

TUESDAY 22 NOVEMBER 2005

Present

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

Witnesses: **Mr Pat Loughrey**, Director of Nations and Regions, **Mr Mark Thomas**, Director, BBC North Project, and **Mr Martin Brooks**, Head of Partnerships Strategy, BBC North Project, BBC, examined.

Q561 Chairman: Thank you for coming and also thank you for your hospitality since we have been here. I will not weary you with where we are up to in this inquiry because I think you know that, but suffice it to say we are in the second stage and now looking at a number of areas which we really were not able to do justice to in the first report, and one of those is the regions but more than that we are obviously particularly interested in what is called the move to Manchester. I wondered before going into the detail of the move and the advantages of the move and all that, which we have obviously had rehearsed to us this morning and indeed last night, if we could get the costs of this thing clear. At one stage it was being said that it would cost £50 million extra a year and basically it would not be in the black before the end of a 25-year period. I think it was the Managing Director of Granada who said there was no way that she would get a proposition like that past ITV. Can you tell me where we are? What is the best estimate of cost now?

Mr Thomas: Yes, we can. As I indicated this morning, the original numbers were based on that model which was a lift and shift model.

Q562 Chairman: “Lift and shift” means?

Mr Thomas: Replicating what we had in London for sport, children’s and Five Live and basically providing exactly the same facilities here. So that was the easiest calculation that could be done at the time when the BBC was figuring out what the global figure might be for this proposition. So that is where that number, which is around about £600 million for the total cost, came from and that is where the number of an annual cost of £50 million came from. As I also indicated this morning, the process that I have been engaged in with the rest of the project team has been looking at how those costs were arrived at and looking at ways of doing this more effectively. We talked a little bit about some of that this morning in terms of the way that the BBC would be part of the media zone and that would be a very different proposition to building another fortress. Going through that process we have been able to bring those numbers down significantly. In October we were able to present those headline numbers to the Governors. In terms of that big global figure of over £600 million, we have been able to bring that down by a third. That is now around £400 million. In terms of the annual running costs which were standing at £50 million we have been able to halve those so that is now around £25 million a year. The health warning here is that this is very much work in progress and we are still burrowing away at those costs. Indeed, the Governors have challenged us to go further. This is by no means a done deal in terms of the proposition. Equally, the other side of that is that some of these costs could go up as we try and nail them down further and further. There is an issue which is very delicate and sensitive at this stage around these numbers. You have seen this morning there are a number of parties, two councils in particular, who are interested in securing the BBC as an anchor tenant of their media zone, and each of those two councils have two sites and those two sites have developers so we are now in a very difficult series of negotiations to make sure we can get best value for the licence fee payer. In this forum it is hard for us to go much further than we

have today. It is also true to say this morning that an awful lot of focus was around - and you made a trip yourself - the ITV Granada site and the 3sixty model was discussed. Those are elements of one of the potential media zones. You have not heard this morning about the potential models around those other three media zones which are quite different. There are lots of interesting ideas and how that feeds back to the BBC in terms of costs and numbers is exactly what we are engaged in at the moment. None of us knows which is going to be best value for the media zone proposition nor indeed which of them is going to be the most future-proofed. I know there was quite a bit of discussion around those models this morning. So that is where we have reached and I hope that gives you some confidence we are heading in the right direction.

Q563 Chairman: Thank you very much, that is very clear. Just answer this: the £400 million that we start with, what does that cover?

Mr Thomas: Basically the £400 million is the capital cost of all of the elements. That includes the cost of the building, the cost of equipping it with technology, and the cost of moving people in terms of the relocation packages but also in terms of the redundancy for those people who elect not to move. Now, the reality about that is the BBC through various financing methods will be seeking to pay for this as a revenue stream which is where the second number of £50 million (now half that) comes in, so that is why we are able to talk about this in terms of an annual cost.

Q564 Chairman: I think I am getting a bit confused now. Is it a £400 million capital cost and then £25 million?

Mr Thomas: Not in addition, no. It is the same number expressed differently. Basically, for example, we are not going to build a building ourselves. What we are going to do is rent a building so there would be an annual charge for renting that space and that is how we

generate that second number. For the stage we were at in terms of costing like-for-like we had to do it in that way but the important number is the annual cost.

Q565 Chairman: So in a sense £25 million a year wraps up within it that ---

Mr Thomas: --- All of those other elements.

Q566 Chairman: That is all within the envelope with the £400 million?

Mr Thomas: Absolutely.

Chairman: I see, I have got that.

Q567 Lord Maxton: Are the local authorities offering you incentives?

Mr Thomas: The local authorities have indicated this morning and the Chairman of the NWDA, speaking on behalf of both councils and his own organisation, has written to the Secretary of State and said that they believe that there is £50 million worth of benefit in the way that they can support the costs that the BBC would be bearing in this process. That is an element of these negotiations because on different sites it may be different amounts for different things.

