan	Ev w21
25	E. Geraldine Timlin MA	Ev w22
26	Nigel Margerison	Ev w22
27	Dennis Sewell	Ev w23
28	Voice of the Listener & Viewer	Ev w24
29	Kiyo Akasaka	Ev w26
30	Neville Harms	Ev w27
31	Martin Plaut	Ev w28
32	Graham Mytton	Ev w28
33	National Union of Journalists Parliamentary Group	Ev w29
34	Trish Flanagan	Ev w31
35	Ben Hartshorn	Ev w32
36	Naleen Kumar	Ev w32
37	Jorge da Paz Rodrigues	Ev w33
38	Marc Glinert	Ev w33
39	Mr Andrew Tyrie MP	Ev w33
40	Peter Carroll	Ev w34

# Oral evidence

## Taken before the Foreign Affairs Committee

on Wednesday 9 March 2011

Members present:

Richard Ottaway (Chair)

Mr Bob Ainsworth  
Mr John Baron  
Sir Menzies Campbell  
Mike Gapes  
Andrew Rosindell

Mr Frank Roy  
Sir John Stanley  
Rory Stewart  
Mr Dave Watts

### Examination of Witnesses

*Witnesses:* **Luke Crawley**, Assistant General Secretary, BECTU, and **Jeremy Dear**, General Secretary, National Union of Journalists (NUJ), gave evidence.

**Q1 Chair:** I welcome members of the public to this sitting of the Foreign Affairs Committee. It is the first evidence session of the Committee's inquiry into the implications of BBC World Service cuts. We will be taking further oral evidence from the Foreign Secretary on 16 March. I welcome our two witnesses: Jeremy Dear, General Secretary of the National Union of Journalists, and a late stand-in, Luke Crawley, Assistant General Secretary of BECTU, as Gerry Morrissey has unfortunately broken or twisted his ankle and is unable to walk. We send him our best wishes and commiserations.

Let me open the batting and ask, given the Foreign Office's need to cut its levels of public expenditure, whether you think that they had no alternative but to make cuts to the World Service, or whether you think that the axe should have fallen on other Foreign Office activities instead.

**Luke Crawley:** The short answer is that the cuts in the Foreign and Commonwealth Office budget, as I understand it, are of the order of magnitude of about 10%. However they've decided that the cuts in the money they give to the World Service should be of the order of 16%. My first point is that, if there was some equality or parity between the two levels—only a 10% cut—that would at least be seen to be equal treatment in all areas of Foreign Office spending.

**Q2 Chair:** You would have accepted a 10% cut?

**Luke Crawley:** I am not sure we would have accepted it, because there's a second point I'd make, which is that, in terms of the amount of money spent on the World Service—I believe it is about 0.5% of Government spending on international effort—it is small, but extremely good value. The audience it reaches is of the order of 2.5 billion on television, on radio and online and it is extremely effective at providing an impartial news service—I'm sure you know all this—but it is also seen by many people as a vital part of their day and it reaches audiences of a different kind. There are obviously people who can listen to FM on the internet, but shortwave is very effective at reaching a huge range of people who would not otherwise be able to access that kind of news and information.

**Jeremy Dear:** We can make a strong case as to why we believe all the services should be saved, but we can make an even stronger case that the cuts in the World Service and BBC Monitoring are disproportionate to the cuts that the Foreign and Commonwealth Office are facing and certainly disproportionate to the increase in the budget for the Department for International Development, for example, when the World Service quite clearly meets a number of development goals. We think that there are alternatives to these cuts. Obviously, if the FCO has cuts imposed on it, as part of a general comprehensive spending review, that's a matter for it, but what it passes on to the World Service is clearly disproportionate.

**Q3 Chair:** I know you both don't agree with the cuts. You have made that perfectly clear. Can I put a hypothetical question to you? If you had to make the cuts yourselves, would you have made the same cuts or would you have had other priorities in the World Service? In other words, given that cuts were going to be made, are the priorities right?

**Jeremy Dear:** There are two clear things that the BBC World Service depends on: properly resourced journalism and safe and secure transmission networks to broadcast its journalists' work. I certainly believe that many of the decisions around the ending of shortwave are wrong, in that they mean that we will rely much more on either the internet or FM transmission, which is much more susceptible to political pressure. There needs to be a re-looking at strategy for the BBC World Service, and therefore these are not necessarily the right cuts.

Cuts have been made before to services where there was perceived to be a lack of geopolitical interest at that particular time. The last such situation that I remember was the Thai service, which was closed down days before thousands of people took to the streets of Thailand to overthrow the Government. It is easy to say, "We would cut this service." The Foreign Office needs to look again at the strategy, in particular based on those two principles.

**Luke Crawley:** I would not disagree with what Jeremy has said. It is obviously extremely invidious to be

asking us where we would make cuts, because any cuts that we proposed would be cuts in our members' jobs. Clearly, as trade unions, we're here to defend our members' jobs. But Jeremy's points about the importance of the World Service, and how it delivers an impartial news service without political interference by either the host country or any other, are extremely valuable.

The issue about shortwave has been bypassed. The closing down of shortwave does not seem to me to achieve any of the goals that the BBC World Service wants to fulfil or, in fact, any of the goals that the Foreign and Commonwealth Office hopes to achieve by funding it.

**Q4 Chair:** Given the importance that the unions obviously put on the World Service, would you be prepared to accept any cuts at all?

**Jeremy Dear:** We have a history since the Second World War of negotiating with the BBC over cuts that are imposed. We are not going to go round advocating cuts, but sometimes there are cuts in budgets that we have to respond to. Whether that means changes in technology or changes in the natures of services, we have had to do it. Of course, we will do that if that is the implication, but we think that these cuts should not happen.

**Q5 Chair:** Do you have a view on what the size of the budget should be for the World Service?

**Jeremy Dear:** If you look at the size of the cuts—about £46 million—I understand that about 1.5% of the increase in the DFID budget would cover the whole of that £46 million. Were that money for overseas development assistance to be transferred to the World Service for overseas development assistance goals, you wouldn't need to make any of these cuts.

**Q6 Chair:** So you are saying that the budget you would agree to is the budget pre-cuts?

**Luke Crawley:** Jeremy is absolutely right. Both unions at the BBC have been in the unfortunate position in the main BBC of having to deal with job losses, but that is also true of the World Service. I was the official for the World Service in the early 1990s, when there was a similar attempt—in my view, misguided—by the Foreign Office to reduce the budget. We ran a very vigorous campaign and had some success in turning it over. I have to say that we had an extraordinary level of cross-party support then, as I hope we would have now. People feel very strongly about the World Service in Parliament, and rightly so. It's something of a jewel in the crown of Britain, both here and abroad, and it is seen as a very important force. For that reason, the Foreign and Commonwealth Office needs to look again at whether it should cut or not. In our view, it should not.

**Jeremy Dear:** It is an argument based not just on, "Give us this amount of money," but the cost-effectiveness of this money. If you look at the use of what people term soft power in the delivery of British values in different parts of the world, the World Service is an amazingly cost-effective way of doing that. The level of these savings seems disproportionate

to the impact they will have, such as the 30 million fewer listeners—that will be even more when you take all the shortwave transmission endings into account.

**Q7 Sir Menzies Campbell:** I understand the reluctance to becoming cutters, but may I turn the question round slightly? If you were to wake up tomorrow and discover that the 16% cut had gone back to 10%, and that there was a 6% unexpected bonus, what would be the elements that may be subject to cuts that you would want to keep?

**Luke Crawley:** Again, you are putting us in an invidious position, because, clearly, we do not want any of our members, whether they are involved in the delivery of the broadcast or working on the journalism side, to be dismissed. That seems to be what is facing us. If 6% was restored, we would welcome that. We would be prepared to talk to the BBC World Service management about what should be done with that and what should happen. Jeremy has made the point that we have negotiated in the past, usually successfully—i.e. without dispute—our way through problems of this order of magnitude, and I think that we could do so again.

**Q8 Sir Menzies Campbell:** I do not want to put you in an invidious position. I am trying to find out whether there is an order of ranking of priorities in your mind.

**Jeremy Dear:** There is for a lot of campaigners. You will have seen high profile campaigns around some services, but there is not for us. We believe that a lot of these services all contribute to BBC World Service journalism. The BBC World Service English language newsroom and other parts of the BBC rely on the expertise of people in the Caribbean, in Latin America, in Africa, in India and so on, in order to produce other programmes as well. It is hard to say that there is a priority, because all of it contributes to BBC journalism.

**Sir Menzies Campbell:** I will not press the point.

**Q9 Mr Ainsworth:** Maybe there is another way of handling this that might help you. Nobody is surprised by the position that you take; it would be very surprising if you took another. Given the difficulties that you understandably have, can you be specific on the adverse consequences of the cuts programme as you see it?

**Jeremy Dear:** For people in five language service areas, they will have no BBC transmissions in their own language. For many people around the world, they will no longer be able to receive BBC radio via shortwave. That means that they rely either on rebroadcasts or relays on FM or internet services. In many of the debates that there have been, there has been a lot of talk on how listening online has gone up by 125% in such and such a country, while listening on the radio has gone down 30%. Most people still receive the BBC World Service through shortwave transmissions across the globe. That is a fact. The balance is clearly changing, but not to the extent that shortwave should be ended.

The ending of shortwave will have a massive impact in many places, particularly in places with the poorest

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people, and where there is no access to electricity in order to access internet services. There is a danger—it was made clear in one of the pieces that Mark Tully wrote about the Hindi service—that you only talk to the elite and that you do not talk to the people. That will be the overriding effect of the ending of these services. In our written submission we have included a detailed breakdown of each service and what we think the implications of the cuts will be in different places. I am happy to send that on again, so that you are able to see that, to back that information up.

**Luke Crawley:** Just to pick up on the shortwave issue, anyone who has had the pleasure of listening to the World Service abroad on shortwave will know that it is an interesting auditory experience, shortwave being what it is. You may not be aware that there is a thing called Digital Radio Mondiale, which translates as digital radio on shortwave, which is being developed. It is an opportunity that the BBC could and should take, to ensure that listeners on shortwave can listen in quality. That would do an enormous lot of good. There are obvious advantages; not least that it would be a delivery system free from political interference, the add-on licensing costs of rebroadcasting FM and so forth.

Jeremy has made the point that, in some areas, shortwave audiences have actually increased, not just decreased and that 53% of the radio audience is on shortwave. The majority of people listen on shortwave. For example, the Indian Government took the view that, politically and financially, they want to support Digital Radio Mondiale and told all Indian radio to get on with sorting it out and making sure that they could broadcast in that way. That is a very important thing that the BBC could and should pick up. The Foreign and Commonwealth Office should pay attention to that fact because, as Jeremy said, it reaches an audience—not just the elite, but the mass of people and it is all the more important for that.

**Jeremy Dear:** That is just one example. For non-English services, the BBC's mobile and internet audiences are just 6% of the audience for radio. Although the balance is changing, it has not changed that significantly.

**Q10 Mr Ainsworth:** I want to chase those two issues a little further without putting you in an impossible position. You appear to be particularly exercised about the language services. Is that right or are you just opposed to cuts in principle? Is that an area that you are particularly worried about?

**Jeremy Dear:** Of course, we are particularly worried about the BBC withdrawing entirely from certain languages. That is clearly a concern. There are also concerns about the impact of the cuts on places such as the World Service English language newsroom where key correspondents and regional experts are among those whose jobs are scheduled to be cut. Particular programmes such as "Europe Today" and "Politics UK" are to be cut. Again, those add to the pool of experience and expertise that the whole of the BBC relies on when it is producing its journalism. It will mean a narrowing of the range of stories provided for English and language services because that is what those 120 or so journalists who work there do.

**Q11 Mr Ainsworth:** On the shortwave issue, how would you respond to what is being said by some: this is merely an acceleration of something that was going to happen in any case. It has been said that the BBC was going to get out of shortwave and become more reliant on other methods as all uses change. How do you respond to that?

**Luke Crawley:** Ask the BBC obviously, but from our point of view we would say that shortwave is right now reaching the majority of the radio audience. With the development of such methods as DRM, it could be reaching more people. The fact is that if the BBC gets out of shortwave, it becomes a self-fulfilling prophecy. You might not know, but internationally a frequency cannot be owned in the way that they are controlled in this country. You own it by the fact that you broadcast on it. If you stop broadcasting on it, guess what? Someone else will take it over as soon as possible, and you cannot get back on to it.

Even if, let us say, in five years' time Digital Radio Mondiale became the norm for broadcasting shortwave in this country, the BBC would have real problems in trying to build its audience back up again on those frequencies because it had vacated them, and someone else was squatting on them and had developed a different audience. The BBC would have lost it. It is something that the BBC has got that it should not be throwing away. There is a real danger of throwing it away.

**Jeremy Dear:** You cannot underestimate the issue about political interference and the blocking of FM stations or blocking of the internet compared with shortwave. Whether it is China, Russia, Iran or parts of the Caribbean or Africa, this happens on a regular basis. Our evidence documented quite a lot of examples of that sort of thing happening. Shortwave is not susceptible in the same way.

**Q12 Mr Watts:** Looking to the future, are you confident that the BBC Trust will protect world services in the future? Do you take comfort from the Director-General's commitment that the funding for the World Service will be increased after it takes over responsibility from the FCO?

**Luke Crawley:** From our point of view, that is a pudding, the proof of which is in the eating, but the fact is that I am sure the trust will give undertakings and do its best to police that. As I understand it, and because the BBC is taking it over from 2014, it will obviously come under scrutiny along with charter renewal in 2016. That will be within 18 months of it having taken over. It will be possible for the Committee and other parliamentary Committees to have a look at what has happened.

As for whether we think that funding increase is bound to happen, it is a bit hard to say at the moment. The BBC is wrestling with quite a difficult licence fee settlement at the moment. What will it be able to do when it takes over the World Service? It says that it will take over the World Service and hopes to be in a position to put more money into different parts of it. I hope that that is the case, but I don't know for certain whether it will be or not.

**Jeremy Dear:** A number of changes have already happened at the World Service that we have not been

supportive of, and that we think have already caused some damage to the ability of the BBC World Service to cover the range and scope of stories in the way that we would hope, but we have been told that the BBC will put more money into the World Service post-2014. We have to take that at face value. There is a concern about the possible implications of merging all the BBC's news operations into one large news operation. Of course, more co-operation can be achieved between all parts of the BBC, but the World Service has a very distinctive voice and a very different style of journalism to some extent, which we would not want to be lost. There needs to be some way in which there is a ring-fenced budget for the BBC World Service within an overall BBC budget. One of the dangers in all this is that we are going to see some services close. We will see a lot of skilled, expert journalists and technical staff lost to the BBC. The BBC might say, "Well, two or three years down the line, we are actually going to be putting more money in and we may well be looking to re-recruit some of these very same skilled staff." We think that there is an argument to be made about bridging that period. If the BBC's commitment to put more money in is genuine, there can be a discussion about how we make sure we don't pay out a load of money in redundancy pay in 2012, and then in 2014 hire the very same people to do pretty much the same job.

**Q13 Mr Watts:** On the ring-fencing, is that something that you have discussed with the BBC?

**Jeremy Dear:** Not at this stage, no.

**Q14 Mr Watts:** Is that something that you would seek to do in future?

**Jeremy Dear:** Certainly we would be seeking to protect the amount of money that goes into the World Service. I don't know what the mechanism for doing that is, but ring-fencing its budgets would be one way to do that. But we would also hope that there is sufficient parliamentary scrutiny at the time of the BBC licence fee settlements and charter renewals and so on to make sure that it is sticking to the commitments that it has given to fund the World Service properly once it has taken it over.

**Q15 Mr Baron:** Can I press you on the issue of whether the BBC Trust is going to be adequately protective of the World Service? We live in a world of the cult of the celebrity. We all know there is a danger that funds and resources could be switched to—how can I put it?—"more popular" programmes. The current governance arrangements are still in force, and Peter Horrocks, who is sitting behind you, said that the right measures would be put in place in future. We briefly discussed ring-fencing. What other options are there? What sort of mechanism would you like to see put in place to ensure that the World Service is adequately protected?

**Luke Crawley:** You talked about ring-fencing, and Jeremy has talked about the kind of scrutiny that would be undertaken. If you put such and such a mechanism in place, it is difficult to say that that guarantees something will happen. At the moment,

clear undertakings have been given by the Director-General about what will be spent and the increases that could happen after 2014. If we in the trade unions feel that we've been given an undertaking by the employer to do something, and we get to the point where that thing is going to be done and it inevitably involves spending money, but the employer suddenly says, "We can't possibly spend that money now, for these reasons", we would take a view on that, and, depending on what it is, you might end up in a discussion, a negotiation or even a dispute. The World Service is no different in that regard.

Between now and 2014, we are likely to be having many heated and vigorous discussions with the BBC about restructurings and redundancies. Assuming we get to some point around the middle of 2013 and those have been dealt with, we would expect the BBC in 2014 to be able to deliver on its promises about the protection of the World Service. If the BBC said, "Guess what—we are now going to have to dismiss large numbers because we can't do what we said", I am sure that Parliament and Committees such as this would take a view, and we would certainly be taking a view on behalf of our members. It is not clear to me that there is another mechanism that we could use to enable us to do any more than that. We exist to try to protect our members' jobs as well as to try to preserve the value of something like the World Service. I think we will be very vigorous in trying to do that. If we weren't, our members would be telling us about it in short order.

**Jeremy Dear:** Mechanisms are difficult to achieve; scrutiny of what is being spent is easier. The point you make reflects our real fear about the idea that you suddenly create one big news pool and there is then internal competition for resources. We know that covering a story in the Great Lakes area of Africa is much more expensive than covering a film-opening in Leicester Square, for example. Yet when budgets are under pressure, there will clearly be pressure on editors to meet budgets and therefore cover stories that rely more on celebrity or political PR than expensive news-gathering. Ring-fencing of budgets is one way to guard against that, but it seems that it is almost down to you, in terms of parliamentary scrutiny, to do something too.

**Q16 Mr Baron:** Absolutely, and we accept that responsibility, no doubt. But coming back to the point made earlier, that approach—realistic though it may be—assumes that there is a clear picture, quite early on, of the ambition, scope, responsibilities and coverage of the BBC World Service in the future. How else can you judge whether promises have been abided by?

**Jeremy Dear:** But isn't one of those promises the percentage of the BBC's budget that is spent on the World Service? Although the BBC's budget may change from year to year as a percentage of its spending, the World Service should have no less than is spent on it at this time. Indeed, the BBC is saying they would spend more on it. Were the BBC to be successful in increasing its commercial income, for example, more money would go into the BBC World Service as well.



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**Q17 Sir John Stanley:** Leaving the present cuts situation to one side for a moment, can you both tell us, as far as your respective union memberships is concerned, whether, in the long term, you feel that your members would be better off if the World Service remained as a grant-in-aid body under the wing of the Foreign Office, or within the BBC? Depending on your answer, will you explain why you feel they would be better off in your favoured place?

**Luke Crawley:** That is not an easy question to answer, because at the moment it is not easy to tell what is going to happen when the World Service becomes part of the BBC. Obviously, you could argue that if it is inside the BBC and gets a set proportion of the BBC licence fee settlement—whatever that is—that gives it some measure of protection. Equally, you could say that if it remained part of the FCO, you would expect a Government to recognise its value and try and preserve the level of funding.

However, whichever way you go, things can happen. For example, the licence fee settlement could be reduced—it has been frozen for the next few years, but it could be reduced. Similarly, we could be facing, as we are now, general cuts by the Government across the board, which would have an impact on the FCO. To be perfectly honest, I am not sure that I can give you a definitive answer one way or another, because it is not clear to me that one is necessarily better than the other.

**Jeremy Dear:** Again, I don't think there is a definitive answer. At the outset, I set out the two principles about properly resourced journalism and safe and secure transmission mechanisms for such journalism. We would want to see whoever is funding the BBC meeting those criteria. There are drawbacks with it being Foreign Office-funded; equally, there could be drawbacks with it being BBC-funded, because of the kind of points that John Baron was making about competition for budgets. I don't think that there is a definitive answer. In 10 years' time we may be coming back and saying there is, but I don't think we know now.

**Q18 Sir Menzies Campbell:** But isn't the absence of a definitive answer absolutely the crux of this part of the debate? You have a flat licence fee for six years. You do not have grant in aid, over which we, sitting round this table, have a much more direct influence, than influence with an independent trust, whose independence is guaranteed.

It is not just a question of one element of news competing with another, because it could easily be one division—light entertainment competing against news and documentaries, or news and documentaries competing against the World Service. That uncertainty fills people like myself with considerable apprehension about where we will be in 10 years. Even accepting the sincerity of the undertakings that have been given by the Foreign Office on behalf of the BBC and the Trust, it is that element of uncertainty that cannot be eliminated, as your answer to the question makes clear.

**Jeremy Dear:** You are right to some extent, but let's not forget that the next three years' funding are nothing to do with the BBC, it is Foreign Office

funding and we are facing a 20% cut—£46 million less. Therefore, those who perhaps had some faith in the grant in aid and the FCO grant have probably lost some of it as a result of these cuts and now there will be more people who say, maybe the BBC will make a better fist of it.

**Sir Menzies Campbell:** At the moment I can ask questions directly of the Ministers responsible for that part of the Foreign Office which is responsible, in turn, for the World Service. I can approach them formally or informally. That is a much more immediate opportunity to exercise influence than it would be approaching the chairman of the BBC Trust.

