

TUESDAY 22 NOVEMBER 2005

Present

Bonham-Carter of Yarnbury, B.
Fowler, L. (Chairman)
Howe of Idlicote, B.
Manchester, Bp.
Maxton, L.
Peston, L.

Memorandum submitted by North West Vision

Examination of Witnesses

Witnesses: **Ms Susan Woodward**, Managing Director, ITV Granada; **Ms Alice Morrison**, Chief Executive, North West Vision; **Mr Andrew Critchley**, Managing Director, Red Production Company; and **Mr Mike Spencer**, Managing Director, Multi-Media Arts, examined.

Q483 Chairman: Welcome and thank you very much for coming. I think you may have heard a bit of the previous evidence but basically we are in the second part of our study. We have already produced, as you may know, a first report but there were a number of areas which we did not have time to go into in detail and one of those is what I put under the generic title of regional broadcasting, although it goes rather deeper than that. Before we start, perhaps you could in a couple of sentences introduce yourselves. Shall we start from Mr Spencer and move down the table.

Mr Spencer: I am Mike Spencer, the Managing Director of an independent production company based up in Manchester. I have been in broadcasting 20 years of which 18 have been spent in Manchester both at Granada, the BBC and in the independent sector.

Ms Morrison: I am Alice Morrison, Chief Executive of North West Vision, which is a public agency whose role is to stimulate the TV, film and moving image economy in the North West.

Q484 Chairman: Sorry to interrupt, so you do not make, you do not produce; you encourage?

Ms Morrison: We do not produce but what we do do is, for example, we put funding into high-growth companies and we help them with production, development and so on.

Q485 Chairman: Thank you.

Ms Woodward: I am Susan Woodward, I am the Managing Director of ITV Granada; I am a Non-Executive Director of the Central Salford Urban Regeneration Company; and I am the Creative Director and Deputy Chairman of Liverpool Culture Company. My job is to drive the business for Granada in the North West and to make sure the environment is such that we can make high-quality productions at low cost or at a cost beneficial to the company's bottom line.

Q486 Chairman: Good, so we have a voice from a Liverpool as well as from Manchester today?

Ms Woodward: Yes.

Mr Critchley: I am Andrew Critchley, the Managing Director of the Red Production Company. We are a drama producer based at Granada, we have made drama in the region for the past seven years, starting with *Queer as Folk* through to, more recently, *Casanova*. I am also Pact's North West representative.

Q487 Chairman: Okay, thank you very much. Can I just then start with a fairly general question. What is your assessment of how much television and radio (because we are looking

at that as well) production goes on in Manchester and the breakdown between the BBC and other broadcasters in the independent sector? What is your view of that?

Ms Woodward: About ten per cent of the UK's entire television production is made in Manchester. Of that Granada itself makes around about a minimum of 1,000 hours a year and that is made internally inside Granada Television and commissioned by Granada Television externally. Alice can give you some figures.

Ms Morrison: In the most recent Ofcom report it is published that, for example, London gets £1.476 billion worth of production every year and Manchester is the next biggest centre with £210 million. That is across the genres. We are the biggest centre outside London but compared to London we are still very small.

Ms Woodward: In addition to that ITV is committed to making 50 per cent of its network production for ITV One outside of London. As you may be aware, Ofcom have committed that as a quota going forward from January 2006. We have already hit that ceiling and are very happy to continue.

Q488 Chairman: How do you compare with the other regional centres; Birmingham for example, where would that come in the league?

Ms Woodward: ITV Granada is the biggest production centre outside of London and it dwarfs anybody else in the UK.

Ms Morrison: As Sue said, it is ten or 11 per cent of all the network programmes made at the moment in the North West. Within that we are talking about the North West as Liverpool as well as Manchester right through. The next biggest centre regionally is Yorkshire which has four per cent, so you can already see the differential.

Q489 Chairman: So this is the natural media centre as far as the North West is concerned?

Ms Morrison: Yes. We would say so because there is a sustainable infrastructure here already and there is a long history of production, as you will know from your screens, so there is potential for growth. What it needs now is that kick start into what could be phenomenal growth right across the industries. I think we are looking at the sunrise industries as well as traditional production.

Q490 Chairman: And have you any estimate of how many people are employed in the independent sector?

Ms Morrison: In TV it is very difficult. Five per cent of the entire population of the North West is employed in the creative industries, according to the latest report from the Cultural Consortium. I would be reluctant to break that down.

Ms Woodward: Granada's current population is 1,200 people and it has been like that now for probably about a year.

Q491 Chairman: How does that compare with, say, the BBC?

Ms Woodward: The BBC here is around 700 to 800 people in Manchester.

Q492 Chairman: But those 1,200 would be permanent staff, would they?

Ms Woodward: Yes, although because of the nature of our industry an awful lot of our staff are called freelancers, who are people on fixed term contracts although we classify them as staff anyway. We consider all those 1,200 as staff members.

Q493 Chairman: What about you, Mr Critchley, how many would you employ and how would you organise yourselves?

Mr Critchley: We are a lot different because obviously it is a much smaller concern but we have a core staff of nine and on occasion in the past seven years we have had three or four

productions running simultaneously, on average perhaps about 70 per production between cast and crew, so the payroll does fluctuate between nine and 350.

Chairman: That is quite a range.