Q568 Lord Maxton: But if you are renting does that mean that you might get a rent that was less than economic or you might get rate support or rate relief of some sort, you do not know?

Mr Thomas: I think all of those options are in play and it is really what is effective for them but also has the impact for us. Frankly, the BBC has that cost and it does not really matter which budget line it impacts from our perspective. Clearly it does from their perspective because of the economic and social regeneration.

Q569 Chairman: Is this £50 million that you have just mentioned in addition to the £50 million from the development agency?

Mr Thomas: No

Q570 Lord Maxton: £50 million for Manchester's benefit.

Mr Thomas: The £50 million that has been spoken about by the development agency includes an element from the councils, so whichever of the sites it is it is a total amount that the development agency has pointed out would be £50 million for Salford or for Manchester.

Q571 Bishop of Manchester: Salford would put in the same amount as Manchester?

Mr Thomas: We do not know the detail of it. All we know is that in the envelope that the NWDA is responsible for they are telling us it is £50 million.

Q572 Chairman: But the outside support which is likely to come under the councils or development agency is £50 million?

Mr Thomas: That is what they are saying.

Q573 Baroness Howe of Idlicote: Can I just clear up one thing in my own mind because I may be getting it completely wrong. I thought the original estimated global figure was £50 million, now down to £25 million, which is half.

Mr Thomas: Yes.

Q574 Baroness Howe of Idlicote: Whereas £600 to £400 million is down a third. Can you explain that to me?

Mr Thomas: I cannot. That is a level of financing and economics that is beyond me but I am sure we could provide you with written information as to how that works.

Q575 Chairman: Do you have any working estimate? In effect, what you are saying is that negotiations are still very much on-going on this. You are being, not perhaps surprisingly,

pressed from various quarters, including the Government, to come in with the lowest figure which is practicable.

Mr Thomas: I think, as we indicated in the presentation this morning, obviously we are very focused, and the Governors are certainly very focused, on delivering value for money for licence fee payers. There is an element of the more that is not about lowest cost. I think that is where some of the confusion comes in. Comparing it to back office moves of businesses out of London, you can understand why that saves money. I think it was the Chief Executive of Manchester City Council who said wage costs are 20 per cent lower. They are as an average but, as I indicated as well this morning, for any vacancies that emerge in broadcasting at the very top level we are in a national market in terms of recruiting people so you are not going to get that 20 per cent advantage. You may for some of the starter grades and for some of the entry points into our business get some of that dividend but the calculation is not as simple as suggested.

Mr Loughrey: Shall I say a little about that more formally.

Q576 Chairman: Just let me ask one more question and I will ask you to do that. If further costs have come down from the original estimate, I assume the number of years to pay off has also come down. Have you any estimate on that?

Mr Thomas: I think in a way that is a slightly misleading proposition. I think the original 25 years really related to the people costs. Basically we have an up-front set of costs of relocating probably half the number of jobs that we want to move up to Manchester, then we have potentially a redundancy situation, then we have potential recruitment costs. That is a very large number that that generates but that is paid back over a 25-year period on the basis that we would not have to pay for the London weighting that we pay in salaries to people working in London to any new vacant posts, so that would work itself through and over 25 years it would be a saving to the BBC to be operating in this market.

Q577 Chairman: So now the headline figure has come down, has the number of years come down?

Mr Thomas: No, not on the people costs because that number ---

Mr Loughrey: On the property costs.

Mr Thomas: --- The important thing around other costs, and this is why it is misleading about a payback of the whole thing is if you take that rental cost, in London we have a freehold property - Television Centre - so there is no cost on that, so the cost of renting a new facility in Manchester is a new cost. You never get a pay back on that specific cost so you are not really looking for a return on that over 25 years. The issue around property is what we may be able to liberate in the London estate to offset as a saving, and that is the subject of a vigorous debate at the moment that is taking place within the BBC.

Chairman: Okay. I am not sure if we are going to get very much further on this point today.

Q578 Bishop of Manchester: Can I just explore one thing before moving away from that and that is we were hearing this morning about the Bank of New York coming to Manchester. It may be that there are not really sufficient parallels when one explores it in detail, but it did seem from what we were being told that rather than a huge number of years that you have just been referring to and the Chairman has been referring to there would be a payback within five years. That is a pretty substantial organisation as well. There seems to be a huge disparity between the Bank of New York and the BBC.