**Q19 Mr Roy:** May I move on to pensions? On 26 January the Foreign Secretary said on the Floor of the House: "While any closures might be regretted, they would not be necessary at all were it not for the inherited BBC pension deficit". What did you think?

**Jeremy Dear:** I actually only read it this morning and I think it is an outrageous statement and completely untrue. Let me put it this way, it seems to suggest that there is a pensions deficit caused by people having overgenerous pensions. There is potentially a pensions deficit, although we have not had the valuation yet; it has not been finalised and there have already been changes announced to BBC pensions which will reduce the value of people's pensions. If there is a deficit in the scheme, some of us might argue that it is as a result of the BBC having had a partial pensions holiday over a 13-year period to the tune of around £1 billion. It seems to suggest, in the way it is phrased, that it is to do with workers having too generous pensions. I simply do not accept that. The BBC knew exactly what their pension commitments were, their pension commitments will be less going forward as a result of agreements that have been made; that could have been expected and therefore, I simply do not accept that argument as a reason for the cuts. The reason for the cuts is because there is £46 million less being given to the BBC.

**Luke Crawley:** Just to make a point on pensions; as we understand the figures, the contribution from the World Service to deal with the deficit is included in the proposals relating to the World Service, but the figures exclude BBC Monitoring, which we haven't really talked about. That is going to have a consequence; it could well lead to further job losses. Estimates have been made of how much will be required to deal with the deficit, but, as Jeremy said, there is no announcement yet of what the deficit actually is. There have been quite serious changes made to the scheme to reduce its costs, but the actual payments that have been budgeted for, as we understand them, could actually exceed the estimate of what's required and that would lead to further job losses, so there are still difficulties to be got through in terms of the impact of the pension scheme deficit.

**Q20 Mr Roy:** What would therefore be lost to the World Service in relation to separate provision if it has to contribute to the BBC's wider pension deficit?

**Luke Crawley:** The World Service has already budgeted for that as part of its proposal, but BBC Monitoring, based at Caversham in Reading, as we

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understand it, have not yet budgeted for that and we think that there is a problem coming when that comes over the horizon. We think that they should have done. There are lots of issues about where the money comes from, but it not as though any of this has been a secret; we have been in and around the issue of pensions in the BBC for the last eight or 10 years and in the last three or four years, it has been pretty intense, so the management there should have known what was coming down the line.

**Q21 Mr Roy:** Do you think that it's right that your members should be willing to accept a lower pension settlement to help with the BBC pension deficit if it means maintaining a better World Service?

**Luke Crawley:** I am not sure that is quite how we put it to our members when we balloted them; I don't think we put it to them that there was an issue about the cost of the BBC pension scheme and what was required to clear the deficit. It is no secret that it was an extremely contentious issue because a lot of people felt that the BBC were going back on promises that had been made in relation to past service, but, by and large, union members at the BBC were prepared to say, "Okay, we don't like this, this is definitely not what we thought was going to happen, but we are prepared to sign up to it in order to make the BBC pension scheme affordable going forward." I don't think they saw it in the context of being able to deal with possible deficits arising either in the World Service or in Monitoring; that is a completely different issue, which BBC management have to address, rather than the staff.

**Jeremy Dear:** It is also worth making it clear that we still await the valuation of the pension scheme. No final conclusion has been made until such time as that valuation report is in.

**Chair:** We are waiting for that too.

**Q22 Mr Watts:** Just to get that on the record, I think what you are saying is that the Foreign Secretary's statement was inaccurate, because he couldn't have known what the deficit was when he linked it to the savings that needed to be made in the BBC. He would have no way of knowing.

**Luke Crawley:** As far as I understand it, as I sit here now, it is not in the public domain, so if he knew about it, he would have had it from some method that is not in the public domain. Perhaps the Director-General can answer directly the question of whether he knew, but I don't believe that he could have done. I agree Jeremy, it seems not possible. But who knows?

**Q23 Mike Gapes:** Can I take you to the job losses? I have a specific question, first to BECTU. In your written submission, you expressed specific concern about impacts on those foreign language staff whose UK residence depends on their employment by the World Service. The Foreign Secretary, on the Floor of the House, said something about that on 26 January: "Ministers will want to make sure that they do not" was his exact phrase. What does that mean? Are you reassured by what he said?

**Luke Crawley:** You would probably need to address the first part of your question to the Foreign Secretary;

I am not able to see into his mind and determine exactly what he means. On the second part—whether we are reassured—well, we are a little bit reassured, but actually we require a great deal more reassurance. As I understand it, there are around about 277 people affected; that is to say, people whose residence we think depends on their World Service job. Depending on their status—not everyone has the same visa status—some would face repatriation. We believe that around half of the 277 could fall into that category. We would certainly welcome a definitive statement from the Foreign Secretary that this will not result in repatriation. His words were some comfort, as I said, but we would prefer something absolutely categorical.

**Q24 Mike Gapes:** Do you have a detailed breakdown by country of those individuals?

**Luke Crawley:** Not at the moment.

**Q25 Mike Gapes:** Do you think that there is such a list somewhere in the World Service?

**Luke Crawley:** We have to think so. There must be, yes.

**Jeremy Dear:** Yes.

**Q26 Mike Gapes:** Obviously, if you were being sent back to a democratic country it is rather different from being sent to somewhere where your status might be rather vulnerable.

**Jeremy Dear:** That is the key point. You have here journalists broadcasting news about foreign Governments, some dictatorial and tyrannical, in different parts of the world. You then have the possibility that they lose their job and their visa, as a result being sent back. I have seen the statement and it talks about procedures for dealing with such issues, which there are, because my union represents lots of people in deportation cases. We currently have one, for example, involving a Cameroonian journalist, who was very critical of the regime in Cameroon, was in prison there and beaten up, escaped, came to Britain, is now a failed asylum seeker and so is to be returned to a country that is called the biggest jailer of journalists in Africa. That has all been done through proper procedures, so our fear is that we will get some situations—it might be China, Russia or some of the countries in Africa and so on—where you have a very real danger of people being sent back to countries that can appear vaguely democratic on the surface, but actually for journalists are very dangerous.

**Q27 Mike Gapes:** You are not satisfied by the statement made by the Foreign Secretary.

**Jeremy Dear:** No.

**Luke Crawley:** No.

**Q28 Mike Gapes:** Can I take you to the wider question? What consultations have taken place between the unions and the BBC World Service management about the job losses?

**Luke Crawley:** I think I can say that they have been fairly detailed, extensive and—I have to say—over a relatively short period of time, for lots of good reasons. I think the BBC has made serious efforts to ensure that consultation is proper and adequate. At the

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moment, I don't think we would have any complaint about what is happening. We are less happy about the outcome, but the BBC is consulting properly.

**Q29 Mike Gapes:** Are you in a position to know at this stage the grades of jobs to be lost, and how many? How many of those will be at management level, of the, I think, total 480 announced job losses?

**Jeremy Dear:** I understand from the figures we have got that none is at senior management level.

**Luke Crawley:** Yet. We are not sure what senior management level means. As far as we have figures, I believe that in this round of cuts, nothing proposed is at senior management level.

**Jeremy Dear:** We have them broken down almost into types of jobs, such as editorial and technical, rather than all the grades at this stage, because we are still in a consultation process.

**Q30 Mike Gapes:** Do you know the specific posts and individuals? Or is this more general?

**Luke Crawley:** It is a mixed picture because in some cases, there is only one person in the post—a singleton post—and that is obviously going to be closed. In other cases, they are reducing the number of hours rather than closing the whole service. So let's say that there are 20 producers, for argument's sake, and they are going to lose 10 or five. There has to be a selection process. It is less easy to be certain about exactly who is going to be affected at this stage.

**Jeremy Dear:** And where it is a whole-language service, it is clearly different from reducing the number of jobs in a larger news room.

**Q31 Mike Gapes:** You can't easily transfer someone from one language service to another language service because of the particular skills.

**Jeremy Dear:** Generally, there are strong redeployment policies across the BBC, but it becomes more difficult when it is a language service.

**Q32 Andrew Rosindell:** The NUJ suggested that one solution to the cuts to the BBC World Service would be for DFID to step in and use some of their

seemingly vast resources to ensure that cuts do not take place. That has been supported by my colleague, Andrew Tyrie. Could you tell us how, if that were to happen, it would affect the accountability and independence of the BBC World Service? Would DFID have too much influence, if they were funding it?

**Jeremy Dear:** It is certainly not asking DFID to fund the whole of the World Service.

**Andrew Rosindell:** Just to plug the gap.

**Jeremy Dear:** Yes. The point we are making is that with their budget increasing by an average of £3.5 billion a year, less than 1.5% of that average annual increase, which would be about £50 million, the equivalent of what is being cut from the World Service, could be used. Clearly, it could only be used where the World Service is carrying out work that is compatible with overseas development assistance goals. Quite clearly, a lot of it is already being done, in bolstering fragile states, enhancing democracy and media freedom. I don't believe it would give DFID any more of a say over what the BBC World Service did than it would give the Foreign Office through the grant-in-aid. There are mechanisms that can be put in place to ensure that they don't have any more say over it. We are talking about the period of three years until the BBC takes over funding of the World Service.

**Q33 Andrew Rosindell:** Have you discussed the proposal with DFID? Have you put it to them? What reaction did you get?

**Jeremy Dear:** We haven't. I understand that the BBC has, and I understand that a number of MPs have also had discussions. I also understand that the Secretary of State said that he would look at it and have discussions with his colleagues in DFID about the possibilities. I am not aware that any definitive conclusions have been reached, but it is certainly something that you as MPs are in a better position to press than we are.

**Chair:** May I thank you both very much? You have been very frank and open with your views, and it is much appreciated.

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*Witnesses:* **Peter Horrocks**, Director, BBC World Service, **Jim Egan**, Controller, Strategy and Distribution, BBC Global News, and **Richard Thomas**, Chief Operating Officer, BBC Global News, gave evidence.

**Q34 Chair:** We now turn to the management of the BBC World Service. I give a warm welcome to Peter Horrocks, who is the Director, to Richard Thomas, who is the Chief Operating Officer at BBC Global News, and to Jim Egan, who is the Controller of Strategy and Distribution at BBC Global News.

Peter, you have been here once before and spoken to us. Is there anything you would like to say just to bring us up to date, before we get into the questioning?

**Peter Horrocks:** Thank you very much, Chairman. Briefly, by way of introduction, I was here in November and at that stage it was only possible to speculate about the nature of the changes that the World Service would need to announce. Clearly, we have announced our specific changes since then.

More importantly, I want to draw the Committee's attention to developments in the world—after all the World Service is about responding to the world—and in particular what has been happening in the Middle East and North Africa. I am sure that members of the Committee will have seen the intrepid reporting by people such as John Simpson and Jeremy Bowen, but I want to briefly mention the work of the BBC Arabic service.

In recent weeks, we have seen the crowds gathering in Tahrir Square. They set up a makeshift projection system to be able to watch the BBC Arabic television service. Again, in the protests in Bahrain a similar thing was set up. Recently, on the border between Libya and Tunisia, again people were watching BBC Arabic. That's because of the trust that BBC Arabic

has with the audience in the Arabic world, through the history of Arabic radio and the developments that there have been in television and in online recently that have built that trust. It is that relationship which is so precious to us.

You can see through the Arabic service, through both the traditional delivery through radio—we are retaining and sustaining the shortwave for radio—as well as the investment in television and online, whose figures have doubled in recent weeks, the importance of and the need for what the World Service does. The struggle that we have had in recent months is to strike the right balance between the traditional delivery and what was being discussed with the previous panel—delivery through radio, which remains vitally important—and our ability to invest in the future. That is what we have been working through with the Foreign Office.

I have no doubt that the Foreign Secretary personally is hugely supportive of the World Service. He has said that repeatedly. Our dilemma has been that with the resources that are available in the current economic and financial circumstances, we are suffering damage to our existing services and, of equal importance to me, we are not able sufficiently to invest in new services for the future that can maintain the strength, quality and reputation that are important to our audiences, but also reflect so well on Britain.

We very much welcome the Committee's investigation of this issue, to assess whether the level of resource is correct, whether all the right sources of funding have been explored and whether the right choices have been made in these very difficult circumstances.

**Q35 Chair:** Thank you very much indeed. That is very helpful. You were originally asked to look at a 25% cut, and you eventually ended up at 16%. When was that decision made? When was agreement reached, as it were? And do you think it is fair, in the light of the fact that the Foreign Office is having a 9% cut in real terms?

**Peter Horrocks:** We were asked to do a scenario of 25%. It wasn't a question of 16% being agreed; it was clearly a decision that was ultimately made by Ministers, and we were informed about it some weeks before the announcement of the comprehensive spending review on 20 October.

When I originally spoke to the Committee, we were in the position of having the information that was provided by the Chancellor to the House, which described an overall Foreign Office settlement of a reduction of approximately of 24%. Certainly at that point, the comparison was between the World Service's 16% and that broader figure. However, through the investigations of the Committee and your report, it has become clearer. The figure that I recall from the evidence is that there is a 6% real terms reduction for the FCO budget, so the strict comparison is between 6% and 16% for the World Service. Clearly the difference in that number speaks for itself. The Foreign Office has explained the rationale for that, but there clearly is a discrepancy, and the reference to the FCO family is the fact that different members of the family have clearly been treated in different ways.

**Q36 Chair:** Did the Foreign Secretary personally intervene in the discussions leading up to the final decision?

**Peter Horrocks:** I do not know. There was a meeting that the Director-General, the Chairman and I had with the Foreign Secretary immediately before the announcement of the settlement, but otherwise my dealings were primarily with officials and the Permanent Secretary.

**Q37 Andrew Rosindell:** The service closures to the BBC World Service that are being proposed are quite devastating, particularly in areas of the world such as the Caribbean, where we still have a huge amount of interest in countries and territories that still look to Britain. How did you reach the conclusion that the Caribbean and other parts of the world should be targeted for the cuts?

**Peter Horrocks:** I should say that none of the services that the BBC proposed for closure were any that we regarded as involving a simple or light decision. They were all significant losses for each of the audiences in those areas. However, given the extreme financial pressure we were under, we needed to make choices. The consequence of retaining all of our services would have been a degradation and thinning out of the quality of our whole operation, which we judged would in the end lower the BBC's reputation and be a reflection on Britain. We therefore had to look primarily at the need as well as the cost-effectiveness in each part of the world we serve. As an illustration, you are absolutely right that there is a strong connection between the UK and the Caribbean. However, economically the Caribbean is developing reasonably well and there are free media generally. And interestingly, since the BBC announced the closure of the Caribbean regional service, we are still serving our global English to Caribbean audiences.

A number of islands, broadcasters and media organisations have got together and said that maybe the Caribbean should itself be providing a regional service, rather than its needing to come from Britain. That is a signal that those economies and societies are in a position to provide such a service. But more generally, it was a question of the need for the World Service in the context of the tight financial framework that we were working within.

**Q38 Andrew Rosindell:** Which area of the service that is being cut do you regret cutting most? Is there any particular area that you feel should, on reflection, perhaps be reviewed, or is what you are going to do set in stone?

**Peter Horrocks:** It is not entirely set in stone. In terms of our distribution to the Arabic region, we have adapted our radio changes and are sustaining our shortwave and mediumwave more than we originally intended. The Committee might be aware that the other area where we have made an adjustment is in our Hindi service. We have not been able to relieve the shortwave service entirely, but we have had a number of approaches from commercial partners in India, and in order to give ourselves the time to explore that—it is by no means certain—we have said that we would sustain an hour per day of our Hindi

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shortwave service for a year to be able to establish those alternatives. Those are two examples where we have been flexible and responsive. However, I should make it clear that those have been absolutely about squeezing budgets that might otherwise have been used for other things, and there is not significant further room for flexibility within the resources we have available.

**Q39 Andrew Rosindell:** How about Tamil language in Sri Lanka, bearing in mind the fact that they have just gone through a horrible war? Are the potential cuts there being reviewed?

**Peter Horrocks:** We are sustaining the Tamil and Sinhala services in Sri Lanka, and there are small changes there, as there are for all of our services. All of our services are having change of one kind or another. However, I do not believe that the overall effectiveness of the two services to Sri Lanka will be seriously compromised. Of course, we keep all our services under review. As I made clear in my introductory statement, responding to events is the name of the game for the World Service. It is not about having a completely fixed pattern; if political circumstances change, we respond to them.

**Q40 Andrew Rosindell:** I know you have to look at cuts, but overall do you not believe that reducing essential services to parts of the world will reduce the very good and reliable reputation of the BBC World Service to parts of the world which we have traditionally shown enormous interest in and valued? Do you not think that will undermine our reputation, not only as a country but your service?

**Peter Horrocks:** It clearly will, and there will be damage. I do not believe that this is about the death of the World Service. Some of our critics, and some people expressing concern as supporters, have used that language, but I do not think that is what this is about. However, the World Service will be damaged. We are less able to carry out our mission for our audiences and for Britain than we were previously. It is my job to make the best of the funding available and to continue the argument—I hope we will come on to this—about whether there may be potential ways of mitigating, or being able to invest further for the future. I absolutely do not want us and the team within the World Service to talk ourselves into thinking that the World Service will no longer be strong. It will be strong. It will still have a strong reputation and it will still be the most significant, most reputable international news organisation in the world. It will just be less effective than it has been, and it is being damaged.

**Q41 Rory Stewart:** To what extent did you really get the kind of support you should have got from the management, the Trust and the Foreign Office? It seems to me that you were in a pretty bounced and exposed position. You've just told us that you didn't quite know until quite late in the day what the scale of the cuts was and how you compared. Were you getting the support that you needed?

**Peter Horrocks:** I think I need to divide that up into the two different aspects of your question in terms of

governance and the various aspects of the BBC. We made our case to the Foreign Office as strongly as we possibly could. Clearly, under the financial circumstances in which the whole of Government are operating, there were some difficult decisions to be taken. I think that the Foreign Office is in a business that's different from the BBC. It's different from broadcasting. That understanding of the nature of the choices that we needed to make is not something that the Foreign Office is that well set up to be able to deal with. Referring to the questions that were asked of a previous witness—we may come on to this—I think that being funded by and strategically directed by the BBC is the right thing to do, because it is about broadcasting activity rather than about the representation of the UK.

In terms of practical support from within the BBC—I have explained to the Committee previously that the idea of licence fee funding was something that I personally supported, and I believe that we can have an integrated approach to our news operations while still delivering for our international audiences—I will draw the Committee's attention to the funding that the BBC has provided for the costs of restructuring. One of the things that we faced in the various scenarios that we looked at was the possibility of cutting 20 or more services, and that was in the face of the non-availability of funding for restructuring from HMG. The BBC, although it is not required to under the terms of the recent licence fee settlement, has provided £20 million to pay for the restructuring costs. The Foreign Office has offered, but has not yet approved or agreed, £3 million of restructuring support, which the Foreign Secretary referred to in his statement on 26 January. That has not yet been agreed. In terms of practical ways of helping the World Service through this period, the BBC has certainly come to our assistance, and we have heard reference to the statement that the Director-General has made about his intention to improve the funding from 2014 onwards.

**Q42 Rory Stewart:** Is there any lesson for the Foreign Office? Is there anything that the Foreign Office could do better if it was in this situation again?

**Peter Horrocks:** It probably isn't going to be in quite the same situation again, but clearly there is three years' further funding, and perhaps we will come on to that if I have questions about the potential for development funding. It's an example of thinking about Britain's assets across Government as a whole. I absolutely understand why the Foreign Office wanted to support the budgets for its embassies. There has been erosion there, and there was clearly a strong need to support the activities of the Foreign Office. On the thinking between the Foreign Office and DFID, and the ability to consider UK assets across the piece, which is something that the Government has said that they want to do, it would be helpful if that was easier to be able to achieve, and perhaps we can address that if we talk about the issue of development funding.

**Q43 Mike Gapes:** Can I take you back to your remarks about the Hindi service? As I understand it,

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the announcement on 7 March was simply for a one-hour evening broadcast for a year while you explore other options. Is that correct?

**Peter Horrocks:** That is correct, yes.

**Q44 Mike Gapes:** Given that you had 10.9 million listeners to the shortwave service in Hindi and the broadcasts via the internet audio service, why was a decision taken to close the Hindi shortwave service?

**Peter Horrocks:** It was largely taken because of the very rapid falls that have been happening in shortwave listening in India—very steep declines in recent years. However, it was made earlier. It was a change that was required because of the financial circumstances, but was ahead of what we would ideally have wanted to do. We would like to be able to be broadcasting on FM in India. We are not allowed to because of regulatory conditions. We would like to be in a position to be able to provide low-cost television programming, and we wanted to get those new things in place before cutting. However, financial circumstances have meant that we need to make significant savings, which was the primary reason for losing the Hindi service.

**Q45 Mike Gapes:** On the figures you have given us, you are basically saving £680,000 and losing an audience of nearly 11 million. There seems to be an incredible loss of audience. You have 180 million globally?

**Peter Horrocks:** Yes.

**Q46 Mike Gapes:** And you are losing 11 million of them. It seems unbelievable that this decision was taken. Now, clearly, there is a public outcry and you have moved a little way back. I just do not understand. You cannot broadcast through FM because of the restrictions to which you referred. Russia and China are apparently increasing their broadcasts in Hindi. India is a major Commonwealth country. It is a major partner. It is a priority for our Government in business and trade connections. It is a potential member of the Security Council. This just seems a perverse decision.

