



House of Commons
Foreign Affairs Committee

**The Implications of
Cuts to the BBC World
Service: Responses
from the Government
and the BBC to the
Committee's Sixth
Report of Session
2010–12**

**Second Special Report of Session
2010–12**

*Ordered by the House of Commons
to be printed 17 May 2011*

HC 1058
Published on 17 May 2011
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

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.

Current membership

Richard Ottaway (*Conservative, Croydon South*) (*Chair*)
Rt Hon Bob Ainsworth (*Labour, Coventry North East*)
Mr John Baron (*Conservative, Basildon and Billericay*)
Rt Hon Sir Menzies Campbell (*Liberal Democrats, North East Fife*)
Rt Hon Ann Clwyd (*Labour, Cynon Valley*)
Mike Gapes (*Labour, Ilford South*)
Andrew Rosindell (*Conservative, Romford*)
Mr Frank Roy (*Labour, Motherwell and Wishaw*)
Rt Hon Sir John Stanley (*Conservative, Tonbridge and Malling*)
Rory Stewart (*Conservative, Penrith and The Border*)
Mr Dave Watts (*Labour, St Helens North*)

The following Member was also a member of the Committee during the parliament:

Emma Reynolds (*Labour, Wolverhampton North East*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including news items) are on the internet at www.parliament.uk/facom.

Committee staff

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

Contacts

All correspondence should be addressed to the Clerk of the Foreign Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6394; the Committee's email address is foraffcom@parliament.uk

Special Report

The Foreign Affairs Committee published its Sixth Report of Session 2010–12, *The Implications of Cuts to the BBC World Service*, on 13 April 2011, as House of Commons Paper HC 849. The Government’s response to this Report was supplied to us on 16 May 2011, in the form of a memorandum from the Foreign and Commonwealth Office. On the same day we also received a separate response from the BBC, also in the form of a memorandum. These are appended below. We have separately received a letter from the Secretary of State for International Development relating to our Report and the conclusions therein. This is also appended.

Government response

Memorandum from the Secretary of State for Foreign and Commonwealth Affairs, Rt Hon William Hague MP

The Government welcomes the Foreign Affairs Committee’s inquiry into “The Implications of Cuts to the BBC World Service”, and the findings set out in the Committee’s report published on 13 April 2011.

The Government recognises the detailed work which the Committee has undertaken. This Memorandum sets out our response to the recommendations. The Committee’s recommendations are in bold, and the Government’s response is in plain text. Some of the recommendations are for reply by the BBC World Service, and we have indicated where we think that is appropriate. Paragraph numbers refer to those in the Conclusions and Recommendations section of the Committee’s Report.

At the outset, I need to place the reduction to the BBC World Service’s budget into context. The Government inherited a very serious financial deficit, and made it clear that its first priority was to reduce it. Government departments and publicly funded bodies were expected to contribute to the Government’s plans. Every part of the FCO family has faced the challenge of doing more with less.

It may also be helpful to remind the Committee of the terms of the agreement between BBC World Service and the Foreign and Commonwealth Office. In a letter dated 21 October 2010 from the Secretary of State for Culture, Media and Sport to the then Chair of the BBC Trust, Sir Michael Lyons, the arrangements for funding of the World Service were set out as follows:

- The Government will continue to fund World Service at Comprehensive Spending Review-agreed levels for 2011/12, 2012/13 and 2013/14. The BBC will be allowed to fund any World Service restructuring costs, at its discretion, during this period. The World Services will become part of the licence fee funded BBC from 2014/15.
- The BBC Trust sets the overall strategic direction of the BBC including the World Service.

- The BBC is independent in all matters concerning the content of the World Service output, the times and manner in which this is supplied and in the management of its affairs. The BBC's Editorial Guidelines, Values and Standards are set by the BBC Trust and apply to the BBC World Service.
- The BBC will continue as now to set the objectives, priorities and targets for the BBC World Service with the Foreign Secretary and to obtain the written approval of the Foreign Secretary for the opening or closure of any language service.
- After extracting an efficiency dividend, the BBC will commit to providing sufficient investment in World Service to support its current plans for the period.