Mr Loughrey: I think I would be grateful if you looked at these financial issues in a wider context. Our objectives for this time are to fundamentally change the top line of the BBC's engagement with audiences. It is about equity for licence payers, it is about increasing the real output on the screen and on the air, about audience engagement and audience participation, all of which we have good reason to believe are in need of correction. There are many matrices to measure those. We believe that the creativity of the BBC has been

significantly enhanced. These are top-line performance outcomes. We have across the country - for example, moving our pensions department to Cardiff - many back office arrangements and this is not one of them. This is not about cost-cutting and I am always wary of critics outside who measure us entirely on the basis that every move out of London must be for cost-cutting reasons, one stop short of a third world professional support service. That is not the objective here. We have very real reasons and a sense of urgency about changes in the commercial and industry market, about how the BBC must deliver better equity for licence payers. We are determined that we can deliver value for money but that is not our prime objective. The prime objective is equity of delivery and enhanced creativity for our audiences. There are many measures which are well-established in business by which we will determine success or failure on that.

Chairman: To be honest with you, I used to be Secretary of State for Health and Social Security and at one stage I think I was responsible for about 40 per cent of public spending.

Lord Maxton: That explains a lot!

Q579 Chairman: That explains a great deal but at least we did not run out of flu vaccine in my time! We put a number of cases forward of that kind. The Treasury, on the other hand, will be interested in the money. So it would seem to me that is just a fact of life. I do not disagree with your aims but it does seem to me that the pounds, shillings and pence do have to be very clear and that is the one thing which really stands in the way, does it not, of this whole project?

Mr Loughrey: I think there is some truth in that. That is why we have been so very robust with the costs - the pounds, shillings and pence. At the beginning of this process I have to tell you this team initially began to address this figure down rather than significantly up. As we measured the possible need for the BBC in Manchester, there was a horrible period when we were adding percentages rather than reducing them. We have taken a far more radical look at

the possibilities and a much, much more open attitude to partnership than has been the BBC's tradition and we have reduced to the level that you have heard, 30 per cent in capital costs and 25 per cent in recurring revenue costs. I believe that is a very significant step in the direction you describe, Chairman, but I am also wary of being sucked into a very lop-sided matrix just about relativities with back office supply, which are honestly not comparable. We want to make a world-changing broadcast centre. We believe this can fundamentally alter the ecology of broadcasting in the UK and deliver better value for audiences than we have been able to do heretofore. That is a significant economic measure and I am in no way trying to evade the economic measure.

Chairman: You have obviously made very substantial progress in the last few months, there is no question about that. I think we had better allow you to get on with your negotiations, and I am sure it is your negotiations outwards and inwards and with everyone in sight. The Bishop of Manchester?

Q580 Bishop of Manchester: Can we look at the situation here with the BBC in Manchester as it is now and then how it might be when the moves are made. I know that when you showed us the little film extract before you did some of this but if we could have for the sake of the public record now information about what is broadcast from here, including on radio and television networks as well as regional. Please also go on to say what is going to be changed when the rest come.

Mr Brooks: I will give you a thumbnail sketch of what is here at the moment. About 800 staff work in this building. There are three main network production bases here: BBC Manchester Entertainment, which I mentioned this morning with programmes like *Mastermind*, *Question of Sport*; the BBC's Religion and Ethics Department is based here with *Songs of Praise*, *Moral Maze*, *Thought for the Day*; and network current affairs which produce *Real Story*, *File on Four* and the like. Then there are several network radio teams

based here as well. There is a factual radio unit which does weekly editions of *You and Yours*, *Women's Hour*, *Front Row* from here. Then there is the BBC Radio Three unit and a BBC entertainment unit which does a lot of Radio Four quiz programming from here. Then there is Radio drama which produces about 60 hours of drama a year. Then on top of that, as we are in their studio, I should mention there is the BBC Philharmonic. The total hours for the network production from this centre are 243 hours of network television a year, 1,107 hours of network radio and, of course, we have got the regional output from here, North West Tonight and the BBC GMR which serves the Greater Manchester area, and the hours for them are 342 hours of regional television. That is made up of news, current affairs, political output and sports output. Then 6,752 hours of local radio through BBC GMR. We have mentioned earlier on the departments that are coming and they will transform this place. They are heavy hitting departments for the BBC: sport with all its sports output; children's with its two channels CBBC and CBeebies; all the new media departments, including research and development, due to be coming up here; children's learning; and Five Live. There will be a massive amount of production and we reckon it is £225 million worth of production that will be coming here to Manchester.

Q581 Bishop of Manchester: Thank you very much for that very full answer. Can I ask you now about the previous occasion when a department came here and that is the Religion and Ethics Department. Nothing to do with my particular role as a Bishop it is simply wanting to know from the professional BBC point of view if I have my facts correct. My understanding is that the move of that department here to Manchester was perhaps thought out in a way which was not quite as fully thought out as it might have been and that that department was in a sense disadvantaged by, if you like, being away from the corridors of power and commissioning and all those sorts of things. I use that simply as an example. Without going into that particular aspect, can you give an assurance on the ways in which these other

departments are coming that those kinds of difficulties will not be faced by them? If your answer to that is no that will not happen, you could then perhaps go back to this other department and say will things therefore improve for them.