**Peter Horrocks:** The audience has been falling by more than the 10 million figure organically because of the change in listening habits. As I said, the decision was required because of the scale of change and reduction we needed to make, but it was earlier than was ideal. Jim Egan's team look at all our distribution issues and they were very involved in the analysis that led to the decision. You might want to add something, Jim.

**Jim Egan:** We have a very active strategy in India, which is in Hindi, the English language and some other vernacular languages. As Peter said, the shortwave audience has been dropping significantly; it dropped by 5 million last year.

**Q47 Mike Gapes:** Can you give us some figures? Will you go back four or five years and tell us what the audience was, and how many you are losing each year? We then might be able to get the sense of it.

**Jim Egan:** In 2007, the audience was 19 million. Last year, it dropped by 5 million from just under 16 million to just under 11 million. The shortwave

audience has clearly been going down, as people have other choices about how they access news and information in India. We have had a very active strategy working with mobile companies, with emerging internet companies in India and so on, together with a FM radio strategy whereby we are available in a large number of cities in India, but we are not able to provide news services. As Peter has indicated, it was a decision that we were probably going to make in the next few years, given what has happened to shortwave audiences, but it was something that was required of us because of the financial circumstances that we are operating in.

**Q48 Mr Watts:** I want to be clear. It seems that there has been a dramatic drop in short band, and you have plans to move into different areas to compensate. Is it the case that you are not doing that, and that you are actually losing a big chunk of your previous listeners. You have lost 10 million, but you have already lost 10 million over the last five years. So that is 20 million.

**Jim Egan:** Ten million shortwave listeners have been lost in India.

**Q49 Mr Watts:** So that is 20 million you will no longer cover in any way.

**Jim Egan:** Well, we are not covering them by shortwave. There are still mediumwave broadcasts going into India. There is explosive growth in the availability of mobile phones, which are used not just for reading texts but for listening to radio services. In Bangladesh next door, for example, more than half of our FM radio listening is now via the mobile phone rather than via the transistor radio. Nokia is now the world's largest manufacturer of radios and mobile phones.

**Peter Horrocks:** We are adapting the response of our audiences, and also crucially from commercial partners. It is very striking that people have come forward and said that they are prepared to put money into partnerships. Given the scale of change, there was always bound to be a need for some adaptation and we are responding to that. It is partly the response from audiences in the UK and also that commercial response. It was inevitable with so many changes that there would be some things that we would need to adjust. I am happy to acknowledge that.

**Q50 Mr Watts:** If you look back, 20 million people were receiving news from the BBC who now will not be receiving news from the BBC.

**Peter Horrocks:** There has been a fall in the audience which has happened irrespective of BBC changes. If we had entirely shut shortwave, we would have lost another 10 million. We have now said we will sustain an hour a day to keep that going, in order to explore some alternatives.

**Q51 Mr Watts:** For one year?

**Peter Horrocks:** Yes.

**Q52 Mike Gapes:** Mr Horrocks, when you spoke to us in November, you referred to a restructuring plan

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that would save £46 million by the end of the period before you were transferred to the BBC. Can you give us some idea of the timetable for the implementation of this restructuring plan?

**Peter Horrocks:** The bulk of the changes have now been announced. As to the changes to our language services in particular, and the bulk of the changes to our English network schedule, we will seek to make further savings once our operations have moved into the new Broadcasting House headquarters. I think approximately two thirds, maybe more, of our savings have already been announced.

**Richard Thomas:** The announcement was made on 26 January. The savings we put on the table then were worth roughly £30 million, so that is roughly two thirds of the £46 million we need to save over the three years.

**Q53 Mike Gapes:** So you are front-loading the changes?

**Richard Thomas:** We are.

**Q54 Mike Gapes:** You also said that essential services will remain unaffected. What do you mean by “essential services”?

**Peter Horrocks:** Our priority services: the Arabic service and our services to sub-Saharan Africa, Afghanistan and Pakistan, where our largest audiences are. They are not entirely unchanged, but their ability to deliver a quality service is being sustained. As I have acknowledged, it will clearly be eroded in some way, but the overall reputation of those services will be sustained.

**Q55 Mike Gapes:** Isn't India, with more than a billion people, and the Hindi language, a priority in terms of languages and of sheer numbers?

**Peter Horrocks:** India is a very mixed country, isn't it? There is the new India, economically thriving, and we have certainly got a strong offer to them through our World Service English, through BBC World News and through our online, in both English and Hindi. We have already talked about the judgment we made about shortwave and the adaptation we have made in relation to that.

**Q56 Mike Gapes:** Can you summarise where we will be after you have implemented these cuts, both the £30 million you have already announced and the rest of them? What services will you be providing in terms of shortwave, FM or internet?

**Peter Horrocks:** Clearly, the picture is very detailed—

**Q57 Mike Gapes:** Have you finalised it yet?

**Peter Horrocks:** For the first two thirds of those savings. Most of the savings in the final period are more about how we work in the new headquarters, as opposed to editorial delivery changes. However, I can't rule out those. But we can certainly provide for the Committee a clear description of all our remaining

services, the countries that we are serving and on which platforms we provide those services. If I can summarise that in more general terms, clearly there are reductions and withdrawals: the five services we are fully closing, and a number of services where we are maybe not providing radio or shortwave. However, the World Service will still be a global service. We still have the ability to generate journalism from all round the world, and we have the ability, through a variety of platforms—especially in English, but also with sustaining 27 languages—to still be a strong global service. We will be strongly competitive. We will still have the largest overall reach across the BBC's global news services of any international news broadcaster, and we believe that we will still have the strongest reputation. But it is hard to sustain that in the context of those £46 million savings.

**Q58 Sir John Stanley:** Mr Horrocks, I want to return to the point that I raised with the trade union representatives in the earlier session. Perhaps you could spell out a bit more to the Committee why you feel that the World Service will be better off within the BBC, as opposed to grant-aided by the Foreign Office. I want to provide a specific illustration of the important general point that Sir Menzies Campbell made in the earlier evidence session, which is that, by virtue of the change, you lose what could prove to be a critically important degree of parliamentary protection. If you cast your mind back to the time when the previous Conservative Government imposed significant cuts on the BBC World Service, it was the action of this Committee and all-party Back-Bench MPs, who rode to your rescue, that got a substantial reversal of the then Government's cuts. In your present situation you will not have that protection. Is it not a real fear that within the BBC you could be slowly shrivelled and silently shrunk? Here, we will not be able to ride to your rescue.

**Peter Horrocks:** Sir John, if that protection that was offered previously, which my predecessors clearly appreciated, was applied again and there was parliamentary support, which changed what we have been discussing, I have no doubt that I might revise my view. The situation I am in at the moment, however, is that under the current mechanism there has been the significant change that we are discussing. As I explained to Mr Stewart, in terms of the immediate difficulty that we face—the cost of restructuring—the BBC has been supportive when it is not required to be, to the tune of £20 million. The Foreign Office has not yet agreed the £3 million that it has so far offered. That is just a measure of the difference in perspective of our potential funders.

I appreciate the parliamentary support that we have received, and I hope that in any new dispensation that would continue to be expressed. Clearly the mechanisms would be different. It is important for the BBC—this is primarily the responsibility of the BBC Trust—to put in place protections or guarantees, but, most importantly, it should be able to define what the World Service should be. What need in the world is it responding to and how, in delivering that, does it

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reflect well on the UK and the UK's long-term national interests, rather than its short-term foreign policy? The BBC Trust is discussing and working on how it would do that. I am sure an element of accountability to Parliament and mechanisms will be an aspect of that.

I return to the point I made previously. The world that broadcasting is now in is not the straightforward world that it used to be, with the delivery of radio service through one mechanism, through shortwave. It is now a highly complex set of relationships with audiences through online, through social media, through quite difficult changes. The BBC has been, in the UK, world beating in transitioning from the old linear world to the digital world. My colleagues on the BBC executive have enormous experience of dealing with that and the difficult judgments that are involved in those transitions. The Foreign Office, for perfectly understandable reasons, does not contain that expertise and does not have the understanding of the broadcasting business that the BBC has.

As long as the understanding of the need for the World Service is there, and the BBC Trust puts in place the right mechanisms, and has a way of being able to assess the difficult judgment between the delivery of services to UK audiences and the delivery of services to international audiences—I appreciate that that is difficult to resolve—I believe that we will be in a better position, not least because of the experience of recent months, when it has been difficult to share with the Foreign Office the judgments that I have been outlining through the course of my evidence.

**Q59 Mr Baron:** Can I return to the question I asked previously, on the business of protecting the World Service budget from raiding to fund other BBC activities? Mr Horrocks, when you were before us previously, you said that you were looking at the mechanism. Can you update us as to where we are on that?

**Peter Horrocks:** This may well be something for you to ask the Director-General about as well. Ultimately, I believe that this is primarily a BBC Trust responsibility. Just to refer to how the BBC Trust manages the balance between different services, it is already used to dealing with asymmetric services, for example, much larger, expensive services such as BBC1 versus local radio services or vernacular UK language services. It defines a licence for each of those services, and the BBC management is then only allowed to adjust within a narrow margin once those service licences have been set. As I understand it, the BBC Trust is considering an overall service licence for the World Service, which will describe the nature of the need and the broad nature of the response that the BBC should make to that need in the world.

That would sit under the BBC's purposes, which are its ultimate objective. The particular purpose of the World Service is to bring Britain to the world and the world to Britain. That may be redefined or adapted, or the supplementary language in relation to that may be adapted in order to reflect the World Service's particular mission. The BBC Trust is considering, I believe, the right mechanisms in terms of a particular trustee who might take responsibility. Those matters

are in discussion at the moment and are not yet determined, but they are the broad range of mechanisms that are being considered.

**Q60 Mr Baron:** There has to be flexibility in this, if only because of world events, and so on. But you have said, Mr Horrocks, that that would be subject to revision—or might be in future. It still lays open the possibility that the budget could be raided for other BBC programmes and activities. We have talked before about ring-fencing as a possible option, and percentages of the overall BBC budget, and so on. I know the indications are very early, and we will ask this question to the Director-General, but what would you like to see? How can we best protect the World Service?

**Peter Horrocks:** The most important thing is the statement about what we should be delivering and how we respond to the world—the World Service's mission. There should be a mechanism for that within the BBC Trust, which might be an individual who has responsibility and is charged with ensuring that it is carried out. That is the most important thing for me. Within the licence agreements the protection will be there. It will not be possible under those mechanisms for the budget to be raided month by month or year by year. Clearly, there is a strategy-setting process—possibly at each charter review—but those mechanisms are in place for ensuring expenditure on specific services. So those are the things that I am most looking for.

**Q61 Mr Ainsworth:** You were in the room when my colleague, Frank Roy, was asking the trade union representatives about the pensions issue. Are you now in a position to clarify—you couldn't before—what the effects are of the pension problem dispute on funding of the World Service?

**Peter Horrocks:** The provision that we indicated to the FCO of £13 million remains our current best estimate. We will have updates on that within the next few months, but that agreed figure between us and the FCO remains the position. Richard, do you want to amplify?

**Richard Thomas:** The negotiations with the pension fund trustees are ongoing and we are not expecting a final announcement on that until June or July. But all the indications are that the £13 million estimate in our budget that we gave to the Foreign Office is still the right number.

**Q62 Mr Ainsworth:** Let's clarify the situation, because you, Mr Horrocks, told us that ongoing "like-for-like savings" would mean that a 25% reduction would be needed by 2014–15. The Foreign Secretary told us back in October that the 16% figure included "additional funding for the World Service's element of the BBC pensions deficit." Which of those statements was true?

**Peter Horrocks:** It is included within the settlement—Richard, perhaps you want to explain.

**Richard Thomas:** The 16% figure is the difference between the income that we are getting at the beginning of the period and at the end. Within that 16% we have to find the money for the pension



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increase. The other way of looking at it would be, we have a 25% cut and we have put money back in for the pensions and for new investments of about £10 million.

**Q63 Mr Ainsworth:** The cut between now and 2014–15 will be 25%.

**Richard Thomas:** Yes.

**Q64 Mr Ainsworth:** And how much money was included in the agreement that you reached with the FCO?

**Peter Horrocks:** £13 million for pensions provision and there was an allowance for £10 million of new investments. However, and we may wish to turn to this, we feel we should not invest up to that level at this stage because otherwise we will be cutting even more deeply. In relation to the pensions, the £13 million does not improve our position in relation to 16%.

**Q65 Mr Ainsworth:** The effective reduction between now and 2014/15 is 25%.

**Peter Horrocks:** Yes, to our existing services there is a reduction of 25%.

**Q66 Mr Ainsworth:** Is it true that you took a partial pensions holiday of £1 billion over 13 years?

**Peter Horrocks:** That was not a World Service decision; that was a matter for the BBC as a whole. So I was not involved with that but it may be something you wish to ask the director general.

**Q67 Mr Ainsworth:** Is there any requirement on the World Service to cross-subsidise the wider BBC pensions deficit problem?

**Peter Horrocks:** No, we are part of the BBC. All of our staff work interchangeably across the BBC. We are part of it and we get our fair share of the ups and downs of that scheme.

**Q68 Mr Ainsworth:** So are you protected from those potential wider problems in the BBC?

**Peter Horrocks:** There is one way in which we have had further support from the BBC within this three-year transition period, before we come into full licence-fee funding, as well as the restructuring money which I have referred to previously. We are not having to pay the full amount once that £13 million charge becomes due until later on. There is a two-year period when our deficit repayments are significantly reduced by the support of the BBC. So it is another way in which the BBC, prior to this transfer to the full licence-fee funding, is supporting us and allowing us to smooth those pension-deficit repayments over a longer period.

**Q69 Mr Roy:** You will remember I asked the Foreign Secretary whether workers here on work permits would be sent home. Were you assured by the answers that he gave me in late January in relation to those 277 people?

**Peter Horrocks:** I was and I appreciated that you raised that issue with the Foreign Secretary. We are still in the relatively early stages of the process of

losing the staff who unfortunately will need to leave. We have done the analysis of the numbers of people who are on various different visas and permissions to remain and, for reasons that the unions explained, we do not know yet exactly who will be in the frame, but so far the assurances from the Foreign Secretary are very helpful. As we get nearer to identifying individuals, we will be able to assess whether that is working in terms of the response from officials within the Border Agency and Home Office and so on.

**Q70 Mr Roy:** In relation to who will be in the frame and who will not be in the frame, what grades will be in the frame as opposed to what individuals? What are the grades of those among the 480 who will be losing their jobs?

**Peter Horrocks:** Of the ones who might be on a visa?

**Mr Roy:** Total job losses.

**Peter Horrocks:** Right across the whole range—

**Mr Roy:** Is that equal? Is that 10, 20 and 430 or is it 150, 150 and 150?

**Peter Horrocks:** There are smaller numbers of senior staff than junior staff but the changes across the World Service over the course of the last year and looking ahead over this period are spread. Already, senior management has taken a reduction of 25% in line with the overall BBC target for reductions in senior managers. We carried those changes out in advance of the announcement of the settlement, which is one of the reasons why the union was right to say there are no senior management changes as a result of the settlement because we made those cuts first.

**Q71 Mr Roy:** So that has already been done in the past.

**Peter Horrocks:** It has been done immediately before.

**Q72 Mr Roy:** That is not what we are asking. What I am asking now is in relation to the 480. For example, how will the BBC management numbers be affected?

**Richard Thomas:** I had a look at the split by grades and, if you look at grades 9 and above, which is where people start getting management responsibility, 15% of the post closures were within that category. When you compare that to the spread in the total population it came out at 15.6%. So it is roughly in line with the spread between management and non-management.

**Q73 Mr Roy:** So that is an 85/15 spread. Is it the same spread between management and other grades?

**Richard Thomas:** Yes, one was 15% and the other was 15.6%, so it was pretty much in line.

**Q74 Mr Roy:** Therefore, it is 15% of the 480?

**Richard Thomas:** Yes. We can give you a breakdown by grade, if that would help.

**Q75 Mr Roy:** Is that junior or senior management?

**Richard Thomas:** It is all management. Grade 9 would be quite junior.

**Q76 Mr Roy:** How do you split between junior or senior management?

**Richard Thomas:** I can give you those figures if you like. I don't have them with me today, just the split between managers and non-managers.

**Q77 Mr Roy:** I'd be grateful for that.

In relation to the turmoil in the Middle East, do you regret announcing the loss of 60 jobs in the Arabic section?

**Peter Horrocks:** Of course; I regret all the job losses. It is a huge loss of talent and colleagues across the piece.

**Q78 Mr Roy:** Do you regret it more than the rest, based on what has been happening?

**Peter Horrocks:** Clearly, when something happens immediately after a decision that you've announced, you are concerned about how effectively you will be able to respond. If these changes had happened six months earlier, we clearly would have had fewer journalists in Egypt; for instance, the radio journalists who have been brilliantly contributing to our coverage. You may have used the BBC live page on News Online, which has this amazing updated rolling information about what's happening in North Africa. A large amount of the information in that is being provided by the BBC Arabic journalists, so, of course, losing that number of journalists would mean that we are less able to cover that story.

**Q79 Mr Roy:** Based on those circumstances, is there not a case for a rethink on those numbers?

**Peter Horrocks:** This is where it is difficult to take a strategic view as well as being responsive to events. If I were to say we will rescind all those job losses within the Arabic service, I would have to find another 60 posts across the piece and that would be very significant; the Arabic service is one of the largest. We are in constructive discussion with the Foreign Office about an initiative which has been announced, called the Arabic partnership initiative, covering potential interventions across a range of UK activities—educational, cultural, etc.—to respond to the changes that are happening in the Arabic-speaking world.

The BBC has put forward proposals, both for broadcasting and also to support the change in media organisations. State broadcasting in Egypt, for instance, will be going through huge transformation and we believe the BBC can play a vital role in that, and with our colleagues in the BBC World Service Trust, we are putting forward proposals to be able to respond to that. We hope that if there is some funding available from that, we may be able to alter some of those job losses within the Arabic service to provide the programming that will help the Arabic-speaking world to understand and discuss the changes to its society that it is going through.

**Chair:** Mr Horrocks, we have four subjects we still want to discuss with you. I would be grateful if you could keep your answers brief.

**Peter Horrocks:** I shall try to tighten up Chairman.

**Q80 Rory Stewart:** Most of us around this table are very excited at the idea that you might get some DFID funding that might be able to fill some of the gaps.

How far have you got with putting together proposals on welfare, poverty and all the other indications required to qualify for DFID funding?

**Peter Horrocks:** Our submissions to the Foreign Office, which were also shared with DIFD, identified clearly our priority proposals, which were Pakistan, Afghanistan, sub-Saharan Africa and Bangladesh. They were all defined in a way that would make them absolutely susceptible to being scored as ODA and we have defined them in those terms. We have also had, through the settlement letter from the Foreign Office in relation to our existing activity, a requirement that £25 million of our existing expenditure should count towards development. However, we did not receive any extra funding for that. Other parts of the FCO family have received transfers of funding, as we understand it, and your fellow Committee, the International Development Committee, looked into this and identified that £60 million had been transferred from DFID to the FCO family, including a substantial amount for the British Council.

We understand that a determination has been made—it is in the settlement letter—that says that £25 million of expenditure is granted on the basis that it will support economic development, because free and independent media help counter corruption and sustain governance. What we haven't established is whether there is potential for that money to be extra, as opposed to it just being counted something we are already doing. We are pursuing both existing activity and potential new services.

**Q81 Rory Stewart:** Can you give us a sense of deadlines—when you could get an answer, what you will bring together and how you will make sure that you do get the extra money? Presumably you are right, that that £25 million isn't extra money at all; you will have to find something else.

**Peter Horrocks:** We are making that case in relation to the existing activity and the potential future activity as vigorously as possible. We have been speaking to officials in both the FCO and DFID about it over many months. Clearly, how that is responded to and the time scales are a matter for Government rather than us. Of course, the sooner we know if there is any potential through this route will be very useful in being able to adapt the changes which we have been discussing.

**Q82 Rory Stewart:** So no indications as yet.

**Peter Horrocks:** No. You have been talking to some officials, haven't you, Mr Egan?

**Jim Egan:** It is correct that there are no indications yet. The two questions are, I suppose, whether the activities of the World Service could count towards Britain's international development effort at all and, secondly, whether there is any additional funding available for us.

On the first question, there was a clause within our settlement letter from the Foreign Office, which stated that funds are provided "to the BBC World Service in order to provide impartial and independent news services as a developmental good to DAC list countries." In the eyes of the Foreign Office, at least,

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it appears that some of the activities of the World Service qualify.

As Peter said, in our submission to the spending review 2010 process, we identified new activities of £25 million a year, which we think could contribute. All that has happened so far is that £25 million of our existing activities appears to have been rebadged as ODA-scorable, if I may put it that way. We continue to think that there is an interesting case both for ourselves and for Britain more broadly, but at the moment we are not engaged in an active bi-departmental process, if I may describe it that way, that is likely to lead to a resolution.

**Q83 Sir Menzies Campbell:** So far we have not mentioned BBC Monitoring at all. What assessment can you give the Committee of the impact upon the capability of BBC Monitoring as a result of the cuts proposed in its financial arrangements?

**Peter Horrocks:** Its cuts are more severe than those of the World Service. As was referred to earlier, it was not provided with any specific funding in relation to the costs of the pension deficit. It is having to withdraw activities. It has already announced a cuts programme.