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)

The Government agrees that the BBC World Service has played for decades and continues to play an extremely valuable role, reflecting British democratic values overseas and supporting British influence in the world. The services it provides are a beacon to many in some of the poorest and most insecure countries in the world. The Government does not agree with the Committee's conclusion that the cuts to the BBC World Service were disproportionate.

The coalition government inherited a situation in which the Foreign and Commonwealth Office had already had to undertake considerable spending reductions. The Comprehensive Spending Round Settlement in 2007 removed the FCO's protection against foreign currency and overseas inflation during a period of volatile exchange rate movements. These affected the “core FCO” budget much more than the BBC World Service budget over the past four years as the FCO spends a much higher proportion of its expenditure in foreign currency than the BBC World Service does. Reflecting the cost of the FCO network of Posts and their locally engaged staff, the FCO's foreign currency spend is in excess of 50% of its budget. The World Service, although exposed to some foreign currency risk, spends the vast majority of its budget in Sterling on staff salaries, property costs and its facilities contracts in London.

Even with the reduction in the BBC World Service's budget through the new Spending Round settlement, its share of the FCO Family budget will still be more than its share of the FCO budget was in 2007/08.

In 2007/08, the BBC World Service Grant in Aid was £222m against an FCO Resource Budget excluding depreciation of £1,565m (13%). In 2013/14 it will again be £222m out of a Resource Budget (excluding depreciation) of £1,427m (14.4%).

The Government notes that the World Service have claimed that their share of the FCO budget has declined from 16% in 2007/08 to 15.6% in 2013/14. We do not recognise the World Service's calculations. Our own figures show that—whether or not capital is included—the BBC World Service's share of the FCO budget will be slightly higher in 2013/14 than in 2007/08.

Furthermore, the 16% cut to the World Service is proportionate to the savings the BBC will make as a whole under the licence fee settlement where, by the end of the Spending Round period, they will have taken over funding of S4C, BBC Monitoring and the BBC World Service, broadband and support for local programming.

As set out in my oral statement of 11 May, I have agreed with the FCO Board that we will widen and deepen our diplomatic effort by bearing down hard on back office costs and implementing other efficiencies. The FCO is committed to saving £100m from our administrative budgets while boosting front line activity. The World Service assured us at the time of their settlement that they were working to identify savings in this area too. The degree to which they have done so is not clear.

Details of precise proportions which the World Service devote to running costs such as HR, finance or IT, as compared to front line activity have not been published although many other publicly funded organisations do now routinely publish this information. The World Service have given assurances at the time of the spending review settlement that they would bear down on these costs, we have no clear evidence of how this has happened.

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)

The Government notes the recommendations of the Committee. However, the Government does not consider that the budget of the BBC World Service should be protected from the requirement to make cuts to help reduce the fiscal deficit. The Government has had to make difficult choices. The police, military and nearly all

government departments have had to take their share of painful cuts. In spite of the reduction in World Service money, they will retain £253m this financial year, £242m next year and £238m in year three of the settlement period. These significant levels of public funding signal the importance we attach to their work.

In addition, the Government does not consider that the decision to reduce the World Service's funding should be reversed. The settlement for the BBC World Service was challenging, but fair. As set out above, the BBC World Service's budget will still be a slightly higher proportion of the FCO's budget than it was in 2007/8. The World Service will still preserve the great majority of its output. It will reach an audience of over 140m people. However, that does not mean that we are closed to working with the World Service in specific areas, such as their response to recent events in the Middle East. The Committee is right to highlight the significance of recent events in the Middle East and North Africa. FCO officials are discussing with the World Service what further work we can do with them in this area.

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)

The Government agrees that cuts should minimise to the greatest extent possible the impact of the reductions on front line activity. As set out above, under the agreement between the FCO and the BBC, the World Service has editorial and managerial independence and integrity, except in the case of opening or closing of language services, which need my authority. The FCO currently has and will retain a strong strategic interest in the work of the World Service while respecting the editorial independence of the World Service.