Mr Brooks: Religion moved up here at the same time as entertainment features. I do not think there was a natural synergy between those two departments necessarily. They moved at the same time but they do not make natural bed fellows, I would contend.

Bishop of Manchester: We could have a debate on that!

Q582 Chairman: Please do not, not on this Committee.

Mr Brooks: I think we have learnt lessons from the move of religion. I think it is significant that there is commissioning power within those departments that are moving up now and they have their own dedicated output. I think that is a significant change from when religion moved up to Manchester. I was not here at the time but I have talked to people that were involved in that move. They have talked about some of the difficulties that there were and we will take those into account in anything we do moving forward with the departments as they are going to come up.

Mr Loughrey: As we did some research for this work maybe 18 months ago we talked to a former Head of Religious Programmes who said the problem with that set of incredibly well-intentioned moves was that we tended to shift supplicants and leave the power base exactly as it has been. The supplicants have thrived in religion and ethics in many ways. There is a very solid production base and I do not want to be seen to cast aspersions but it heightened the degree of difficulty for a production department. These new proposals are largely about self-commissioning teams - children's education, Five Live, sport, children's programmes - which all carry their budgets and their production teams. It is that sense of rounded security and relative strength in the market that gives them a base. I am convinced that that will provide advantages for religion and ethics and for entertainment and for current affairs here. There is

a strength and solidarity in the Manchester base that comes from that scale of investment and the opportunities and the technology that we envisage will benefit all departments, including those here already.

Q583 Bishop of Manchester: The people in sports and other departments in London are now utterly reassured that if they were to come to Manchester then all the kinds of things you have just been describing will be firmly in place?

Mr Loughrey: I think the one thing that Mark Thompson has repeatedly said is there is a vision and there are not some teams or production areas that will slip off the back of the truck on the way north. We thought this through and we believe these are entirely complementary teams and they are groups that will reengineer the architecture of the business. He is completely committed, as is the Chairman Michael Grade, to the totality of the vision. In terms of reassurance in terms of individuals, one has to say that ideally the BBC should not have to engineer such an extreme correction at one time but such is the change in the commercial broadcasting market across the UK there is a sense of urgency, such is the strength of our own audience data to indicate that such correction is necessary. We would have preferred to have had a smaller disruption to the private and professional lives of colleagues, but this is quite different. However, I have to say five years is a long time in a very fluid industry.

Q584 Baroness Bonham-Carter of Yarnbury: Can I just go back to this point about commissioning power. Are we talking about Mr Mosey for instance moving up here?

Mr Loughrey: Yes.

Q585 Baroness Bonham-Carter of Yarnbury: So it is the whole department from top to bottom?

Mr Loughrey: Yes.

Baroness Bonham-Carter of Yarnbury: Thank you very much.

Q586 Lord Maxton: Although the move here of national departments is obviously the prime concern at the moment, to some extent what we are looking at is regional broadcasting and the role of the BBC within that, therefore I am interested in the hours. Do you do more hours than Granada of regional broadcasting?

Mr Brooks: I would have thought we did now because we do sports programmes in addition to our daily news service which is about a mirror of their daily news service. We also do current affairs and political output. They do political output and some current affairs. We do a fair amount of sports output mainly centred around Rugby League - after all, this is the heartland of Rugby League. We do two programmes concerning Rugby League. We do the *Super League Show* which goes out on a Sunday lunchtime and then we do *Rugby League Raw*, which is the programme to which Sue alluded. It is not an ITV programme; we actually produce it. We put it out, it is our programme.

Q587 Lord Maxton: We received a complaint from Scottish Rugby Union, about Rangers and Celtic. They thought BBC Scotland was entirely about that and nothing else. What will be the impact on that broadcasting of moving these national departments up here? Is it likely to distract you from that role or are you going to keep them separated so that this building will remain as the regional broadcaster?

Mr Loughrey: I believe no, the vision is that this site will no longer be occupied and that the entire BBC operation will be alongside other parts of the whole media community in that media village. I think that career paths will be broader and higher than ever before outside London and hence the professional opportunities for people in regional and local programmes will be significantly enhanced. Local radio and regional television news have been traditional

recruitment territory for the whole of broadcasting from its inception. This formalises that opportunity and makes it possible without always moving within the M25.

Q588 Lord Maxton: Can I move it down one then. What about local television rather than just regional television? Be honest, a major car accident in Manchester is not of much interest to someone in Carlisle, so are you looking at that to see how you can bring news and current affairs closer?