I think we can work more effectively with BBC Monitoring in providing editorial information to BBC services. Again, in our coverage of the Arabic story, BBC Monitoring has been playing an enormously important role. I know that the United States has expressed concerns about the changes to BBC Monitoring—

**Q84 Sir Menzies Campbell:** The Secretary of State, Mrs Clinton.

**Peter Horrocks:** The Secretary of State has also noted the changes to the World Service. The US Administration are admiring of these UK soft power assets and, I think, are surprised by the changes. Undoubtedly, the changes to BBC Monitoring are difficult.

The last thing, which I have been made aware of very recently, is that there is some suggestion from the Cabinet Office that its financial settlement to BBC Monitoring, which we assumed had been fixed as part of the licence fee settlement, is being adjusted—adjusted downward—which would make the cuts to BBC Monitoring even more difficult.

Under the terms of the BBC's overall licence fee settlement, there is a commitment by Government not to put any extra financial obligations on to the BBC. We think it is important that that is stuck to. But even that position is a reduction in funding for BBC Monitoring that is certainly very difficult to cope with.

**Q85 Sir Menzies Campbell:** As I read that assessment, the capability of BBC Monitoring is liable to be very substantially damaged.

**Peter Horrocks:** It will certainly deteriorate, yes.

**Q86 Sir Menzies Campbell:** BBC Monitoring of course fulfils certain national responsibilities—without going into detail—using open source monitoring that provides information for institutions whose responsibilities are the defence of the realm.

**Peter Horrocks:** It does. It is a BBC editorial service, which operates under BBC editorial guidelines, and, as you say, it is all about open information. In the agreement that the BBC entered into with the Government, mechanisms were to be put in place to ensure that continued flow of information, even though the funding would be coming from the licence fee. Up to now, generally, the interests of Government and the journalistic interest in countries tend to coincide. The places that are hot spots in the world are of interest from an editorial point of view as well as from other perspectives. We believe that it is possible to keep that consonance of interest, but with a different funding mechanism.

**Q87 Sir Menzies Campbell:** But the volume of the flow depends on the capability of the organisation, doesn't it?

**Peter Horrocks:** Of course it does, and that is changing. That is not part of the licence fee settlement at all, but part of the existing changes that are being made by the Cabinet Office, which, as you are aware, has a stakeholder relationship. It holds the ring for various aspects of the Government and the BBC. That is the funding they have provided, I'm afraid.

**Q88 Sir Menzies Campbell:** Does monitoring fall under your responsibility?

**Peter Horrocks:** It does.

**Q89 Sir Menzies Campbell:** How would you characterise the future prospects of BBC Monitoring?

**Peter Horrocks:** Within the licence fee, I am sure that the BBC will be supportive of it, but it will be at a deteriorated, lower level of provision than was the case before the recently announced cuts.

**Q90 Sir John Stanley:** China is the most populous country in the world and is now the second largest economy, yet it is a country that has a totally ruthless system in place for suppressing freedom of expression, particularly that of a politically dissenting nature. You could hardly provide a more compelling case for the maximum possible involvement of the World Service. Can you justify to us how the BBC can do away with the Chinese shortwave service, particularly bearing in mind the critical point that access to shortwave in China is risk-free for the user, whereas access to the internet is far from risk-free, when particular sites are concerned?

**Peter Horrocks:** Again, it was a change that ideally one would not have wanted to make, but it reflects the level of consumption on shortwave that we are able to detect. Again, Mr Egan's department has researched and looked at that.

**Jim Egan:** It is probably fair to describe issues with our Chinese radio service as ones of both supply and demand. There are issues with getting our content in there because shortwave is blockable and jammable. The Chinese Government invest quite actively in that, using both high-power blocking transmitters near cities and skywave jamming within a radius of about 1,500 km. That is an expensive activity, but one that is used quite frequently to block our services. However, it does not work everywhere, and

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particularly in rural areas, our signal has been available.

As I say, there are problems with demand as well as supply. In rural areas, we have not been able to identify significant listening to our service, even outwith the jamming. It is worth emphasising that the jammings have generally been on our Mandarin broadcasts; we have never experienced any jamming to our English-language broadcasts, but again, the audiences for those are very small. Those are the problems. It is difficult to get in, and even in the instances where we have been able to do so, in such a highly developed economy as China, where people have a wide range of choices for the way they consume their media, it has not been possible to get the sort of impact for our Mandarin broadcasts that merits the expenditure that we have committed to it.

**Peter Horrocks:** We are investing, and will shortly be making announcements about, new circumvention technology that helps users on the internet to get round some of the blocks put in the so-called great firewall of China. We have received funding—interestingly, from the US Government, rather than from the UK Government—in relation to researching that. Our technologists are developing techniques that will at least help those who seek out our content online.

**Q91 Mr Ainsworth:** You have an audience for the shortwave Swahili service. How on earth do you justify withdrawing that?

**Peter Horrocks:** There is an audience, but there is also a large overlap with the increasing FM audience. When people have both shortwave and FM, they invariably listen to the higher-quality FM. We have very large audiences on FM in Swahili-speaking countries.

**Q92 Mr Ainsworth:** In the urban conurbations, yes, but this is a vast region with a long relationship with Great Britain that looks to Britain and the BBC. It also has, I would suggest, poor, unstable and far from savoury Governments from time to time. This is the ideal area where a service should be preserved. People would be forgiven for believing that it is a little bit cynical on your part that you should see this as the one area where you could force DFID to ride like the 7th Cavalry to your rescue.

**Peter Horrocks:** I can assure you that that is not our approach. It is a change that I regret, a change that is forced on us by financial circumstances. We are saving more than £10 million through our distribution changes. There have been cases made throughout the course of the afternoon. There is, of course, a strong case for retaining all those services. I am proud of the services that we offer, and I regret the loss to all those audiences. Those 30 million people are 30 million regrets, as far as I am concerned. We are not playing games. We are making choices that we feel we have to make in order to make the books add up. We are looking to where audiences are consuming us in different ways, and those economies are advancing. FM is more widely available, not just in the main cities, but in smaller conurbations. Not everyone who is losing us on shortwave will be able to get us on FM, but a significant number of people will be able to, and that is the reason for the change.

**Q93 Chair:** Mr Horrocks, in your answer to Sir John Stanley on China, you mentioned a few technical points. Would you be able to give us a note on that?

**Peter Horrocks:** Of course, yes.

**Chair:** I thank all of you very much indeed. This has been really helpful, and we very much appreciate your taking the time to come. Thank you.

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*Witness: Mark Thompson, Director-General, BBC, gave evidence.*

**Q94 Chair:** Mr Thompson, thank you very much for coming today, and for volunteering to do so. You are clearly a busy man. Are you all right time-wise?

**Mark Thompson:** Yes.

**Q95 Chair:** We are about a quarter of an hour behind schedule. That gives me personally a bit of a problem, in that after half-past 4 I am double-booked, so shortly after 4.30 pm I shall hand over the Chair to Mr Gapes. Is there anything you would like to say by way of an opening statement?

**Mark Thompson:** No.

**Q96 Chair:** In that case, can we start with your general view of the World Service? What do you think its role should be? How essential are the services, and do you envisage any change to the function of the World Service once you take responsibility for it in 2014?

**Mark Thompson:** The World Service is one of the most precious things the BBC does. I have had a chance to see and listen to its work in many parts of the world, including difficult parts of the world such as Afghanistan, the Middle East, China and India. I

ran the BBC news operation in Tiananmen Square, and, in Tiananmen Square, listened to the World Service to find out what was happening. It is a lifeline to many tens of millions of people around the world who don't enjoy proper access to accurate, impartial, open media.

Although the world is changing, and people's use of media is changing—some traditional forms of use such as listening to shortwave radio are diminishing—I think the underlying need, justification and argument for the World Service are as strong as they have ever been, and will be strong in the future. We are at a point when many big Governments in the world—we have heard about the Chinese and the Russians—believe that this is a moment to invest more heavily in international broadcast services. In this country, we are choosing to disinvest in ways that I am afraid will have very negative consequences.

I am the editor-in-chief of the World Service as well as the rest of the BBC. I hope that the BBC will support the BBC World Service and BBC Monitoring as best we can through this difficult transitional period. When we get direct funding of those very important services, we will do our best to reinvest

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somewhat in them, although, frankly, I think that that will be modest, and hold ourselves—both our governing body, the BBC Trust, but also myself and my successors, personally—to account for our stewardship of those precious services.

**Q97 Chair:** Talking about potential further reinvestment, when would you announce that? When will we get a clear idea of what it will be?

**Mark Thompson:** At the level of the BBC as a whole, we are now looking intensely at how we should plan our finances between now and the end of the present licence fee period. I expect to be making proposals later this year to the BBC Trust about how money should flow across the organisation between now and the end of 2016. I would expect, either at the point when I make those proposals or shortly thereafter, that they will be made public. It is absolutely my view, going into that process, that I will feel that we have failed if we have not found a way of directing sufficient funding towards the World Service; if, in 2014, when we take over funding the World Service, we cannot make a nominal increase in its funding at that point. I do not know how big a nominal increase, but these cuts are deep, and if we can reinvest, we should do so.

**Q98 Mr Baron:** Mr Thompson, you have been sitting here through the evidence session, and you have heard a number of examples of where we have been losing, because of the cuts, vast audiences to save relatively small sums of money. The world is an increasingly volatile place. Most people accept that soft power will be increasingly important. Can I draw you off the fence a little and get you to agree that these cuts to the BBC World Service are exceedingly short-sighted to the point of being perhaps even crass and stupid? A recent example was the cuts to the BBC Arabic services.

**Mark Thompson:** I am very clear about the responsibilities. The Government have the responsibility for deciding where public money, in the form of grant-in-aid to the World Service, for example, and the funding of BBC Monitoring should sit. They have the absolute right to make a political judgment about how much money they want to devote to anything in that area. I am quite clear that the headline level of the cuts means that we are facing very deep and difficult decisions across our services. You have just heard from a group of people who are having to, in a sense, recommend such choices, and they are proposing things that they very much wish, as I wish, they did not have to do.

The reality is that this funding settlement begins in three and a half weeks. The money is not there. My colleagues and I, as well as the BBC Trust, have approved our taking some of our existing funding, which itself means some sacrifices in the domestic services of the BBC, and directing it to soften the blow by paying for restructuring; you heard about the £20 million. We are also looking at whether we can, particularly in the early years, make the burden of the World Service paying its share of the pension deficit repayment programme less onerous than it otherwise would be. We are doing our best to cushion the effect

of the comprehensive spending review on the World Service.

As soon as the licence fee takes over, with the planning beginning now, we will try to find a way of investing more money via the licence fee. Moreover, the audiences of our commercial global services of the BBC—BBC World News, our television channel and BBC.com, the English-language global website—are growing, as are their commercial revenues. This year, I expect BBC World News and BBC.com to generate about £100 million in commercial revenue. We want to look hard at whether we can grow those revenues and, as far as we can, use the BBC's international revenues, again, as a potential source of reinvestment in the BBC's complete international news offering. We believe that the BBC and its brand, and the reputation and trustworthiness of the World Service, gives this country, in many ways, an exceptional, rare advantage in getting through to many different societies with outstanding, high-quality, trustworthy journalism. Everything we do is to try to maximise the opportunity of doing that.

**Q99 Mr Baron:** But would you accept that it is short-sighted? You have just given us a very good exposition of what you are going to do to respond.

**Mark Thompson:** What I would like to say is that the consequences of this decision are clearly deeply disappointing for those who believe these services are critical.

**Q100 Mr Watts:** Can I just be clear about 2014? You're doing a review now on what will happen. Is it your intention publicly to ring-fence the World Service and give an undertaking that after 2014, the budget will be increased, not decreased?

**Mark Thompson:** What I expect to do is the following: propose a funding level for the World Service for the remaining years. As my colleagues and the unions made clear, there will only be two years left in the present licensing settlement, but for those years—2014–15 and 2015–16, I think they are—we will propose to the governing body of the BBC a funding level for the World Service. As my colleague Peter Horrocks made clear, the expectation is that in some form, the BBC Trust will issue a service licence, as it is called in the jargon, for the World Service, which will set a parameter for the funding of the World Service, with the ability to vary it up or down, as part of the way the BBC Trust will hold me and my colleagues to account for how we spend the money. We should say as well that from this year forward, our expectation at the start of each year is to publish an indicative budget for the BBC's expenditure for that year. Our belief is that we need some flexibility, and that funding across the organisation will vary year by year, but in advance, each year we will publish an indicative budget. I would absolutely expect people who have a particular focus on and concern about the World Service, as I do myself, to look very closely at that budget to see how much of the licence fee will be going to the World Service.

I take the point absolutely about the effectiveness of this Committee, in terms of making the case. You will not find me—or, I believe, my successors, or my

colleagues at the BBC Trust—turning down invitations to this Committee, if you want to question us about our level of support or funding for the World Service.

**Q101 Mr Watts:** That is coming at it from a different angle. Can I just be clear that what you're proposing is that the domestic TV licence payer will pay, and that a bigger proportion of the budget—of what they pay for their services—will now go to cross-subsidise the World Service?

**Mark Thompson:** The British public have been paying for the World Service through general taxation since the 1930s. As you know, virtually every household pays taxes, and virtually every household also pays a licence fee. Last summer—the summer of 2010, long before we came to the last settlement—we did some audience research in this country about support for the World Service. We asked them a question about what they would feel about the licence fee being used to pay for the World Service. Many people believed it already paid for the World Service, and broadly—subsequent polls have suggested the same figure—the majority of the population are very happy with the idea of the licence fee paying for the World Service, because they, too, are very proud of the World Service and believe it is something this country should be very proud of. I am not suggesting that in 2014, there's going to be an enormous transfer of money, but if I can, I would like to make a modest increase in the funding, and I believe that we could make the case to the public for why that makes sense.

**Q102 Mr Watts:** I am not making any judgment on it; I am saying that you propose using TV licence payers' money to increase the subsidy for the World Service in future.

**Mark Thompson:** I wouldn't say the subsidy; to increase the money we would direct to paying for the World Service.

**Q103 Rory Stewart:** What guarantees can you offer that the BBC is not going to siphon money away from the World Service to put into other bits of domestic programming?

**Mark Thompson:** The World Service and BBC Monitoring are both very precious things. We have many precious things in the BBC. We have, for example, the home service on BBC Radio 4, and our commitment to the Proms and to our symphony orchestras, performing groups and so forth. Our governing body is, quite rightly, charged with that under the charter, but it is also, it seems to me, obsessively concerned that precisely this kind of siphoning should not happen. This is a moment in the BBC's history when the amount of money that the BBC spends on television entertainment, acquired programmes and feature films, for example, are all substantially reducing, and we are focusing increasingly on original high-quality journalism and other forms of content. The background is that the direction of travel inside the BBC is to spend more money on things like the World Service and less money on, if you like, mainstream entertainment.

As I have just said, the first guarantee is that we are going to be wholly transparent about this, and not just in retrospect in our annual reports, but also in prospect. You and every other citizen will be able to see how much we are proposing to spend on the World Service. The expectation is that there will be some form of service licence; that is, a formal document that requires the BBC to pay within a certain parameter plus or minus x% of the licence fee to this service. That will be accounted for, and it will be audited afterwards.

If I or my successor choose to make a significant change to that, I will have to go through a process of proposing it formally to the trust, and there will be a public consultation. Bluntly, under any future Director-General, if there was an attempt to make a substantial reduction in the funding of the World Service, unless there was good cause, there would be blue murder and rightly so.

All I would say is that our current system has led to a very substantial and damaging reduction in the funding of the World Service. We are moving to a system where that will be harder and much less likely to happen. I think that there will be more security in the future than there manifestly is in the current arrangements.

**Q104 Rory Stewart:** But you are putting a huge amount of reliance on the BBC Trust, and in particular in your international trustee.

**Mark Thompson:** To some extent, Mr Stewart; except that not just I, but the BBC management as a whole, are passionately committed to supporting the service. It is very important to say that we regard the BBC World Service as wholly part of the BBC. I feel personally absolutely and wholly responsible as the editor-in-chief for this service. I can't for the life of me understand why we, in terms of the operational management of the BBC, would want to do anything other than support it. As you have heard, even in this transition and with some difficulty, we are trying to do our best to limit the consequences of what has happened under the present arrangements.

**Q105 Rory Stewart:** As my final point, it is wonderful that you have so much passion, but obviously our concern is what happens if you fall under a bus or something happens in the future. Who knows? We are trying to think about the long-term governance arrangements. Everything seems to rely on the BBC Trust, and an enormous amount of that relies on your international trustee, who does not necessarily have the depth of reputation and international exposure that previous international trustees have had. What changes might you make to the governance structure of the trust to guarantee its future?

**Mark Thompson:** I definitely think there is a case, when the process of debate and the drafting of the next royal charter of the BBC arrives, that—although the present charter absolutely lays out the BBC's responsibilities in relation to the World Service, and one of the BBC's public purposes is precisely about, in the jargon, bringing the UK to the world and the world to the UK—rather more specificity about the

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BBC's international mission, and consideration of what particular safeguards we might want to put in place to make sure that that mission is fully discharged, is something which probably should be set out more clearly in the next charter, given the way in which the funding arrangements have changed.

**Q106 Sir John Stanley:** Mr Thompson, I have a series of factual questions that I would like to put to you, relating to how the transfer of the World Service, as a grant-aided body, from the Foreign Office to the BBC took place. First, can you tell the Committee whether the initiative for this transfer came from the Foreign Office or from the BBC?

**Mark Thompson:** The first time it was substantively discussed was when the Secretary of State for Culture, Olympics, Media and Sport rang me to raise the broad topic of whether there was any kind of Government expenditure currently on the national accounts that the BBC might potentially be prepared to fund through the licence fee. He mentioned the possibility being discussed in Government at the time of whether the funding, which the Department for Work and Pensions then made and still makes, in respect of licences for the over-75s could be forgone. That would mean, as it were, that the other licence payers would have to pay, instead of the Government, for licences for the over-75s. I thought and said—indeed, the BBC Trust was very clear—that that was not an acceptable idea to the BBC.

In that first phone call, I think it was me who first raised the idea of whether the licence fee could take over funding the World Service. The director of the World Service, Peter Horrocks, and I talked several times over the summer and very early autumn about this as a possibility, not least because we—Peter was right in the middle of this—were being very forcibly reminded of just how fragile the grant in aid process was. This was in the middle of the conversations with the Government.

The involvement of the BBC in the comprehensive spending review is, to be honest, a pretty unattractive thing for an independent broadcaster. So we began to explore and, as I said, we did a bit of audience research to look at whether it would be desirable potentially under the right circumstances for the BBC to take over the funding via the licensing fee.

**Q107 Sir John Stanley:** So this was a proposal that was initiated by yourself. If you can't recall—I quite understand if you can't—can you give us in writing the date of the telephone call from the Culture Secretary to yourself? It would be useful for us to have that.

**Mark Thompson:** Yes. We're talking about early October, but we'll get you a precise date.

**Q108 Sir John Stanley:** Thank you. Can you tell us at what point, if ever, there was a face-to-face meeting between yourself or your chairman with Foreign Office Ministers to discuss this proposal?

**Mark Thompson:** I believe that there have been two such meetings. The first one was immediately prior to the announcement of the comprehensive spending review in October, which involved the chairman of

the Trust, myself and the director of the World Service, Peter Horrocks. That was principally a meeting to discuss the wording of the governance arrangements in relation to the Foreign Secretary's continuing role in being involved in decisions involving changes to the portfolio. It was about the governance arrangements, rather than about the quantum of the settlement. That took place immediately prior to the announcement of the CSR.

There was a subsequent meeting with the Foreign Secretary that I attended with colleagues. In a sense, that was a meeting exploring the consequences of the CSR settlement for the World Service and, as it were, the options in terms of service closures and reductions in English language, shortwave distribution and so on. It was exploring, given the settlement, what we were thinking about in terms of the range of services that could or should be explored.

**Q109 Sir John Stanley:** So there is just one meeting between you and the Foreign Secretary prior to the Government's announcement of the public expenditure review in the House? You said that that was immediately before the public expenditure announcement here.

**Mark Thompson:** These are the meetings that I was involved in myself.

**Q110 Sir John Stanley:** That you were involved in yourself. I just want to focus on the top-level meetings. Can we have the date of that meeting that you had with the Foreign Secretary, so that we have that precisely?

Mr Thompson, from what you say this would appear to be very much in time terms a shotgun marriage and not a very long courtship. Would you not agree? If that is the case, how do you think the Committee can possibly be convinced that the issue was given the serious and full consideration that it deserved?

**Mark Thompson:** You have heard me say that we, at the top of the BBC, had in our own time and on our own terms in that summer discussed, researched, considered and come to the conclusion that, on balance, the merits of moving to licence fee funding over grant in aid funding outweighed the demerits. We came into the conversation with Ministers in October with a considered and carefully researched view that under the right circumstances this could be a good idea. All I want to say to you is that it has been well documented. The process of reaching an overall settlement in terms of the BBC's funding from the licence fee took place at a fair clip, as you say.

As we modelled the funding of the World Service between now and 2016, knowing that the early years were already fixed by the comprehensive spending review, I was very clear that one of my responsibilities in this rather rapid process was to make it absolutely clear that I could be sure that when the licence fee took over in 2014, not only was there going to be enough money to maintain the funding at the level that we would inherit, but that there was good reason to believe that we could slightly increase it, so I could be confident and I could also advise the BBC Trust that we could take over World Service funding. In the context of the settlement that we were getting through

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the licence fee, I could recommend that we should be able to increase the funding slightly.