Q494 Lord Peston: Could you define what you mean by “staff”. Does that nine include your secretaries and all of that?

Mr Critchley: Yes.

Q495 Lord Peston: How many creative staff are in the nine? Without insulting the secretaries, nine seems so small to me, I would need that just to run a shop. You must be incredibly efficient?

Mr Critchley: Yes. For the most part there is one PA assistant, there is me, a finance person, the chief executive of the company, who is the key creative part of it, and the rest are development staff.

Q496 Chairman: So when you come to producing a programme or a series of programmes you commission, do you?

Mr Critchley: A writer will come to us with a script and we will pitch it to a broadcaster and they will hopefully commission it. At that point we will crew up from a freelance pool that we share with Mike and Sue.

Q497 Chairman: And that freelance population there are enough people here, are there, to sustain that?

Mr Critchley: We do not crew up exclusively from the region. We find heads of department, the key creative personnel from wherever. We choose them based on their track record. For the most part, though, we try and crew up for the rest of them within the region for economic reasons as well as logistical reasons.

Q498 Chairman: Do you find the same, Mr Spencer?

Mr Spencer: Yes, Red Production do drama, we do factual programmes and documentaries, so we are less labour intensive, and we are able to draw 90 per cent of the staff we need - producers, directors, researchers - from the North West. And we also sometimes share staff with the BBC. We have had people on attachment from the BBC and vice versa.

Q499 Chairman: How many do you employ essentially permanently full time?

Mr Spencer: Permanently there are six of us in the United Kingdom, although we have got four people in Dublin, and I think the highest workforce we have ever had is about 40, and so in terms of freelance employees it will range between ten and 40.

Q500 Chairman: It is very interesting what both of you are saying because you are obviously very slim-line certainly compared with the numbers we are normally used to dealing with, but when you come to a production, whether it is a documentary or whether it is drama, there is no difficulty in finding the skills to actually produce the programmes?

Mr Spencer: No. You will be aware that in the media industry there is a lot of mobility amongst the labour force, perhaps to a regrettable extent but that just reflects the vicissitudes of commissioning and the business these days. It is a very large freelance market.

Q501 Lord Maxton: Who trains these skilled staff? The BBC have a reputation for doing it. Are they the only people doing it?

Ms Woodward: They are not the only people. In this region, Granada train more freelance staff than any other media organisation. We commit around about 1,100 training days per year to purely train the freelance sector in this region. That is because we require their skills to be as good as our internal staff's skills are and we need to equip the freelance staff with the

same skills. Also Granada help train the freelance staff for everybody in the market although we incur all the costs.

Q502 Chairman: Obviously as you employ more I suppose logically one would expect you to train more.

Ms Woodward: Yes, absolutely but we have a training ethos behind it. We believe the best programmes can only be made with the best technology but because technology changes so rapidly in our industry training is an on-going commitment and you have to train otherwise you cannot deliver the quality of product.

Q503 Chairman: You do not mind? The normal complaint about training is you train someone up and immediately they go off and join Red or someone like that.

Mr Critchley: But they go back then because we do not employ them all the time. We employ nine people all the time and our average over the past seven years, totting up what we have made over the years, we are coming up to our hundredth hour of drama, which, you are probably aware, is the most expensive form, and our £75th million worth of production. On average over the last seven years our payroll has probably been around 120 given that productions start and end at different times.

Q504 Chairman: I know you said you did not always come to the North West, you did not always base your productions in the North West; am I right in that?

Mr Critchley: Wherever possible we do.

Q505 Chairman: What I was going to ask was is there any reluctance to move to the North West? Is there reluctance from people to work in and around Manchester?

Mr Critchley: From freelancers?

Q506 Chairman: Yes?

Mr Critchley: No.

Q507 Chairman: None whatsoever?

Mr Critchley: We have attracted both production crew and talent. Last year we had Peter O'Toole here which took a lot of doing but we got him here. We get key talent from wherever we find them.

Ms Morrison: Can I answer about crew because we run a database for freelancers and we have got 1,500 people on it just from the North West all of whom have had a new television credit in the past six months which means they are working all the time.

Q508 Chairman: They are freelancers?

Ms Morrison: They are freelancers but they come through and they go to all the broadcasters and all the independents. The second thing I would like to add which I think is very, very important for this move, is that Manchester is here, Leeds is here, Liverpool is here and the North is up here, so basically people come in. It takes me less time to get from Leeds to Manchester than it used to take me to get from Camden to Shepherd's Bush when I worked for the BBC in London. That is just fact.

Q509 Chairman: You are luckier on that journey than I am.

Ms Woodward: Could I just add on training freelance staff, Granada has no problem about training freelance staff, we are very happy to share that with Red Productions or MMA or anybody else who is based in the North West. What is a struggle for us is we train staff and invest sometimes years of time and cashflow and they drift slowly to London because there is not sufficient work here to utilise the skill base that we are training for.

Q510 Baroness Bonham-Carter of Yarnbury: Speaking as someone whose career has been in television production, I understand exactly what you are saying, but it does expose something which is that it is a very mobile workforce and you do tend to use people you work well with and who have done good jobs, so in a way it is a fallacy that moving a lot of production here is going to mean a lot of work for people based here because everyone moves around a lot anyway.

Mr Critchley: A lot of talent moved to London in the first place, it was not all born in London. It follows the work and all the work should be spread out and television should reflect the whole country back on itself.