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)

The BBC World Service has to manage its resources to maximise its efficiency and global reach. These decisions on staffing fall within their managerial and operational responsibility. We leave it for them to answer but agree that the proportion of staff cuts compared to reduction in funds appear somewhat disappointing.

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)

We understand from the BBC World Service that there are only a relatively small number of journalists who may be affected in this way. We are ready to help if we need to. Foreign

and Commonwealth officials are in contact with UK Borders Agency about this issue. The rest of this question is for the BBC World Service to answer.

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)

The Government has a strong bilateral relationship with India, and we are committed to make it even stronger, wider and deeper. Since the Prime Minister's visit and the Summit with Indian Prime Minister Singh in July 2010, we have set in train an ambitious agenda of practical co-operation.

Under the terms of the agreement set out above between the BBC and the FCO, the World Service has editorial and managerial independence within an overall strategic framework, agreed with the Foreign Secretary. On this basis, while we retain a strong interest, decisions about changes to methods of broadcast within specific countries remain the responsibility of the World Service.

The BBC World Service told us that they made a decision to cease short wave broadcast in view of a falling short wave audience, and their broader decision to move away from short wave transmission. We were not formally consulted on this decision and we believe that the case they advanced for closure was not compelling. We welcome the World Service's decision to identify savings from within its budgets to give the service the chance to explore a new operating model. We very much hope that the reprieve will continue, either through a new model of funding, or from the BBC identifying funds from their own resources.

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)

The Government recognises the strategic importance of China, and is committed to closer engagement. We expect China to work together with us, reflecting its growing global role, to tackle international issues, and to create the conditions for future growth.

Under the terms of the agreement set out above between the BBC and the FCO, the World Service has editorial and managerial independence within an overall strategic framework, agreed with the Foreign Secretary. On this basis, while we retain a strong interest, decisions about changes to methods of broadcast within specific countries remain the responsibility of the World Service.

The Committee makes the point that the shortwave service is more difficult to cut off. However it is not impossible. The shortwave service to China has in fact been jammed for many years, and only reaches a small audience. On-line demand is growing, and the BBC World Service is responding to this as a result. We understand that the BBC World Service intend that the new service will be accessible not only to people in China, but also to 67 million Chinese people who live outside China, and that the new service will be more attractive to younger audiences than the former service. The decision in this case therefore appears to us to be logical.

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)

We agree that the extent of these reductions was surprising even before recent dramatic developments in the region. We are aware, however, that the BBC World Service has re-prioritised some resources to minimize the effect of the cuts on the BBC Arabic Service. We welcome that.

We are in discussion at present with the BBC Arabic Service and the BBC World Service Trust on specific projects under the Arab Partnership Initiative. We believe that some initial proposals that the World Service have submitted show promise. We will work closely with them to develop these suggestions. Any projects we support would need to demonstrate impact, sustainability and value for money.

The rest of this question is for the BBC World Service to answer.

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)

As the Committee notes, the 2002 International Development Act makes reducing poverty the core purpose of DFID assistance. The Act sets out when DFID can provide development or humanitarian assistance, in what forms and on what terms. The International Development Secretary 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. This is a statutory condition that has to be met. To provide aid lawfully, not only must the International Development Secretary be of the opinion that aid is for the purposes set out in the Act, 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.

DFID can transfer funds to other departments. The Foreign and Commonwealth Office has received such funds in the past. But the 2010 Spending Review placed additional restrictions on DFID which mean that it can only transfer funds if it is satisfied that overall government targets on Official Development Assistance (ODA) are not compromised.

We believe that the BBC World Service provides a developmental benefit to many countries. The OECD’s Development Assistance Committee (DAC) sets ODA guidelines. Currently, OECD guidelines do not include public broadcasting. However, we believe that the World Service provides a significant developmental benefit and have funded it on this basis. We have developed a formal proposal for DFID to take to the DAC to request that some BBC World Service spend be scored as ODA. The BBC World Service Settlement already includes £25m per year in anticipation of being able to score some of their activities as Official Development Assistance to be funded from the overall FCO settlement.