Mr Loughrey: Let me just return to your earlier question. I believe that the BBC still produces marginally less overall output in English regions than ITV but, as you are well aware, ITV are rapidly diminishing their level of non-news output in the regions from three hours to one and a half, with a plan to reduce that further if Ofcom permits. We decided that rather than fill that vacuum directly we should do exactly as you describe and provide television news that is as local as our local radio provision in England and a great deal more local than we have ever been able to provide in the three nations. All of the audience indicators tell us that that is very much sought after by our large audiences. In a sense it is providing broadband on demand television news. In our Where I Live sites across the United Kingdom we have experienced remarkable growth in the five years of our existence. They are still a text-based service. When Philip Graf conducted the DCMS review he was somewhat critical of the character of local sites for having such a text-based service when we are in the business of sound and pictures and not text. We have taken that challenge and propose to create 60 strong local television on-line on-demand news services across the UK as a parallel initiative with us. We believe that in that welter of choice in multi-channel television the one choice that is sadly lacking is news about your community, and we can deliver it. There is a pilot happening in the West Midlands about to begin to test that proposition.

Q589 Baroness Howe of Idlicote: As you know, in our first report we recommended sharing centres of regional excellence. You obviously have had discussions with local production companies about sharing resources. Could you fill us in about how these have gone and whether, in your view, a major move like the one that might happen up here will contribute to the initiatives throughout the country?

Mr Thomas: In terms of a shared set of resources we absolutely endorse that view. Essentially that is what the media zone is predicated on. I think it goes a stage further than was originally intended when people began talking about it and I think this is why a level of granularity is quite important. It is possible to see a synergy, for example, between ourselves being in Manchester and ITV Granada. When you actually explore what that is in reality, the area of sharing is probably pretty much around a studio business. So we use television studios, they use television studios. If you look at the breadth of our proposition in terms of bringing radio up, they do not do radio; in terms of our learning division, they do not do that; the R&D aspect that the BBC does; our on-line stuff. So, yes, we are for sharing but it has got to involve the right partners, which is why I was delighted when the RDA and the councils were beginning to talk about Microsoft. It is companies like that we have been talking to them about. We have been saying that if the BBC brings up this range of propositions it would allow the media zone to create multiple interfaces with multiple businesses. There are lots of opportunities for interfaces with this proposition. Potentially you are talking about BBC Sport, on television, on radio and on-line. Given the proactive way the NWDA and councils are behaving, it is perfectly possible to imagine they would set about trying to attract sporting organisations as well on the back of this move. So I think yes to shared resources, but we are talking about multiple interfaces and that is why I urged that note of caution earlier on. We should not just be looking at a partnership that is rooted in the delivery of current content by current media players. We are talking about a move that is five

years away. We are talking about a move that is for the long-term future of the BBC. We call the services moving here the “services of the future” and we are looking at that media zone proposition as something that is going to be viable in 20 or 30 years’ time. You yourselves know how dramatically the broadcasting business is going to change. As the Chairman himself mentioned today, with the changes under the Communications Act the stability of those partners in that relationship is also crucial. So we are looking for a broad range of partners rather than a narrow arranged marriage.

Q590 Baroness Howe of Idlicote: I think what I was trying to get at, perhaps rather badly, is if what is being proposed up here, or wherever it happens, with all these multi benefits works (albeit five years on goodness only knows what has happened in that time) would this not make it easier for the more limited regional get-togethers to operate?

Mr Thomas: In a word, Lady Howe, yes, it is a model.

Q591 Baroness Howe of Idlicote: I would have thought so.

Mr Loughrey: There are interesting signs in Scotland at our new Pacific Quay site of collaborative ventures. It does not make much sense for two broadcasting organisations to own two separate studios both of which are dark for 75 per cent of their time. It does not make much sense in public value terms to have separate restaurants and separate security. There might well be opportunities in various centres around the country to have a more collaborative approach. Quite frankly, that is how the talent has moved over the decades across providers. I do not think the audience see it as necessarily opposite and in the regional centres we have a great deal in common with local radio, commercial radio and ITV. There is a fraternity of commitment to those communities and that should be reflected in the most cost-effective possible use of resources.

Q592 Chairman: But if there is a chance or a prospect, just going back on what Mark Thomas was saying, of ITV being taken over, it must act as a bit of a disincentive for your partnership ambitions?

Mr Thomas: Being completely clear about this, when we went back to the Governors we presented them with three scenarios. We said we can do what the BBC always does which is to stand alone, we can do a joint venture with ITV, or we can do the media zone. The Governors were very clear that the joint venture with ITV, while producing some benefits, did not produce the benefits on anything like the scale we are talking about, and the media zone is the model they have asked us to pursue, with a fall-back option of a stand alone option if that does not work. So you are absolutely right, but what we are saying to all the media zone operators for us in the context in which you set it out, ITV being a tenant on the media zone is neither a deal maker nor a deal breaker for us. The issue is really for the operator of the media zone - the councils, the NWDA - to attract whoever they feel they need to attract to that location. It is slightly complicated by the fact that ITV is one of the potential sites so not surprisingly their current position is they would only want to be part of the media zone on their own site. As I indicated, this is a complex set of negotiations and I am sure we will end up in a sensible place.