**Q111 Sir John Stanley:** So if I may summarise the facts that you have very helpfully outlined, we are basically being told that the radical proposal to transfer the World Service from the Foreign Office to the BBC sprang out of a telephone conversation with the Secretary of State for Culture, Media and Sport, and that within what must have been a very short period from that conversation, which began in October, there was a meeting with the Foreign Secretary on the detailed wording of the financial aspects, and a few days later there was a public expenditure announcement. Out in the big wide business world, if you had made decisions of that magnitude, with that very limited degree of due diligence, your shareholders would have a lot of questions to ask.

**Mark Thompson:** If I might add one footnote, it is my recollection that I raised the issue of the World Service in that first conversation with the Secretary of State. But it is quite clear to me that that was, as it were, in the air and would have been raised in any event. Indeed, it was raised at subsequent meetings by Ministers. I am not claiming any particular credit for that, but, as it happens, I think I was the first person to say that it was one of the possibilities that should be explored.

**Sir John Stanley:** If I could have those precise dates that I asked for, I would be grateful.

**Q112 Mike Gapes (in the Chair):** Mr Thompson, can I take you a bit further on this? Was the 2014 date simply because of the timing of the CSR? Or was it considered at any point that the BBC might take over financial responsibility prior to 2014?

**Mark Thompson:** It was considered. A large number of scenarios were considered in that period.

**Q113 Mike Gapes (in the Chair):** Considered by whom? In your internal discussions or with Ministers?

**Mark Thompson:** It was considered in discussions with my colleagues, but also considered and discussed in the dialogue with Ministers.

**Q114 Mike Gapes (in the Chair):** In this very short period. Did you have any modelling?

**Mark Thompson:** Absolutely. We had a complete computer model to look at all the different scenarios and financial implications. We had been doing a large piece of work about the strategy of the BBC as a whole, and we had—I don't want to exaggerate—a way of modelling many different scenarios immediately and looking at the consequences of different scenarios.

**Q115 Mike Gapes (in the Chair):** But your bottom line was that you did not want to deal with the free licences for the pensioners issue. You were unhappy with that and you saw that basically the Foreign Office was preparing to have a major reduction in the amount of grant in aid that was coming through, and then you thought, "Well, basically, the best thing is that we take

this over and then we will have more stability and more certainty." Is that a fair summary?

**Mark Thompson:** And the prospect of never again being fully involved in a comprehensive spending review because there will be no more funding streams out of Government Departments, and a hope that, although the World Service already enjoys very high standing, its listeners around the world would have even more confidence in a service that was funded directly by the British public rather than via the UK Government.

**Q116 Mike Gapes (in the Chair):** So, just to be clear, when the final proposal was put forward by Ministers, you were fully cognisant, and were completely happy with what they were proposing for the transfer to 2014.

**Mark Thompson:** Yes, and it has a different quality from that of the CSR settlement. The licence fee agreement is just that. It is an agreement that I recommended to the BBC Trust and to which the BBC Trust, as it were, freely agreed. Obviously the CSR settlement is just a settlement; it is a determination by Ministers of a piece of public funding.

**Q117 Mike Gapes (in the Chair):** You were, of course, consulted on that, because that was a matter between the FCO and the World Service, not the BBC Trust.

**Mark Thompson:** To be quite clear, managerially the BBC World Service is part of the BBC, and I was fully consulted on and fully engaged with the process of the World Service's negotiations with the Foreign Office as well.

**Q118 Mike Gapes (in the Chair):** But you weren't content in the same way as you are with the 2014 decision.

**Mark Thompson:** As you have heard me say, the consequences are going to be very damaging but, to be honest, we weren't asked in the end to be either content or discontent—it was a decision by Government.

**Q119 Mr Baron:** May I pursue, if you don't mind, the line of questioning with regards to protecting the funding for the BBC World Service within the Trust, and the possibility of funds being diverted to more "popular" things, such as the cult of celebrity, etc?

**Mark Thompson:** Are they terrible things?

**Mr Baron:** Well, they are not terrible things, but there is a balance, and it is your job to make sure that that balance is maintained.

Do you understand our concern here? The change in the governance arrangements happened over what, to us, seems a relatively short period of time, and we are concerned about the short-sightedness of the decision. We are concerned about the budget being raided, perhaps. Is there a fail-safe method out there—a mechanism? There has been talk about ring-fencing. Is there such a system in place, or could something be put in place to ease our concerns?

**Mark Thompson:** The mechanisms that we've talked about, which are used for our domestic services, are absolutely intended, among other things, to ensure



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that, as it were, the Radio 3 budget does not get pilfered, that a proper balance is kept and that significant changes to that balance do not take place without an explicit and transparent process of consultation, in which a number of people who have frequently been in Select Committees in the House of Commons will take a view, and opinions will be expressed. I think that this system of scrutiny and accountability regarding where the money is spent should offer a high degree of protection. Moreover, it is likely to deliver a higher level of protection than that which the World Service has enjoyed up until now. We are at a moment when the existing arrangements have not succeeded in protecting the World Service's funding as much as we would have wished.

**Q120 Rory Stewart:** I put on the record that I am broadly supportive of this move. I think it was right to move the licence fee funding from the Foreign Office to DCMS. But to push again on the governance issue, have we now got the person running the World Service—Peter—at a significantly senior level within the BBC? I understand, and perhaps I am wrong about this, that when Sir John was doing the same job it was reporting at a different level. Can we change that, to support the BBC World Service?

**Mark Thompson:** One of the things that we've been trying to do at the BBC is to make sure, firstly, that at the top of the organisation you've got all the right things being considered and all the right interests being represented, but we have rather fewer overall leaders in the organisation than we used to. Under the new arrangements there will be a director of news—Helen Boaden is the current occupant of that post—who will be on the executive board of the BBC and who will be in charge of delivering all the BBC's journalism. They will have explicit objectives in ensuring that the BBC's international journalistic services, and specifically the BBC World Service, are delivered to the highest possible standard. At the moment, the World Service is represented on the executive board by the deputy Director-General of the BBC, Mark Byford. That post is being closed. We have also, in the past year, combined two roles: the director of global news with the director of the World Service.

We are reducing the number of people, but I am quite clear that the executive board will consist of some non-executive directors. Among the executive directors there will be seven, one of whom will be the director of news. That is a small number for the BBC, but there has been considerable and proper pressure to reduce the number of senior managers. One of those seven is the person charged with the overall journalism of the organisation, but within her brief, I am clear that she will be charged and held to account for the quality and support of the international services.

**Q121 Rory Stewart:** Can we not just push that one more time and see whether it is worth reconsidering?

You are taking on a huge thing—full responsibility for the World Service, which is leaving the Foreign Office. Does that not justify a seat on the executive board?

**Mark Thompson:** The answer is that I do not believe that it does. If we had an executive board of 10 to 15 senior executives, there would be no question—even at nine members. The BBC is a big organisation with many operations. For example, we have a commercial arm, BBC Worldwide, which has a turnover of well over £1 billion a year. The chief executive of BBC Worldwide is not on the executive board. We try to keep the top of the organisation as a relatively small number of people not least so that the boards are effective. You will know from public limited companies that most plc boards have a relatively small number of executives, precisely so that they are effective. Does that mean that the World Service will not be discussed? We have had more discussions about the World Service in recent months at the executive board than almost any other topic. It is very much front of centre. I believe that I have an explicit personal responsibility, as my successors will as well. **Mike Gapes (in the Chair):** Thank you very much. One more question.

**Q122 Mr Watts:** Mr Thompson, you have heard people say that part of the problem could be resolved if DFID were to make a contribution to the BBC for some of the services you provide. Not everyone would agree with that, but have you had any indication that DFID would be happy with that? Do you expect the discussions going on at the moment to come to any positive conclusions?

**Mark Thompson:** Look, it is heartening that so many people are making this case, but, just to repeat what my colleague Jim said earlier, I do not have any indications yet that any fresh, additional or compensatory money is available. We understand that it is not a matter for us. It is a matter for the Government to decide on what they want to spend and how they want to spend it. It is inappropriate for us to badger or to attempt to dictate that. The case for the developmental value of much of what the World Service does is considerable. It is encouraging that others, including members of this Committee, seem persuaded of that. As yet, we have not heard anything that gives us comfort that that broad sense of support is being translated into money.

**Q123 Mr Watts:** Are you taking this possibility seriously, or do you believe that it is unrealistic?

**Mark Thompson:** I think we should hope for the best, but prepare for the reality of the funding that we have. That is what we are doing.

**Mike Gapes (in the Chair):** Thank you, Mr Thompson, and all the previous witnesses who have stayed and diligently listened to the whole session after giving their own evidence. Thank you for coming. It has been a valuable session.

# Written evidence

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## Written evidence from BECTU

1. BECTU is the trade union for workers in the audiovisual and live entertainment sectors. We are a recognised trade union throughout the BBC, specifically including the World Service, in which hundreds of our members work. We therefore have a strong interest in this issue.

2. BECTU believes:

- that the World Service cuts are disproportionate and excessive, especially in the context of the lesser cuts to the rest of the FCO budget;
- that the cuts will cause unnecessary harm not just to the staff who lose their jobs and to the audiences which lose their services but to the international standing of the UK; and
- that they should be reconsidered and renegotiated.

### THE CUTS

3. We note that following the Government's comprehensive spending review, the World Service is now facing a reduction in spending of 16% in real terms over the next three years; that this corresponds to 20% in cash terms; and that the cuts will be at a level of £46 million per year by 2014.

4. We believe that this is a disproportionate and unnecessary level of cuts, especially in a context where the rest of the Foreign and Commonwealth Office budget is being cut by 10% or less in real terms.

5. We believe this excessive level of World Service cuts should be reconsidered and renegotiated within the overall FCO and Department for International Development budgets. We believe additional funds for the World Service can and should be made available, especially since the World Service budget constitutes just 0.5% of the Government's total spending on international activities and since the World Service can also be considered as making a contribution to development assistance.

### THE SERVICES

6. We note that as a result of the cuts, the BBC will close 5 services altogether (Albanian, Serbian, Macedonian, Portuguese for Africa, Caribbean English); cease broadcasts in Russia, Mandarin Chinese, Turkish, Spanish, Ukrainian, Azeri and Vietnamese); and cease short-wave services in Hindi (with a massive 10 million regular weekly listeners) Indonesia, Swahili, Kyrgyz and Nepali.

### THE DAMAGE TO THE UK'S INTERNATIONAL STANDING

7. The World Service is currently the world's most-recognised news service. However, the proposed cuts will lead to an estimated reduction of 30 million in the World Service audience. It will no longer be the leading international news provider by audience and will fall behind the Voice of America and affiliates.

8. The World Service is seen by the public as the organisation that does most to serve UK interests internationally. This is confirmed by surveys conducted by Chatham House and Populus. The Service is a key component of the UK's 'soft power' and influence in the world—with an indirect but significant linkage to enhanced political and trade advantages.

9. The Service is of immense value to the populations covered, who benefit from a trusted source of news independent of local pressures. Broadcasting is still an essential source of information, education and entertainment in large areas where internet access is limited and literacy levels are still not high.

10. All of this is undermined by the cuts. Withdrawal from services and territories is likely to end the BBC's presence forever, since relaunching would simply be too expensive and vital goodwill would have been lost. Far from having disproportionate influence on the world stage, the UK now risks punching below its weight internationally.

### THE IMPACT ON JOBS

11. We face proposals to close 650 posts by 2014–15, constituting more than 25% of the 2,400 jobs at the World Service. These extend over all areas, including foreign language services, news-gathering, playout, finance, studio management and TV operations. 480 posts are due to be cut over the next 12 months.

12. We are specifically concerned about the impact on foreign language staff whose UK residence depends on their employment in the World Service and who face an uncertain—possibly unsafe—future if they are forced to return home.

13. As indicated above, we believe cuts on this level are disproportionate and unnecessary. They should be reconsidered.

#### UNDERLYING FACTORS

14. We have a broader level of disagreement with the extent and the pace of what we consider to be an ideologically-driven rather than economically-justified level of cuts in the Comprehensive Spending Review. Furthermore, we believe that while the Foreign Secretary has indicated support for a strong World Service, he has not defended it adequately—in notable contrast to the lesser level of cuts to be applied to the rest of the FCO budget.

15. However, we also believe that BBC management can be justifiably criticised. In our view, they have prematurely and weakly accepted a settlement on this issue. We believe that hundreds of World Service staff are now being asked to pay with their jobs for this ill-considered agreement.

#### CONCLUSION

16. We believe that World Service cuts on the level proposed are excessive, disproportionate and unjustified. They will cause unnecessary harm not just to the staff who lose their jobs and the audiences which lose their services, but to the international standing of the UK. They should now be reconsidered.

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### Written evidence from the National Union of Journalists (NUJ)

#### INTRODUCTION

1. The BBC World Service is a story of continuing success. Ten years ago it had 153 million regular radio listeners. Today, the figure is 180 million—representing one in every 25 adults in the world.

2. The National Union of Journalists (NUJ) believes the cuts the BBC is proposing would damage not only the World Service but also Britain's national interest.

3. This is because the BBC World Service depends on two things—properly resourced journalism, and safe and secure transmission networks to broadcast its journalists' work.

4. The cuts will mean:

- (a) Thirty-million short-wave listeners will no longer be able to hear the BBC World Service.
- (b) As many as another 20 million could lose their signal if other changes being considered for English and 12 remaining shortwave services go ahead.

5. The impact of the cuts will severely damage the quality of BBC World Service journalism—especially in the core area of World Service News, in the Language Services and in BBC Monitoring.

#### IMPACT OF THE CUTS ON BBC WORLD SERVICE JOURNALISM

6. The World Service core news operation depends on about 120 journalists who work around the clock, 24 hours a day. A similar number produce high-quality current affairs programmes including Newshour and the World Today. The Europe Today programme, whose expertise is used throughout the BBC, is to disappear in the cuts. The Politics UK programme is also going.

7. The core news operation:

- (a) writes the news stories needed for the language services and the English network;
- (b) provides and scripts sound and video material for use by language services;
- (c) co-ordinates and liaises with foreign correspondents on behalf of programme makers; and
- (d) provides expertise in the form of Bush House-based specialist regional editors (who also generate news stories and voiced reports) and correspondents who provide global perspectives on diplomacy, security, politics and other issues.

8. Key correspondents and regional experts are among 50 posts essential to the World Service News operation scheduled to be cut over the next year. These losses, along with proposed radical changes in working practices, will mean a narrowing of the range of stories provided for English and Language Service outputs. They will add to the workloads at the BBC's domestic radio and television networks and English-language World TV which currently rely heavily on our writing and expertise.

9. The BBC hopes to make further savings by allowing language service journalists to bypass the normal editorial controls and publish their stories directly into the BBC's Electronic News and Production System, ENPS.

10. Bush House based correspondents and regional editors play a vital role in finding news, checking facts, interpreting and reporting. They provide essential support to the journalism of language services and help enforce consistent editorial standards across the World Service. We are particularly concerned that some Regional Editor roles will be reduced to Monday-to-Friday office hours while English and Language Service programming continues seven days a week—especially in areas in which the western concept of a “weekend” does not exist.

11. During one of the busiest times for output—overnight in Europe, morning in Asia—the task of liaising with foreign correspondents will be left to a single, junior journalist based at Television Centre. Other money-saving proposals include splitting the team directly responsible for producing and writing stories for news bulletins between Bush House and Television Centre.

12. We believe that if these measures go ahead the resultant lack of oversight will lead to broadcast errors and a loss in quality.

13. We believe that plans to merge the rump of the World Service News department with its domestic counterparts are flawed. World Service journalism is distinct.

14. One of our senior journalists wrote the following in a briefing paper about the cuts:

“It is a fact that BBC News focuses primarily on domestic events. That is what the licence payer expects. But when it comes to foreign news, the journalism coming out of Television Centre is often unsuitable for the World Service audience. What passes as a foreign story at Television Centre—stranded British tourists, a coach crash, and some celebrity adopting a new African baby—might not be news at all at the World Service. By the same token, the wars, floods and famines routinely covered by the World Service hardly ever figure in the running order of the BBC’s News At Ten. Think how little foreign news, on average, pushes its way to the top of the BBC’s domestic news outlets. Then ask yourself how the World Service, which is dependent entirely on foreign news to fill its 24-hours-a-day schedule, could possibly survive on such a meagre supply. That is the very real prospect once World Service journalists (those fortunate enough to survive the jobs abattoir) have been absorbed into BBC News.”

15. As a result of the latest cuts and previous changes, core activities of many surviving language services will be based abroad—in Senegal, Bangladesh, Pakistan, Russia or Ukraine. We are concerned the BBC has not taken into account the pressures that can easily be exerted on journalists in certain countries. These have included the targeting of BBC language service journalists by foreign politicians and security services.

#### IMPACT OF THE CUTS ON DISTRIBUTION OF WORLD SERVICE OUTPUT

16. Although some audiences are migrating to local FM relays and internet services, only short-wave radio delivery guarantees our services reach our audience independently of local censorship. Local FM relays and internet services can be switched off at any time by repressive regimes if they don’t like what the BBC is putting out. The BBC is constantly removed from FM for political reasons in places such as Sri Lanka and parts of Africa. Many partner stations on FM across the Middle East do not carry BBC News bulletins. BBC World Television is frequently blanked out in China. Short-wave radio guarantees editorial independence. This is the argument that BBC management has failed to grasp.

17. The only justification for removing short-wave would be if either:

- (a) short-wave audiences had completely vanished; or
- (b) transmission costs on short-wave were prohibitively expensive.

18. Short-wave audiences are, however, still vast—up to 40% of our listeners still use it. When local FM relays and mobiles are censored (as in Egypt), and the internet closed down, the short-wave audience share is—of course—100%.

19. For non-English services, the BBC’s mobile and internet audiences are just 6% of the size of the current radio audience.

20. Short-wave is often still the cheapest way of reaching a mass audience. We understand that the BBC World Service currently spends only around £7 million a year on short-wave distribution, 3% of the total World Service budget. FM networks are expensive.

21. The English service has a weekly audience of about 39 million, of whom 15 million listen on short-wave, 9.3 million on BBC FM relays and 16.2 million on independent FM partner stations. It’s hoped that distribution of streamed audio and podcasts of content via mobile phones will grow as devices become cleverer. But this option is not universally affordable. The BBC World Service is for rich and poor—the aspiring decision-makers as well as the established elites.

22. Even in the rich world, most people still find switching a radio on is a far more convenient way of hearing audio than using a mobile device or a computer. On the net, the BBC is just one of many possible sources. On short-wave, the World Service is the number one choice.

23. Digital short-wave which guarantees FM-like quality is also available. Properly resourced and marketed, this has the potential to reduce distribution costs massively. All India Radio—one of the world's largest broadcasters—has recently begun trials.

#### IMPACT OF THE CUTS ON SPECIFIC AUDIENCES

24. The NUJ is aware of other submissions which deal with some of the following issues in greater detail. These are areas which need better resources. Any further cuts to World Service core journalism would utterly destroy it. The World Service language services need additional funding to maintain their effectiveness.

#### IMPACT OF THE CUTS ON AUDIENCES IN AFRICA

25. Many national broadcasters in Africa still use short-wave to reach their audiences so it makes little sense to phase out BBC short-wave transmissions. We dispute assertions that the FM network, mobile phones or the internet are a viable alternative in the short or medium term. We also think that the following factors have been ignored by the BBC:

- (a) Even where the BBC does broadcast on FM (in towns and more developed areas) it may be subject to restrictions. For example direct BBC relays are often taken off the air—most recently in Abidjan in Ivory Coast.
- (b) Partner stations are likely to come under more pressure to remove news programmes at times of political tension. Countries such as Sudan and Ethiopia already tightly control the media, while Nigeria banned foreign news broadcasts on FM in 2004.
- (c) Rural dwellers and poorer people in most African countries will be completely cut off from BBC broadcasts if they are only on FM and the internet.
- (d) Satellite broadcasting over parts of Africa carries programming for Europe.

#### IMPACT OF THE CUTS ON AUDIENCES IN SOUTH ASIA

26. The former BBC Delhi correspondent, Mark Tully, says, "I fear the decision to stop short-wave and medium-wave transmissions of the Hindi service might reflect the mistaken, but widely-held, view that it's only the new middle class in India who matter, those who can listen to radio broadcasts on computers and mobile phones." We agree. We also believe the following factors have been ignored by the BBC:

- (a) The BBC is abandoning ten million Hindi listeners in India. It will only provide a news service to 200,000 people who can afford computers.
- (b) Radio is still the way many Indians receive their news—especially in poor rural areas.
- (c) All India Radio has a monopoly of radio news and current affairs.

27. The BBC provides news for an FM radio network in Pakistan, but this operates under a broadcasting code which would not be acceptable here. Our colleagues have to be extremely careful about how they report certain topics including any relating to the army. Security is a real issue for language service staff in Bangladesh and Sri Lanka.