DFID has a complementary but independent relationship with the World Service Trust, with which DFID is currently in discussion about a deeper, more strategic partnership. This has the potential to significantly expand BBC World Service Trust operations and their ability to deliver at scale, increasing its impact on development outcomes and poverty reduction.

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)

This question is for the BBC World Service to answer.

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)

The discussions with the BBC on the licence fee settlement covered a range of issues and it would not be appropriate to comment on when, or by whom, each particular issue was raised.

The BBC’s modelling work is a matter for the BBC.

Given the scale and pace of the spending review and the licence fee settlement, it was not practical to have in-depth discussions with all interested parties. The Government’s priorities were to secure a contribution to reducing the fiscal deficit and to ensure that the settlement represented excellent value-for-money for licence fee payers. These objectives were met.

The Government believes that the transfer of funding to the licence fee will increase the BBC’s ability to increase scope for sensible efficiencies and economies, and avoid duplication across the whole of the BBC family. It will also help create a more sustainable future for the World Service. This will also benefit licence fee payers, who will continue to have access to the World Service.

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)

In my conversations with the Chair of the BBC Trust and the Director-General of the BBC, they both made it clear that they would put safeguards in place to protect the World Service. These will be set out in the amendments to the BBC Agreement, which is an agreement between the Secretary of State for Department for Culture, Olympics, Media and Sport and the BBC.

The Government is content that the Foreign Affairs Committee should continue to monitor the work of the World Service.

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)

The BBC have made clear that they greatly value the BBC World Service, and Mark Thompson described it as “one of the most precious things the BBC does”.

The new Chair of the BBC Trust, Lord Patten, has described the World Service as a “hugely important part of what the country offers to the world”, and has already said that it is part of his job to explain to licence fee payers why their money should support the World Service.

The rights and responsibilities of all sides will be set out in an amendment to the BBC Agreement, which is an agreement between the Secretary of State for Media, Olympics, Culture and Sport and the BBC. This will include the role of the Foreign Secretary in

setting the priorities, objectives and targets of the World Service, and that his written authority would be required for the opening or closure of any language service. We are discussing how the relationship between the BBC Trust and the Foreign and Commonwealth Office will develop once the funding transfers to the Licence Fee, including a formal exchange of letters between the BBC Trust and the Foreign Secretary to confirm the provisions of the amended BBC Agreement.

Once the funding moves to the Licence Fee, the Government believes that the proposed new World Service Operating Licences, issued by the BBC Trust, will enable the public and Parliament to see the proposed level of service required from, and funding available to, the World Service.

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)

The Government welcomes the Committee's continued interest in the work of the BBC World Service.

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)

Within the framework of the BBC's Charter and Agreement, decisions about the make-up of the Executive Board of the BBC are a matter for the BBC. Mark Thompson, the Director-General of the BBC, made the position of the BBC clear during his evidence session.

The Government would, however, support the idea of an International Trustee, who would represent the interests of the World Service.

16 May 2011

BBC response

Introduction

The Foreign Affairs Committee invited the BBC to respond to its recent report, *The Implications of Cuts to the BBC World Service*.

The Corporation welcomes the Committee's strong support for the BBC World Service and the benefits it brings in promoting British values and providing a widely respected and trusted news service around the world.

The Committee raises some important issues regarding the level of funding provided to the World Service. The cuts being made to the World Service are a consequence of last autumn's spending review and the BBC regrets the scale and pace of cuts that have been necessary.

It is of course for the Government and Parliament to decide the priorities for public spending. If, in the light of the Committee's report, the Government is prepared to reconsider the level of funding available to World Service, the BBC will be very pleased to engage with them in further discussion. Notwithstanding this, our immediate priority is to minimise the impact of the spending review settlement on services valued by audiences around the world. We are exploring ways to mitigate the impact of the cuts on the World Service's strategically most important services; for instance, the BBC-wide pensions fund has recently been revalued and this may create some greater financial flexibility for the World Service. The BBC is urgently exploring the implications of this. However any resulting benefits would be small relative to the overall funding challenge the World Service faces.