Mr Loughrey: Of course we will warmly welcome ITV. We are very keen to collaborate with ITV where it makes sense.

Q593 Chairman: I am sure you are but that was not entirely my point. My point was if there is a question mark over future ownership, you have to take that into account.

Mr Loughrey: The issue of the stability of partners is a critical thing in assessing any collaborative venture and the media zone has the opportunity within it for more dexterity.

Chairman: I can see that and understand that.

Q594 Lord Peston: Pursuing again the reasons for the move, I ought to apologise to you, I had taken it for granted that the reason for the move was to save costs and that all the other benefits were by-products. Your argument is no it is the other benefits that matter and if there are any costs savings they will be the by product. Am I correct in my interpretation?

Mr Loughrey: The proposition we brought to the Governors was based on the benefit to licence payers.

Q595 Lord Peston: Let us look at the benefits. There are two aspects that I would like to hear a bit more on. One is the general point that arose this morning that there will be better services broadly as a result of this. To take sport as an example, sports broadcasting will simply be better sports broadcasting. That is one bit of your argument, I assume. The other is this point, which I must admit I do not understand but you again seem to accept it, that somehow broadcasting is dominated by metropolitan values, by which I presume they mean South East values, and somehow it will now become much more Lancastrian. Is that my correct interpretation? If there is such a thing as Lancastrian values they are going to be the ones that now get a fair play? Again, it is really for enlightenment I ask the question, and I put it in my usual aggressive way: really what are the benefits?

Mr Loughrey: I will start with the last bit first and then Mark will discuss sport. I think it cannot be right that 99 per cent of the BBC's commissioning happens in one place in the United Kingdom. In any sense of equity the people who make the critical decisions about what we hear on air and what we see on television all walk the same streets, not just in London but in two boroughs in London really. It is a very lopsided proposition. That was tenable perhaps when the rest of the broadcasting ecology was different when the key decisions in commercial television were made right across the country. That is no longer the case. The key decisions made in commercial broadcasting are now also made in those same two or three boroughs. They are going to the same restaurants, going to the same theatres,

walking the same streets, reading the same books. It is a very, very narrow social and intellectual environment. It is very difficult to sustain that in a world where we collect a licence fee on every street. It is very difficult to review briefly the extraordinarily creative voice, despite that lopsidedness, of this part of the UK. It is not about a Lancastrian equivalent to Chiswick. It is about Manchester being a creative hub for the whole of the North of England, just as Cardiff is charged with being the creative hub for the whole of Wales. If this project works in Manchester alone then it will have failed. We have to achieve a degree of creative interpretation and creative engagement with audiences across the whole of the North of England which has evaded us in the past. The evidence of talent, of writing and performing skills that is evident here gives us every good cause to be hopeful that we can achieve that.

Q596 Lord Peston: Could we just pursue that because I am still completely lost. I speak entirely as a viewer and listener. I am not very clear what I get that is different if it is made here. Everything you say about the creative talent here and all those other things, great universities, all that is here. However, I do not see what ends up other than the possibility which arose this morning that I might hear some Lancashire accents on telly rather than my own accent, which I am in favour of let me add, but it is not the biggest deal I could imagine. Will I get better plays and will I get better documentaries if they are commissioned up here?

Mr Thomas: I think at the end of the day the specific point here is that programmes are made by people.

Q597 Lord Peston: Yes.

Mr Thomas: And the more diverse that group of people the better the BBC's offering. That has been our experience. Having production, as Pat says, in Scotland and Wales and across the country and at the centres in Bristol and Birmingham and indeed Manchester currently, it

is a richer mix than if everybody were located in the same place with the same sets of views, because at the end of the day programmes start with ideas and ideas are sparked by a whole different range of life experiences. So I think something of this considerable size that we are talking about would allow people to spend one or two stages of their career in another centre other than London working for the BBC. We had a tape this morning of talent who were basically saying how they had to leave the area in order to go and make programmes in London and how it was offensive, frankly, that they had to do that. In a way, you have also heard from Granada how a lot of those ideas were routed through them and denied to the BBC as a result of that. I think the BBC underperforms in the North of England not simply because there are not enough Lancastrian voices but because the thing that makes this part of the world the way it is not necessarily there in sufficient critical mass within the BBC to find its way through the system.