Q511 Baroness Bonham-Carter of Yarnbury: But the people you are going to be employing are not necessarily going to come from this area.

Ms Woodward: Not to start with but once we entice them back to this area they will stay.

Mr Critchley: They may well have been born here in the first place.

Ms Woodward: Mike and I are very good examples of that. Mike and I started our careers at Granada Manchester. We both then went at different times to the BBC in this building. I then went to London because at that time - and it probably still holds true - if you did not make the grade in London you were seen as somebody who was just a regional player.

Q512 Baroness Bonham-Carter of Yarnbury: This is working for Granada?

Ms Woodward: The BBC. I have worked for ITV, the BBC and Channel Four. There is still, I think, a perception as a professional broadcaster that unless you have worked for some time in London, you are not as good or as creative or as talented as the people there. Basically, as Andrew says, people follow the work and therefore the more work we can bring to this region and the more sustainable production, people can actually put roots down, buy a house, have a partner, have children who go to schools rooted within this region. We have managed to do

it, but for other people to do that who want to share a different quality of life in this part of the UK, there needs to be more sustainable production.

Q513 Bishop of Manchester: Let's look into the crystal ball (which is probably a phrase I ought not to be using and certainly not on public record) let's imagine that the BBC has arrived here in Manchester with the move about which we know and the hub is underway. What from your point of view do you anticipate will be the difference in how you operate, and how broadcasting as a whole in the North West will be affected? I imagine there will be big changes. Could you just spell some of them out for us.

Ms Woodward: As part of ITV's 50th anniversary which is this year, in case you had not noticed, we commissioned an economic impact study for ITV Granada to see what the value is of ITV Granada's physical presence to the region and we have submitted copies as evidence to the Committee today. The major findings of that are our physical presence here creates economic value in the region of £127 million and because we are here we create and support 4,500 jobs, both internally and down the supply chain. Our wages and salaries alone are £34 million and our gross spend in the regional economy about £67 million. We spend a great deal with local suppliers. We are a real economic generator for the economy of this region. We can do that with a staff of 1,200 people based on the amount of hours that we do. If we imagine the BBC arrive here with 1600 new jobs and also the commissioning and we put those two parts together, the multiplier effect on the economy of this region would be enormous. The first impact would be enormous economic growth. Secondly, we will be able to, hopefully, retain the talent in which we invest and train and share with our colleagues in the independent sector. Hopefully then, we will therefore be able to attract new talent back to the north, their homeland, or people who feel there is a new buzz and excitement and energy about the region. With the economic impact and talent impact we think we can be the UK's premier creative city and as a result attract new and emerging industries. Google have

recently opened an office in Manchester. The Bank of New York have made their European base in Manchester in July of next year. So we are already seen as a magnet for emerging and new industries in the creative sector and the financial sector that support those. For me the BBC arriving here would not just take us on a journey that is already underway, because together we already make a powerful creative cluster, the BBC arriving here will jettison us into the future whereby we may take 25 or 30 years to get there with the current creative sector we have, but we could achieve that in four or five years.

Q514 Bishop of Manchester: Would anybody else like to come in on that?

Ms Morrison: I think there is a very significant cultural argument here in that we live in difficult times when citizenship and community cohesion are incredibly important and it is important that the region speaks for the nation as well. We are the North and we have a North-South divide, I do not think you can deny that. I think it is extremely important that we are represented on the screen and use the talent we have and start working with communities that traditionally have been neglected by the media in the media. Also very importantly the way we do that is not through anything patronising or boring or the same as it has always been. It is using new technology, it is using innovation, and it is using the departments the BBC is planning to bring up here because they are the departments of the future. So let's start using that to really grow something different and what I would like to see happen is not only that the BBC grows Manchester but we need to change broadcasting. We are a centre of innovation, we always have been, and that is what we should be drawing on and pumping through. As well as an economic argument, which I completely support, I do think there is that other wider argument that we should be becoming ---

Ms Woodward: Alice is absolutely right, we are very mindful of that at ITV Granada for two reasons, not purely altruistic but also from a sound business point of view. We know that we need to make our programmes as relevant to as wide a sector of society as we can otherwise

that sector of society that chooses not to watch us because they do not feel represented will simply turn to watching other broadcasters and we will lose advertising revenue as a consequence of that. It is very important that our programmes at the moment diversify into modern day UK plc. That does not happen by default. You have to take radical action to make those things happen. ITV Granada have embarked this year on a scheme going into next year to tackle that directly. We went out to communities all over the North West based on black and ethnic minority groups and we have interviewed 1,000 young people to give them a one-year bursary opportunity at Granada, to come and work on a salaried basis to be trained, to be mentored, with no guarantee of a job at the end of this one year experience but at least they will have their foot in the door. The young people we have taken on have first-class degrees from Oxbridge and they have never ever been able to get through the front door. That is our industry's issue and we know that is something we need to tackle. If we could extend that programme in year two and we have an expanding BBC in the future (we already roll the scheme across independent colleagues) it will make an enormous difference to the make-up in the future of the indigenous broadcasters and what ultimately we see on our screens.