#### IMPACT OF THE CUTS ON AUDIENCES IN CHINA

28. We dispute the BBC estimate for the size of the short-wave radio audience in China. Anecdotal evidence suggests that this audience is still in the millions—although it is of course impossible for outsiders to measure. Chinese officials themselves are reported to have estimated that a minimum of three- to four-million people listen weekly—a figure that they say excludes many rural areas. The BBC decision makes no sense when the following factors are taken into account:

- (a) China has a diverse but tightly-controlled media where dissent from the party line is not tolerated and can be severely punished.
- (b) More than 30 Chinese journalists are thought currently to be in prison for breaching official reporting guidelines.
- (c) China has set up the Great Firewall to keep its people isolated from world events and to prevent them freely accessing news and information on the internet. The BBC's Chinese-language news website is blocked by the Great Firewall.
- (d) Recently hackers based in China broke into the servers of Google, briefly hijacking huge portions of it. Latest reports suggest that even the servers of the Foreign and Commonwealth Office have been hacked into.
- (e) China continues to jam BBC broadcasts. Jamming is expensive. If the audience was really that small, the authorities wouldn't bother to jam the BBC.

29. BBC radio broadcasts still mean a great deal to the people of China. This is what one Chinese journalist has told us:

“The BBC Mandarin broadcast service has a long and highly respected history in China. It's not overstating to say that millions of people have grown up with it, and people still remember the iconic banner during the 1989 Tiananmen Square protests, saying "Thank you, BBC". Throughout its existence, people listened with great eagerness and hunger in understanding what was going on in the world, and also in seeking an alternative view different from their own government.

.... the Chinese political system is still the same, and alternative political views are hard to find. Just one example: during the award-giving ceremony for last year's Nobel Peace prize, and because the winner was a Chinese dissident, the Chinese media was ordered not to report it, and the foreign media like satellite television have been blocked....and yet if people have a short-wave radio, they can still hear the most moving and inspiring ceremony and speeches via BBC Mandarin broadcast....

..... There are other Mandarin broadcasting services from Germany, France, and USA, and I haven't heard they're planning to sever their services. And what's more, the BBC is the most trusted and respected, and among no equals.”

30. The BBC's Chinese language service website is full of postings from people who have risked their own security to appeal for the radio service to continue.

#### IMPACT OF THE CUTS ON AUDIENCES IN THE CARIBBEAN

31. If the cuts go ahead, the BBC Caribbean Service in English will cease broadcasting to the region at the end of March (along with a service in Spanish for Cuba). The basis for this decision seems to be that the region is not important for foreign policy, and that the Caribbean service will not be missed as the region has a complex web of print and broadcast media. This fails to recognise that there is virtually no pan-Caribbean radio programming, as offered by the BBC Caribbean service, let alone the funding or the commercial will to provide it.

- (a) With the dismantling of the BBC Caribbean Service and its specialist team of independent Caribbean staff, a regional broadcast perspective will disappear for ever.
- (b) It is the sole vehicle offering the region the chance to hear on a daily basis about events from a broader perspective and sometimes hold politicians to account.
- (c) Its withdrawal would represent a decline in the UK's role, while countries such as China, Brazil and India are trying to develop a strategic relationship with the region.

#### IMPACT OF THE CUTS ON AUDIENCES IN RUSSIA AND THE FORMER SOVIET UNION

32. Russian is spoken not only in Russia itself but in many of the countries of the former Soviet Union, including Ukraine and the states of Central Asia.

33. BBC short-wave and AM transmissions in Russia will close if these proposals go ahead. Virtually all remaining domestic radio and television broadcasts in Russia are now fervently pro-government. The BBC argues that the internet is the best way to deliver news to Russia. However the following points must be taken into account:

- (a) Russian social networks have been bought out by oligarchs with links to the government.
- (b) Software has been installed in the servers of all ISPs that allow the authorities to monitor everyone's web browsing and emails.
- (c) Some independent sites and those with close ties to the opposition have been rendered inaccessible through cyber-attacks or have been the object of police harassment.
- (d) Estonia was recently subjected to a massive cyber-attack which showed the sophistication of Russia's ability to control the web.

34. It is clear that mechanisms that could result in greater control and censorship of the internet are being put in place in Russia.

35. The media is tightly controlled in Central Asian countries—where Russian is widely spoken—especially in Uzbekistan. The government of President Karimov continues to block domestic access to critical international websites, and jams foreign broadcasters including the BBC.

36. We believe the decision to cut radio broadcasts in Russian and some central Asian languages needs to be reviewed.

37. Ukraine still has one of the largest short-wave audiences in Europe. Nearly a million people will lose their signal in a few weeks' time. Abandoning so many people makes no sense.

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#### IMPACT OF THE CUTS ON BBC MONITORING

38. BBC Monitoring provides open-source information to the British and other governments, news gatherers including the BBC, academics and commercial customers, reporting on events in the words of the (often state-controlled) media of the countries where they happen. The NUJ believes the latest cuts to its budget threaten irreversible damage and are a saving too far.

39. BBC Monitoring has been absorbing rising costs through efficiency savings at an average rate of 7% each year since 2001, while being expected to maintain the same level of service. Last autumn it was suddenly ordered to strip a further £1 million from its budget. In the next two years stakeholder income will shrink by 18%, while costs are forecast to rise by 10%.

40. At a time when the UK is reducing its physical presence abroad, the information provided by BBC Monitoring often serves to confirm or cast doubt on intelligence from other sources—even in the age of the Internet. The proposed cuts, if implemented, will mean that staff who monitor entire regions—including Latin America, Europe and the Asia-Pacific will no longer be based in the UK.

41. BBC Monitoring's primary customer is the British government. We believe that the editorial staff best able to identify and work to meet the British national interest, whatever their background, are more likely to be domiciled in the UK. We also query whether it is appropriate to fund BBC Monitoring from the licence fee from 2013 when the BBC Charter has little to say about Monitoring's activities.

#### CONCLUSIONS

42. We believe the changes agreed between the BBC and the government will cost this country dearly. The plan is being presented as a response to the deficit. But it also represents a massive pruning of one of the BBC's core activities—radio. These plans could easily have been drawn up in Beijing as a way of reducing the global effectiveness of the BBC and Britain.

43. FM broadcasting while providing good sound quality is subject to political interference.

44. Short-wave broadcasts that cannot be intercepted and which can be listened to in safety will be abandoned in favour of a policy that allows local censors across the world to decide what the BBC can broadcast or publish.

45. To prevent this happening we recommend:

- (a) that the BBC draw up a new international broadcasting strategy which has at its heart a **commitment** to restore and aggressively market direct, secure transmissions to our listeners, including a commitment to maintain short-wave broadcasting and improve the audibility of the signal. A key condition of any FM partnership should be the carrying of uncensored BBC News bulletins;
- (b) the number of broadcast streams available to World Service listeners in English is reduced;
- (c) that some of the money allocated by the BBC Director-General Mark Thompson to help with the cost of the proposed reorganisation of the World Service be used instead to ring-fence basic core news services for 2010–11 and offset the cuts to the language services;
- (d) that the £7.7m returned to the FCO budget early last year be given back to the World Service and used to sustain key services;
- (e) that the BBC examine the possibility of releasing additional funds by lengthening the repayment period of the bonds used to finance capital projects—including W1, Salford and Pacific Quay;
- (f) the World Service is acknowledged to be one of the best things about the BBC and Britain. The cuts proposed include 16% of its £267 million government grant over the next five years, during which time the international aid budget will increase by 37% to over £11 billion. The BBC World Service has a unique role in international relations and services could be saved by providing a fraction of the aid budget set against very clear development goals. By virtue of its core activity of providing reliable news and information to many of the world's poorest countries, the BBC World Service plays a substantial role in supporting development goals. Free and independent media are essential to effective governance; they promote accountability and can help bolster fragile states. These are recognised prerequisites for economic development and welfare. FCO believes £25 million of World Service expenditure counts as Overseas Development Assistance, but FCO or DFID have not provided funding for that. If limited DFID funding were provided for dedicated services that met development purposes, World Service could avoid damaging cuts and invest in new services that could contribute to the stabilisation of Pakistan and Afghanistan, help prevent radicalisation in sub-Saharan Africa and maintain the BBC's presence in rural India. The DFID budget is increasing over the period by an average of £3.5 billion per annum. £50 million for WS would be less than 1.5% of the average annual increase in development spending and could be targeted to fully qualify towards the development target;
- (g) this might be the case for the Caribbean Service, Portuguese for Africa, and also the costs of short wave Swahili and to the Great Lakes;
- (h) that work on fully implementing the cuts be stopped for a period of six months while alternative plans are considered, and that Parliament allocate additional funding to allow this to happen; and

- (i) that the Committee bring forward its hearings. Time is an issue because decisions will be taken within the next few weeks which will be hard to reverse.

46. We have already endured many years of savings. The proposed 650 proposed job cuts will result in a noticeable drop in quality in the English and Language services while cutting off millions of loyal radio listeners. Intervention is necessary to secure the free flow of accurate information to the places where it is urgently needed, and to preserve Britain's standing and influence in the world. **This is a common cause for all of us.**

11 February 2011

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### Written evidence from the Department for International Development

#### DFID'S LEGAL POSITION ON FUNDING THE BBC WORLD SERVICE

The 2002 International Development Act makes reducing poverty the core purpose of DFID's assistance. The Act sets out when DFID can provide development or humanitarian assistance, in what forms and on what terms. The Secretary of State is able to provide assistance for sustainable development or improving the welfare of the people in countries outside the UK, if he is satisfied that aid is likely to reduce poverty. In essence this is a statutory purpose test and a statutory condition (reduction of poverty) that has to be met. To provide aid under section 1 of the 2002 Act lawfully, not only must the Secretary of State be of the opinion that aid is for the purposes in section 1(2), but there must also be a clear objective link between the assistance and purposes it is claimed to be made for.

Core funding to the BBC World Service could not be deemed to meet the terms of the Act as poverty reduction is not identified as a purpose or objective of the BBC World Service in either the BBC Royal Charter or the BBC World Service Broadcasting Agreement.

To the extent that the BBC World Service is able to identify specific programmes or activities that could be deemed to meet the poverty reduction test DFID could provide funding in the same way that it funds any organisation to deliver similar objectives. But our preliminary view is that it is difficult to identify any specific BBC World Service activities which will meet this test other than, for example, the training of local journalists and technicians.

15 March 2011

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### Written evidence from the BBC World Service

#### EXECUTIVE SUMMARY

##### *Introduction*

The BBC welcomes the Foreign Affairs Committee's Inquiry into *The Implications of the World Service Cuts*.

In its previous submission to the Committee in November 2010, the BBC set out its initial response to the 16% real terms cut in World Service revenue funding announced in Spending Review 2010. While we were unable at that early stage to provide firm details of what changes would be made in response to the settlement, we informed the Committee that the like-for-like saving required in existing and ongoing services would be significantly greater once unavoidable cost increases are taken into account. On 26 January, we announced plans to deliver most of the savings required within the first two years of the Spending Review period.

The purpose of this evidence is to explain the process through which the World Service discussed with the Foreign & Commonwealth Office the likely impact of different funding scenarios, and the options the BBC thought through in considering different possible outcomes. A number of different potential financial frameworks were put to the World Service during the Spending Review preparations in what was a fluid and changing process. As requested by the Committee, this submission also addresses the suggestion that has been voiced both in Parliament and in the media that additional funding might be found for the World Service from the increasing budget for Official Development Assistance.

The Committee also provided the BBC with a series of questions arising from the World Service's announcement. These are answered point by point, following this summary.

##### *The Spending Review process*

Over the course of the Spending Review process, the World Service was asked, like other publicly-funded bodies, to respond to hypothetical levels of funding by indicating how it would cut its cloth accordingly. Throughout, we recognised the severe pressures public spending would face over the Spending Review period. We acknowledged that the World Service would need to prioritise. But we also argued that the World Service—the most trusted and influential news provider in the world—delivers a unique value to Britain. The imperative to deliver savings was clear but it needed to be balanced by continued innovation to ensure that the World Service remains competitive, maintains a strong and global impact, and continues to lead the world—a view



shared by the Foreign Secretary when he said that “it is absolutely right for the World Service to move more of its services to online and mobile services; that is the way the world is going.”

HM Treasury’s initial guidance for the Spending Review required us to consider the impact of a 25% direct cut in Grant-in-Aid funding. We explained that because of cuts made last year in the World Service baseline following the June 2010 “Emergency Budget” and increases in pensions costs, a 25% headline cut would have a much greater impact in practice. If this scenario was enacted, eighteen language services would need to be closed to deliver savings, even without any investment in new services on growing platforms.

We argued strongly instead for an alternative proposal, that savings should be balanced by regenerative investment in new, high-impact services such as Urdu television for Pakistan, television partnerships with Indian and African broadcasters, and increased radio broadcasting for Afghanistan. This new investment would cost up to £25m per annum. Our analysis suggested that many of these activities would help to meet development objectives and could be counted as Official Development Assistance (ODA). Importantly, this alternative proposal assumed that, as in previous Spending Reviews, government money would be available to assist with restructuring and redundancy costs.

Subsequently, we discussed a number of scenarios with the Government, some that may involve a larger number of service closures, some fewer. In those discussions, our assessments involved trade-offs between three factors which lie at the heart of the decisions we have taken: the number of language services closed entirely; the extent of cuts to the quality and distribution of continuing services; and the level of investment in new services to maintain the World Service’s long-term competitiveness. We had regular discussions with FCO officials about the appropriate balance. In our view, the most important variable was not singularly the number of language services; just as important was the quality, impact and competitiveness of the services that continued. It is not a sensible strategy to retain a greater number of language services if in doing so they are stretched so thinly that they are unable to deliver a service of the quality and relevance audiences expect of the BBC.

Following the publication of the Spending Review on 20 October 2010, we had further detailed discussions both with the FCO and the BBC Trust. It was recognised that the new funding framework would mean the World Service remaining Grant-in-Aid funded until 2014 and then being licence fee funded. It was agreed in these discussions that up to £20 million of licence fee funds should be made available to the World Service over the next three years to help meet redundancy and restructuring costs, as allowed for in the licence fee settlement. The FCO also offered an additional £3 million Grant-in-Aid in the current year for this restructuring purpose, although this is not yet confirmed. Following these discussions, the BBC Trust proposed to the Foreign Secretary five language service closures, which he approved.

Despite the unavoidable impact of the reduced funding, it is our ambition that the BBC remains the world’s leading international broadcaster. China’s expenditure on international broadcasting is now over £2,000 million per annum, eight times the UK’s declining spend, and the United States spends twice as much as the UK (and this budget is proposed to increase by 2.5% over the next financial year). Yet both currently achieve a smaller audience and lower reputational scores.

The BBC has explained that anticipated audience loss from the announced changes to the World Service will be around 30 million weekly radio listeners, from a current audience of 180 million, within the first year. It is our intention that further reductions in subsequent years are offset by new activities to be launched over the next three years, intended to maintain the World Service’s relevance and impact even with constrained resources.

#### *Plans for future investment*

Innovation has been key to the World Service’s sustained success over almost 80 years. Refreshed services and new editorial offers will be essential to ensure continued success and mitigate the closure of services and decline in shortwave audiences.

The FCO has indicated that the settlement provided for £10m per annum for investment in new services. However, it is important to be clear that this £10 million is not “new” or additional money; it is part of the reduced budget announced in the Spending Review, and were it factored out—together with a further £13 million per annum allocated by the FCO to help address the BBC pension deficit—the real cut to World Service current activities would be over half as big again as the 16% headline cut.

Initially, therefore, investments will be limited by the funds available. At this stage we can only guarantee to spend £2 million annually on new services; if we were to spend more than this immediately we would need to make even more significant further cuts elsewhere. However, we do aspire to increase investment over the Spending Review period, subject to delivering savings and increasing commercial revenue.

Specific possible activities include partnerships with broadcasters in priority markets—India, Pakistan and sub-Saharan Africa—to allow World Service to launch new cost-effective television programming, and enhanced online services in vernacular languages, with more and better video news content. However, new channel launches funded from Grant-in-Aid will not be possible in the Spending Review period.

*BBC World Service and Official Development Assistance*

The Committee asked us to whether there have been indications that DfID will be providing funding to maintain World Service programming and coverage.

At the time of writing, the situation is that the FCO has asked World Service to make a £25m minimum annual commitment from its Grant-in-Aid allocation to support Official Development Assistance. No dedicated funding has been provided for this by the FCO or DfID.

Our analysis, carried out for the Spending Review, shows that by virtue of providing free, accurate and impartial news and information to many of the world's poorest countries, the World Service could play an important role in international development. Free and independent media are essential to effective governance, economic development and welfare, promoting accountability and helping bolster fragile states. This is recognised by DfID, which supports the development of media via partners including the BBC World Service Trust.

If the Government wished to pursue the possibility of limited additional funding for the World Service, for dedicated services that met development purposes such as those described in our proposals to the Spending Review, these could be targeted to fully qualify towards the Government's ODA commitment. This would appear to be similar to the approach taken in the current financial year in which £40 million of DfID's budget was transferred to the FCO to support the British Council.<sup>1</sup>

If the Government decided that it was appropriate to provide ODA funding to match its ODA commitment, the World Service would be able both to avoid some planned cuts to services, and invest in new services, which meet development purposes.

For instance, retaining BBC Hindi on shortwave, while investing in content partnerships in television, online or mobile services, would maintain the BBC's presence in rural India. Creating BBC Urdu television content would help counter the increasingly politicised news disseminated by local providers and contribute to the stabilisation of Pakistan and Afghanistan. Retaining the current breadth, quality and shortwave distribution of World Service English, would enable the World Service to continue to serve those listeners in Africa and South Asia with no alternative source of impartial news. And retaining current levels of shortwave and medium wave transmission of BBC Arabic radio would enable the World Service to continue to serve audiences in countries where instability and biased local media are increasing concerns. The recent unrest in Tunisia and Egypt has demonstrated the importance of ensuring that these audiences have access to impartial, high quality news, on platforms that cannot easily be censored or switched off.

## CONCLUSION

The plans announced by the World Service on 26 January, in order to deliver the required savings, reflect the BBC's strategic judgement about the best ways to prioritise within the limited resources available, in the context of the agreement with the FCO about the language service closures. The World Service continues to have a vital role to play, and could—should the Government wish to explore it—make a greater contribution to the UK's international development strategy.

16 February 2011

## APPENDIX

## WORLD SERVICE FUNDING

All figures below for the years 2010–11 to 2013–14 refer to Grant-in-Aid funding from Government, to be drawn down from the FCO. Figures for 2014–15 are those intended by Government to apply in the last year of the Spending Review period. However, the World Service will transfer to Licence Fee funding in that year and the BBC Trust will set the budget.

## REVENUE FUNDING

World Service revenue funding over the Spending Review 2010 period is detailed in the following table, which was presented to the World Service by the FCO.

## SR10 ALLOCATIONS FOR BBC WORLD SERVICE

	2010–11	2010–12	2012–13	2013–14	2014–15
BBC World Service Baseline (and inflated equivalent in brackets)	229	(234)	(239)	(245)	(252)
Adjusted Grant-in-Aid Baseline		206	203	199	189
Plus funds for new services		10	10	10	10

<sup>1</sup> House of Commons International Development Committee, *Department for International Development Annual Report & Resource Accounts 2009–10*.

	2010–11	2010–12	2012–13	2013–14	2014–15
Plus contributions to BBC Pensions		13	13	13	13
<b>Total Grant in Aid Resource Allocation for BBC World Service</b>		231	226	222	212

The table shows a reduction of £63 million from the inflation-adjusted baseline of £252 million down to £189 million—a 25% real terms cut. However, this includes nominal allocations of funds to new services (£10 million) and pensions costs (£13 million). We were advised by FCO officials that these funds were not hypothecated to those purposes and could be used flexibly to maintain existing services if needed. Once these two sums are added to the baseline funding, the real terms cut falls to 16%. However, if those sums were to be spent as the table suggests, current services would face the full effect of the 25% baseline reduction. This would require significantly greater cuts than have been announced to date.

The effective cut increases further when the effects of the 22 June 2010 “Emergency Budget” are taken into consideration. The World Service’s share of the budgetary cuts announced then was £7.6 million. Of this, £1.6 million per annum was applied in 2010–11. Although the remaining £6 million per annum will not be applied until 2011–12, the Government subtracted the full £7.6 million from the World Service’s formal baseline for the purposes of the Spending Review.

Because World Service’s actual allocation for 2010–11 is £6 million higher than the baseline used for the Spending Review, this adds £6 million to the savings the World Service has been required to make, increasing the real terms cut to the baseline to 27%.

These considerations are summarised in the following table:

**WORLD SERVICE BASELINE(S) AND TOTAL REVENUE FUNDING 2010–11 TO 2014–15**

	2010–11	2011–12	2012–13	2013–14	2014–15
2010–11 baseline in March 2010	236.7				
June 2010 Applied from 2010–11	-1.6				
Baseline cut To be applied from 2011–12	-6.0				
Total baseline cut	-7.6				
2010–11 revenue allocation (£m)	235.1				
2010–11 baseline used for SR2010	229.1				
2010–11 baseline + inflation (£m)	229.1	234	239	245	252
Adjusted baseline		206	203	199	189
Nominal allocation for services		10	10	10	10
CSR 2010 Nominal allocation for Pensions		13	13	13	13
Total revenue grant		231	226	222	212
Real terms reduction in total revenue grant (£m)		3	13	23	40
Real terms reduction in total revenue grant (%)		1%	5%	9%	16%
Real terms reduction in baseline from official SR2010 baseline (£229.1m)					25%
Real terms reduction in baseline from actual 2010–11 revenue grant (£255.1m)					27%

**CAPITAL GRANT**

**CAPITAL ALLOCATION FOR THE WORLD SERVICE OVER THE SPENDING REVIEW 2010 PERIOD IS DETAILED BELOW:**

	2010–11	2011–12	2012–13	2013–14	2014–15
Capital funding (£m)	31	22	16	16	15

**Further written evidence from the BBC World Service**

**RESPONSES TO THE COMMITTEE’S REQUESTS FOR INFORMATION**

1. What savings were made as a result of a) removal of the shortwave transmission in North America and Australia in 2001, b) the removal of shortwave transmission from Europe in 2008?