Mr Loughrey: Shall I try a small example which you may or may not find persuasive. In popular drama there are three dominant popular dramas - *Eastenders*, *Casualty* and *Holby City* - all concentrated in the south of this country. When we decided some years ago to have another popular drama it went so far south it came off this island and ended up in Spain, called *Eldorado*. There is a gravitational feel in the BBC and indeed increasingly now in the whole broadcasting industry that sucks everything rapidly south and that denies to this part of the world the creative opportunity that the licence fee gives as their right, and all that I have done throughout my career, and what all of us in broadcasting do, is creative acts of faith, taking opportunities and investing where we believe the opportunities exist. For years drama from BBC Wales was regarded as a joke. Drama from Wales in general was regarded as the bottom of the creative pile. We made a few creative decisions on risks with BBC Wales drama and out of it we have *Dr Who* and *Casanova*. We believe that talent is, without doubt, here to deliver at the highest end, not obsessed by provincialism and parochialism but at the

highest level in the broadcasting world, and it is for that reason the diversity Mark described is essential to a healthy creative life. We believe this centre will permit us that opportunity.

Q598 Lord Maxton: Yes, I understand that. If that is what you are about, that is fine. The problem is what you initially described, Pat, was essentially saying the idea of moving the programmes here was so the programmes would be attractive to people in the North, but if you are bringing national programme makers here, they have not just got to appeal to people in the North, they have got to appeal right across the whole of the country.

Mr Loughrey: That is my *Dr Who* argument.

Q599 Lord Maxton: But *Dr Who* could be made anywhere. It is not a Welsh drama programme, it is not about Wales.

Mr Loughrey: It was written by a very proud Welshman and produced by some very proud Welshmen.

Q600 Lord Maxton: That is not the point I am making. The point I am making is it is not a Welsh drama programme in the way that *Rab C Nesbitt* was a Scottish comedy programme which was actually very popular even though large numbers of people in London could not understand a single word of what was being said! You have got to make it clear that if you are doing regional broadcasting you can base your programmes on the region but if you are broadcasting national programmes they have got to appeal to where that largest proportion of the population resides which is, unfortunately, in the South East of England.

Mr Loughrey: I think we sometimes underestimate the dexterity and openness of the audience. There is no more authentic voice of this part of the world in contemporary comedy than Peter Kay. He plays (sadly often on the other side) to a very strong audience right across the United Kingdom. Quality wins. Billy Connolly is compelling, Max Boyce in his day was

compelling, Peter Kay in this day and age speaks to audiences wherever they are. A lot of it has to do with social demographics and class issues as well.

Q601 Baroness Bonham-Carter of Yarnbury: As you said at the beginning, certain types of programmes are being moved up here - sport, new media, children's programmes. You have also talked a lot about ideas. Is there not a concern that the BBC will be reduced to just producing those types of programmes and that the more idea-led type of programmes like the drama and so on will be driven out of this area of the BBC, this region?

Mr Thomas: I do not think so. I think the opposite could happen. At the moment when the BBC produces drama here, a significant number of crew actually come up from London because there is not a sustainable production base here of sufficient size and scale to actually keep people living in the region. Obviously there are some but not enough. Potentially with the model we are describing now there is going to be that sustainable production community across us, across ITV, and across the independent sector. I think, if anything, if this works in the way we are talking about, it is going to attract more production here, not less.

Q602 Baroness Bonham-Carter of Yarnbury: As a witness earlier said to us, there is a problem of "out of sight out of mind". He was asking for a channel to move here because for certain types of television you still need to be in that bit of London where everybody is eating in the same restaurants and reading the same books.

Mr Thomas: I think I tend to agree with I think it was Lord Peston who said that if you are the commissioner you are chasing the really good talent wherever it is. Frankly, what you do not want is the best programmes to end up on the other side. Whether you are an independent or whether you are a programme maker in an in-house department, there is this view that even if technology would allow you to communicate with a commissioner down a bit of wire, you need to be in the same room breathing the same air. I think that is a comfort zone. I think it

is also how buying and selling is done. You are always going to get those people wanting to travel to each other. Nobody ever has enough time with commissioners, particularly the channel controllers. There are only 24 hours in any day and there are hundreds of companies which would all like to have lots of time with them. I think everybody always feels aggrieved in that situation. I think in terms of what we are proposing here, as we have indicated, we have brought two children's channels here and a channel of radio. They have commissioning power and the commissioning power is based here so that side of things is going to work. Even if you moved another commissioner and that meant somebody did not have to travel up here, then a number of people in London or Glasgow would still have to travel to Manchester. There is no way of being omnipresent in this kind of scenario.

Q603 Baroness Bonham-Carter of Yarnbury: Just a final question, and maybe this is to Mr Loughrey, why were these particular activities chosen to move here? Is it both radio and television that are moving?