Q515 Bishop of Manchester: You will appreciate that I have to be very careful not to hand opportunities to you to say how marvellous Manchester is! I really do now want to explore what are inevitably some minuses in all this and ask you, given all the advantages that you have very helpfully outlined about coming here with the media hub and everything, what disadvantages do you see might arise over all this or is it a completely happy path ahead with no problems - and I cannot believe it?

Mr Spencer: Speaking as an independent particularly one working in the area of factual documentary and drama documentary, none of the departments moving up here will be much use to me and my company and so I will continue to help out Richard Branson by going down

the Virgin West Coast Line at least three or four times a month. So although the BBC's presence in Manchester will do all the things as described and a lot more, from my own point of view it is perhaps a shame that more commissioning power is not being brought up here. I know there is within sport and CBBC but perhaps across other genres.

Q516 Chairman: Just explain to us what you mean by that?

Mr Spencer: I spend a lot of time going down talking to commissioning editors within factual departments of the BBC and none of those departments are moving north and so from my point of view - and I suspect it is the same Andrew and drama commissioning - I will still spend a lot of time travelling to London and being slightly the country mouse turning up in the big city and having our meetings in White City and scurrying off to Euston. I do not think that will change a lot. There are companies based in Manchester who make children's programmes and no doubt that will help them a lot, but the vast majority in terms of volume of hours remains, I would think, within factual programming and the commissioning process for that remains in London.

Q517 Baroness Bonham-Carter of Yarnbury: Can I ask that question back to front perhaps of Mr Critchley with your Pact hat on and as a drama producer. Is there a concern that because the BBC is such a big beast and it comes here with its specific departments that this becomes an area for niche production, if you see what I mean, so that drama is driven out and the production companies here concentrate on the particular areas that the BBC are commissioning from here?

Mr Critchley: I do not think there is any danger of us deciding not to produce in the drama genre as a result, but our commissioning does come from London, so our trips to London to secure those commissions mean less money goes on screen. The BBC have recently commissioned a long-running series or a potentially long-running series from us and from

other producers in the North. As far as Pact is concerned, Pact would strongly back the move because the talent pool that would be attracted back here is flexible within genres. You can point the same camera or roughly the same camera at a drama production as a children's production. You hold the sound boom in the same place to record *Bob the Builder* as you do to record *Clocking Off*.

Q518 Baroness Bonham-Carter of Yarnbury: You are obviously an established company, but in the future will the kind of production companies that will set up here be ones that are dealing with sport and children's production?

Ms Morrison: In 2002 we did a survey of the independents in the North West and there were 70 independent production companies, of which only four had a turnover of over £4 million a year. Because of the BBC move and because we have started to try actively to get companies to set up a base here, that situation has completely transformed and they are across genre. Because of the Communications Act broadcasters have a regional quota, so regardless companies are now taking advantage of that and what they are saying is, "Right, we have got to do something in the regions," if we are being honest they are saying, "Oh no, we have got to do something in the regions, we have got to leave the comfort of where we are so where we are going to do it ..." and they go right across the country but they also look for a sustainable hub. I think that is the point. Having a big beast, or in fact two big beasts because you do have Granada Productions here as well, and having some really solid companies sat here on either side of me is enough to be attractive. It is not like you are going somewhere where there is no television production. So I think that is very important. There is also no doubt that it would offer incredible benefits to all the independents were a channel to move here with the commissioning power and what it brings with it. It may not bring lots of people but it would bring spend and it would bring spend across genres. There is no doubt that would help the independent sector tremendously.

Q519 Baroness Howe of Idlicote: Following up a point on that because obviously the Communications Act has made a big difference in that respect, just thinking about the plus side, if the BBC comes and if they get settled in and everything works out well, presumably it might even influence some of the factual news side to think of having a rather bigger presence here, so it might - might it, I am asking you - have an impact?

Mr Spencer: I think we would really hope that that would be the case. There is a factual presence already in Manchester. I am not sure of the number of people they employ but there is a successful current affairs and news successful presence up here. I used to work for it some years ago until the BBC in its wisdom decided that religion and entertainment programmes should replace current affairs up here.

Q520 Chairman: That takes us on to another part of our inquiry.

Mr Spencer: Please allow me to give evidence to that part as well. I think the hope would be with a critical mass up here and the BBC in London recognising Manchester as a significant output and base, that then additional work would come into areas of factual programming, current affairs, and the rest.

Q521 Chairman: Just as a matter of fact so I can get my mind entirely round the commissioning process, how long does it take to get a programme commissioned?

Ms Woodward: Forever.

Q522 Chairman: Obviously it could take a vast amount of time but how much would you reckon an average programme would take you?

Mr Spencer: If you hit lucky, and a lot of what our job is is to see which door is the most likely to open, and if you hit that door and you are fortunate, three months. I think on average it is probably between six and nine months.

Q523 Chairman: In those six to nine months or in those three/six/nine months, is there a constant process of toing and froing?

Mr Spencer: E-mailing and proposals and meetings, yes.

Q524 Chairman: That is a long time. Is that the same in drama?

Mr Critchley: Do you mean to get to what we call a green light or to get the programme on the screen?

Q525 Chairman: I really meant to get to the green light, to get to the authorisation for this thing to go ahead.

Mr Critchley: It can be a couple of years.

Q526 Baroness Howe of Idlicote: That is what I would have thought.