The BBC is fully committed to the long-term future of the World Service. The new Chairman and Director-General have both stated it is their aim to reinvest in the World Service when responsibility for funding transfers to the licence fee in 2014.

Our response addresses the Committee's conclusions and recommendations under the three categories of issues raised: funding, operational matters, and future governance.

Funding

The funding of the BBC World Service is currently covered by grant-in-aid from the FCO; from 1 April 2014, the funding for the World Service will transfer to the licence fee.

The BBC has developed a framework to deliver the World Service within the constraints of the funding available until 2014. This has involved difficult decisions and has resulted in the BBC having to close and reduce services that it would have preferred not to have done. To mitigate the impact, the BBC has made available up to £20 million of licence fee funds to help meet the restructuring costs within the World Service over the next few years.

If any additional funding over and above the spending review settlement were to be made available to the World Service, then the BBC would be pleased to discuss with Government

how that could best be used to mitigate the impact of the cuts and to provide sustainable new investments.

The Committee also raised the issue of commercial activity. The World Service already has a small commercial income stream, and has been set a target by the Government as part of the spending review to increase this by £3m per annum. We have started exploring how this target could be achieved, and the potential impacts on the services that are provided through the World Service. Under the BBC's governance arrangements a proposal to significantly increase the commercialisation of the World Service would require approval from the BBC Trust, and potentially the Foreign Secretary.

Operational matters

Under the current governance and constitutional arrangements pertaining to the World Service, the Government provides grant-in-aid funding through the FCO and, notwithstanding the consent required for the opening and closing of complete World Service language services, the World Service is operationally and editorially independent. Within this context we have set out below our response to some of the operational concerns raised by the Committee.

Services

Decisions to open and close complete language services as a result of the reduction in funding for the World Service under the spending review were, as required, jointly agreed by the BBC Trust, the Corporation's governing body, and the Foreign Secretary.

Within the resources available, the BBC must determine how services are managed and programming distributed in the context of an overall strategy for the World Service approved by the BBC's Executive Board and the BBC Trust. In restructuring the World Service following the spending review, decisions were based on three criteria: strategic importance, impact and cost-effectiveness.

With regard to the specific services about which the Committee raised concerns:

BBC Hindi

The BBC remains committed to providing news to India but to secure its long term relevance needs to respond to rapid and significant changes in the media market. TV is now the key medium for news, and is already in six in ten households. FM deregulation has led to a steep decline in shortwave listening, despite the ban on news from any provider except the state broadcaster (All India Radio). Mobile phones are now ubiquitous in India, with 0.5 billion subscribers, and internet availability continues to grow. These changes have created commercial opportunities which have drawn a plethora of new competitors meeting the Indian preference for localised content.

This is the background which has seen the BBC Hindi audience in India decline by almost half in only three years, from 17.8m weekly listeners in 2008 to 9.7m in 2010—still significant in numerical terms, but representing only 1.3% reach among Hindi-speaking

adults. As shortwave listening continues to decline in India, it is to be expected that the BBC shortwave audience will decline further.

As the Committee has noted, the BBC has announced the retention of one hour of Hindi shortwave for one year, in response to audience concern, and while it explores whether sustainable commercial funding can be found for the longer term. The BBC has noted the Committee's recommendation regarding longer term support for an unreduced service. The original decision to cease Hindi short wave broadcasting was a difficult choice and sooner than we would have liked, however one that we believed was necessary given the resources available at the time. The BBC is examining whether any further retention is possible within the funding constraints.

BBC Mandarin

The Chinese authorities are dedicated to limiting the impact of foreign media in China. While it is true that online services are vulnerable to action by the authorities, BBC Mandarin radio transmissions have been very successfully jammed by the Chinese authorities for decades.