Mr Loughrey: Yes to the second part and if I could connect your previous question with this one. Children's television is a marvellous opportunity because it is multi genre. It includes drama, documentaries, features and news, with *Newsround*. It builds the industry across the genres, albeit for a very specific audience. It therefore is real nutrition to the industry and provides a core brief but (and Mark used it earlier) the vision we had and the simple sentence we used to describe it was "audiences and services of the future". It is not difficult to spot the complementarity between new media, learning and Five Live, for example, and children's programmes. They connect in a particular way, a direct inter-section with the audience. Five Live is the most interactive of our radio stations connected to audiences and it is of course a very natural bed fellow for sport, which in turn is pioneering new forms of technology in outside broadcasts for example and research and development. Career paths are clear across

them and there is a connectivity. I believe also that together they can form not just the basis of a thriving internal ecology but be part of a very strong external ecology.

Q604 Baroness Bonham-Carter of Yarnbury: Picking up on sport, is there a problem about the fact that we got the Olympics and they are going to be in London?

Mr Loughrey: I do not think so. I think we managed to cover the Commonwealth Games in Manchester without moving the department for that and the Olympic Games in Beijing without moving the department for that. I think those glorious couple of months, if it is that long, will be easily covered from a base wherever it is.

Q605 Chairman: You said a very interesting thing, Mark Thomas. You said basically, as I understood you, that Manchester is not self-sufficient for staff which is rather contrary to what was being indicated this morning.

Mr Thomas: For drama. When the BBC comes up here with a major drama production, and it is certainly backed up by North West Vision because they talk to us about it all the time, there are not the crews and everything rooted here in the locality and available because there is not enough work.

Q606 Chairman: That is interesting. It was not quite the flavour I got from the evidence earlier this morning.

Mr Loughrey: Over the next months, maybe years, I think we could see a significant shift in BBC drama's mass full-time engagement with this part of England. The controller of television drama has said publicly that there is a cost premium to producing network dramas in the North of England for the reasons that Mark has described. Recurring dramas like Coronation Street of course have their own dedicated facilities but for the occasional six-part

series or one-parter it is quite difficult to find the mobile resources to deliver those. They do tend to cost a premium. We need permanent production to sustain a total base.

Q607 Chairman: What is the total staff employed by the BBC in the United Kingdom?
Does anyone know?

Mr Loughrey: 24,000. We have just experienced a value-for-money exercise which reduced that number significantly.

Q608 Chairman: And how many are employed outside London?

Mr Loughrey: 6,000 within my division of the Nations and the Regions, and then a further - and I need to come back to you on these numbers - probably couple of thousand in the network production centres, this one, Bristol and Birmingham.

Q609 Chairman: So it is heavily London-centred at the moment?

Mr Loughrey: Yes.

Q610 Chairman: And in Manchester we have got 1,200?

Mr Thomas: 800.

Mr Brooks: 760.

Q611 Baroness Bonham-Carter of Yarnbury: Unlike the ITV Granada answer, when you say staff are you are also counting in people on long-term contracts?

Mr Loughrey: On long-term contracts, not short-term.

Chairman: These are people who are permanently employed, these are not the people you hire in?

Baroness Bonham-Carter of Yarnbury: They do include long-term contracts.

Q612 Lord Peston: Long-term contracts is just a tax dodge, is it not?

Mr Loughrey: It depends how you describe freelance staff.

Lord Peston: That is what I have just described them as.

Chairman: We are almost at our end because we need to get our plane to Belfast, so long as the fog permits. Has anybody got any further questions? Lord Maxton?

Q613 Lord Maxton: The only question I would like to ask is I did screw my face up a little when Mark said 25 or 30 years down the line. In the modern world, that is being really, I would have thought, optimistic if you can forecast the future that far ahead. Most of us now are at the point - I am being a technical nut - of putting off buying almost anything because I know it will be cheaper and newer and better six months down the line.

Mr Thomas: I think you are absolutely right, that is why we are seeking the partners, in terms of the media zone, who are the most forward-thinking because you are right an element of this is about flexibility, which is why we do have some nervousness, and I know you touched on it earlier, around the 3sixty model. Those studios are already as old as our studios in London. That is not necessarily where we need to be going. You only have to look at how production is moving away more and more from studios to on location, so I think it is about creating the right media zone with the right people running it with the right vision that allows us to be future-proofed over 25 years. You are right that is not about knowing what it is going to be like in 25 years' time but it is having the right people in the media zone that are going to keep refreshing it and be focused on the future.

Q614 Chairman: That seems to me a very appropriate point at which to stop. Thank you very much indeed all of you for your evidence which was very clear and very interesting and thank you also for the discussions that we have had before this meeting for which we are very grateful indeed. Perhaps if we have any other questions we could send them to you.

Mr Loughrey: And I will come back to you, if I may, with more precise answers on the numbers.

Mr Thomas: We will come back to Baroness Howe on the link between why it is a third on one and a half on the other.

Chairman: We wish you good luck in your negotiations.