Mr Critchley: Especially given there are scripts to write and notes to consider from commissioners and episodic scripts to have ready for the start of the production, because we do not film things in linear order, we film all the scenes in this place today and move on so they are filmed out of sequence, so it could be a long haul.

Mr Spencer: It took Celador three years to get *Who Wants to be a Millionaire?* commissioned. In retrospect which broadcaster would turn that down? But they all did, including ITV. It was only when personnel changed that the programme was actually commissioned.

Q527 Chairman: To put it at a more modest level, say you wanted a current affairs programme on how to get into the House of Lords, you would do a certain amount of work on it, does that work get recompensed? What happens if at the end of the day the BBC or Granada says, "It is all very interesting but, thank you, no"?

Mr Spencer: That is your bad luck really. In the case of how to get into the House of Lords, that is probably a subject you would think was a long shot and you would not devote too much time to it, forgive me, but, no, you are not recompensed, although you can get (and we have received it from the BBC and other broadcasters) some development money which will allow you to bring on researchers to go further with the subject.

Chairman: I just think you rather have conservative ideas about what programmes to put out!

Q528 Lord Maxton: You obviously and quite rightly are very forceful (I will not say aggressive) in trying to improve creative arts. I can understand why most of us are probably sympathetic to you taking jobs from London, although I think there are people in London who might say, “We are licence fee payers as well and we are entitled to at least some of the money.” Is there a danger you are beginning to take it from other parts of the United Kingdom who may feel just as deprived as you do? I represented a Glasgow constituency and I think the creative arts in Glasgow might begin to say Manchester is getting more than its fair share.

Ms Woodward: Pat Loughrey said at the dinner last night that the BBC in Northern Ireland (I think) received £1.4 million to underpin regional production which for the population of Northern Ireland would seem to be, as Pat said himself, a generous settlement, to say the least. I think then again in Scotland, which is a very different constituency, you have BBC Scotland which is very proactive in that area, also Scottish Television and Grampian and so it has extremely robust independent and commercial and state-financed broadcasting. In addition to that, Channel Four have chosen Glasgow of all the regions and all the nations to set up a research centre which helps to create mini hubs in that city by giving researchers an opportunity to get access to resources, to facts, to business information, and so Scotland of all of the regions and nations in the United Kingdom is probably one that is best served. But, yes, if you had a constituency in Birmingham, I would think you would make a good point.

At the end of the day, if the cake is sliced in such thin ways that it is spread equitably across the UK you will never create a creative cluster, and without a creative cluster you will never create the critical mass of the component parts which will deliver more in terms of creative output than those independent and separate divisions. The cake cannot be spread to everybody and the jam cannot be spread that thin if you want to make an impact and grow the creative industries. At the end of the day it is a business that makes money for this country and we are an export industry as well as an internal industry, and that is a hard choice we have to make.

Ms Morrison: I am one of nine regional screen agencies across England and they are all behind this move. Again looking at the figure of £1.4 billion made in London, we are the next biggest at £210 million. There is such an imbalance that what the region believes is this is going to change the psychology behind it and make innovation more important. The BBC is committed to working more openly, to doing more partnership, to doing more training, looking at new ways of producing programmes, and that will benefit all of us because all the regions are hungry and proactive and we need it more so we work harder to get it. That is where we see the value of this move partly coming. Also if I could just say on regional production, 17 per cent is guaranteed to the nations and that is a nice figure. So Glasgow is doing alright, and I can say that as a Scot.

Q529 Lord Maxton: It is doing alright. Whether it is doing the right thing is another matter. But can I switch back to you in a sense. One of your jobs is obviously television and broadcasting but also it is to attract film makers. Will this move of the BBC here, who are film producers as well on occasions, help you in that job, attracting people to come and make films here?

Ms Morrison: We hope so. Film is more difficult because for television there is an easier market, it is there and it spends money. Film is much more risky so it is more difficult to sell

in some cases. This year the BBC have put £10 million into film and next year they are looking at putting £40 million in, which will make a significant difference. And Mark Thompson is talking about regional voices being represented right across the nations of the region. Film is a very important cultural dialogue and I think that would be excellent. The other thing that we think we would like to work on is using digital technology and here the skills are the same. For example, the quality on big dramas is easily as good as film, it is fantastic. What we would like to see is a crossover from the high-end dramas, which is a strength here already into film and also using the new technology. In that way I think it will encourage the BBC to spend more on indigenous film, film from the United Kingdom, which would be a really good idea also.

Q530 Lord Maxton: What about actual facilities? Everybody talks about *Braveheart* being a great Scottish film but of course it was made in Ireland, it was not made in Scotland at all. The reason it was made in Ireland was because there was a sound state facility just south of Dublin which was not there in Scotland. Do you require that any more or are you saying that digital technology now makes these big indoor facilities unnecessary?

Ms Morrison: For film, if you invest, for example, there is a great big new film studio built outside Cardiff, you just have to look at populating that. With film, the issues are always much bigger. I am sure you know this already but, for example, at the moment a big film studio like Pinewood is suffering purely because the pound is high and there is no clarity over tax breaks so the larger economic picture can have an effect on what happens at a national and regional level. It depends what kind of film you think would usefully be made here and how the industry is going as a whole because there is an enormous difference between a £1 million/£2 million film and the big blockbusters. That probably does not answer your question but it is as near as I can get.

Q531 Lord Maxton: The Irish Government also allowed them to use the Irish Army as extras.