(a) £300,000 per annum

(b) £230,000 per annum

(a) *What are the expected savings from ending radio distribution in Azeri, Mandarin, Russian, Spanish for Cuba, Turkish, Vietnamese, and Ukrainian?*

The distribution saving is expected to be £0.8 million per annum, and the associated savings in production costs £4.2 million per annum.

(b) *What will be the expected savings from ceasing all foreign short wave transmissions language (aside from lifeline services) by March 2014?*

The World Service expects to save £10 million per annum by March 2014 due to reduced radio distribution.

2. *In each case, what is the rationale behind the closure of short-wave radio distribution in Azeri, Mandarin, Russian, Spanish for Cuba, Turkish, Vietnamese, and Ukrainian?*

The World Service will be ending all radio output in each of the languages in the question, not just short wave distribution of those services. The rationales are as follows:

#### *Azeri*

Regulatory context has made it extremely difficult to maintain a cost-effective radio service in Azeri. All international media broadcasts on local FM frequencies in Azerbaijan have been banned by the national broadcasting authorities since January 2009. Since the ban, the BBC's output has only been available on shortwave, a medium that is used by a fraction of the population. Even before the ban, BBC programmes had a declining reach of around 150,000 listeners—a 65% drop since the previous measurement in 2006.

Television and FM are now the dominant media for news consumption in Azerbaijan, with increasing usage of the internet, which 44% of the population can access. With little immediate prospect of a change in the regulatory context, the BBC faces a decreasing prospect of achieving lasting impact in the country on radio.

BBC Azeri will continue to serve its audiences through its online presence, which offers an international agenda with a specialist focus on the Caucasus, including Azerbaijan.

#### *Mandarin radio*

Due to the jamming of short wave radio signals by the Chinese authorities over decades, BBC Chinese's radio programming in Mandarin struggles to make a lasting impact and reaches a very small audience given the size of the target population. Given the financial pressures, the service will refocus away from radio to concentrate on its online provision, which—while still subject to control and censorship—has greater future potential for growth. With rapid technological changes happening in China (the biggest broadband and mobile market in the world), the BBC will strengthen its online offer; continue to explore opportunities on new platforms such as mobile phones; and invest in new technologies to facilitate content delivery to its target audience in mainland China and to Chinese communities abroad. BBC World News, the BBC's international English language news and information television channel, is available in China, generally without restriction, and is estimated to have a bigger audience than the Mandarin radio service.

#### *Russian*

Despite the BBC's best efforts in recent years, it has not been possible to secure a sustainable presence on FM—the dominant platform for radio—in Russia. Since 2003, regulatory and political barriers have prevented the BBC accessing the FM market either through its own distribution or in partnerships.

This has left shortwave and medium wave—both of which continue to decline in use in Russia and the wider region—as the only route for the BBC. This has been reflected in low and declining audiences; since 2001 the BBC Russian radio audience in Russia has declined by 85% from 3.4 million to 0.5 million a week, representing just 0.6% of the adult population.

At the same time, BBC World News has been building its impact in Russia, with 1.6 million viewers, more than three times the radio audience in Russian.

In order to increase its impact, BBC Russian has also developed a number of partnerships with internet providers, raising the BBC's profile on the platform that Russians with an interest in independent news and the outside world increasingly turn to for their news. BBC Russian online audiences have grown by 89% in the past 12 months (121% within Russia itself), thanks in part to successful partnerships with GZT.RU and MSN among others. With 0.4 million weekly users in Russia as of December 2010, BBC Russian already reaches almost as many people online as it does on radio.

#### *Vietnamese*

Since 2003, the BBC's radio audiences have been declining in Vietnam by 20% annually. Today, the reach has fallen below 1% with 110,000 listeners—around the same number of those who watch BBC World News in English.

In the meantime, Vietnam has developed a booming media market with high internet usage. Consequently, BBC Vietnamese has been pursuing an 'online-first' strategy for several years, and its efforts to address this shift in news consumption have proved successful with BBCVietnamese.com attracting some 390,000 weekly users (just under 3% reach in the country)—over three and a half times the size of the radio

audience. In future, the BBC will exclusively focus its Vietnamese provision online, with rich multimedia and interactive elements, offering an international agenda with a focus on regional affairs.

#### *Spanish for Cuba*

BBC Mundo has a very low impact in Cuba, reaching 9,000 listeners last time the audience there was measured in 2002. Furthermore, given the strength of the US government's transmitters used for broadcasting to Cuba, which has the effect of jamming the signals of other broadcasters, the audibility of our shortwave signal is exceedingly poor, turning potential listeners away.

#### *Turkish*

For most of the last decade, Turkey has enjoyed the benefits of a fully developed media market, with television dominant as the medium for news. In the major population centres, daily television viewing is almost 100%, while daily radio listening has fallen below 30%. At the same time, the internet is now available to 45% of the population.

BBC Turkish has already reoriented its output to reflect these media changes. Its television programming has made a strong impact, with 1.7 million weekly viewers, and its online offer has recently had great success thanks to extended partnerships, which reach 0.5 million weekly unique users. The service intends to further focus on these growing platforms.

#### *Ukrainian*

Television dominates media and news consumption in Ukraine, with online and mobile devices becoming increasingly important. Mobile penetration—i.e. the ratio of the number of mobile phone numbers in use to the size of the population—is expected to reach 145% in 2011, higher than the equivalent figure for the UK. Since its record audiences in 2003, when it had 2.5 million listeners, BBC Ukrainian has not been able to maintain the same level of impact in an increasingly competitive and fragmented media market.

### *3. How many people are currently employed in a) the distribution of shortwave radio transmission in Azeri, Mandarin, Russian, Spanish for Cuba, Turkish, Vietnamese, and Ukrainian and b) all remaining short and medium wave distribution which will close by 2014?*

(a) The World Service's six high power shortwave transmitter sites around the world are operated and managed on behalf of the BBC by Babcock International Group plc. The staff at those sites are employed by or contracted to Babcock, not the BBC.

The World Service understands that the cessation of its radio broadcasts in Azeri will not directly affect any Babcock staff employed in distribution, as they will continue to be employed to support distribution of broadcasts in other languages.

It also understands that the cessation of its radio transmissions in Mandarin and Vietnamese, which are broadcast primarily from the transmitter site in Singapore, will be accommodated without affecting the Babcock staff who operate and manage that site.

The World Service ended its shortwave broadcasts in Turkish in 2009, and understands that this did not directly affect any Babcock staff.

However the World Service understands that the cessation of its radio broadcasts in Russian and Ukrainian will affect up to 60 staff employed by Babcock.

(b) The World Service understands that the cessation of its medium wave broadcasts, and further reductions in shortwave broadcasts by 2014, will affect up to 150 Babcock employees at four World Service transmitter sites, and up to 30 staff at the World Service transmitter site in Cyprus, of which for historic reasons 25 are employees of the FCO and 5 are employees of Babcock.

### *4. On 26 January 2011, the Foreign Secretary stated that "the World Service initially suggested to the Foreign Office the closure of up to 13 language services". Which services were recommended for closure? What was the suggested rationale behind each recommendation?*

The suggestion that the Spending Review settlement would require the closure of 13 language services was made to the FCO on 11 October 2010, after FCO officials had provided an initial briefing on the provisional settlement—but before the settlement was confirmed on 20 October.

The public identification of the 13 services that were considered in this and other scenarios would be likely to undermine the future effectiveness of those services in their markets. The BBC could however provide this list to the Committee on a confidential basis.

This scenario was based on an overall assessment of the most effective mix of full service closures, cuts to other editorial budgets and regenerative investment to sustain the World Service's reach and impact. The BBC's view was that this number of language service closures would have allowed an appropriate ability to maintain the quality and impact of the remaining, higher priority services, while giving us flexibility to invest to ensure the World Service remains competitive at a time of greater change in the media.

We carried out an exercise to identify priorities among the language services, which considered:

- the strategic importance of the markets served by different languages;
- the impact of BBC services in those markets; and
- the cost-effectiveness of services.

Where the BBC recommended closure, it did so only because in each specified case its independent judgement was that this was strategically preferable to further thinning-out of the World Service's finite resources.

5. *How many people are currently employed in the full language services due for closure: Albanian, Macedonian, Portuguese for Africa, Serbian and English for the Caribbean?*

Albanian	23
Macedonian	10
Portuguese for Africa	11
Serbian	21
English for the Caribbean	5
Total	70

(a) *If the World Service's recommendation of a closure of 13 language services, had been accepted by the Foreign Secretary, what would have been the expected job losses?*

Post closures from those 13 services alone would have been 215. No figure is available for the total number of post closures that would have arisen from the wider changes accompanying the 13 closures in this scenario.

6. *You have stated that "audiences will fall by more than 30 million ... as a result of the changes", while the Foreign Secretary has told the House that the closure of the five language service will account for 3.5 million listeners. What is the basis for these figures and how have they been calculated?*

The loss of around 30 million weekly audience members refers to the expected loss from all of the full service closures, radio service closures and shortwave and medium wave distribution reductions which are to be implemented in the first full year of the programme of changes ie by March 2012. That is to say, the World Service's global audience estimate was recalculated to exclude audiences due to be lost as a result of these changes.

The five full service closures account for an audience loss of 3.4 million. The services which are closing radio output account for a further 3.3 million. The cessation of short wave and medium wave is expected to lose the World Service around 25 million listeners, depending on overlap with other radio delivery platforms.

7. *What are the most recent listening figures for each of the five language services which will be closed fully: Albanian, Macedonian, Portuguese for Africa, Serbian and English for the Caribbean?*

Albanian	510,000
Macedonian	160,000
Portuguese for Africa	1,498,000
Serbian	550,000
English for the Caribbean	660,000

8. *What are the most recent listening figures for radio distribution in Azeri, Mandarin, Russian, Spanish for Cuba, Turkish, Vietnamese, and Ukrainian?*

Azeri	150,000
Mandarin	595,000
Russian	1,061,000
Spanish for Cuba	9,000
Turkish	450,000
Vietnamese	110,000
Ukrainian	910,000

9. *Of the 650 announced job losses, 480 will occur in 2011–12. When will the remaining 170 jobs be lost?*

Most of the approximately 170 remaining post closures are expected to occur during 2012–13 and 2013–14, however some may also occur in 2011–12 as exact timings depend on decisions within individual departments.

10. Will the 650 announced job losses be concentrated purely on the World Service, rather than BBC Global News? What will be the total expected job losses across BBC Global News (including the already announced cuts to BBC Monitoring)?

The approximately 650 post closures relate only to the changes announced by the World Service. Additionally, BBC Monitoring are consulting on proposals to close 72 posts.

11. Please provide a detailed breakdown of where the announced 480 losses in 2011–12, and the remaining 170 losses by 2014–15 will occur.

A detailed breakdown of the 480 proposed post closures in 2011–12 is provided below.

Albanian	23
Caribbean	5
Macedonian	10
Portuguese for Africa	11
Serbian	21
Sub-total due to closure of five services:	70
Arabic	60
Azeri	8
Uzbek	8
Kyrgyz	0
Chinese	8
Hindi	30
Indonesian	12
Russian	45
Spanish	20
Ukrainian	17
Turkish	5
African (English)	5
Persian	22
Urdu	5
Vietnamese	5
other Asia-Pacific languages	3
Sub-total for remaining language services:	252
BBC Audio & Music	12
BBC Newsgathering	56.5
World Service announcers	3
Sub-total for World Service English:	71.5
WS Finance & Business Affairs	9
Digital Technology, New Media	4
Distribution	6
Strategy & Business Development	13
Studio and TV Operations	54
Sub-total for support departments:	86
Total:	479.5

Figures refer to the gross number of posts on a full-time-equivalent basis, and therefore do not take into account new posts which the World Service plans to open as part of the programme of changes. The net number of post closures during 2011–12 is expected to be 433.

Details are not available of which posts will be proposed for closure as part of the remaining 170 or so closures expected between 2011–12 and 2013–14. However, these closures are also expected to fall across the full spectrum of World Service activity, ie language services, World Service English and support departments, and will be announced within departments when they occur.

12. Have you had any discussions with bodies other than the Foreign Office and the BBC regarding funding of the World Service? Specifically, have there been indications that the Department for International Development will be providing funding to maintain World Service programming and coverage?

The World Service held a number of meetings with DFID officials and ministers over the period when the Government was carrying out the Spending Review, to help assess to what extent World Service activity contributed to development goals.

As part of these discussions, the World Service provided DFID with a note summarising the World Service's analysis at that time of existing and potential World Service activity that could constitute Official Development Assistance (ODA). This note is appended to this submission.

The World Service shared its analysis with the Treasury in its initial submission to the Spending Review, making the case that activities constituting ODA should be protected from cuts.

In the Spending Review settlement, the FCO asked World Service to make a £25m minimum annual commitment to Official Development Assistance. However no additional funding has been provided for this by the FCO or DFID.

If however the Government wished to pursue this possibility, any additional funding could be targeted to fully qualify towards the Government's ODA commitment, and would enable the World Service primarily to invest in new services which also meet development purposes and to adjust some of the most immediately impactful reductions. This would be similar to the approach taken in the current financial year, in which £40m of DFID's budget was transferred to the FCO to support the British Council.<sup>2</sup>

If, for example, the Government chose to fully fund the World Service's £25m ODA commitment, the World Service would be able to:

- invest in programming in Hindi for television, online and mobile services in India, and retain a reduced Hindi shortwave radio service to maintain the BBC's presence (especially in the rural north of the country) until new services are established;
- create BBC Urdu television content which would help counter the increasingly politicised news disseminated by local providers and contribute to the stabilisation of Pakistan and Afghanistan;
- build partnerships with broadcasters in Anglophone Africa to build capacity in the local media and support provision of high quality news and current affairs in these rapidly developing countries;
- retain the current shortwave coverage of World Service English in order to continue to serve those listeners in Africa and south Asia with no alternative source of impartial news; and
- develop new TV programming and online content in Arabic, to facilitate debate within the community of young, innovative and diverse thinkers who have been shaping events behind the digital curtain of social media networks across the Arab world, and which has burst into prominence in recent weeks in Tunisia and Egypt; and maintain shortwave and mediumwave radio broadcasts for those audiences who do not yet have access to digital media.

(a) *Can the Committee be provided with copies of any correspondence between the BBC World Service and DfID over future funding arrangements for the World Service?*

A note the World Service provided to DfID during the Spending Review, which summarises the World Service's analysis at that time of the existing and potential World Service activity that could constitute Official Development Assistance, is appended to this submission.

16 February 2011

## APPENDIX

### SUBMISSION ON WORLD SERVICE ACTIVITY IN RELATION TO THE UK'S DEVELOPMENT AMBITIONS (JULY 2010)

Below is a note in which the BBC set out its initial thinking about existing and potential World Service activities which support the UK's development goals. It was submitted to DFID in July 2010. The analysis it expresses was also shared with the FCO and HM Treasury.

#### BBBC WORLD SERVICE AND THE UK'S DEVELOPMENT AMBITIONS

By virtue of its core activity of providing reliable news and information to many of the world's poorest countries, the BBC World Service plays a substantial role in supporting development goals. Free and independent media are essential to effective governance; they promote accountability and can help bolster fragile states. These are increasingly recognised as prerequisites for economic development and welfare.<sup>3</sup>

The World Service helps enable people in the least developed and most fragile countries to learn, share knowledge and participate in public life, by providing widespread access to trusted information and public debate. It has an opportunity to strengthen and expand this role as part of an integrated Government strategy to promote development and secure the UK's international objectives. More specifically, the World Service can contribute to:

<sup>2</sup> House of Commons International Development Committee, *Department for International Development Annual Report & Resource Accounts 2009–10*.

<sup>3</sup> See for example Roumeen Islam (ed.), *Information and Public Choice*, World Bank 2008, and *The Right to Tell*, WBI Development Studies 2002; and Pippa Norris (ed.), *Public Sentinel: News Media and Governance Reform*, IBRD 2010.



- Strengthening **governance and accountability**. The World Service provides close scrutiny of decision-making elites and ensures news is available that is free of political bias or influence, at times with massive impact. For example it was a BBC Hausa interview with the ill Nigerian President that prompted a constitutional upheaval that resulted in Goodluck Jonathan taking office.
- Supporting **poor and marginalised populations**, by ensuring access to authoritative news and information where it is absent. For example, the BBC is de facto national broadcaster in Somalia, Afghanistan, Burma and a number of countries in sub-Saharan Africa.
- Supporting **fragile states**. The BBC offers an impartial alternative to extremist ideology and incitement, especially in fractured societies (eg Rwanda), and ensures their citizens have access to international values and perspectives.
- **Humanitarian response**. Rapid flow of information to people affected by disasters and crises is an essential, but under-recognised part of development activity. The World Service has delivered crisis services after the Haiti earthquake, Cyclone Nargis (providing one of the few sources of lifeline information for Burma), in Bangladesh, Sri Lanka and Darfur.
- Covering issues relevant to the **Millennium Development Goals**. The issues on which progress towards the MDGs depends are increasingly at the forefront of the BBC's independent editorial agenda, especially climate change. The World Service and World Service Trust work together on the BBC World Debates, involving and educating people across the developing and developed worlds on key development issues.
- **Research and evaluating policy impact**. The BBC has a large network of researchers and research projects around the world providing a foundation for understanding the information needs of people living in poverty. The potential to use this research capability and insight to support development actors is currently under-exploited.

Countries which appear on the DAC list and where the World Service has a significant presence include: Afghanistan, Bangladesh, Burma, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Ethiopia, Egypt, Ghana, Haiti, India, Iraq, Iran, Kenya, Kyrgyzstan, Malawi, Nepal, Niger, Nigeria, Pakistan, Palestinian Territories, Rwanda, Sierra Leone, Somalia, Sudan, Tanzania, Uganda, Uzbekistan, Yemen, Zambia.

This note provides initial ideas about the ways in which the BBC already does or could do more to support the UK's development goals in these territories. Although a number of World Service activities deliver development benefits, no assessment has been made of the extent to which World Service activities meet DAC criteria.

#### *Existing activities*

Many of the World Service's vernacular language services are targeted at the countries identified above. Often, their programming is made and broadcast from the UK, primarily because local conditions do not allow our services to operate safely and securely. But the programmes are broadcast to and for the benefit of a number of high priority countries for development. Where possible, we are increasingly moving services to their target countries; and even services based in the UK spend significant sums on newsgathering and transmission in the countries in question.

We estimate existing expenditure associated with activities in, or services for, the countries listed above as follows:

<i>Item</i>	<i>Spend (£)</i>
In-country newsgathering and content production (includes employing, training, equipping local journalists)	9.3m
In-country transmission and operations	5.2m
Training and technical assistance for partner broadcasters	0.5m
Ex-country newsgathering and content production for services for ODA countries	52.3m
<b>Total</b>	<b>~ £67m per annum</b>

#### *New initiatives for sub Saharan Africa, Afghanistan and Pakistan*

BBC World Service is preparing proposals for new investments to enhance the BBC's presence in priority countries and develop sustainable local journalism. At present, these ideas lack funding.

The budgets of these services would include significant spend on activities with development benefit:

- A television and multimedia news service for Anglophone Africa: up to £5 million.
- Urdu TV news: around £12 million budget.
- Afghan TV news: up to £3 million.
- Expanded radio distribution on FM networks in Africa and south Asia: ~ £2 million.
- **Total: ~ £22 million per annum.**

The development dimension of these activities would primarily be building capacity in local media organisations, and embedding journalistic standards of impartiality, accuracy, scrutiny and accountability. Specific initiatives might include:

- Coproduction of news and other content.
- Embedding local BBC staff in broadcast partners.
- In-house/in-post training of local journalists or partners.
- Technical/production assistance for partners.
- Establishment of BBC training facilities/academies for promotion of journalistic excellence.
- Promoting and enabling citizen journalism.
- Production and broadcast of programming relevant to development aims.
- Development of in-country broadcasting infrastructure, especially transmission facilities.