While the strategic importance of China is clear, the impact of BBC Mandarin radio was extremely low, with 0.6m listeners in a country of 1.34 billion. This partly reflects the continuous jamming, but in any case short wave listening is now a marginal activity in most of China. Within the reduced funding available it was judged no longer sufficiently cost effective to retain, as to have done so would have required further cuts to other services which make a more significant impact upon the countries they serve.

BBC Arabic

Arabic was the World Service's first vernacular language service, and the World Service has been broadcasting continuously in the language since 1938.

The World Service remains committed to the Arabic-speaking world, and has responded to the increased significance of that part of the world in recent years by diverting resources into further broadcasts as well as requesting additional funds from the Government. BBC Arabic radio broadcast 24 hours a day for the first time on 11 September 2001. BBC Arabic television, which now reaches 13.5 million viewers each week, was set up on a 12 hour basis in 2008 by cutting other language services, and was taken 24 hours in 2009 with additional Grant-in-Aid—a move that was strongly supported by the Committee.

The World Service has responded to more recent events by diverting considerable newsgathering resources to the region and creating new programmes to enable audiences across the region to interact and discuss common issues. The World Service has also submitted some project proposals to the Arab Partnership Programme Fund set up by the FCO recently in response to the 'Arab Spring', though should these proposals be funded, these would not provide a direct replacement for programming or transmission cuts necessitated by the spending review.

BBC Arabic remains the World Service's best-funded language service. Protecting it entirely from the spending review cuts would have required either the complete closure of

several other services or much deeper cuts to other ongoing services. Consequently there has been some reduction in transmission hours on short wave and medium wave, and a reduction in the number of hours of live news on both radio and television may be unavoidable. However, the World Service is continually assessing the situation in the light of unfolding events.

Staffing

The level of post closures set out by the World Service in January 2011 was a direct consequence of the reduction in funding in the spending review, and the decisions to change the mix of services to respond to the financial constraints. It is important to note that the 16% cut in funding required significantly greater cuts in services, because of the additional impact of the BBC-wide pension deficit and the lack of funding in the original settlement for restructuring.

There are large restructuring costs associated with implementing such significant change. As such, the Trust and the Executive Board—with the consent of DCMS to amend the BBC's Agreement to allow this—agreed to a one-off contribution of up to £20m from the licence fee to partially fund restructuring costs at the World Service. There was also further assistance from the FCO via a one-off payment of £3m to support restructuring costs.

The reduction in the size of the World Service workforce is expected to be less than 27%. The figure of 650, as quoted in the Committee's report, represents the estimated number of existing posts to be proposed for closure, not the number of job losses. Some posts are already vacant and some new posts are being created as departments are re-structured and new investments made.

The number of compulsory redundancies is expected to be still less, as the World Service has sought volunteers, and staff in closing posts are being given priority to fill both vacant and newly-created posts. The BBC is doing its best to minimise the impact upon staff.

The BBC is grateful for the assurances offered by the Foreign Secretary with regard to staff who may have to return to their home countries after working for the World Service. However the World Service is still in the process of identifying which individual members of staff will unfortunately face redundancy. Over the next few months the picture should become clearer, at which point we will seek the support of relevant government agencies to minimise the impact upon such staff.

Future governance

The decision to transfer funding responsibility for the World Service from the FCO grant-in-aid to the licence fee from April 2014 was taken by the Government with the BBC's agreement. The BBC believes that a number of strategic and financial benefits will arise from the arrangement and is working to implement the changes, as described in the BBC's evidence to the Committee's inquiry. Some of these benefits are:

Firstly, while the BBC has always had editorial control of the World Service, there is now an increased clarity about the World Service's independence. There can now be no doubt

in the minds of overseas audiences that the services provided—funded directly by the British public through the licence fee—are fully independent.

Secondly, there is scope for further cost-effectiveness when two newsrooms join together at Broadcasting House.

Thirdly, licence fee payers may gain greater awareness of the availability of services from the World Service within the UK, for instance World Service English via DAB and digital TV and many of the foreign language radio and television programmes online. Through these means licence fee payers will be able to access a deeper range of international news from the BBC.