Ms Morrison: And producers follow the money. If there are tax breaks it acts as an incentive, particularly in film.

Q532 Chairman: Can I just ask you one question, you said there were nine screen agencies.

Ms Morrison: Yes.

Q533 Chairman: Is that not just a recipe for doing what Susan Woodward was saying we should not be doing and that is trying to spread the jam thinly round the nation? Because certainly when it comes to government, one has the awful feeling they will say if there are nine we must give a little there, a little there and a little there. Is that not how it works?

Ms Morrison: Not really because it is about sustainability and this is the credible centre because it has that sustainable infrastructure and long history and the talent base, the production that is already going on. The nine screen agencies across the nation concentrate on different areas according to what their regions particularly need so, for example, in the South East they are concentrating more on the film production because they have the large studios there. All the nine agencies back this move.

Q534 Chairman: You do not think we would do better as a nation to have three or four major centres of excellence of which Manchester is obviously one?

Ms Morrison: To some extent, if you are honest about this, if you look at London as the first, Manchester as the second and Glasgow as the third, yes, I think it is good and three would be a good number. More than that we are only a tiny island and you would be dissipating too much so, yes, but I think that has already happened.

Q535 Chairman: You think that as well, Susan?

Ms Woodward: Before you think about or consider actually decreasing the amount of film councils you would have to create the centres of excellence which would replace them. I think there is the potential to have a look at that but you need to put the horse before the cart and you need those centres of excellence to then make the decision as to where best to spend additional revenues.

Q536 Baroness Bonham-Carter of Yarnbury: I think this is a question for you. How would you see the BBC develop its proposal for a shared production hub in Manchester, which obviously would involve Granada?

Ms Woodward: I am really glad you asked me that question. We have spent some time talking about it within the industry sector already. We already have a production hub in Manchester and that is the ITV Granada site with 1,200 people, all the post production facilities, the studio facilities which are shared currently in a joint venture company called 3sixtymedia which is owned by both the BBC and ITV Granada. We would not be doing something brand new, we would be building on the basis of something we have already. On the Granada site we already have Red Productions who rent some offices on our site and share in our production studios, post production, canteen, medical centre, car park, security, and our stationery closet if you let Andrew too near, so there is already a very good template there for us to work on. The big question is where should that hub be and, as you know, the BBC Governors are looking at four sites, and quite a lot of detailed work is underway on which of those sites to choose, and the Governors are whittling four down to two and ultimately to one. How would I like the BBC to proceed with that? With due haste would be really useful. It is quite a long time to wait until 2010 and it would be really helpful for all the parties interested in the BBC coming here and being successful in helping drive the success of our industries to understand what is the cost and what is the breakdown of cost in order for them to help them look at some of these costs and see whether there are synergies and where we can share and

therefore reduce costs. I understand it will be a very difficult decision for the BBC to commit what happens to be an enormous spend out of the spending pot. I understand how hard that decision will be and I am very happy and more than willing to help look at those figures and see what best practice we can share to reduce them.

Q537 Baroness Bonham-Carter of Yarnbury: Is it your belief that this hub is only really viable if the BBC makes the move that it is suggesting? If it were not to happen, would the hub still be a possibility?

Ms Woodward: Because we have a hub already, that already exists, and that hub is not going to disappear overnight.

Q538 Baroness Bonham-Carter of Yarnbury: But could it involve the BBC without the departments moving?

Ms Woodward: No, you need that critical mass of creative talent, commissioning spend and the ability to transfer the talent between genres, departments, divisions and indeed companies to maximise the potential benefits.

Q539 Chairman: Just on that question of costs, the BBC at the moment - and I think it is obviously up for debate - are basically saying this is going to cost £50 million a year and the savings will be found after 25 years. Is that the sort of basis that Granada would be interested in investing in?

Ms Woodward: ITV Granada, as you know, is part of the ITV plc group and we are diligent in pursuing and squeezing our assets and making sure that every penny spent is profitable. We are not ashamed of that. We are very proud of being a successful commercial company. Whenever we embark on anything not of this magnitude but any sort of proposal for change and development, we have to justify internally the business case so every single penny and

every single pound is drilled down, re-examined and examined again to find out if we can make it a tighter fit. That is quite a hard question to answer. I do not understand on what basis the figures have been arrived at. I do not know whether that is a fair assessment or not fair. It is difficult to know.

Q540 Chairman: In your internal assessment, if you put up a project which was not going to wash its face for 25 years that would be quite a hard sell?

Ms Woodward: I do not think I would even dare sell it into my bosses.

Ms Morrison: Could I mention something about this because, taking it slightly differently, for us it is about sustainable production. It is not just about buildings and fixed assets. It really is about sustainable production. Again due to the opportunities that have arisen in the last two years we are looking at the independent sector growing by £20 million in this region over the next two years. That is an enormous growth and the reasons for that are increased sustainable production. The economic benefit has to be measured slightly more widely I think - and I am not an economist - but it seems to me common sense that if there is an increase of £20 million in what was a tiny struggling sector and that is sustainable, that is of great benefit.

Chairman: Okay. Baroness Howe?

Q541 Baroness Howe of Idlicote: Well also presumably we will be hearing in rather more detail from the BBC whether they are beginning to change their view. Just looking at the collaboration between Granada and the BBC. 3sixtymedia, which we saw a bit of earlier today, is a fascinating concept. Were there any problems as it developed and are there any lessons for the future?