Revised July 2010

### Further written evidence from the BBC World Service

#### WORLD SERVICE SAVINGS ANNOUNCED 26 JANUARY 2011

<i>Service</i>		<i>Expected Audience Impact</i>	<i>Content &amp; Production Savings*</i>	<i>Proposed post closures</i>
			<i>£k</i>	<i>EFT</i>
Portuguese for Africa	full closure	1,498,000	551	11
Caribbean	full closure	660,000	365	5
Albanian	full closure	510,000	948	23
Macedonian	full closure	160,000	424	10
Serbian	full closure	550,000	1,034	21
Turkish	radio closure	450,000	222	5
Ukrainian	radio closure	910,000	588	17
Russian	radio closure	1,241,000	1,558	45
Chinese	radio closure	595,000	413	8
Spanish	radio closure	9,000	859	20
Vietnamese	radio closure	110,000	200	5
Azeri	radio closure	150,000	367	8
Persian R&O	reduction in output	0	250	22
Uzbek	reduction in output	0	125	8
Hindi/India	reduction in output	10,927,000	680	30
Urdu	reduction in output	0	0	5
Indonesian	reduction in output	1,700,000	664	12
Central Asian Management	reduction in output		137	3
Arabic	reduction in output		1,500	60
Other savings	reduction in output		271	
<b>Total</b>		<b>19,470,000</b>	<b>11,156</b>	<b>317</b>
Language services (above)	£m	19.5	11.2	
WS English	£m		4.0	
Technology	£m		1.9	
Distribution	£m	10.5	5.6	
Studio operations	£m		2.3	
Support	£m		4.4	
Rights	£m		0.5	
<b>Total savings</b>	£m	<b>30.0</b>	<b>29.9</b>	

\*Distribution, overhead and support savings not included

Audience impact shown above covers the editorial changes and platform closures only. The balance of the expected 30 million audience reduction announced in January results from distribution changes covering Swahili, Nepali, English (to W Europe and Russia) and Arabic.

**Supplementary written evidence from the BBC world Service**  
**REMAINING AUDIENCES POST-SPENDING REVIEW**

<i>Top countries</i>	<i>Languages</i>	<i>Platforms</i>	<i>Total pre-CSR WS audience</i>	<i>Total estimated remaining WS audience</i>	<i>Total pre-CSR BBC audience including World News and bbc.com</i>	<i>Total estimated remaining BBC audience</i>	<i>Region</i>
NIGERIA	Hausa, English	AM, FM (non-news), online, mobile, TV Arabic, TV WN	21,800,000	21,800,000	24,100,000	24,100,000	AFME
TANZANIA	Swahili, English	AM, FM, online, mobile, TV WN	13,100,000	11,700,000	13,600,000	12,200,000	AFME
INDIA	Hindi, English	FM (non-news), online, mobile, TV WN, AM closing 2012	11,500,000	1,573,000	13,800,000	3,873,000	AsiaPac
AFGHANISTAN	Pashto, Dari, Uzbek, English	AM, FM, online, mobile, TV WN, TV Persian	9,800,000	9,800,000	10,000,000	10,000,000	AsiaPac
PAKISTAN	Urdu, Hindi, Pashto, English	AM, FM, online, mobile, TV WN	9,300,000	9,300,000	10,800,000	10,800,000	AsiaPac
DR CONGO	French, Swahili, English	AM, FM, online, mobile, TV WN	8,900,000	8,900,000	8,900,000	8,900,000	AFME
BURMA	Burmese, English	AM, online, TV WN	8,400,000	8,400,000	8,500,000	8,500,000	AsiaPac
BANGLADESH	Bengali, English	AM, FM, online, mobile, TV WN	7,500,000	7,500,000	10,100,000	10,100,000	AsiaPac
USA	English	FM, online, mobile, TV WN	7,300,000	7,300,000	35,300,000	35,300,000	AmEu
KENYA	Swahili, English	AM, FM, online, mobile, TV WN	5,600,000	3,900,000	6,000,000	4,300,000	AFME
NEPAL	Nepalese, English	AM, FM, online, TV WN	5,400,000	5,400,000	6,100,000	6,100,000	AsiaPac
INDONESIA	Indonesian, English	AM, FM, online, mobile, TV WN	5,200,000	3,500,000	5,500,000	3,800,000	AsiaPac
SUDAN	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	4,400,000	4,400,000	4,600,000	4,600,000	AFME
IRAN	Persian, English	AM, online, TV Persian, TV WN	3,900,000	3,900,000	4,000,000	4,000,000	AsiaPac
IRAQ	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	3,800,000	3,800,000	4,500,000	4,500,000	AFME
EGYPT	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	3,400,000	3,400,000	3,500,000	3,500,000	AFME
NIGER	Hausa, English	AM, FM, online, TV WN	3,400,000	3,400,000	3,400,000	3,400,000	AFME
MOROCCO	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	2,700,000	2,700,000	2,700,000	2,700,000	AFME
GHANA	English, Hausa	AM, FM, online, mobile, TV WN	2,500,000	2,500,000	2,600,000	2,600,000	AFME
SAUDI ARABIA	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	2,400,000	2,400,000	2,400,000	2,400,000	AFME
SYRIA	Arabic, English	AM, FM, online, mobile, TV Arabic, TV WN	2,200,000	2,200,000	2,300,000	2,300,000	AFME
RWANDA	Kinyarwanda/Kirundi, English	AM, FM, online, mobile, TV WN	2,100,000	2,100,000	2,100,000	2,100,000	AFME
TURKEY	Turkish, English	online, mobile, TV Turkish, TV Arabic, TV WN	2,100,000	1,650,000	2,900,000	2,450,000	AmEu
UGANDA	English	AM, FM, online, mobile, TV WN	2,100,000	1,970,000	2,300,000	2,170,000	AFME
GUINEA	French, English	AM, FM, online, TV WN	1,700,000	1,700,000	1,700,000	1,700,000	AFME
MALAWI	English	AM, FM, online, TV WN	1,700,000	1,700,000	1,700,000	1,700,000	AFME
BRAZIL	Portuguese, English	online, TV WN	1,400,000	1,400,000	1,800,000	1,800,000	AmEu

<i>Top countries</i>	<i>Languages</i>	<i>Platforms</i>	<i>Total pre- CSR WS audience</i>	<i>Total estimated remaining WS audience</i>	<i>Total pre- CSR BBC audience including World News and bbc.com</i>	<i>Total estimated remaining BBC audience</i>	<i>Region</i>
BURUNDI	Kinyarwanda/Kirundi, English	AM, FM, online, mobile, TV WN	1,400,000	1,400,000	1,400,000	1,400,000	AFME
<b>CHINA</b>	<b>Mandarin, Cantonese, English</b>	<b>online, mobile, TV WN</b>	<b>1,400,000</b>	<b>805,000</b>	<b>2,000,000</b>	<b>1,205,000</b>	<b>AsiaPac</b>
<b>MOZAMBIQUE</b>			<b>1,400,000</b>	<b>234,000</b>	<b>1,400,000</b>	<b>255,000</b>	<b>AFME</b>
SIERRA LEONE	English	AM, FM, online, TV WN	1,200,000	1,200,000	1,200,000	1,200,000	AFME
SRI LANKA	Sinhala, English	AM, FM, online, TV WN	1,200,000	1,200,000	1,500,000	1,500,000	AsiaPac
UK	English	FM, online	1,200,000	1,000,000	1,200,000	1,000,000	AmEu
AUSTRALIA	English	FM, online, mobile, TV WN	1,100,000	1,100,000	1,100,000	1,000,000	AsiaPac
LIBERIA	English	AM, FM, online, TV WN	1,100,000	1,100,000	1,200,000	1,200,000	AFME
ZAMBIA	English	AM, online, TV WN	1,000,000	1,000,000	1,000,000	1,000,000	AFME
UKRAINE	Ukrainian, Russian, English	online, TV WN	990,000	80,000	1,300,000	390,000	AmEu
<b>RUSSIA</b>	<b>Russian, English</b>	<b>online, TV WN</b>	<b>830,000</b>	<b>330,000</b>	<b>2,300,000</b>	<b>1,800,000</b>	<b>AmEu</b>
<i>Region</i>							
Africa/Middle East			87,900,000	83,504,000	92,600,000	88,225,000	
Asia Pacific			64,700,000	52,478,000	73,400,000	60,878,000	
Americas/Europe			13,820,000	11,760,000	44,800,000	42,740,000	

Bold cells indicate audiences that are likely to decline as a result of the changes made.

Shows largest audiences only. Excludes countries served by services that have closed as a result of funding reductions

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### Supplementary written evidence from the BBC World Service

#### SUMMARY OF REMAINING BBC AUDIENCES BY COUNTRY POST-SPENDING REVIEW

- BBC World Service has had to make a number of changes to its operations as a result of a challenging SR settlement. As well as a substantial cut in back office and support functions, this will require closure of some language services, moving resources from radio to online, and reducing short wave transmissions. This will inevitably lead to loss of audiences, in a number of places.
- This was not an easy choice. All our audiences are important to us. As Peter Horrocks said to the Committee when he informed them that the audience would decrease by 30 million “that is 30 million regrets”.
- However, although the cuts are severe, the World Service will still remain a global broadcaster with significant audiences in Asia, Africa, Latin America and the English-speaking developed world. Moreover, the BBC’s global offer extends beyond the World Service radio—its commercially funded services, BBC World News and bbc.com, also command substantial audiences and maintain the same high standards of impartial global news.
- Short wave will be reduced; but out of the countries where we have the largest radio audiences (ca 1 million to 22 million), audiences will remain unaffected by these changes in Nigeria, Afghanistan, Pakistan, Democratic Republic of Congo, Burma, Bangladesh, USA, Nepal, Sudan, Iran, Iraq, Egypt, Niger, Morocco, Ghana, Saudi Arabia, Syria, Rwanda, Guinea, Malawi, Brazil, Burundi and Sierra Leone.
- We believe that audience numbers will however decrease in Tanzania, India, Kenya, Indonesia, Turkey, China, Mozambique, Ukraine and Russia. In these countries, short wave audiences have been declining for some time and it will become increasingly difficult to make any impact on short wave over the next few years.
- Our priority continues to be to seek to deliver high quality BBC news on platforms where we can make the most impact. Where short wave makes an impact, we will seek to retain the service as long as we can. And we will continue to explore partnerships, medium wave and other means of delivery where we can.
- Last year our vernacular TV services grew by 72% (from 9.7 million to 16.7 million viewers ) and our vernacular online services grew by 40% (from 5.2 million to 7.3 million unique users).

The attached spreadsheet gives a breakdown of existing and post-SR audiences for BBC World Service and BBC Global News—including BBC World News and bbc.com—in the top 20 markets with the highest audiences (NB it is not a complete global picture). Markets where audiences are decreasing are highlighted.

14 March 2011

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### Supplementary written evidence from the BBC World Service

#### SUMMARY OF EVENTS DURING LICENCE FEE SETTLEMENT NEGOTIATIONS BETWEEN THE BBC AND THE GOVERNMENT IN OCTOBER 2010

*Monday 11 October 2010*

1. The BBC was advised (both Trust and Executive) that as part of the Spending Review (SR) the Government was actively considering the funding of free television licences for the over-75s and the funding of the World Service, and was considering transferring funding responsibility for both from the Government to the licence fee.

*Tuesday 12 October 2010*

2. The Director-General had an exploratory telephone conversation with the Secretary of State CMS.
3. There were internal discussions between the BBC Trust and the BBC Executive about the implications of the SR and about how best to protect the BBC’s independence.

*Wednesday 13 October 2010*

4. The Director-General and the Secretary of State met to discuss the SR implications for the BBC. With the Chairman’s agreement, the Director-General expressed outright opposition to the over-75s proposal but signalled the BBC might be willing to agree to absorb World Service costs if that could be part of a full licence fee settlement running to the end of the Charter period.

*Thursday 14 October 2010*

5. The Chairman called the Secretary of State and reiterated the BBC’s outright opposition to free licences for the over-75s being funded by the licence fee. He identified the important principles that he thought the Trustees would expect to underpin any settlement negotiations.

6. The Trustees were updated via a conference call and agreed principles upon which discussions with the Government would continue.

7. Discussions with the Government continued.

*Friday 15 October 2010*

8. Discussions with the Government continued.

*Saturday 16 and Sunday 17 October 2010*

9. Talks with the Government continued over the weekend and the BBC continued to assert the principles agreed by the Trustees on 14 October as well as presenting indicative proposals to illustrate the financial implications of any settlement.

10. Concerned that no progress was being made, the Chairman wrote to the Prime Minister and stated the BBC's objections to the over 75s proposal and the BBC's intention to oppose it, while reiterating the BBC's willingness to consider a full settlement including consideration of the proposal that the licence fee payer fund the World Service.

*Monday 18 October 2010*

11. The Secretary of State met the Chairman and then the Director-General. He informed them that the Government still had in mind to impose the full cost of the over-75s' licences on the licence fee. The Chairman and the Director General both made clear the BBC would oppose this, and talks were suspended.

12. At the Secretary of State's initiative, talks were resumed and continued through the night between the BBC and the Government. A set of draft proposals was prepared for review by the Executive Board and the Trustees.

*Tuesday 19 October 2010*

13. The Executive Board met and agreed that it would be possible to implement the settlement.

14. The Trustees held a teleconference. They noted that the Executive Board had advised that implementation of the settlement was possible. Therefore on the basis that the proposals were consistent with the principles the Trustees had agreed on 14 October, they agreed to the settlement and delegated authority to the Chairman to conclude discussions with the Government.

15. Details of the impact of the SR on the BBC came into the public domain.

*Wednesday 20 October 2010*

16. The Chairman, the Director-General, and the Director of the World Service met the Foreign Secretary to discuss the implications of the settlement for the World Service.

17. The Government announced the results of the SR.

*Thursday 21 October 2010*

18. An exchange of letters between the Secretary of State and the Chairman formally recorded the licence fee settlement reached.

19. The Secretary of State announced full details of the licence fee settlement in Parliament as part of the Culture Media and Sport spending review statement. [*Hansard Column 64WS refers*]

POST-CSR MEETING WITH THE FOREIGN SECRETARY

*Tuesday 14 December 2010*

20. The Director-General, the Deputy Director and the Director of the World Service met the Foreign Secretary, the Secretary of State for Culture, Media & Sport and the FCO Permanent Under-Secretary of State, to discuss options for delivering the savings required by the Spending Review settlement.

*14 March 2011*

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### Supplementary written evidence from the BBC World Service

At its hearing on 16 March 2011, the Foreign Secretary told the Committee that cuts to BBC World Service were “not disproportionate” within the FCO family. He highlighted that “from the start of reductions in the FCO baseline in 2007–08 to the end in 2013–14, the World Service will be the same proportion of FCO spending at the end as it was at the beginning”. (Q65).

The World Service has previously provided information on the 16% real terms cut in revenue funding announced in the 2010 Spending Review. To date, World Service has not provided data on how this compares to cuts in the FCO budget, because this data has not been available to us. However, we are happy to confirm that the figures the Committee has obtained from the House of Commons library are accurate with respect to World Service funding.

In the BBC’s view, the central facts are that World Service funding was reduced by 16% in the Spending Review while the table included in the FAC’s report on FCO Performance and Finances, published on 11 February 2011, showed that the real terms reduction in the net FCO budget (ie not including BBC World Service and the British Council) is 6%.

When considering the comparison with the 2007–08 position, we would make the following observations:

- In common with all Government funded operations, World Service must make cuts from its existing levels of activity, ie its 2010–11 spend, not the level of spend it had in 2007–08. It is not clear why the 2007–08 position should be used as the relevant comparator.
- 2007–08 was the final year of the 2004 Spending Review settlement. In the next year (following the 2007 CSR settlement), the Government increased World Service’s revenue funding by £18 million to enable it to launch BBC Persian TV and to take BBC Arabic TV to 24 hours a day broadcasting. To reduce the level of cuts to other services announced by the World Service in January 2011, we could have closed these new television services to reduce spend to 07/08 levels. We have not proposed this because it would not be appropriate to curtail the most modern and most needed services in the portfolio, delivering significant benefit to their audiences particularly in the context of ongoing instability and uncertainty in north Africa and the Middle East. As a result, bigger cuts are being made in other areas to achieve the higher savings target.
- There will be other variations to the BBC’s and to the FCO’s budgets which provide important context to the historic comparison. We note for example that the figures from the House of Commons Library obtained by the FAC exclude conflict prevention money. World Service additional money (for BBC Arabic and Persian, see above) has not been excluded from the figures.

We would also point out that the Library figures show the WS share of the total budget is not unchanged over the period. It declines from 16.0% in 07/08 to 15.6% in 13/14. That 0.4% reduction costs World Service £6.6 million per annum—equivalent to one-seventh of the £46 million total savings the World Service is required to make by 2014.

23 March 2011

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### Further supplementary written evidence from the BBC World Service

RE: US STATE DEPARTMENT FUNDING OF CIRCUMVENTION TECHNOLOGY

#### DIGITAL SAFETY PROPOSAL

Following Peter Horrocks’ comments at the FAC hearing on 9 March on circumvention technology, and articles in the Guardian on a possible funding deal with the US state department on 20 and 22 March, please find below details of the proposal and clarification on the BBC’s involvement:

BBC World Service Trust, the BBC’s independent international development charity, is developing a proposal to enable audiences across the world to access and engage with digital platforms safely and effectively whilst being informed of the risks and opportunities involved.

BBC World Service Trust is not in receipt of funds from the US State Department for this work. It has however applied through an open and competitive tender process to US State Department for project funding in this area, the outcome of which will not be known for several months. Digital safety is an area of growing importance to audiences around the world and the US State Department is one of a number of potential funders that the World Service Trust is approaching.

The World Service Trust is constantly innovating and currently has multiple proposals in development being actively considered by a wide range of donor sources. Some of these are delivered in partnership with Global News and in particular with World Service.

23 March 2011

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### Written evidence from the Foreign & Commonwealth Office

As promised by James Bevan, here is our working on the 10% cut to the core FCO over the SR10 period.

The cut to **the FCO family as a whole is projected to be 10%** in real terms by 2014–15, taking account of UK inflation and removal of funding for BBC World Service (BBCWS) in that year. (This 10% figure is accepted. It is HMT's not the FCO's, and in the settlement letter)

Within that the effective cut to **the FCO itself is also around 10% real:**

As we understand it, the FAC's calculation is as follows:

- The FCO's core resource budget for the SR10 baseline is £981 million. The working is: £1,491 million less £100 million depreciation gives £1,391 million cash, less £229 million for the BBCWS and £181 million for the British Council (BC) gives £981 million.<sup>4</sup>
- This baseline of £981 million will rise to a core budget in 14/15 of £1,016 million. Here the working is: £1,289 million Resource Budget<sup>5</sup> (ie excluding capital) less £124 million depreciation gives £1,165 million cash, less £149 million ring-fenced for the BC, gives £1,016 million.
- On the projected level of inflation for the SR (roughly 10%), that £1,016 million equates to around £925 million at today's prices, which equals a real terms cut (£981 million to £925 million) of around 6%.

That is factually correct. But the real situation is also more complex than that. Within the core figures are allocations in the FCO budget to fund the UK's subscriptions to International Organisations. They are ring fenced by HMT and the FCO is legally obliged to pay them. The allocations for the FCO for this purpose for each year of the SR period are £102 million pa. We will have to pay the whole £102 million pa and (increasingly) more out of our budget as subscriptions rise over the SR10 period. This Financial Year the bill for the FCO is expected to be £132 million and we expect it to be around £150 million by 2014–15. (Under the SR agreement with HMT we split costs above £102 million, with HMT paying 60% and the FCO 40% from elsewhere in our budget.) When you take these anticipated costs of subscriptions to International Organisations (IO) into account, the predicted cut to the core FCO budget which we actually control (ie less IO subscriptions) is just under 10%:

The FCO budget *after* removal of IO subs (which are a legal obligation) goes from £849 million in the Spending Review baseline (£981 million–£132 million)<sup>6</sup> to an effective £764 million (that's £1,016 million less 10% for inflation, making £914 million; less £150 million makes £764 million) in FY 14/15 after inflation. That is a drop of £85 million from £849 million which equates to a 10% real cut.

The other point that you covered with James Bevan was about the BBCWS's share of the FCO family budget. As James confirmed, the Foreign Secretary was making a comparison in the hearing last week between the BBCWS's share of the FCO Resource budget in 2007–08, at the time of the previous Spending Round and what it will be at the end of the period about to start. (The Foreign Secretary referred to "the full period in which the FCO has had to make spending reductions, which started under the previous Government".)

So in 2007–08, the BBCWS grant in aid was £222 million against an FCO family Resource Budget excluding depreciation of £1,565 million. That is 13%. The share has grown to 15% of our budget this year. In 2013–14 it will again be £222 million out of a Resource Budget (excluding depreciation) of £1,427 million. That equates to 14.4%. Even 2014–15 figures—hypothetical since BBCWS funding will be transferred to the BBC Licence Fee for 2014–15—would produce a figure of 14.1%. Hence the point that the BBCWS share of the FCO Family Budget will still be equal (in fact more than equal) to where it was in 2007–08. (And these numbers do not factor in the significant impact on FCO purchasing power of foreign exchange losses.)

I hope this information will be useful for the committee's inquiry.

25 March 2011

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### Supplementary written evidence from the Foreign and Commonwealth Office

During the Foreign Secretary's 16 March evidence session with the Foreign Affairs Committee on Developments in UK Foreign Policy, he agreed to write to confirm the date he gave his approval of the transfer of World Service funding from the Foreign Office to the BBC.

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<sup>4</sup> We have used Baseline, because that was the basis for SR comparisons. The estimated 10/11 numbers are very similar.

<sup>5</sup> RDEL—the figure in the FCO Settlement Letter

<sup>6</sup> The equivalent figures forecast for Financial Year 2010–11 are almost identical: £983 million–£132 million = £851 million.



From our notes from the period, the Foreign Secretary agreed to the transfer of the funding of the BBC World Service to the Licence Fee on Monday 18 October. There were discussions over the formal wording of the DCMS Settlement letter and of our settlement letter on 19 October and the announcement was made on 20 October. The Foreign Secretary met Sir Michael Lyons and Mark Thompson on 20 October.

*29 March 2011*

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