Fourthly, and most importantly, the new arrangements will provide greater financial stability and certainty for the World Service. The World Service has only ever known its funding two to three years ahead, and in recent years has suffered additional budget cuts, outside of formal Government spending reviews. Licence fee funding arrangements allow the BBC to plan over longer periods than is presently the case for the World Service, and furthermore the Chairman and Director-General have stated that it is their aim to increase funding for the World Service once it is funded from the licence fee.

The formal accountability for spending of the licence fee is to the BBC Trust, and this will be the case for the World Service when it is funded through this mechanism. Though the World Service has some additional responsibilities to account for its current grant-in-aid funding, it has always been an integral part of the BBC, and its activities, strategies and finances have always been overseen by the BBC's Executive Board and ultimately the BBC Trust.

The BBC, including the World Service, has always been willing to answer questions from, and give evidence to, the UK's Parliaments and Assemblies, and will continue to do so when the World Service's funding transfers to the licence fee. We would wish to continue to have a strong working relationship with the Foreign Affairs Select Committee.

The BBC has already reached in-principle agreement with the Foreign Secretary and the DCMS regarding the future governance of the World Service, the detail of which will be published in an amending agreement to the formal BBC Framework Agreement between the Government and the Corporation.

Lord Patten has also agreed to look at the governance of the BBC as he starts his term as the Chairman of the BBC Trust. This review will look, inter alia, at whether the governance arrangements for the BBC's international service—including the World Service—are appropriate given the new funding arrangements. The Chairman is in discussion with the Secretary of State for Culture, Media, Olympics and Sport about whether the current vacancy on the BBC Trust could be filled by a person who would have a specific duty to oversee the BBC's strategy for its international services, which includes the World Service.

The World Service will continue to be represented on the BBC's Executive Board by the BBC's Director of News, who has formal responsibility within the BBC for all news output, both domestic and international, including the World Service.

16 May 2011

Letter to the Chair of the Committee from Rt Hon Andrew Mitchell MP, Secretary of State for International Development

Strategic relationship between DFID and World Service Trust

Thank you for your call over the weekend to discuss the BBC World Service. I have been reflecting on our discussion. I am very grateful for the trouble you have taken with this. I think there are ways in which we can assist in the future, through moving to a more strategic relationship with the World Service Trust.

A deepened collaboration between DFID and the World Service Trust would be independent of, but complementary to, the relationship between the BBC World Service and the FCO, which remains the sponsor Department responsible for financing the World Service.

For many years, DFID has supported projects implemented by the BBC World Service Trust, the charitable arm of the World Service whose goal is to support the development of the media, and its use to support the achievement of development goals and reduce poverty, in poorer countries.

This collaboration has previously included media programming to combat HIV/AIDS in Nigeria, support for the deepening of democracy in Bangladesh through Sanglap, a regular Question Time programme which helps civil society hold their leaders and politicians to account, and work on climate change and education.

I would like to place this relationship with the BBC World Service Trust on a longer term and more strategic basis, and would, in principle, be prepared to support this with an accountable grant. Building over time, this has the potential to expand BBC World Service Trust operations and their ability to deliver at scale significantly, increasing its impact on development outcomes and poverty reduction.

Initiatives which might be developed under such a strategic relationship include the extension of an Afghanistan's Woman's Hour/Every Woman programme to other contexts, the use of soap operas and other programming to improve the status of girls and women and especially tackle gender violence (an approach which has been successful in Latin America and parts of Africa), the extension of the Bangladesh Question Time programme to other countries, and programming designed to improve understanding of and response to the threat of climate change. All initiatives funded under such a strategic relationship would be focused on the international development priorities the Coalition Government have set out, and be subject to the same value for money, impact and results tests that apply across the whole of the DFID programme.

I understand that the BBC believes that more strategic funding for the World Service Trust would significantly improve its service to audiences in poorer countries and meet better their urgent information needs.

I would of course be happy to discuss this further.

13 May 2011