Ms Woodward: The answer is yes to both of those questions.

Q542 Baroness Howe of Idlicote: Perhaps you would expand.

Ms Woodward: It was and still is a unique initiative. To take a state-funded broadcaster and an aggressive, in the nicest sense of the word, commercial broadcaster and ask them to share facilities was an extraordinary step forward. It was in our mutual interests to do that because we wanted to keep a maximum amount of studio production and space in the North, so we had a common ground. Then you came up against obstacles, as you do with any business venture that shares equity agreed in the beginning at 90 per cent in favour of Granada and ten per cent to the BBC, and perhaps that was something we should have looked at differently at that time. The BBC therefore did not have an enormous inducement to actually put product through that joint venture company. That is further compounded by the fact that the BBC still to date operates producer choice so their producers could opt to take their programmes to other production facilities and not necessarily put the business through the joint venture company, so we did not have the absolute guarantee of any business being brought to Manchester coming through that vehicle. I suppose the biggest cultural difference between ITV Granada and the BBC is in terms of how we speak, the language we use, the different emphasis we put on working practices. All of these things took a lot of time to iron out. Having ironed those out, it works pretty well. The staff have settled in and we all feel part of one interesting, opportunistic venture. The big question is what the BBC wants to do about joint ventures if the one in Manchester is successful and they move north.

Q543 Baroness Howe of Idlicote: How were they ironed out? You explained the differences very effectively but what happened to make it work better?

Ms Woodward: If I give you an example of something that can show case how the JV helped to underpin both of our businesses. We had a very famous drama writer from this part of the world who made extraordinary, award-winning and internationally renowned brands for ITV Granada and then his relationship with Granada changed and he associated with the BBC and, as a result of that, BBC Drama commissioned work from this particular writer. However, it

was made in Manchester as part of 3sixtymedia and therefore ITV Granada forged a new relationship with that script writer and in fact that script writer is about to make yet another, hopefully, award-winning drama for ITV Granada. So we now manage the talent effectively for the team and we all share a common focus that we want to keep production in the North and we strive to achieve the same high quality level of output because we have pride in our output. The passage of time has allowed the cultures to cross-fertilise with each other.

Q544 Baroness Howe of Idlicote: Have you any other thoughts about this on how it affected all of you?

Mr Spencer: Looking at it, I was at Granada when 3sixty began and it certainly was not a marriage made in heaven. As Sue points out, the BBC very effectively exerted their choice by not going to 3sixty. I think the personnel have changed and that is probably the key to it. The nature of Granada and Manchester has changed considerably and perhaps there are some new realities as well within this building and the BBC. So I think it is a change of personnel and just a changed environment of broadcasting in Manchester that has helped it become more effective.

Q545 Baroness Howe of Idlicote: Did you have any views on it?

Ms Morrison: I guess to have a sustainable sector you need to have effective facilities and we have 3sixty. We also have Andy Sumners in post production and we have Web Lighting. 3sixty works and it drives things along and then you have the other purely private companies growing around it and they feed in and out.

Ms Woodward: That additional supply chain and that comes from the benefit of being in a cluster.

Ms Morrison: We have the top ten in Britain post-production companies here and you need that. So you need everything moving in and out. I think Andrew, you are a client of 3sixty.

Q546 Baroness Howe of Idlicote: A satisfied client?

Mr Critchley: Completely satisfied. When we had used directors prior to that we had acceded to their request to go back to London for post-production, for whatever reason they wanted to do that, familiarity with the Soho-based post-production houses. When on occasion we have persuaded them to use the 3sixty post-production facilities they have always been completely happy with the product.

Q547 Baroness Howe of Idlicote: But looking to the future, it is still 90/10 or 80/20?

Ms Morrison: 90/10.

Q548 Baroness Howe of Idlicote: The potential for conflict surely remains, does it not?

Ms Woodward: I think it is right that the BBC has decided to opt out of owning their own resource base by 2007. I suppose the question will be there if they do not want to own a resource base and they want to still operate a joint venture or have a secondary third party venture, or whatever the BBC strategy is for providing production facilities, what their concept is if they do not want to own their own resource base is probably a question best put to the BBC than myself.

Q549 Lord Peston: It seems to me you are entirely right in the view you take about the creative cluster but in fact you probably underestimate the dynamics of that, and that once a place becomes successful its propensity to become more successful will grow rather than fall and therefore the dynamics will mean there will be very few centres indeed. I understand that argument and I presume in answer to the Bishop when he got you started on the advantages what you were saying is this is already a creative cluster and it will get more so. I take it that was your main argument?

Ms Woodward: It will get more so. The BBC's arrival here will be the rocket fuel to jettison it into its next stage at an enormously accelerated rate.

Q550 Lord Peston: I have got two puzzles. My first puzzle goes back to you, Mike, on the commissioning. Strictly speaking, it does not matter where the commissioner is; what matters is where the talent is. You are arguing, without making any criticism of the BBC, the fact the commissioning is in London biases the system against non-London. That seems to me what you were saying. I do not think you are wrong, let me tell you. People used to ask me in my younger days why I was always on radio and television doing the economics commenting and people from Manchester University would say, "We are as good as you are," but I would say, "Yes, but I am a ten-minute taxi ride from Highgate to Broadcasting House and the White City, that is why it is me." It is nothing to do with anything else at all. I take it that you are taking, on a rather more sophisticated scale, the same view that if the commissioners are down there they are more likely not to choose you? That is really your argument?

Mr Spencer: I think it is to do with how large you appear on their radar and I think part of that process is being in and out of the building every day or frequently in a week, bumping into people, knowing them socially. It is that kind of thing of which I do not feel envious but I think it is a problem for companies based outside London that they do not have that level of intimacy with the commissioners.

Q551 Lord Peston: I agree with that but what puzzles me a bit wearing my economics hat is that really ought not to be the case. If you are good they ought to be seeking you. It is rather like your list of freelancers. You have got this list and if they are on the list and they are good then, they are the ones who ought to be employed. But you are saying that is not the way the world works?

Mr Spencer: There are clearly successful production companies based outside London much larger than mine so it is not a complete impediment but there is nevertheless a feeling of “out of sight is out of mind”.

Q552 Lord Peston: I just wanted you to get that on the record. Could I also ask, and I think this may be more to do with drama than to do with documentaries, but you did not really satisfy me on the question of the downside to Manchester when you were answering the Bishop. Do you find that there are people that you would want to have working for you and when you say it is Manchester, they say, “I am not coming up here to make a play?” Do you have that kind of experience?

Mr Critchley: We have that but rarely.

Q553 Lord Peston: So it is rare?

Mr Critchley: That is bound to happen, is it not? You want a particular piece of talent and they for whatever reason - it could be their own personal circumstances just at that time - may not want to move. They might not want to move from Cardiff to London, they might not want to move from London to Brighton. We have on occasion suffered from that. That is just one of the vagaries of the business. The thing about commissioning though is it should not matter where the commissioners are from but inevitably it does. It is human nature to stick with what you know to an extent.

Lord Peston: I agree. I just wanted to make sure you said that so that we had it for the record.

Q554 Lord Maxton: One thing that I am not quite clear about is the difference, if you like, between the programmes you make for the national network and those you make for your

own regional outputs. Do both the independents make programmes for non-network or is it entirely you who does the non-network programmes?

Ms Woodward: A good question again because it is always useful to outline what it is the television ecology sets out to do. Under the licences granted to all of ITV across England and Wales there are two types of programmes. There are those made in the region but for broadcast across the whole of the UK and there are those programmes made in the region but only broadcast within that region. They are actually stipulated by Ofcom's licence in terms of regional hours. Every member of the ITV family has to produce a certain amount of hours and those hours themselves are split into genres, so in North West we have to produce just for the North West itself five and a half hours of news a week, so many hours of current affairs a week, and so many hours of weather reports. They are very prescriptive and laid down by our licence. But they are only made within the region just to be seen by the people in the North West. As part of that pot of money, we also take the view that we put some of that product out to the independent sector like to Mike's company MMA to make programmes for ITV Granada to be seen only in the North West region whereas Mike will also be commissioned by ITV and indeed the BBC, as with Andrew, to make programmes for the whole of the UK, in fact in Andrew's case even internationally. So there are regional programmes made just for the region and regional production which has UK-wide distribution but made from one part of the country.

Q555 Lord Maxton: Can I perhaps link this a little bit then to something we were talking about last week which is sport and of course that is one of the things that is coming up from the BBC. Do you show at regional level sport and, if so, what sport?

Ms Woodward: We will probably cover most of our sports in the news in the five and a half hours of peak television.

Q556 Lord Maxton: No, I meant actual outside broadcasts of sporting occasions.

Ms Woodward: ITV Granada does not have a network sports department. Our sports network department is centred in London where most of the sports departments seem to be. I suppose that is because that is where most of the sporting events are. Wimbledon is at Wimbledon, Henley is at Henley, rugby is at Twickenham, such is the nature of the beast, so we do not have a sports network department ---

Q557 Lord Maxton: With all due respect, I will take rugby because that was my sport, rugby is not at Twickenham. There are five games a year at Twickenham. Every Saturday of the year there are rugby matches going on - Sale, I agree they are with Sky - in the region.

Ms Woodward: I am glad you mentioned rugby ---

Q558 Lord Maxton: You are not showing them.

Ms Woodward: There is a programme that ITV did make, a late night rugby show called *Rugby Raw*.

Q559 Lord Maxton: That is one better than BBC Scotland.

Ms Woodward: No, the BBC now make it, we do not make it, we used to make a similar type of programme. Because of the nature of the way the hours are carved up across the whole of the UK, there are regional programmes made just for that region and we tend to put rugby within the regional news content, but for the big sporting events, the network sports events, the departments that do football, rugby, tennis are national events, even though they may be regionally based. A Man United game is obviously important to Manchester but it is equally important to the rest of the nation.

Q560 Chairman: I think we have more or less run out of time. Are there any more questions that anyone has? No, okay. I would like to thank you very, very much indeed for

giving the evidence, which has been fascinating. I am enormously sorry my imaginative idea for documentary programming has been so rudely rejected by Mr Spencer.

Mr Spencer: What I will do is I will pitch it and send you the e-mail trail back and you are on ten per cent if it is commissioned!

Chairman: There we are. Seriously, thank you very much indeed, and perhaps if we have got any other questions we can come back to you.